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ABILITY

ABILITY ENTERPRISE CO., LTD.
2020 Annual Report

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**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

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Name: CHENG, KO-JEN

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COMMON SHARES TRANSFER AGENT

Company: China Trust Commercial Bank Corporate Trust Operation and service Department

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CPA Firm: PricewaterhouseCoopers Taiwan

Name of CPA: JuanLu, Man-Yu and Lin, YA-Hui

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<https://www.pwc.tw>

ABILITY WEBSITE

<http://www.abilitycorp.com.tw>

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1. Letter to Shareholders

I. The business operation of 2020

a. The Business Operation

In 2020, the global economy, life and consuming habit were all affected by the international unresolved matters, such as the U.S.-China trade war, the U.K.'s exit from the European Union, the U.S. election, energy and climate change, and the different pace to against the COVID-19 from each country.

In the face of this challenging external environment, Ability has adopted a multi-pronged approach to its operations. First, in order to adjust the operation organization, we carried out the consolidation of factories in China in 2020, and rented out the not-in-use plans in China to reduce the cost; meanwhile, the Company also strengthened the factories at WuGu, Taiwan, in order to cope with the possible risks of the US-China trade war. Second, in terms of product development, the R&D on imaging applications, edge computing, AIoT, 3D and other technology applications is continuing. Thirdly, as to the field of business promotion, in addition to the existing optical components, the company is promoting 360-degree panoramic live camera for commercial use, in-vehicle applications including driver monitoring system, intelligent monitoring system for commercial/household/industrial/care of aged people, optical inspection instruments, etc. Every kind of optical modules application is belonging to the business which Ability has interesting to march in and get involved into cross-industries cooperation.

b. Revenue and Profit (Loss)

The consolidated revenue of 2020 was NT\$3,442,017 thousand. And, the loss was NT\$616,298 thousand; net loss after tax counted to the parent company was NT\$459,802 thousand. Loss per share was NT\$1.63.

II. The Business Operation and R&D of 2021

Although the global economy is expected to return to the upward trajectory of growth, the international protective lockdown for epidemic prevention and defense has not been completely lifted, and the marketing of consumer electronics products remains a serious challenge. The invention of COVID-19 vaccine has brought light to the global economy, and it was expected that the manufacturing industry would

return to the right track of growth. However, people's living and working habits have changed due to the epidemic, and the demand for various electronic applications has increased greatly. This has resulted in a shortage of IC production capacity, prices increased and longer delivery times, and a scramble for goods in the supply chain. The shortage of electronic components has increased procurement costs and made deploy production capacity more complicated. To face of these adversities, we continue to maintain a good foundation of mutual trust and cooperation with our customers and vendors to alleviate the difficulties.

As a sustainable enterprise, Ability must develop competitiveness in any environment, the capability to innovate in research and development, and the drive for marketing challenges. Ability combined the AI and cloud applications with the basic technology of optical-electro-mechanical integration and core image processing technologies. The Company is still committed to the development and manufacturing of optical products that meet the needs of social lifestyles, such as commercial products for 360-degree video conferencing, core optical modules for spectrometers, 3D sensing, AR/VR field, and applications of automotive video modules. We seize all possible opportunities to work with different international partners to design and manufacture our new optical products to meet the needs of their marketing fields and to market the new products in Asia, America and Europe.

Various concrete efforts on company management are adopted for improving the Company's management. In addition to research and development and business promotion, the operation management team continues to adjust the organization as appropriate as possible. We split the core R&D staffs from Androvideo and integrate this team into Ability Enterprises for the purpose to expand our inner RD range. At the same time, we liquidate Androvideo to save costs. For the preparation of our strategic investment and manufacturing strategy in future, our Nangang real estate was sold to increase cash flow. The ESG of company is also in consideration. Ability will do our best to maintain the shareholders' equity, to share the management performance with shareholders, clients and employees and to execute our responsibility to society.

Deeply appreciate every shareholder's support on Ability!

Wish you health and smooth in your daily life.

Chairman & CEO : Tseng, Ming-Jen



2. Company Profile

2.1 Date of Incorporation: May 21, 1965

2.2 The Company Chronicle

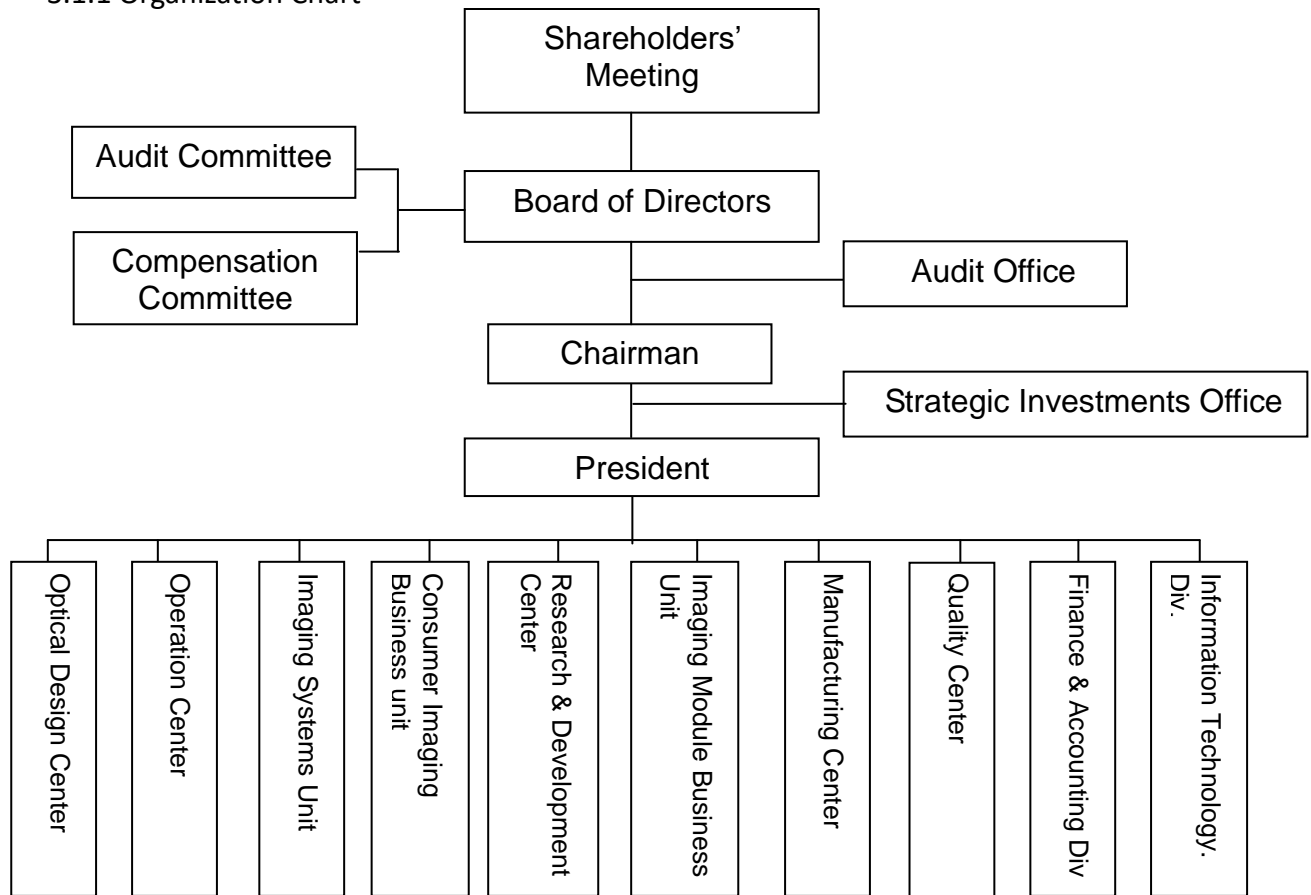
Ability's Chronicle of Events

Year	Events
1965	Mr. C. H. Tong, established "ABILITY ENTERPRISE CO., LTD." In the same year, the Company obtained the agency of Canon products in Taiwan. This was the first step for the Company to march towards sustainable development.
1993	Canon Inc. officially became one of the shareholders of the Company.
1995	ABILITY's listing is another milestone of operation for the Company.
1998	Viewquest Technologies Inc. (ViewQuest) was formally established.
1999	Viewquest established a production base in Chang-An Dongguan, China
2001	Viewquest became the world's largest PC CAM ODM/OEM manufacturer.
2003	The Company merged "Viewquest." and appointed a professional management team to manage the business professionally focusing on the design & manufacture of optical, mechanical, and electrical integrated products in the optical imaging industry and gradually take a place in the global optical imaging field.
2005	The Dongguan Liaobu Plant was established and put into production.
2007	The strategy alliance between ASUS and ABILITY was signed and ASUS becomes the largest shareholder of ABILITY.
2008	Since the corporate divestiture of Asus Group, Pegatron takes over the position of the largest shareholder of Ability.
2010	Won the No. 5 of "Taiwan Top 100 Tech." The largest DSC (digital camera) OEM/ODM manufacturer in the world. A new production plant in Jiujiang, Jiangxi, China has been established.
2011	The accumulated shipping volume of digital cameras reached 100 million units. The Remuneration Committee being set up. To Invest E-PIN OPTICAL INDUSTRY CO., LTD
2013	Being selected into "Taiwan Top 50 List Companies of American Patent Value" co-evaluated by the <u>Science and Law Institute</u> , <u>Institute for Information Industry</u> and the <u>Ocean Tomo</u> In October, the Company invested Altasec Technology Corporation which focused on security monitoring solutions, and held 30% of shares of Altasec.
2014	Ranked in the "Taiwan High Compensation 100 Index" list Won the "PAS99:2012 Management System Integration Benchmarking Award" evaluated by SGS.
2016	To invite the independent director to join the Board of Directors To establish the Audit Committee Ranked in the "Taiwan High Compensation 100 Index" list
2017	Moved into the ABILITY BUILDING which was built at the Company's own land, located at No. 200, Section 3, Zhonghuan Road, Xinzhuang District, New Taipei City.
2020	Won the top ten of "IP Camera Best Choice Award in 2019"

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
Strategic Investments Office	Long term corporate investment planning and industry analysis
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 04/17/2021

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 VIEWQUEST Investment Co., Ltd. Rep. : Tseng, Ming-Jen	R.O.C.	—	06/14/2019	3	06/29/2016	1,650,000	0.58	1,650,000	0.58	0	0.00	0	0.00	None	None
			06/14/2019	3	06/29/2016	1,209,093	0.43	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 、 VIEWQUEST TECHNOLOGIES (DONGGUAN) CO., LTD 、 E-PIN OPTICAL INDUSRY CO.,LTD. 、 ANDROVIDEO INC. .Director : VIEWQUEST TECHNOLOGIES INTERNATIONAL INC(US) 、 ABILITY I VENTURE CAPITAL CORPORATION .Independent Director : Howteh Technology Co., Ltd. .Remuneration Committee : Flytech Technology Co.,Ltd. Howteh Technology Co., Ltd.
Director VIEWQUEST Investment Co., Ltd. Rep. :Chan, Wen-Hsiung	R.O.C.	—	06/14/2019	3	06/29/2016	1,650,000	0.58	1,650,000	0.58	0	0.00	0	0.00	None	None
		Male	06/29/2016	3	6/17/2010	0	0.00	100,000	0.04	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. 、 PANJIT INTERNATIONAL INC. 、 OPALS CHEMICAL TECHNOLOGY LTD. 、 E-Pin Optical Industry Co. Ltd. .Independent Director : BIOSTAR MICROTECH INTERNATIONAL CORP. 、 NIEN HSING TEXTILE CO., LTD. .Supervisor : HIYES INTERNATIONAL 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: AVY Precision Technology Inc. Rep. : Tong, Chun-Yi	R.O.C.	–	06/14/2019	3	06/29/2016	4,138,544	1.47	14,802,000	5.24	–	–	–	–	None	None
		Male	06/14/2019	3	05/31/2001	24,232	0.01	24,232	0.01	972	0.00	0	0.00	.Vice Chairman Avy Precision Tech. Inc. .Bachelor of Economics, University of Southern California .Master of LSI, Waseda University, Japan	. Chairman: ABILITY VENTURE MANAGEMENT CO., LTD. ∙ DongGuan Cheng Guang Metal Products ∙ SKY CENTURY CORP. ∙ Excelsior Capital Management Co., Ltd. ∙ Ability International co., Ltd. . Vice Chairman: Avy Precision Tech. Inc. . Directors: AVY Co.,Ltd. ∙ ABICO Pictures ∙ JBON International Technology Co., Ltd. ∙ CHIA MEI Investment CO., LTD ∙ Ability I Venture Capital Corporation ∙ SEINOH OPTICAL CO., LTD. ∙ Japan ABICO Investment co., Ltd. ∙ ABICO (HK) International Holding Co., Ltd. ∙ ABICO International Holding Co., Ltd. ∙ ABICO (HK) INVESTMENT CO., LIMITED ∙ AVY Technology Ltd. ∙ AVY High Tech Ltd. ∙ Gold Market Investments Ltd. ∙ SOL-PLUS (HK) CO., LIMITED ∙ HIRASEIMITSU (THAILAND) CO.,LTD. ∙ Japan Daiichi Kasei Co., Ltd. ∙ Japan SOL- PLUS CO.,LTD. . Executive director: IKKA HOLDINGS (CAYMAN) LIMITED . Independent Director : SIRTEC INTERNATIONAL CO., LTD. ∙ TAIWAN SECOM CO., LD. . Supervisor : Ability Investment 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: AVY Precision Technology Inc. Rep.: Hu, Shiang-Chi	R.O.C.	—	06/14/2019	3	06/29/2016	4,138,544	1.47	14,802,000	5.24	—	—	—	—	None	None
		Male	06/14/2019	3	06/14/2019	0	0.00	0	0.00	3,000	0.00	0	0.00	.MBA - National Taiwan University .EE Dept., National Taiwan University. .CHARIMAN & CEO-CHIPCERA TECHNOLOGY CO., LTD. .Vice President of Capacitor Business Group/ General Manager of Global Product Business / General Manager of Global Business - YAGEO CORPORATION	.Chairman : ABICO NetCom Co., Ltd. 、 JABON INTERNATIONAL CO., LTD. 、 Ability I Venture Capital Corporation 、 TranSystem, Inc. 、 IKKA HOLDING(CAYMAN) LIMITED .CEO: ABICO Aisa Capital CO., LTD. 、 AVY Precision Technology INC. .Independent Directors: ALLIS ELECTRIC CO., LTD. 、 JSL CONSTRUCTION & DEVELOPMENT CO., LTD. Directors: DR. CHIP BIOTECHNOLOGY INCORPORATION
Director Chia-Nine Investment Co., Ltd. Rep.: Huang, Li-An	R.O.C.	—	06/14/2019	3	06/21/2013	8,831,767	3.13	8,831,767	3.13	—	—	—	—	None	None
		Male	06/14/2019	3	06/29/2016	9,996	0.00	9,996	0.00	529	0.00	0	0.00	.MBA, IESE Business School	.Director : ABICO NetCom Co, Ltd. 、 Avy Precision Tech. Inc. 、 iCatch Technology, Inc. 、 GRANDTECH C.G. SYSTEMS INC. 、 GREEN BREEZE TORNADO INCORPORATION
Director Chia-Mei Investment Co., Ltd. Rep.: Tsay, Wen-Bin	R.O.C.	—	06/14/2019	3	06/17/2010	3,163,799	1.12	5,433,757	1.92	0	0.00	0	0.00	None	None
		Male	06/14/2019	3	06/17/2010	0	0.00	0	0.00	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 (US) .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	%		
Independent Director Chen, Kuo-Hong	R.O.C.	Male	06/14/2019	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 - Howtech Technology Co., Ltd. .Director -Taily Techonologies, Inc. .Department of Electrical Engineering, National Taiwan University	.Director - Stark Technology Inc. .Chairman - Chaintel Technology Co., Ltd. .Chairman - Howtech Technology Co., Ltd. .Director -Taily Techonologies, Inc. .Independent Director -Flytech Technology Co., Ltd
Independent Director Chen, Chien-Hung	R.O.C.	Male	06/14/2019	3	06/29/2016	0	0.00	0	0.00	0	0.00	0	0.00	Bachelor of Law, National Chung Hsing University Soochow University Law Master PhD, China University of Political Science and Law .Director -Chen, Chien-Hung , Attorneys-at-Law Adjunct Associate Professor -National Taiwan Ocean University	.Director -Chen, Chien-Hung , Attorneys-at-Law .Adjunct Associate Professor -National Taiwan Ocean University

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 Huang, Chih-chen	R.O.C.	Male	06/14/2019	3	06/29/2016	0	0.00	0	0.00	0	0.00	0	0.00	.B.A. Department of Accounting- Feng Chia University .Audit Manger- KPMG,HK .Audit Manger- KPMG,Taiwan .Partnership accountant -DINKUM & CO., CPAS. .Independent Director- Kwang Ming Silk Mill Co., Ltd. . Supervisor- China Biotech Corporation.. .Member of the Evaluation Committee- CPA ASSOCIATIONS R.O.C.(TAIWAN) .Member of Taxation Committee- CPA ASSOCIATIONS R.O.C.(TAIWAN) CEO of Accounting and audit committee- CPA ASSOCIATIONS R.O.C.(TAIWAN)	.Director -Guangyun CPAS & CO. .Chairman- Hundred matters International Co., Ltd .Independent Director - Auden Techno Corp .Member of Accounting and audit committee- CPA ASSOCIATIONS R.O.C.(TAIWAN) .Member of Accounting and audit committee- Taipei CPA Association

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.	11.75
	ABILITY ENTERPRISE CO., LTD.	10.16
	Ability International co., Ltd.	7.06
	TAISHIBA INTERNATIONAL CO., LTD.	0.99
	SCUDERIA INTEGRATED MARKETING CO., LTD.	0.98
	LIN, LAI-CHENG	0.79
	LIN, XIU-YUN	0.71
	YE, YONG-XIONG	0.69
	LIN, ZHI-LONG	0.65
	Treasury stock account of AVY Precision Technology Inc.	0.59
CHIA NINE INVESTMENT CO., LTD.	DONG DENG, JI-ZI	40.00
	DONG,YI-JIA	28.00
	DONG,YI-NAI	28.00
	HENG NENG INVESTMENT CO., LTD.	1.75
	HUANG,NENG-YA	0.85
	HUANG,XIN-YA	0.75
	ANTO KENSEI	0.65
CHIA MEI INVESTMENT CO., LTD.	DONG YANG,SU-JING	25.00
	DONG,YI-JUN	20.00
	DONG,JUN-REN	20.00
	DONG,JUN-YI	20.00
	CHEN,PEI-YU	5.00
	ZHANG,XIAO-QI	5.00
	ZHOU,XIN-YI	5.00

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 NINE INVESTMENT CO., LTD.	19.27
	YACHENG INTERNATIONAL INVESTMENT CO., LTD.	12.62
	CHISHIEN INVESTMENT CO., LTD.	8.67
	TRUMP ELEGANT INVESTMENT LIMITED	8.65
	CHIA MEI Investment CO., LTD	7.18
	SKY CENTURY CORP.	6.67
	DONG,YI-JIA	5.00
	DONG,YI-NAI	3.00
	DONG, JIONG-XIN	2.58
Ability International co., Ltd.	CHIA MEI INVESTMENT CO., LTD	100.00

c. Professional Qualifications and Independence Analysis of the Board Directors

As of 04/30/2021

Name \ Criteria	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	11	12	
Tseng, Ming-Jen	N	N	Y	—	—	✓	—	—	✓	✓	✓	✓	✓	✓	—	1
Tsay, Wen-Bin	N	N	Y	—	—	✓	✓	—	✓	✓	✓	✓	✓	✓	—	0
Tong, Chun-Yi	N	N	Y	—	—	✓	✓	—	✓	✓	✓	✓	✓	✓	—	2
Huang, Li-An	N	N	Y	✓	—	✓	✓	—	✓	✓	✓	✓	✓	✓	—	0
Hu, Shiang-Chi	N	N	Y	—	—	✓	✓	—	✓	✓	✓	✓	✓	✓	—	2
Chan, Wen-Hsiung	N	N	Y	✓	✓	✓	✓	—	✓	✓	✓	✓	✓	✓	—	2
Chen, Kuo-Hong	N	N	Y	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Chen, Chien-Hung	Y	Y	Y	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Huang, Chih-chen	N	Y	Y	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

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.

11. Not been a person of any conditions defined in Article 30 of the Company Law; and

12. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

3.2.2 Introduction of the Management Team

As of 04/17/2021

AS OF 04/17/2021

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	2013.01	1,209,093	0.43	249,524	0.09	0	0.00	Refer to Introduction of Board of Directors	
Assistant Vice President Adams Chen	R.O.C.	Male	2015.06	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.
Assistant Vice President Vincent Lu	R.O.C.	Male	2019.04	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	2008.10	59,987	0.02	0	0.00	0	0.00	.CFO, Ability Ent. Co., Ltd 、 .Assistant manager of Deloitte Audit Services Dept. of Accounting, CYUT	Supervisor : ABILITY INTERNATIONAL INVESTMENT CO., LTD. 、 Ability Tech. (Dongguan) Co., Ltd 、 ANDROVIDEO INC.
Accounting Supervisor Lin, Xing-Jun	R.O.C.	Female	2021.03	2,884	0.00	0	0.00	0	0.00	. Accounting Supervisor, Ability Ent. Co., Ltd . Senior Auditor of Deloitte Audit Services .Dept. of Accounting, FCU	None

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

3.2.3.1 Remuneration Paid to Directors

As of 12/31/2020; 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)							
									The Company	From all consolidated entities									The Company	From all consolidated entities		The Company
	Cash	Stock	Cash	Stock																		
Chairman: VIEWQUEST Investment Co. Ltd. Rep.:Tseng, Ming-Jen	-	-	-	-	-	-	140	152	0.03%	0.03%	-	-	-	-	-	-	-	-	-	-	-	-
Director : VIEWQUEST Investment Co. Ltd. Rep. : Chan,Wen-Hsiung	-	-	-	-	-	-	140	149	0.03%	0.03%	-	-	-	-	-	-	-	-	-	-	-	-
Director: AVY Precision Technology Inc. Rep. : Tong, Chun-Yi	-	-	-	-	-	-	140	140	0.03%	0.03%	-	-	-	-	-	-	-	-	-	-	-	-
Director: AVY Precision Technology Inc. Rep. : Hu, Shiang-Chi	-	-	-	-	-	-	140	140	0.03%	0.03%	-	-	-	-	-	-	-	-	-	-	-	-
Director: Chia Nine Investment Co., Ltd. Rep. : Huang, Li-An	-	-	-	-	-	-	140	140	0.03%	0.03%	-	-	-	-	-	-	-	-	-	-	-	-
Director: Chia-Mei Investment Co., Ltd. Rep. : Tsay, Wen-Bin	-	-	-	-	-	-	140	140	0.03%	0.03%	-	-	-	-	-	-	-	-	-	-	-	-
Independent Director Chen, Kuo-Hong	-	-	-	-	-	-	500	500	0.11%	0.11%	-	-	-	-	-	-	-	-	-	-	-	-
Independent Director Chen, Chien-Hung	-	-	-	-	-	-	500	500	0.11%	0.11%	-	-	-	-	-	-	-	-	-	-	-	-
Independent Director Huang, Chih-chen	-	-	-	-	-	-	500	500	0.11%	0.11%	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	2,340	2,361	0.51%	0.51%	7,800	7,800	72	72	-	-	-	-	2.22%	2.23%		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\$ 1,000,000	Tseng, Ming-Jen Tsay, Wen-Bin Tong, Chun-Yi Huang, Li-An Hu, Shiang-Chi Chan, Wen-Hsiung Chen, Kuo-Hong Chen, Chien-Hung Huang, Chih-chen	Tseng, Ming-Jen Tsay, Wen-Bin Tong, Chun-Yi Huang, Li-An Hu, Shiang-Chi Chan, Wen-Hsiung Chen, Kuo-Hong Chen, Chien-Hung Huang, Chih-chen	Tsay, Wen-Bin Tong, Chun-Yi Huang, Li-An Hu, Shiang-Chi Chan, Wen-Hsiung Chen, Kuo-Hong Chen, Chien-Hung Huang, Chih-chen	Tsay, Wen-Bin Tong, Chun-Yi Huang, Li-An Hu, Shiang-Chi Chan, Wen-Hsiung Chen, Kuo-Hong Chen, Chien-Hung Huang, Chih-chen
NT\$1,000,000(Included) ~ NT\$2,000,000(Excluded)	—	—	—	—
NT\$2,000,000 (Included)~ NT\$3,500,000(Excluded)	—	—	—	—
NT\$3,500,000(Included) ~ NT\$5,000,000(Excluded)	—	—	—	—
NT\$5,000,000 (Included)~ NT\$10,000,000(Excluded)	—	—	Tseng, Ming-Jen	Tseng, Ming-Jen
NT\$10,000,000 (Included)~ NT\$15,00,000(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	9	9	9	9

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\$72 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 12/31/2020; 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	3,600	3,600	72	72	4,200	4,200	—	—	—	—	1.71%	1.71%	None

Range of Remuneration

Bracket	Name of President and Vice President	
	The company	Companies in the financial report
Below NT\$ 1,000,000	—	—
NT\$1,000,000(Included) ~ NT\$2,000,000(Excluded)	—	—
NT\$2,000,000 (Included)~ NT\$3,500,000(Excluded)	—	—
NT\$3,500,000(Included) ~ NT\$5,000,000(Excluded)	—	—
NT\$5,000,000 (Included)~ NT\$10,000,000(Excluded)	Tseng, Ming-Jen	Tseng, Ming-Jen
NT\$10,000,000 (Included)~ NT\$15,00,000(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	1	1

Note 1: Actual payments of pensions for the most recent years: Nil; appropriated amounts of pensions expense for the most recent years: NT\$72 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

As of 12/31/2020; 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	-	-	-	-
Assistant Vice President	Adams Chen				
Assistant Vice President	Vincent Lu				
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	2020		2019	
	Amount	Ratio of Total Amount to Net loss (%)	Amount	Ratio of Total Amount to Net loss (%)
position				
directors	-	-	-	-
presidents and vice presidents	7,872	1.71	11,522	2.89

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 7 (A) meetings of the Board of Directors were held in 2020. The directors' attendance status is as follows:

Title	Name	Attendance in person (B)	By Proxy	Attendance rate (%) 【 B / A 】	Remarks
Chairman	VIEWQUEST Investment Co. Ltd. Rep.:Tseng, Ming-Jen	7	0	100%	06/14/2019 Newly elected
Director	VIEWQUEST Investment Co. Ltd. Chan,Wen-Hsiung	7	0	100%	06/14/2019 Newly elected
Director	AVY Precision Technology Inc. Rep. : Tong, Chun-Yi	7	0	100%	06/14/2019 Newly elected
Director	AVY Precision Technology Inc. Rep. : Hu, Shiang-Chi	7	0	100%	06/14/2019 Newly elected
Director	Chia Nine Investment Co., Ltd. Rep. : Huang, Li-An	4	0	100%	06/14/2019 Newly elected
Director	Chia-Mei Investment Co., Ltd. Rep. : Tsay, Wen-Bin	7	0	100%	06/14/2019 Newly elected
Independent Director	Chen, Kuo-Hong	7	0	100%	06/14/2019 Re-elected
Independent Director	Chen, Chien-Hung	7	0	100%	06/14/2019 Newly elected
Independent Director	Huang, Chih-chen	7	0	100%	06/14/2019 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
2020.3.27 1 st in 2020	<ol style="list-style-type: none"> 1. The Company's 2019 financial statements. 2. The Company's Business Reports and Financial Statements of 2019, submitted for Recognition. 3. Evaluation of the CPA's independence of the Company. 4. Amendment of the Company's "Articles of Incorporation", submitted for Discussion. 5. Matters related to the date, time and place of the 2019 shareholders' meeting. 6. To draw up the place and period for accepting shareholder proposals for the 2019 shareholders' meeting. 7. The company and the bank credit renewal related matters. 8. "2019 Management's Reports on Internal Control System". 	Passed unanimously by all independent directors in attendance.

<p>2020.5.6 2nd in 2020</p>	<ol style="list-style-type: none"> 1. The company's 2019 earnings distribution proposal. 2. The company's 2019 earnings distribution cash dividend proposal. 3. It is proposed to handle cash capital increase in private placement of ordinary shares, private placement of domestic or overseas corporate bonds. 4. The proposed issuance of new shares restricting the rights of employees. 5. It is proposed to lift the restrictions on the prohibition of competition for the incumbent directors of the company. 6. Add a proposal for convening the 2020 shareholders' meeting. 7. CPA's Audit Fees. 8. The company intends to loan and extend the funds of Androvideo Technology. 9. The company and the bank credit renewal related matters. 10. Amendments to the Company's "Audit Committee Organization Rules " 11. Amendments to the Company's "Regulations of Board of Directors" 12. Amendments to the Company's "Code of Practice on Corporate Governance". 13. Amendment of the company's "Corporate Social Responsibility Code of Practice" . 14. Amendment of the company's "Code of Integrity Management". 15. Amendment to the company's "Remuneration committee Organization Rules". 16. Formulate the company's "Board Performance Evaluation Measures" proposal. 	<p>Except for the third proposal, which needs to be sent to the board of directors for discussion after the team has formulated a specific operational development plan, the remaining motions were passed unanimously by all independent directors in attendance.</p>
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<p>2020.5.27 3rd in 2020</p>	<ol style="list-style-type: none"> 1. It is proposed to add a new investment: IVP Fund II A, L.P. ("Fund II"). 2. It is proposed to add a new investment: Infinity e.ventures Japan IV, L.P. ("Fund IV"). 	<p>Since one of the main investment targets, is expected to be listed in Hong Kong in June, in view of the current unstable situation in Hong Kong and national security law issues, uncertain factors and high risks, the present directors unanimously approved the suspension with reference to the audit committee's resolution.</p> <p>2. The present directors unanimously passed the resolution of the audit committee, and the investment amount was less than USD10M (target is 9M). After the contract is fully reviewed, the benefit and evaluation report and other relevant information are complete, the board will discuss it next time.</p>
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<p>2020.8.14 4th in 2020</p>	<ol style="list-style-type: none"> 1. The Company's appointment of the CPA. 2. The company intends to loan and extend the funds of Androvideo Inc. 3. The company and the bank credit renewal related matters. 4. It is proposed to add a new investment: Infinity e.ventures Japan IV, L.P. ("Fund IV"). 	<p>Except for the fourth proposal, all directors unanimously agreed with the 4 points proposed by Director Chan, Wen-Hsiung and Director Hu, Shiang-Chi In Side Letter, pass conditionally. The remaining motions were passed unanimously by all independent directors in attendance.</p>
<p>2020.9.30 5th in 2020</p>	<ol style="list-style-type: none"> 1. Invest in Infinity Ventures IV, L.P. ("Fund IV"), and report on the implementation status. Opinions from all independent directors : Chen Guo-Hong's independent director proposal: In view of the two newly added report items today, there is a gap with the background at the time of the audit committee's deliberation. According to the corporate governance procedures, it is recommended to be sent back to the audit committee for re-examination. Chen, Chien-Hung and Huang, Chih-chen's independent directors seconded. Resolution: Except for director Huang, Li-An withdrew due to interest, all other directors present passed without objection, and the chairman ruled that the proposal was sent back to the audit committee for further discussion. 2. A report on the operation and development of Androvideo inc. and how to enrich its working capital. Opinions from all independent directors : Director Tseng, Ming-Jen: Androvideo Inc.'s future development is necessary to enrich its working capital. At present, Ability has a loan of nearly TWD\$170 million for Androvideo Inc.. To reduce its capital pressure through capital planning, please ask the BU head to follow the actual situation after making the plan, discuss it at the next board meeting. Resolution: The chairman consulted all directors and passed without objection. 	

2020.11.11 6 th in 2020	1. The amendments to the remuneration management measures for directors. 2. The company's 2020 annual salary for managers. 3. The company and the bank credit renewal related matters. 4. The Company's "2021 internal audit plan".	Passed unanimously by all independent directors in attendance.
2020.12.18 7 th in 2020	1. The company intends to increase the capital of Androvideo Inc. 2. The year-end bonus distribution plan for managers and employees of the company in 2020. 3. The Company's 2021 operation plans.	The first proposal: The present directors unanimously passed the resolution with reference to the audit committee: deferred. The second proposal: The board of directors passed a resolution better than the remuneration committee. The third proposal: 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
2020.5.27	1. It is proposed to add a new investment: IVP Fund II A, L.P. ("Fund II"). 2. It is proposed to add a new investment: Infinity e.ventures Japan IV, L.P. ("Fund IV").	Huang, Li-An	Since one of the main investment targets, is expected to be listed in Hong Kong in June, in view of the current unstable situation in Hong Kong and national security law issues, uncertain factors and high risks, the present directors unanimously approved the suspension with reference to the audit committee's resolution. 2. The present directors unanimously passed the resolution of the audit committee, and the investment amount was less than USD10M (target is 9M). After

			the contract is fully reviewed, the benefit and evaluation report and other relevant information are complete, the board will discuss it next time.
2020.8.14	It is proposed to add a new investment: Infinity e.ventures Japan IV, L.P. ("Fund IV").	Huang, Li-An	All directors unanimously agreed with the 4 points proposed by Director Chan, Wen-Hsiung and Director Hu, Shiang-Chi In Side Letter, pass conditionally.
2020.9.30	Invest in Infinity Ventures IV, L.P. ("Fund IV"), and report on the implementation status.	Huang, Li-An	Opinions from all independent directors : Chen Guo-Hong's independent director proposal: In view of the two newly added report items today, there is a gap with the background at the time of the audit committee's deliberation. According to the corporate governance procedures, it is recommended to be sent back to the audit committee for re-examination. Chen, Chien-Hung and Huang, Chih-chen's independent directors seconded. Resolution: Except for director Huang, Li-An withdrew due to interest, all other directors present passed without objection, and the chairman ruled that the proposal was sent back to the audit committee for further discussion.
2020.11.11	The manager's salary structure and remuneration.	Tseng, Ming-Jen Lin, Hung-Tien	Other than the chairman Tseng, Ming-Jen 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.
2020.12.18	Bonus distribution plan for managers and employees of the company in 2020.	Tseng, Ming-Jen Lin, Hung-Tien	Other than the chairman Tseng, Ming-Jen 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. Board of Directors' Performance Evaluation Implementation Status :

Evaluation Cycles	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Aspects
The Company conducts the board performance evaluation once a year.	From 2020.1.1 to 2020.12.31	The scope includes the Board of Directors as a whole, the individual directors, and the Audit Committee.	Methods include internal assessment of the Board and self-assessments by each board member.	The Board of Directors are assessed on the following five aspects: 1. Involvement in the Company's operation 2. Enhancement of the quality of the board's decision-making 3. Makeup and structure of the board 4. Election of board members and continuing knowledge development 5. Internal controls
				The individual directors are assessed on the following six aspects: 1. Understanding of the Company's goals and mission 2. Awareness of director's duties 3. Involvement in the Company's operations 4. Internal relationship and communication 5. Director's professionalism and continuing knowledge development 6. Internal controls
				The Compensation Committee and Audit Committee is assessed on the following five aspects: 1. Involvement in the Company's operation 2. Awareness of the audit committee's duties 3. Enhancement of the quality of the audit committee's decision-making 4. Makeup of the audit committee and election of its members 5. Internal controls

The Company completed self-assessments of Board performance in 2020 and reported the results to the Board of Directors at its first quarter meeting in 2021 for review and improvement.

The weighted average score for the overall performance of the board of directors is 4.70 out of 5.

The weighted average score for the performance of the individual directors is 4.72 out of 5.

The weighted average score of the Compensation Committee and Audit Committee were 4.52 and 4.55 respectively. Full score is 5..

As demonstrated, the overall board's operation has been effective and Compensation Committee and Audit Committee are functioning well.

4. 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 2020. The independent directors' attendance status is as follows:

Title	Name	Attendance in person (B)	By Proxy	Attendance rate (%) 【 B / A 】	Remarks
Independent Director	Chen, Kuo-Hong	6	0	100%	06/14/2019 Re-elected
Independent Director	Chen, Chien-Hung	6	0	100%	06/214/2019 Newly elected
Independent Director	Huang, Chih-chen	6	0	100%	06/214/2019 Newly elected
<p>Other remarks:</p> <p>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:</p> <p>(1) Conditions described in Article 14-5 of the Securities and Exchange Act:</p>					
Period and Date	Contents of resolutions			Opinions from audit committee's resolutions and how the company has responded to audit committee's opinions	
2020.3.27 1st of the 2nd.	1. The Company's 2019 financial statements. 2. The Company's Business Reports and Financial Statements of 2019, submitted for Recognition. 3. Evaluation of the CPA's independence of the Company. 4. "2019 Management's Reports on Internal Control System".			Passed unanimously by members in attendance.	
2020.5.6 2nd of the 2nd.	1. CPA's Audit Fees. 2. The company's 2019 earnings distribution proposal. 3. It is proposed to handle cash capital increase in private placement of ordinary shares, private placement of domestic or overseas corporate bonds. 4. The proposed issuance of new shares restricting the rights of employees. 5. Amendments to the Company's "Audit Committee Organization Rules" 6. Amendments to the Company's "Code of Practice on Corporate Governance". 7. Amendment of the company's "Corporate Social Responsibility Code of Practice". 8. Amendment of the company's "Code of Integrity Management".			Except for the third proposal, which needs to be sent to the board of directors for discussion after the team has formulated a specific operational development plan, the remaining motions were passed unanimously by all independent directors in attendance.	

2020.5.27 3rd of the 2nd.	<ol style="list-style-type: none"> 1. It is proposed to add a new investment: IVP Fund II A, L.P. ("Fund II"). 2. It is proposed to add a new investment: Infinity e.ventures Japan IV, L.P. ("Fund IV"). 	<p>Since one of the main investment targets, is expected to be listed in Hong Kong in June, in view of the current unstable situation in Hong Kong and national security law issues, uncertain factors and high risks, the present directors unanimously approved the suspension with reference to the audit committee's resolution.</p> <p>2. The present directors unanimously passed the resolution of the audit committee, and the investment amount was less than USD10M (target is 9M). After the contract is fully reviewed, the benefit and evaluation report and other relevant information are complete, the board will discuss it next time.</p>
2020.8.14 4th of the 2nd.	<ol style="list-style-type: none"> 1. The Company's appointment of the CPA. 2. It is proposed to add a new investment: Infinity e.ventures Japan IV, L.P. ("Fund IV"). 	<p>Except for the second proposal, all directors unanimously agreed with the 4 points in Side Letter, proposed by Director Chan, Wen-Hsiung and Director Hu, Shiang-Chi, pass conditionally.</p> <p>The remaining motions were passed unanimously by all independent directors in attendance.</p>
2020.11.11 5th of the 2nd.	<ol style="list-style-type: none"> 1. The Company's "2021 internal audit plan". 	<p>Passed unanimously by all independent directors in attendance.</p>
2020.12.18 6th of the 2nd.	<ol style="list-style-type: none"> 1. The company intends to increase the capital of Androvideo Inc. 	<p>Member Huang, Chih-chen proposed: After confirming Androvideo Inc's transformation plan and benefit evaluation, he believes that Androvideo Inc's positioning is not yet clear. After the chairman's consultation with all members present, the proposal will not be implemented temporarily.</p>

(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
2020.3.27 1st of the 2nd.	Meeting	1.Field performance report of audit operations in the first quarter of 2020. 2.“2019 Management's Reports on Internal Control system” resolution.	No material issues that required rectification.
2020.5.6 2nd of the 2nd.	Meeting	Field performance report of audit operations in the second quarter of 2020.	No material issues that required rectification.
2020.5.27 3rd of the 2nd.	Meeting	Field performance report of audit operations in the third quarter of 2020.	No material issues that required rectification.
2020.8.14 4th of the 2nd.	Meeting	1.Field performance report of audit operations in the fourth quarter of 2020. 2.“Discussions on the 2021 audit plan.”	No material issues that required rectification.
2020.11.11 5th of the 2nd.	Meeting	Field performance report of audit operations in the fourth quarter of 2020.	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 and conclusion of financial statements as follows:			
Date	Forms	Issues	Results
2020.3.27	Documents in writing and meeting	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. The CPA and the manager had discussions and explanations on major issues prior to the audit committee’s meeting and the Board’s meeting.
2020.12.15	Documents in writing and meeting	Annual audit plan - Preliminary opinions on key audit matters -Introduction to the decree update -Self-preparation of financial reports -Introduction to Corporate Governance 3.0	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.

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	
<p>3. Structure of Board of Directors and its responsibility</p> <p>(1) If the Board consisted of members from diverse background?</p>	Y		<p>(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:</p> <ol style="list-style-type: none"> 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?		√	(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.	No major deviation
(3) If the company formulate board performance evaluation Rules and evaluation methods, conduct annual and regular performance evaluations, and report the results of performance evaluations to the board of directors, and use them as a reference for the remuneration of individual directors and the nomination for renewal?	√		(3) The company's board of directors approved the "Board Performance Evaluation Regulations" on May 6, 2020. For the evaluation method, please refer to page 25 of the annual report; in addition, the relevant evaluation will be carried out at the end of 2020 according to the method, and Report to the board of directors before the first Quarter in next year.	No major deviation
(4) If the Company assess the independence of CPA periodically?	√		(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 Lin, Ya-Hui. 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 29, 2021. (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 Investor 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).	
(3) Does the company announce and report annual financial reports within two months after the end of the fiscal year, and announce and report the financial reports for the first, second and third quarters and the operating conditions of each month before the prescribed deadline?	v		(3) The company announces and declares its annual financial report within three months after the end of the fiscal year in accordance with laws and regulations, and completes the announcement and declares the first, second, and third quarter financial reports and operating conditions of each month before the prescribed deadline.	

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		<p>(1) Employee rights: The Company convenes labor-management disputes meeting on an irregular basis and establishes mailbox for employee complaints.</p> <p>(2) Employee care: The company establishes employee welfare committee to handle matters including employee welfare and group insurance.</p> <p>(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.</p> <p>(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.</p> <p>(5) Rights of stakeholders: Both the Company and stakeholders perform respective rights and obligations in compliance with contracts or relevant operating procedures.</p> <p>(6) Directors' training records.</p> <p>(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.</p>	No major deviation

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
			(8) Implementation of customer relations policies: (9) Purchasing insurance for directors: the Company has purchased liability insurance for directors.	
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		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	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	9	10		
Independent Director	Chen, Kuo-Hong	-	-	V	V	V	V	V	V	V	V	V	V	V	0	None
Independent Director	Chen, Chien-Hung	V	V	V	V	V	V	V	V	V	V	V	V	V	0	None
Independent Director	Huang, Chih-chen	-	V	V	V	V	V	V	V	V	V	V	V	V	0	None

Note: Compensation Committee Members, during the two years before being elected or during the term of office, meet any of the following situations, please tick the appropriate corresponding boxes:

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;
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 one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders;
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding 1 subparagraph, or of any of the above persons in the preceding subparagraphs 2 and 3;
5. Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, ranks as of its top five shareholders, or has representative director(s) serving on the company's board based on Article 27 of the Company Law;
6. Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company;
7. Not a director, supervisor, or employee of a company of which the chairman or CEO (or equivalent) themselves or their spouse also serve as the company's chairman or CEO (or equivalent);
8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company;
9. Other than serving as a compensation committee member of the company, not a professional individual who, or 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, and the service provided is an "audit service" or a "non-audit service which total compensation within the recent two years exceeds NTD500,000";
10. Not been a person of any conditions defined in Article 30 of the Company Law.

3.3.4.2 Attendance of Members at Remuneration Committee Meetings

- (1) There are 3 members in the Remuneration Committee.
- (2) Tenure of the fourth session of Compensation committee is from 13th August 2019 to 13th June, 2022. A total of 3 (A) meetings of the Compensation Committee were held in 2020. The status of attendance is as follows:

Title	Name	Attendance in person (B)	By Proxy	Attendance rate (%) B/A	Remarks
Chairman	Chen, Kuo-Hong	3	0	100%	06/14/2019 Re-elected
Member	Chen, Chien-Hung	3	0	100%	06/214/2019 Newly elected
Member	Huang, Chih-chen	3	0	100%	06/214/2019 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.): Yes.
- 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
2020.05.06 2 nd of the fourth	1. Revision of the Organizational Rules of the Remuneration committee. 2. Formulate the performance evaluation method of the company's board of directors.	Passed unanimously by members in attendance	Passed unanimously by directors (including independent directors) in attendance.
2020.11.11 3 rd of the fourth	1. The amendments to the remuneration management measures for directors. 2. The company's 2020 annual salary for managers.	Passed unanimously by members in attendance	Passed unanimously by directors (including independent directors) in attendance.
2020.12.18 4 th of the fourth	1.The year-end bonus distribution plan for managers and employees of the company in 2020.	Passed unanimously by members in attendance	The board of directors passed a resolution better than the remuneration committee.

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. Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?	V		1.In accordance with the principle of materiality of the GRI report, conduct risk assessments on issues related to quality, environment, occupational safety and health, corporate governance, information security and other issues related to operations, formulate relevant policies, and regularly review the effectiveness of policy implementation through internal and external audits. Related policies are also Announced on the company's website.(http://www.abilitycorp.com.tw)	No major deviation
2. 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	2. 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.
3. Environmentally Sustainable Development				
(1) Has the Company set an Environmental management system designed from its industry characteristics?	V		(1) 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	
(2) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?	V		(2) 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
(3) Does the company assess the potential risks and opportunities of climate change to the company now and in the future, and take measures to respond to climate-related issues? Does the company establish an appropriate environmental management system based on its industrial characteristics?	V		(3) Regularly assess the impact of climate change on the company's current and future risks and opportunities every year, and conduct an inventory of the organization's greenhouse gas and formulate corresponding reduction measures in accordance with the requirements of the ISO14064 management system.	No major deviation

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
(4) 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		<p>(4) 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:</p> <ul style="list-style-type: none"> 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. <p>The Company classifies the climate change as a corporate-level risk and exert efforts to control relevant risks. The policies include:</p> <ul style="list-style-type: none"> 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. <p>The Company's objectives and measures concerning energy conservation and environmental protection are disclosed on the Company's website (http://www.abilitycorp.com.tw).</p>	No major deviation

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
4. Social issues				
(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) Does the company formulate and implement reasonable employee welfare measures (including salary, vacation and other benefits, etc.), and appropriately reflect operating performance or results in employee compensation?	V		(2) The company shall create a good environment for the career development of employees and establish an effective career development training program. The company shall appropriately reflect the business performance or results of the company in the employee compensation policy to ensure the recruitment, retention and encouragement of human resources to achieve the goal of sustainable operation.	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

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
(4) Does the company establish an effective career ability development training program for employees?	√		(4) The company has established an effective career development training program for employees to enhance their diversified career development capabilities. A complete training system has been developed for the training of employees. Through the e-training management system, each stage of training is completed step by step. The current training system can be divided into pre-employment training for new recruits, professional training for the job, etc.	No major deviation
(5) With regard to customer health and safety, customer privacy, marketing and labeling of products and services, does the company follow relevant laws and regulations and international standards, and formulate relevant consumer protection policies and appeal procedures?	√		(5) The company establishes health and safety management measures in accordance with the ISO45001 occupational safety and health management system, and introduces various information security regulations and protections in the ISO27001 information security management system framework, and manages personal data and privacy protection. The company complies with relevant laws and regulations and international standards, and formulates relevant consumer rights protection and appeal procedures.	No major deviation
(6) Does the company formulate supplier management policies that require suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor human rights, and their implementation?	√		(6) Communicate the company's green product policies, green procurement requirements, and corporate social responsibility regulations through supplier meetings, green electronic information platform web pages, etc. Suppliers also need to accept Ability's green supplier and social responsibility audit approval, and promise to fulfill Relevant social responsibility agreements, with a view to working together to improve corporate social responsibility.	No major deviation

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
5. Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third party verification unit?		V	Compile the company's corporate social responsibility report in accordance with the GRI report preparation guidelines. In the future, according to the company's actual needs, it will promptly handle the disclosure and obtain the assurance or guarantee opinions of the third-party verification unit.	Handle issues on a timely manner according to the Company's actual needs.
6. 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.				
7. 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		
	2019	1. The Mustard Seed Mission - Adoption of Taiwan Children's Project 40 people / month. 2. The average income of the Yu-Cheng Social Welfare Foundation is: a. The average product is 25 pieces / month b. Bread average 250 pieces / month 3. Genesis Social Welfare Foundation Invoice Donation.		
	2020	1. The Mustard Seed Mission - Adoption of Taiwan Children's 39 people / month. 2. The average income of the Yu-Cheng Social Welfare Foundation is: a. The average product is 15 pieces / month b. Bread average 160 pieces / month 3. Genesis Social Welfare Foundation Invoice Donation. 4. Eden Social Welfare Foundation "Raising Funds for Early Treatment of Slow Flying Angel" donation activities 64 people / time.		

3.3.6 Taiwan Corporate Conduct and Ethics Implementation as Required by the Taiwan Financial Supervisory Commission:

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures				No specific deviation
(1) Does the company have a Board approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?	V		(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) Does the company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?	V		(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.	

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
(3) Does the company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?	V		(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.	
2. Ethic Management Practice				
(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.	No specific deviation
(2) Whether the company has set up a unit which is dedicated to promoting the company's ethical standards and regularly (at least once a year) reports directly to the Board of Directors on its ethical corporate management policy and relevant matters, and program to prevent unethical conduct and monitor its implementation?		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.	Handle issues on a timely manner according to the Company's actual needs.

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
(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, has the company established effective accounting and internal control systems, audit plans based on the assessment of unethical conduct, and have its ethical conduct program 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.	No specific deviation
(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.	No specific deviation
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?	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.	No specific deviation

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
(2) Whether the company has established standard operation procedures for investigating the complaints received, follow-up measures after investigation are completed, and ensuring such complaints are handled in a confidential manner?	V		(2) The Company has clearly stated in the “Reporting and Confidentiality Measures for Reporting Events” that it has 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.	
(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

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
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.				
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.				

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 29, 2021

Based on the findings of self-assessment, ABILITY ENTERPRISE CO., LTD. (ABILITY) states the following with regard to its internal control system in 2020:

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, 2020, 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 29, 2021 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)
2020.6.17 Shareholders' meetings	<ol style="list-style-type: none"> 1.Approved the Company's 2019 business report and financial statements. 2.Approved the Company's 2019 earnings distribution. 3.Approved amendment of the Company's "Articles of Incorporation" 4.Approved the issuance of new shares restricting the rights of employees. 5.Approved to lift the restrictions on the prohibition of competition for the incumbent directors of the company.
2020.8.14 Board meetings	<ol style="list-style-type: none"> 1. The Company's appointment of the CPA. 2. The company intends to loan and extend the funds of Androvideo Inc. 3. The company and the bank credit renewal related matters.
2020.11.11 Board meetings	<ol style="list-style-type: none"> 1. The amendments to the remuneration management measures for directors. 2. The company's 2020 annual salary for managers. 3. The company and the bank credit renewal related matters. 4. The Company's "2021 internal audit plan".
2020.12.18 Board meetings	<ol style="list-style-type: none"> 1. The year-end bonus distribution plan for managers and employees of the company in 2020. 2. The Company's 2021 operation plans.
2021.3.29 Board meetings	<ol style="list-style-type: none"> 1.The Company's 2020 financial statements. 2.The Company's 2020 Business Report. 3.The Company's appointment of the CPA. 4.Evaluation of the CPA's independence of the Company. 5.The company intends to appoint Lin, Xing-Jun as the accounting supervisor. 6.Matters related to the date, time and place of the 2020 shareholders' meeting. 7.To draw up the place and period for accepting shareholder proposals for the 2020 shareholders' meeting. 8.The company and the bank credit renewal related matters. 9. "2020 Management's Reports on Internal Control System". 10.The company's newly-increased investment in a limited partnership investment Asia Capital II Excellence Transformation Growth Investment.
2021.5.4 Board meetings	<ol style="list-style-type: none"> 1.The Proposal of 2020 Decifit Compensation, submitted for Recognition 2.Amendment of the Company's "Articles of Incorporation". 3.Cash Distributed from the Additional Paid-In Capital 4.It is proposed to lift the restrictions on the prohibition of competition for the incumbent directors of the company. 5.Add a proposal to convene 2021 shareholder meeting. 6.Amendment of the Company's " stock restricting the rights of employees" 7.In accordance with the letter from the TWSE, the company will review the company's own financial report preparation over five years, and revise the report on the management Rules of the financial statement preparation process. 8.Salary structure and rewards for new managers. 9.The company plans to set up a Corporate Governance Officer. 10.The company and the bank credit renewal related matters.

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 the most recent year 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
Accounting Supervisor	Lin, Hung-Tien	2008.10.27	2021.03.29	Job adjustment.

3.4 CPA Fees

CPA Firm	CPA		Auditing Period	Note
PWC	JuanLu, Man-Yu	Lin, Ya-Hui	Jan 1, 2020 ~ Dec 31, 2020	

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	2,900	0	0	0	100	100	1/1/2020 ~ 12/31/2020
	Lin, Ya-Hui							

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 10% or more less than the previous year: Yes, less 13%.

3.5 Information on Change of CPA: In 2020, 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	2020		1/1/2021 ~ 4/17/2021	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman and President	VIEWQUEST Investment Co., Ltd. Rep. : Tseng, Ming-Jen	-	-	-	-
Director	VIEWQUEST Investment Co., Ltd. Rep. : Chan, Wen-Hsiung	-	-	-	-
Director	AVY Precision Technology Inc. Rep. : Tong, Chun-Yi	9,170,000	-	960,456	-
Director	AVY Precision Technology Inc. Rep. : Hu, Shiang-Chi	9,170,000	-	960,456	-
Director	Chia-Nine Investment Co., Ltd. Rep.: Huang, Li-An	-	-	-	-
Director	Chia-Mei Investment Co., Ltd. Rep.: Tsay, Wen-Bin	-	-	-	-
Independent Director	Chen, Kuo-Hong	-	-	-	-
Independent Director	Chen, Chien-Hung	-	-	-	-
Independent Director	Huang, Chih-chen	-	-	-	-
Assistant Vice President	Adams Chen	-	-	-	-
Assistant Vice President	Vincent Lu	-	-	-	-
Chief Financial Officer	Lin, Hung-Tien	-	-	-	-
Accounting Supervisor	Lin, Xing-Jun	-	-	-	-
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 04/17/2021

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 Rep.: T.H. Tung	33,135,300	11.74	—	—	—	—	—	—	
	—	—	—	—	—	—	—	—	
AVY Precision Technology Inc. Rep.: Tong, Chun-Jen	14,802,000	5.24	—	—	—	—	—	—	
	548	0.00	32,841	0.01	—	—	—	—	
CHIA NAI INVESTMENT CO., LTD. Rep.: TUNG, I-CHIA	8,831,767	3.13	—	—	—	—	—	—	
	529	0.00	9,996	0.00	—	—	—	—	
Lian-Cheng Investment Development Co. Ltd. Rep.: Lin Gao-Huang	7,010,000	2.48	—	—	—	—	Lin Gao-Huang	Representative	
	6,995,000	2.48	—	—	—	—			
Lin Gao-Huang	6,995,000	2.48	—	—	—	—	Lian-Cheng Investment Development Co. Ltd.	Representative	
Lin Shih Investment Co., Ltd. Rep.: Huang, Chou-Chye	5,433,757	1.92	—	—	—	—	—	—	
	—	—	—	—	—	—			
JPMorgan Chase Bank N.A. , Taipei Branch in custody for Vanguard Total International Stock Index Fund , a series of Vanguard Star Funds	3,212,491	1.14	—	—	—	—	—	—	
Chase Bank Custodian of the Central Bank of Norway Investment Account	2,539,215	0.90	—	—	—	—	—	—	
JPMorgan Chase Bank in Custody of JPMorgan Securities Co., Ltd. Investment Account	2,354,000	0.83	—	—	—	—	—	—	
TSENG, FANG-HSUAN	2,318,000	0.82	—	—	—	—	—	—	

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 12/31/2020

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
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
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(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
CHIA PING LIMITED	-	-	150,000	100	150,000	100
SHENZHEN CHIA PING OPTICAL TECHNOLOGY LIMITED	-	-	-	100	-	100
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	
108.07	10	800,000,000	8,000,000,000	282,362,812	2,823,628,120	Change the total capital to be consistent with the company's articles of association	None	

As of 04/17/2021

Type of Share	Authorized Capital			Remark
	Issued Shares	Un-issued Shares	Total Shares	
Common shares	282,362,812	517,637,188	800,000,000	Listed stock

4.1.2 Status of Shareholders

As of 04/17/2021; Units: share

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign nstitutions & Natural Persons	Domestic Natural Persons	Treasury stocks	Total
Shares							
Number of Shareholders	0	1	166	120	49,706	0	49,993
Shareholding (shares)	0	1,199	81,883,748	24,962,717	175,515,148	0	282,362,812
Percentage	0.00%	0.00%	29.00%	8.84%	62.16%	0.00%	100.00%

4.1.3 Shareholding Distribution Status Common Share

(The par value for each share is NT\$10) ; As of 04/17/2021

Class of Shareholding (Unit : Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1-999	30,669	5,089,636	1.80%
1,000-5,000	13,999	29,867,426	10.58%
5,001-10,000	2,827	21,043,812	7.45%
10,001-15,000	822	10,293,967	3.65%
15,001-20,000	451	8,235,460	2.92%
20,001-30,000	393	9,980,086	3.53%
30,001-40,000	205	7,356,355	2.61%
40,001-50,000	154	7,109,130	2.52%
50,001-100,000	237	17,124,135	6.06%
100,001-200,000	122	16,976,687	6.01%
200,001-400,000	55	15,337,025	5.43%
400,001-600,000	16	8,198,039	2.90%
600,001-800,000	9	6,013,444	2.13%
800,001-1,000,000	5	4,232,698	1.50%
Over 1,000,001~	29	115,504,912	40.91%
Total	49,993	282,362,812	100.00%

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

As of 04/17/2021

Shareholder's Name	Shareholding (Shares)	%
Pegatron Corporation	33,135,300	11.74%
AVY Precision Technology Inc.	14,802,000	5.24%

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

Units: 1,000 share

Item \ Year			2019 (Note 5)	2020 (Note 5)	01/01/2021~ 5/4/2021	
Market Price per Share	Highest		17.80	16.65	15.80	
	Lowest		13.05	9.23	13.80	
	Average		15.61	12.97	14.81	
Net Worth per Share	Before Distribution		23.00	19.90	19.70	Note 1
	After Distribution		-	-	-	
Earnings per Share	Weighted Average Shares (thousand shares)		282,363	282,363	282,363	Note 1
	EPS	Before adjustment (Note 6)	(1.41)	(1.63)	(0.43)	Note 1
		After adjustment (Note 6)	(1.41)	(1.63)	(0.43)	Note 1
Dividends per Share	Cash Dividends		0.3	0.5(Note 6)	-	
	Stock Dividend	Dividends from Retained Earnings	-	-	-	
		Dividends from Capital Surplus	-	-	-	
	Accumulated Undistributed Dividends		-	-	-	
Return on Investment	Price / Earnings Ratio		(11.07)	(7.96)	(34.44)	Note 2
	Price / Dividend Ratio		52.03	25.94(Note 6)	-	Note 3
	Cash Dividend Yield Rate		1.92	3.86(Note 6)	-	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 2020 distribute cash from the additional paid-in capital 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 2020 Shareholders' Meeting proposed to distribute cash from the additional paid-in capital 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 2020: None.

4.1.8.4 The actual remuneration distribution for employees and directors for 2019 and the discrepancy between which and the recognized amount as well as exact amount of difference, causes and responses:

(1) The 2019 employees' and directors' remuneration distribution:

- a. Employees' remuneration: None.
- b. Directors' remuneration: None.

(2) Discrepancy between the abovementioned amount and the recognized amount as well as exact amount of difference, causes and responses: None.

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 05/04/2021

Type of Restricted Shares	Grant of 2021
Approval Date by the Authority	2021/4/22
Grant Date	Not yet
Number of Employee Restricted Stock Granted	6,000,000
Price of Issuance	NT\$ 0
Percentage of Employee Restricted Stocks to Outstanding Common Shares	2.12%
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	N/A
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	N/A
Number of Employee Restricted Stocks Free from Custody	N/A
Number of Employee Restricted Stocks under Custody	N/A
Number of Employee Restricted Stocks under Custody to Outstanding Common Shares (%)	N/A
Impact on Shareholders' Equity	1. Possible expensing amount for three years is estimated to be NT\$72,000 thousand. 2. Average possible impact on EPS per year is NT\$0.17 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: N/A

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 Implementation 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.
- (4) Artificial intelligence Internet of Things solution carrier camera provision and professional OEM manufacturing business.

5.1.1.2 Breakdown of Sales by Major Products

Unit: NT\$ thousands

2020		
Major Products	amount	%
Optic products	3,442,017	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.
- (13) Surrounding image module outside the car.
- (14) In-vehicle image module.
- (15) In-car imaging system.
- (16) Vehicle license plate and vehicle identification smart camera.
- (17) Smart transportation solutions camera vehicles.
- (18) Smart security camera vehicles.
- (19) Smart camera carriers for site safety protection.
- (20) Smart retail camera vehicles.
- (21) Wisdom learning education application camera vehicle.
- (22) Smart IoT camera module.

5.1.2 Industry Overview

5.1.2.1 Current Status and Development of the Industry

In recent years, smartphone cameras have continued to improve in camera functions. The new phones launched by various mobile phone companies advertised improved camera functions. Mobile phone cameras are now almost synonymous with cameras. In addition, various brands of mobile phones are trying their best to take photos and Recording functions and providing consumers with a more concise and convenient sharing function, these demands have caused a greater impact on the traditional non-interchangeable lens digital cameras.

The sales of traditional digital cameras are still declining, and it is expected that 2020 will continue to be in a downward trend, while the camera functions of smartphones will continue to improve. For example, lens quality and 3D imaging technology may further compress the traditional camera market. As in the past few years, the number of traditional digital cameras will continue to shrink due to the lack of breakthrough technologies in the products. The main sales will continue to be the main sales force of products that can be differentiated from smartphones, such as high telephoto magnification, relatively high With better optical conditions such as large photosensitive elements and submersible cameras, such functional products can still have a stable sales volume. Therefore, it is estimated that the market can still maintain a bottom-line demand in the next few years.

The digital camera industry has clearly entered a recession a few years ago. The overall market has clearly seen the industry's participation in the decline or even withdrawal, and only a few specific vendors and brands in the market are struggling to support it. Even some small-scale brands or suppliers will gradually withdraw from the market center and switch to a smaller number of highly differentiated and innovative products, or shift the focus of the industry to other growth product areas.

In recent years, the overall market momentum of handheld digital imaging products has been weak, and new technologies and applications have not yet been clear. The sports video cameras that have flourished in the past few years have also begun to decline as the market becomes saturated. The growth of diversified wearable cameras has not been as expected due to unclear positioning, but its application market is gradually infiltrating from the consumer market to the producer's professional application market. The market's high expectations for 360-degree panoramic views and cameras with live webcasting capabilities in the past year have yet to educate customers on the application and understanding of such products.

All in all, the consumer market for digital imaging products is currently in an embarrassing period of lack of mainstream technology and applications. Only waiting for new technologies and applications to appear before they have a chance to rise again, and the glimmer of light that is currently seen is that the demand is With the development of data or human-machine interfaces, the demand for artificial intelligence and machine vision is increasing year by year, and the industry will also develop in these directions. Cameras with AI functions will gradually appear around people, and these

smart cameras will It will be the growth momentum of the industry in the future.

In recent years, the topic of assisting drivers in improving driving safety and increasing vehicle comfort, service and entertainment has continued. The overall vehicle market is booming with applications such as the Internet of Vehicles and AIoT. Following the evolution of the experience that vehicles can bring to consumers, products with the most advanced technology have become a battleground for soldiers to increase brand adhesion and trust. It is predicted that the future automotive market will be accompanied by the evolution of technology and technology. There must be a broader space for development.

At present, the demand for automotive lenses and modules, etc., is popularizing the use of internal and external imaging modules in passenger cars, and the demand in the commercial vehicle market continues to rise; the evolution of traditional models in recent years and the birth of semi-self-driving vehicles Market development is even more promising.

Under the influence of the COVID-19 epidemic, remote, isolation, and non-contact have become the new normal, and there is an increasing demand for real-time analysis and intelligent decision-making in the market, and image recognition is a clear case. The booming demand for Edge combined with AI solutions reflects that the market needs more flexible solutions. If the existing model of cloud services is adopted, it will face the problem of excessive computing costs. With the increasingly diversified applications of Edge AI in image recognition, Ability, as a provider of Edge AI Camera vehicles, is deeply focused on applications such as license plate recognition, parking management, electronic fences, and construction site safety control to solve customers and system integration vendors. Two major issues: First, the provision of hardware systems and vehicles. Second, it provides a rapid development platform for core AI algorithm modules (Intel OpenVino) and years of accumulated industry-leading firmware development. According to IDC, a market research organization, the market's demand for edge computing will grow rapidly at a compound annual growth rate of 12.5% by 2024.

5.1.2.2The correlation among industry upstream, midstream and downstream sectors

Ability has invested more than five years in automotive module products, integrating the design of the lens optical mechanism in the company, and can simultaneously consider the demand for miniaturization of the overall module product, and optimize the processing of image specifications. And combined with the key lens production and manufacturing technology of upstream Yipin Optics, to provide competitive automotive lenses.

In cooperation with the first-tier suppliers of downstream car manufacturers, we not only maintain close contact, but also work together to continue discussions with car manufacturers and develop various forward-looking products for future vehicle models. This can more effectively provide the market with high-quality passenger car and commercial vehicle modules, system products and services.

In the AI Camera artificial intelligence IoT solution vehicle part, it has in-depth cooperation with Intel. Using its high-performance VPU platform, it can efficiently

balance the image and edge artificial intelligence workloads with high computing requirements, and realize a unique architecture that minimizes material movement. . Applications with deep neural networks and computer vision are implemented in smart image recognition in the fields of transportation, retail, security and safety, and industrial automation.

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.

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.

In recent years, the demand for in-car image module products has sprung up. With different light source spectrums and the overall miniaturized design of the product, it can better meet the needs of the flexibility of in-vehicle installation space and the use of diverse systems.

In addition, the in-car imaging module combines system hardware and AI software imaging system products, which can provide a complete safety experience in the car. For example, when AI detects a child or pet in the back seat, the door cannot be locked. , And even sounded a horn to remind; in addition, the imaging system can also provide a social experience. For example, when the AI detects that the driver is smiling and takes a photo, the system automatically takes a photo and uploads it to the social platform and marks the driving location. The use of. System AI can provide differentiated products and services according to different customer functional requirements.

In the past year, under the influence of the new crown pneumonia, the demand for non-contact smart image recognition cameras has rapidly increased, from license plate recognition, parking management, electronic fences, construction site safety control, safe cities, smart learning and education, smart retail, etc. into the market Significantly. On the one hand, reduce personnel participation, reduce labor costs, optimize processes, and improve efficiency. Start planning and introduction. On the other hand, use machine learning and prediction to cultivate new capabilities, create new application values, and further increase profits. This is also the most important aspect of artificial intelligence. Valuable application.

The development of smart transportation, safety and security and other trends, common urban problems in the future, such as traffic congestion, illegal parking, parking meter charges, and school bus safety guarding, etc. Through smart identification, road monitoring, traffic flow statistics, license plate recognition, and people flow will be handled more efficiently. Analysis, etc., improve traffic signs or guide parking, solve traffic jams, improve parking efficiency, solve vehicle speeding and other problems, and even the system can intelligently drive response strategies through event detection. At present, smart billing or guidance integrated with license plate recognition and parking systems does not require manpower to issue bills, and parking payment is more convenient. Corresponding to every requirement and every different scenario behind, develop different hardware requirements and algorithm planning.

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.

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

Item \ Year	2020	1/1/2021 ~ 3/31/2021 (Note 1)
R&D Expense (A)	637,095	145,334
Net Revenue (B)	3,442,017	615,759
(A)/(B)	18.51%	23.60%

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.

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. And developed a commercial vehicle driving recorder driver monitoring system. In accordance with the expected placement and image coverage of the car manufacturers, we will provide mass-produced models in the next two to three years, and use hidden cockpit safety monitoring modules to ensure safety in the car.

Strengthen cooperation with world-leading manufacturers through research and development technology, and cooperate with domestic and foreign related industries to create team growth, and strengthen the integration of new innovative technology with the international ecosystem. In the future, it will continue to deepen new innovation capabilities and grasp more market opportunities. Support Ability's technology and strengthen R&D features such as "AI artificial intelligence recognition", AIOT, 3D TOF, "multi-person dynamic measurement" and "vehicle application", and successively introduce R&D technology to be applied in multiple scenarios, such as smart home, smart retail, and smart Cities and smart factories provide high-resolution image quality and optimize the edge vision AI processing capabilities required in various applications. With the increasing maturity of AI technology, the application range from cameras and videos emphasizes high picture count to the current AI intelligent transformation to smart homes, personal safety, and driving safety. With the Internet of Things and big data, Ability will continue to expand the application of related technologies.

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.

AI Camera vehicles first entered the European and American markets with smart transportation applications, and cooperated with leading vehicle license plate recognition service providers in the market to provide long-distance, multi-lane, high-precision image monitor vehicles, and master various vertical cases. The key solution technology of the company is deeply rooted in the professional ability of

image recognition and the long-term cooperative relationship with customers.

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.

AI Camera artificial intelligence IoT solutions will focus on three major areas: core technology, smart cameras, and solutions for a long time. In the core technology, we continue the development of previous key image processing technologies, such as low light image optimization at night (Low Light), smart infrared lighting design (Smart IR), and high dynamic range processing (Super HDR Pro) to provide high-quality images and improve smart images Identify the accuracy of the application. In the smart camera part, in addition to the continuous development of the most advanced vision and image processing unit (VPU & DSP), it has gradually entered the development of smart image analysis technology: including vehicle license plate recognition, traffic dynamic detection, security cross-line detection, and intrusion Intelligent imaging technologies such as detection, wandering detection, people flow statistics, crowd detection, etc. The solution is to obtain more data for vertical market decision makers. Through the development of the above two fields and in-depth integration with the world's leading imaging software platform, it provides differentiated smart analysis integration solutions, covering urban monitoring, traffic monitoring, retail markets, etc. market. At present, leading service providers at home and abroad have begun testing.

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 , and the shipment 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. It is still expected to grow but at a slower pace and gross margin will be affected due to falling prices. 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.

According to data from professional automobile associations and market research companies, the number of general passenger cars sold in 2019 is about 70 million. In order to match the self-driving and sensing/detection technology, the number of on-board lens modules and sensors is one. There are already 6 to 30 vehicles in the number; with technological evolution, the number of lens modules and sensors is expected to continue to increase.

Despite changes in the international situation, supply chain shortages, and freight tensions, the spread of COVID-19 vaccine is not evenly distributed across countries, and there are still uncertain factors such as government rescue and revitalization plans and private consumption prosperity. However, for AI The demand for smart video monitors is in the ascendant. According to IDC, a market research organization, the market demand for edge computing equipment will reach 80.7 billion U.S. dollars by 2024.

5.2.1.3 Future supply and demand of the market and its growth

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 Ability 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.

The automotive market continues to expand. Globla NCAP (The Global New Car Assessment Programme) is expected to gradually introduce driver monitoring systems to enhance the safety of drivers and passersby from 2022, supplemented by Level 2, Level 2+ to Level 5. The demand for lens modules on self-driving systems and the demand for automotive imaging products will continue to grow.

Ability has been deeply involved in the automotive module market for many years. With long-term experience in dealing with Tier 1 customers, and successfully developed miniaturized automotive imaging module products, Ability is currently a first-tier supplier of several automotive manufacturers in Europe, the United States,

Japan, South Korea, and the mainland Jointly discuss and cooperate with car manufacturers, in addition to meeting customer needs, we are also committed to technological breakthroughs, and continue to continue design capabilities and provide more competitive products.

As the next wave of digital revolution, it is expected that in the future, the main markets for edge computing hardware, software, and services will be the United States and Europe as the main Asia-Pacific markets, occupying 45.0%, 27.9%, and 27.2% of the market share respectively. Among them, Intel will be one of the major leading manufacturers of vehicle carrier platforms. It is expected that in the future, the providers of smart identification application services will mainly be super-large-scale companies such as AWS, Equinix, Google, IBM and Microsoft, etc., providing the ability to provide multinational edge data services. At the same time, under the catalysis of 5G, it is expected that the number of AIOT devices connected to the Internet in the future will also increase by 55.7 billion year by year in 2025.

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, Ability 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.
- (5) Continuing the previous key image processing technologies, providing high-quality images and improving the accuracy of smart image recognition applications and the adaptability and applicability of different scenarios.

5.2.1.5 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.
- e. As a result of de-sinicization, the European and American markets have reduced the willingness to adopt smart cameras, Dahua and Hikvision, the leading Chinese manufacturers of smart cameras.

(2)Unfavorable Factors

- a. The main body of the traditional non-interchangeable lens digital camera industry has entered a period of decline.
- b. The labor cost in Mainland China is rising rapidly and economic growth is slowing down.

- c. The supply chain capacity of the semiconductor industry is short of materials.

(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.
- f. Rolling inspection of customer needs and supply chain delivery dates to ensure that key components such as vision and image processing units (VPU & DSP) are available on schedule

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

In 2020, due to the COVID-19 epidemic, automotive electronics, 5G infrastructure and other factors, the material supply situation will be tight. Looking forward to 2021, the 5G mobile phone market demand will double, and the shortage of material supply is expected to continue. Supply chain management will be imposed. Actively develop different types of raw material suppliers and diversified pipeline supply chains to strengthen competitiveness and assist the company in achieving business goals.

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	2019				2020				As of 2021 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 C	367,971	6.44%	None	Supplier D	194,485	6.81%	None	Supplier D	49,776	10.67%	None
2	Others	5,344,797	93.56%	-	Others	2,660,629	93.19%	-	Others	416,737	89.33%	-
	Net Total Purchases	5,712,768	100.00%	-	Net Total Purchases	2,855,114	100.00%	-	Net Total Purchases	466,513	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	2019				2020				As of 2021 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	1,766,290	26.80 %	None	AA	397,429	11.55 %	None	KK	89,976	14.61%	None
2	HH	1,244,219	18.88 %	None	EE	380,452	11.05 %	None	R	75,401	12.25%	None
3	AA	834,484	12.66 %	None	KK	379,236	11.02 %	None	Others	450,382	73.14%	None
4	EE	702,219	10.65 %	None	Others	2,284,900	66.38 %	None	—	—	—	—
	Others	2,043,949	31.01 %	None	—	—	—	—	—	—	—	—
	Net Total Sales	6,591,161	100.00%	—	Net Total Sales	3,442,017	100.00%	—	Net Total Sales	615,759	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

output Major Products	Year	2020		2019	
		Quantity	Amount	Quantity	Amount
Optic products		3,262	2,218,591	11,678	5,129,231
Optic parts		47,104	636,523	60,681	583,537

Note: Consolidated base with IFRS.

5.2.6 Sales Quantities and Value of the Last Two Years

Unit: thousands; NT\$ thousands

Shipments & sales Major Products	Year	2020				2019			
		Domestic		Export		Domestic		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Optic products		567	70,460	2,888	2,496,302	127	4,776	10,739	5,784,830
Optic parts		2,117	4,293	45,023	870,962	1,983	7,439	58,745	794,116

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		2019	2020	As of 2021.5.4
Number of Employees	Others	199	209	209
	R&D	238	259	270
	Operator	32	58	56
	Total	469	526	535
Average Age		39.04	38.63	38.65
Average Years of Service		9.16	8.67	8.75
Education	Ph.D.	0.21%	0.19%	0.19%
	Masters	32.20%	35.21%	33.46%
	Bachelor's Degree	48.40%	58.56%	58.13%
	Senior High School	13.65%	6.67%	5.98%
	Below Senior High School	3.62%	2.09%	2.24%

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. Unscheduled 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 2020 amounted to NT\$11,883 thousand. Other benefits includes company travel, community activities, subsidization, birthdays and other employee benefits of the company, with a total amount of NT\$8,604 thousand.

Unit: NT\$ thousands	
Item	Amount
Health Checkup Fee	1,444
Group Insurance	1,616
Lifeline Consulting Fee	156
Networking Fee	63
Other Benefits	8,604
Total Amount	11,883

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.

Ability 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.

Ability Enterprises systematically provides employees with comprehensive learning and development Rules 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 Ability'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.

<p>Disaster prevention measures and strains</p> <p>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.</p> <p>2.Regularly conduct self-defense firefighting team drills every six months to maintain workplace safety.</p> <p>3.Prevent fire, earthquake, and electricity safety from time to time to avoid disasters.</p>
<p>Physiological health</p> <p>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.</p> <p>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.</p> <p>3.Non-scheduled health, health education lectures and corporate club activities to provide peer involvement and enhance relevant knowledge and health.</p> <p>4.Implement the smoke prevention and control regulations and completely ban smoking in the workplace.</p> <p>5.Implement human-related hazard prevention, labor overload prevention and maternal health protection management operations.</p>
<p>Mental health</p> <p>1.Education and training: Provide employee stress training course lectures, employee communication technology lectures, etc., to assist employees in psychological adjustment.</p> <p>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.</p> <p>3.Violence and sexual harassment prevention: Establish a complaint channel to protect personal privacy.</p>
<p>Contractor operation management</p> <p>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.</p>
<p>Insurance and medical condolences</p> <p>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.</p>

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 2020 reached 2,717 hours. The total training attendance reached 732 persons. The total training cost was NT\$115 thousand.

Unit: NT\$ thousands

Projects in 2020	Person-Time	Training hours	Training cost
Professional Skills Training	130	486.0	115
Managerial Training	4	27.0	
General Skills Training	34	60.0	
Labor Health and Safety Training	71	314.5	
Quality Management Training	404	485.0	
Language Training	20	920.6	
Orientation Training	69	423.9	
Total Amount	732	2,717.0	

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, 2020 were NT\$37,031 and NT\$35,926, 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	2020.08.01~2021.07.31	Short-term credit	None
Loan Agreement	Taishin bank	2020.07.01~2021.06.30	Short-term credit	None
Loan Agreement	CTBC bank	2020.05.01~2021.04.30	Short-term credit	None
Loan Agreement	Mega bank	2020.12.06~2021.12.05	Short-term credit	None
Loan Agreement	E.SUN bank	2021.01.11~2022.01.11	Short-term credit	None
Loan Agreement	DBS bank	2020.06.10~2021.06.10	Short-term credit	None
Loan Agreement	Shin Kong Bank	2020.10.30~2021.10.30	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

Year		2016	2017	2018	2019	2020	2021.3.31 (Note 2)
Item							
Current assets		7,529,693	6,859,863	5,790,775	5,050,839	4,168,539	4,479,498
Property, plant and equipment		3,934,683	3,989,763	3,539,946	3,282,607	3,248,040	3,232,491
Intangible assets		2,927	5,606	159,027	82,198	9,446	9,794
Other assets		1,555,376	1,951,179	1,558,340	1,735,539	1,705,158	1,199,940
Total assets		13,022,679	12,806,411	11,048,088	10,151,183	9,131,183	8,921,723
Current liabilities	Before Distribution	4,435,902	4,017,477	3,442,444	3,310,058	3,149,299	2,992,980
	After Distribution	4,690,073	4,243,369	3,583,625	3,394,767	(Note 3)	(Note 3)
Non-current liabilities		91,976	82,991	82,865	82,424	85,426	83,964
Total liabilities	Before Distribution	4,527,878	4,100,468	3,525,309	3,392,482	3,234,725	3,076,944
	After Distribution	4,782,049	4,326,360	3,666,490	3,477,191	(Note 3)	(Note 3)
Equity Attributable to owners of the Parent		8,292,078	8,517,342	7,261,906	6,493,198	5,620,343	5,563,923
Share capital		2,825,279	2,823,650	2,823,628	2,823,628	2,823,628	2,823,628
Capital surplus		1,560,123	1,563,069	1,563,455	1,563,494	1,563,494	1,563,494
Retained earnings	Before Distribution	4,011,904	3,978,672	3,301,001	2,760,523	2,223,564	2,103,429
	After Distribution	3,757,733	3,752,780	3,159,820	2,675,814	(Note 3)	(Note 3)
Other equity interest		(104,533)	151,951	(426,178)	(654,447)	(990,343)	(926,628)
Treasury stock		(695)	0	0	0	0	0
Non-controlling interests		202,723	188,601	260,873	265,503	276,115	280,856
Total Equity	Before Distribution	8,494,801	8,705,943	7,522,779	6,758,701	5,896,458	5,844,779
	After Distribution	8,240,630	8,480,051	7,381,598	6,673,992	(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	2016	2017	2018	2019	2020	2021.3.31 (Note 2)
Sales revenues	11,005,824	11,201,600	7,635,028	6,591,161	3,442,017	615,759
Net operating margin	1,569,151	1,416,172	646,291	878,393	586,903	149,246
Net Operating Income (Loss)	85,146	64,853	(739,861)	(424,984)	(616,298)	(118,432)
Non-operating Income and Expense	409,980	163,428	225,289	77,725	155,515	17,960
Income (Loss) before Tax	495,126	228,281	(514,572)	(347,259)	(460,783)	(100,472)
Income (Loss) for Continued Operations	435,921	206,398	(425,525)	(379,262)	(444,902)	(113,923)
Income (Loss) from Discontinued Operations	—	—	—	—	—	—
Net Income (Loss)	435,921	206,398	(425,525)	(379,262)	(444,902)	(113,923)
Other Comprehensive Income (Loss)	(270,422)	254,173	(562,105)	(243,674)	(332,632)	62,244
Total Comprehensive Income (Loss)	165,499	460,571	(987,630)	(622,936)	(777,534)	(51,679)
Net Income Attributable to Owners of the Parent	386,250	217,663	(463,048)	(399,264)	(459,802)	(120,135)
Net Income (Loss) Attributable to Non-controlling Interests	49,671	(11,265)	37,523	20,002	14,900	6,212
Comprehensive Income (Loss) Attributable to Owners of the Parent	131,358	474,693	(1,021,497)	(627,566)	(788,146)	(56,420)
Comprehensive Income (Loss) Attributable to Non-controlling Interests	34,141	(14,122)	33,867	4,630	10,612	4,741
Earnings(Loss) per Share (Note3)	1.39	0.77	(1.64)	(1.41)	(1.63)	(0.43)

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

Year		2016	2017	2018	2019	2020
Item						
Current assets		3,439,474	2,369,138	1,665,818	2,333,897	1,968,055
Property, plant and equipment		2,495,798	2,756,242	2,524,903	2,417,874	2,366,395
Intangible assets		2,416	4,682	9,346	6,853	8,636
Other assets		6,535,432	6,929,791	6,348,823	5,455,230	4,768,284
Total assets		12,473,120	12,059,853	10,548,890	10,213,854	9,111,370
Current liabilities	Before Distribution	4,114,293	3,481,082	3,226,880	3,661,523	3,282,939
	After Distribution	4,368,464	3,706,974	3,368,061	3,746,232	(Note 2)
Non-current liabilities		66,749	61,429	60,104	59,133	208,088
Total liabilities	Before Distribution	4,181,042	3,542,511	3,286,984	3,720,656	3,491,027
	After Distribution	4,435,213	3,768,403	3,428,165	3,805,365	(Note 2)
Share Capital		2,825,279	2,823,650	2,823,628	2,823,628	2,823,628
Capital surplus		1,560,123	1,563,069	1,563,455	1,563,494	1,563,494
Retained earnings	Before Distribution	4,011,904	3,978,672	3,301,001	2,760,523	2,223,564
	After Distribution	3,757,733	3,752,780	3,159,820	2,675,814	(Note 2)
Other equity interest		(104,533)	151,951	(426,178)	(654,447)	(990,343)
Treasury stock		(695)	—	—	—	—
Total Equity	Before Distribution	8,292,078	8,517,342	7,261,906	6,493,198	5,620,343
	After Distribution	8,037,907	8,291,450	7,120,725	6,408,489	(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 Individual Statement of Comprehensive Income – Based on GAAP

Unit: NT\$ thousands

Item \ Year	2016	2017	2018	2019	2020
Sales revenues	9,998,630	9,959,455	5,622,943	4,009,775	2,064,103
Net operating margin	1,053,867	1,059,880	248,066	950,739	429,816
Net Operating Income (Loss)	(77,533)	13,907	(792,267)	7,870	(392,026)
Non-operating Income and Expense	509,955	206,886	210,725	(391,620)	(104,729)
Income (Loss) before Tax	432,422	220,793	(581,542)	(383,750)	(496,755)
Income (Loss) for Continued Operations	386,250	217,663	(463,048)	(399,264)	(459,802)
Income (Loss) from Discontinued Operations	—	—	—	—	—
Net Income (Loss)	386,250	217,663	(463,048)	(399,264)	(459,802)
Other Comprehensive Income (Loss)	(254,892)	257,030	(558,449)	(228,302)	(328,344)
Total Comprehensive Income (Loss)	131,358	474,693	(1,021,497)	(627,566)	(788,146)
Earnings(Loss) per Share (Note 2)	1.39	0.77	(1.64)	(1.41)	(1.63)

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
2016	PWC	Hsu, Sheng-Chung Audrey Tseng	Unqualified
2017	PWC	Hsu, Sheng-Chung Audrey Tseng	Unqualified
2018	PWC	JuanLu, Man-Yu Audrey Tseng	Unqualified
2019	PWC	JuanLu, Man-Yu Audrey Tseng	Unqualified
2020	PWC	JuanLu, Man-Yu Lin, Ya-Hui	Unqualified

6.2 Five-Year Financial Analysis

6.2.1 Consolidated Financial Analysis – Based on IFRS

Year		2016	2017	2018	2019	2020	2021.3.31 (Note 2)	Remake
Item (Note 4)								
Capital structure (%)	Debt ratio	34.77	32.02	31.91	33.42	35.43	34.49	
	Ratio of long-term capital to property, plant and equipment	215.90	218.21	212.51	205.89	181.54	180.81	
Solvency	Current ratio (%)	169.74	170.75	168.22	152.59	132.36	149.67	
	Quick ratio (%)	133.67	131.39	124.85	131.90	113.82	127.24	
	Times interest earned (Times)	87.64	42.07	(76.27)	(43.75)	(34.97)	(28.40)	(1)
Operating ability	Accounts receivable turnover (Times)	4.88	5.78	4.82	6.32	4.65	3.95	(1)
	Average collection period	74.79	63.14	75.72	57.75	78.49	92.40	(1)
	Inventory turnover (Times)	5.66	5.84	4.03	4.42	3.14	1.96	(1)
	Accounts payable turnover (Times)	3.28	3.93	3.34	4.12	3.46	2.46	
	Average days in sales	64.49	62.50	90.57	82.57	116.24	186.22	(1)
	Property, plant, and equipment turnover (Times)	2.96	2.83	2.03	1.93	1.05	0.76	(1)
	Total assets turnover (Times)	0.81	0.87	0.64	0.62	0.36	0.26	(1)
Profitability	Return on total assets (%)	3.26	1.63	(3.52)	(3.52)	(4.51)	(1.17)	(1)
	Return on stockholders' equity (%)	5.06	2.40	(5.24)	(5.31)	(7.03)	(1.81)	(1)
	Pretax profit to paid-in capital (%)	17.52	8.08	(18.22)	(12.30)	(16.32)	(3.56)	(1)
	Net profit margin (%)	3.96	1.84	(5.57)	(5.75)	(12.93)	(18.50)	(1)
	Basic earnings(Loss) per share (\$) (Note 3)	1.39	0.77	(1.64)	(1.41)	(1.63)	(0.43)	
Cash flow	Cash flow ratio (%)	10.38	7.59	(8.21)	17.15	(8.53)	(9.36)	(1)
	Cash flow adequacy ratio (%)	119.32	126.45	81.17	75.13	26.49	28.32	(1)
	Cash reinvestment ratio (%)	0.26	0.35	(4.20)	3.78	(3.46)	(2.72)	(1)
Leverage	Operating leverage	21.06	26.04	(1.06)	(2.14)	(0.98)	(1.25)	(1)
	Financial leverage	1.07	1.09	0.99	0.98	0.98	0.97	
Analysis of financial ratio change in the last two years :								
(1)Mainly due to the continuous decline in the sales volume of digital cameras, the main business item, the scale of operations has been reduced, and the speed of inventory sales has slowed, resulting in operating losses in the current period.								

6.2.2 Individual Financial Analysis – Based on IFRS

Year		2016	2017	2018	2019	2020	Remake
Item (Note 4)							
Capital structure (%)	Debt ratio	33.52	29.37	31.16	36.43	38.32	
	Ratio of long-term capital to property, plant and equipment	332.24	309.02	287.61	268.55	237.51	
Solvency	Current ratio (%)	83.60	68.06	51.62	63.74	59.95	
	Quick ratio (%)	83.44	67.96	51.59	61.50	58.84	
	Times interest earned (Times)	4,325.22	3,562.18	(979.68)	(80.44)	(47.63)	(1)
Operating ability	Accounts receivable turnover (Times)	5.02	6.36	5.47	7.72	5.73	(1)
	Average collection period	72.71	57.39	66.73	47.28	63.69	(1)
	Inventory turnover (Times)	2,055.32	2,584.08	3,134.95	76.09	14.62	(1)
	Accounts payable turnover (Times)	2.60	3.07	2.18	1.43	0.97	(1)
	Average days in sales	0.18	0.14	0.12	4.80	24.97	(1)
	Property, plant, and equipment turnover (Times)	4.68	3.79	2.13	1.62	0.86	(1)
	Total assets turnover (Times)	0.78	0.81	0.50	0.39	0.21	(1)
Profitability	Return on total assets (%)	3.00	1.77	(4.09)	(3.81)	(4.67)	
	Return on stockholders' equity (%)	4.58	2.59	(5.87)	(5.81)	(7.59)	(1)
	Pretax profit to paid-in capital (%)	15.31	7.82	(20.60)	(13.59)	(17.59)	(1)
	Net profit margin (%)	3.86	2.19	(8.23)	(9.96)	(22.28)	(1)
	Basic earnings(Loss) per share (\$) (Note 3)	1.39	0.77	(1.64)	(1.41)	(1.63)	
Cash flow	Cash flow ratio (%)	2.54	0.00	0.00	8.92	0.00	
	Cash flow adequacy ratio (%)	135.74	128.88	86.98	53.25	1.36	(1)
	Cash reinvestment ratio (%)	0.00	0.00	0.00	1.50	0.00	
Leverage	Operating leverage	(13.69)	75.72	(0.31)	115.61	(1.03)	(1)
	Financial leverage	1.00	1.00	1.00	2.49	0.97	(1)
Analysis of financial ratio change in the last two years :							
(1)Mainly due to the continuous decline in the sales volume of digital cameras, the main business item, the scale of operations has been reduced, and the speed of inventory sales has slowed, 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 = Net 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)" 2020 Business Report, Financial Statements, and proposal for deficit compensation. 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 deficit compensation 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: Chen, Kuo-Hong

May 4, 2021

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	2020	2019	Difference	
			Amount	%
Current Asset	4,168,539	5,050,839	(882,300)	(17.47)
Property, plant and equipment	3,248,040	3,282,607	(34,567)	(1.05)
Intangible Assets	9,446	82,198	(72,752)	(88.51)
Other Assets	1,705,158	1,735,539	(30,381)	(1.75)
Total Assets	9,131,183	10,151,183	(1,020,000)	(10.05)
Current Liabilities	3,149,299	3,310,058	(160,759)	(4.86)
Non-current liabilities	85,426	82,424	3,002	3.64
Total Liabilities	3,234,725	3,392,482	(157,757)	(4.65)
Equity Attributable to owners of the Parent	5,620,343	6,493,198	(872,855)	(13.44)
Share capital	2,823,628	2,823,628	0	0.00
Capital surplus	1,563,494	1,563,494	0	0.00
Retained earnings	2,223,564	2,760,523	(536,959)	(19.45)
Other equity interest	(990,343)	(654,447)	(335,896)	(51.33)
Non-controlling interests	276,115	265,503	10,612	4.00
Total Equity	5,896,458	6,758,701	(862,243)	(12.76)
<p>Analysis of changes in financial ratios:</p> <p>(1) Intangible assets reduce the loss of goodwill caused by mergers and acquisitions of subsidiaries.</p> <p>(2) The decrease in other equity was due to the increase in unrealized losses of financial assets.</p>				

7.2 Analysis of Operating Results - Consolidated

7.2.1 Analysis of Operating Results

Unit: NT\$ thousands

Item \ Year	2020	2019	Difference amount	Difference %
Net Sales	3,442,017	6,591,161	(3,149,144)	(47.78)
Cost of Sales	2,855,114	5,712,768	(2,857,654)	(50.02)
Gross Profit	586,903	878,393	(291,490)	(33.18)
Operating Expense	1,203,201	1,303,377	(100,176)	(7.69)
Net Operating Income (Loss)	(616,298)	(424,984)	(191,314)	(45.02)
Non-operating Income and Expenses	155,515	77,725	77,790	100.08
Profit (Loss) Before Tax	(460,783)	(347,259)	(113,524)	(32.69)
Income Tax Expense (Benefit)	(15,881)	32,003	(47,884)	(149.62)
Profit (Loss) After Tax	(444,902)	(379,262)	(65,640)	(17.31)
Analysis of changes in financial ratios over 20%:				
(1) The operating loss was mainly due to the decline in the demand for consumer digital cameras and the decrease in sales volume, which resulted in the decline in operating revenue, costs and gross profit.				
(2) The increase in non-operating income and expenditure was mainly due to the government grants for academic subjects.				

7.2.2 Analysis of changes in the operating profit margin:

The main product mix has changed, and the gross profit of a small number of diverse products is higher, so the gross profit margin increased by about 3.72% compared with the previous period.

7.3 Analysis of Cash Flow

7.3.1 Cash Flow Analysis for the Current Year – Consolidated

Unit: NT\$ thousand

Cash Balance 12/31/2019	Net Cash Provided by Operating Activities in 2020	Net Cash Used in Investing and Financing Activities in 2020	Cash Balance 12/31/2020	Supplement measures for insufficient cash	
				Investment planning	Financial planning
2,809,473	(268,759)	(42,242)	2,498,472	None	None

- Cash flows used in operating activities 268,759: mainly from net loss.
- Cash flows used in investing activities 86,505 : primarily for acquisition of equipment and investment in BESTMOMENT.
- Cash flows from in financing activities 44,263 : Mainly short-term borrowings and exchange rate impact.

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 businesses that the company has invested strategically are long-term investment. Profits from investment shown in the equity-method based consolidated financial report in 2020 are NT\$3,426 thousand, NT\$5,573 thousand compared to the previous year, partly because the businesses that the company has invested in has enjoyed revenue growth, controlled the expenses 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 decreased by -0.23% and -7.8% respectively in 2020, which represented a minor inflation and did not have material impact on the Company's financial conditions in 2020.

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 exchange 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 saturation, etc., and will strive for enhancing the quality of product images. In terms of product development, our focus will be optical zoom, automatic 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 recognition, 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 approaches when it comes to development. We endeavor to make distinctive progress in product specifications in order to take part in contests of product specifications. In addition, with the key components, we make the development of images integrated with technologies of optics, mechanics, and electronics comprehensive. 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 and multiple lenses, and the SIS (Spherical Image Stabilization) /Dynamic stitch 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 increased 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 by joining the ADAS platform ecosystem to jointly develop experience, provide perception modules, and grasp the market demand for multiple perception modules in the future.

Technical development of automotive products focuses on 2CH/3CH DVR DMS, high-end 2CH Dash CAM + DMS. In the future, research and development in 3D imaging related products will respond to 3D imaging products will be a major trend in the future, technology research and development will focus on the technology of ToF related products Development. It will be completed at present, long-distance and high-precision ToF modules and ToF products with USB / Ethernet interfaces. At the same time, it is also in the layout and development of the stereo camera related technology. The development of the smallest miniaturization of 360 products has been actively developing the market's smallest 360 Camera, and the quality of image stitching has been more refined, and the development of high quality has been actively developed. Related technologies and products for image stitching of multiple lenses. AIOT has completed standard vehicle products and is actively expanding its business. This year, it will complete a higher-level platform and build more AI algorithms (actively adding AI algorithms to related AIOT products such as videoconferencing products/surveillance products, etc.) And add 3D ToF in-depth data to make up for the defects of the 2D algorithm, and make the overall AI algorithm more accurate), Video Conference builds an Audio design and verification system in response to the product, so that the audio and video quality of the product can be improved.

2. Estimated R&D Expenditure

The R&D expenditure in 2020 that the company has invested in is NT\$637,095 thousand, accounting for 19% of the revenue. In 2021, an additional amount of NT\$576,183 thousand is esimated to be invested in R&D.

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's production bases in mainland China are undergoing consolidation operations to improve operating efficiency and reduce production costs; Taiwan has established a Wu-Gu factory to diversify production capacity and reduce regional risks in the production base.

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 sales 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 approach of diverting the sources of clients and incorporating diverse product roadmaps, in order to diversify 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 2020 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.

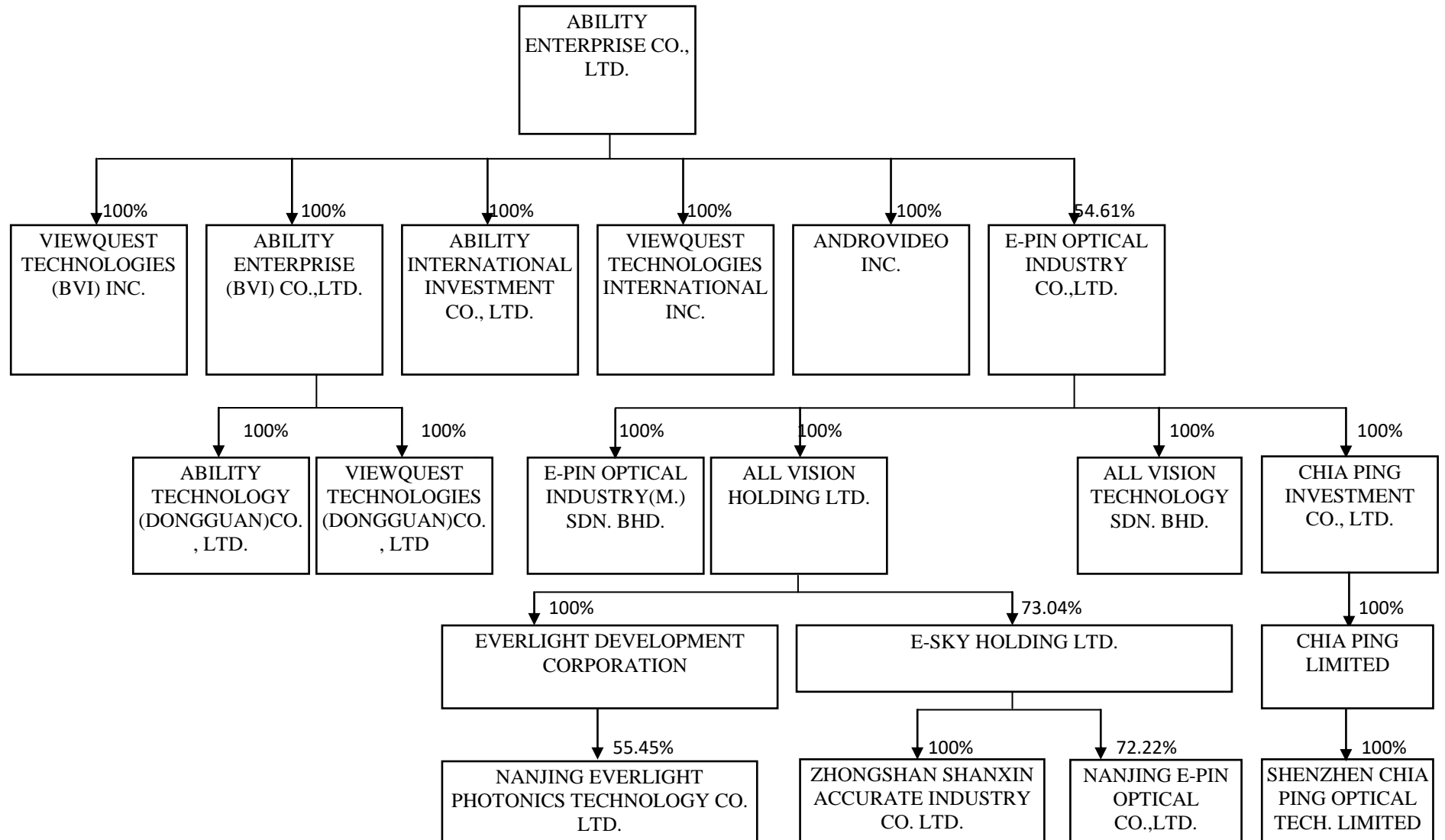
7.6.13. Other significant risk and mitigation measures being or to be taken: No other significant risks.

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	Holding company
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
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
CHIA PING LIMITED	2017.04.17	Independent State of Samoa	USD150,000	Holding company
SHENZHEN CHIA PING OPTICAL TECHNOLOGY LIMITED	2018.11.08	Shenzhen, China	RMB1,034,940	Trading 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.	Holding company	None
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
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
CHIA PING LIMITED	Holding company	Investment activities in China
SHENZHEN CHIA PING OPTICAL TECHNOLOGY LIMITED	Trading company	None
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	ABILITY ENTERPRISE-Tseng, Ming-Jen	1,300,000	100.00
	Director	ABILITY ENTERPRISE-Roger Chiang	1,300,000	100.00
	Director	ABILITY ENTERPRISE-Jonny Wu	1,300,000	100.00
	Supervisor	ABILITY ENTERPRISE-Lin, Hung-Tien	1,300,000	100.00
ABILITY ENTERPRISE (BVI) CO., LTD.	Chairman	ABILITY ENTERPRISE-Tseng, Ming-Jen	—	100.00
VIEWQUEST TECHNOLOGIES INTERNATIONAL INC.	Director	ABILITY ENTERPRISE-Wen, Sheng-Tai	—	100.00
	Director	ABILITY ENTERPRISE-Tseng, Ming-Jen	—	100.00
	Director	ABILITY ENTERPRISE-Tsay, Wen-Bin	—	100.00
VIEWQUEST TECHNOLOGIES (BVI) INC.	Chairman	ABILITY ENTERPRISE-Tseng, Ming-Jen	—	100.00
ANDROVIDEO INC.	Chairman	ABILITY ENTERPRISE-Tseng, Ming-Jen	7,000,000	100.00
	Director	ABILITY ENTERPRISE- Jonny Wu		
	Director	ABILITY ENTERPRISE-Jeming Wu		
	Supervisor	ABILITY ENTERPRISE-Lin, Hung-Tien		
E-PIN OPTICAL INDUSTRY CO.,LTD.	Chairman	Tseng, Ming-Jen	-	-
	Director	ABILITY ENTERPRISE-Ju, Ming-Jang	12,888,334	54.61
	Director	ABILITY ENTERPRISE-Wen, Sheng-Tai	12,888,334	54.61
	Director	ABILITY ENTERPRISE-Lu, Chien-Hsun	12,888,334	54.61
	Director	JUI-HSIN INVESTMENT LIMITED- Chan, Wen-Hsiung	481,603	2.04
	Director	Wu, Han-Zong	227,434	0.96
	Supervisor	Susie Wang	129,599	0.55
	Supervisor	Huang, Ching-Chuan	239,879	1.02
CHIA PING INVESTMENT CO., LTD.	Chairman	E-PIN OPTICAL- Lu, Chien-Hsun	600,000	100.00
	Director	E-PIN OPTICAL- Yin, Zhi-Xiang	600,000	100.00
	Director	E-PIN OPTICAL-Pan, Ching-Hsiang	600,000	100.00
	Supervisor	E-PIN OPTICAL- Chen, Ting-Shen	600,000	100.00
ABILITY TECHNOLOGY (DONGGUAN)CO., LTD.	Chairman	ABILITY (BVI) - Tseng, Ming-Jen	—	100.00
	Director	ABILITY (BVI) –Adams Chen	—	100.00
	Director	ABILITY (BVI) - Alson Hsu	—	100.00
	Supervisor	ABILITY (BVI) - Lin, Hung-Tien	—	100.00
VIEWQUEST TECHNOLOGIES (DONGGUAN)CO., LTD	Chairman	ABILITY (BVI) -Tseng, Ming-Jen	—	100.00
	Director	ABILITY (BVI) - Adams Chen	—	100.00
	Director	ABILITY (BVI) -Alson Hsu	—	100.00
	Supervisor	ABILITY (BVI) –Jackie Lee	—	100.00
ALL VISION HOLDING LTD.	Director	Pan, Ching-Hsiang	—	—
E-PIN OPTICAL INDUSTRY CO., LTD.	Director	E-PIN OPTICAL-Ju, Ming-Jang	150,000	100
E-PIN OPTICAL INDUSTRY(M.) SDN. BHD.	Director	Ju, Ming-Jang	—	—
	Director	Pan, Ching-Hsiang	—	—
ALL VISION TECHNOLOGY SDN. BHD.	Director	Ju, Ming-Jang	—	—
	Director	Pan, Ching-Hsiang	—	—
EVERLIGHT DEVELOPMENT CORPORATION	Director	Pan, Ching-Hsiang	58,494	100
	Director	ALL VISION HOLDING LTD		
	Director	Zhong, Pei-Yi		

Company	Title	Name or Representative	Shareholding	
			Number of Shares	Shareholding Ratio
E-SKY HOLDING LTD.	Director	ALL VISION HOLDING LTD- Pan, Ching-Hsiang	10,472,879	73.04
	Director	Ju, Ming-Jang	—	—
	Director	Shin, Yu-Hsiang	—	—
	Director	Hsu, San-Wei	—	—
CHIA PING LIMITED	Director	Lu, Chien-Hsun	150,000	100%
SHENZHEN CHIA PING OPTICAL TECHNOLOGY LIMITED	Director	Lu, Chien-Hsun	—	100%
	Supervisor	Zhong, Pei-Yi	—	
NANJING EVERLIGHT PHOTONICS TECHNOLOGY CO. LTD.	Chairman	EVERLIGHT DEVELOPMENT CORP. -Pan, Ching-Hsiang	—	55.45
	Director	EVERLIGHT DEVELOPMENT CORP. -Ju, Ming-Jang	—	55.45
		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. - Zhang, Jie	—	5.81
	Supervisor	NANJING NEW INDUSTRY INVESTMENT GROUP CO.,LTD -Huang, Wei-Min	—	38.74
ZHONGSHAN SHANXIN ACCURATE INDUSTRY CO. LTD.	Chairman	E-SKY HOLDING LTD.-Pan, Ching-Hsiang	—	100
	Director	E-SKY HOLDING LTD.- Wu, Zhi-Yu	—	100
	Director	E-SKY HOLDING LTD.- Yin, Zhi-Xiang	—	100
	Director	E-SKY HOLDING LTD.- Chen, Ting-Shen	—	100
NANJING E-PIN OPTICAL CO.,LTD.	Director	E-SKY HOLDING LTD.-Chou, Hsiang-Ho	—	72.22
	Supervisor	E-SKY HOLDING LTD.-Pan, Ching-Hsiang	—	72.22

8.1.6 Operation of Affiliated Companies

As of 12/31/2020 ; Unit: NT\$ thousands

Company	Capital Stock	Assets	Liabilities	Net Worth
ABILITY ENTERPRISE CO., LTD.	2,823,628	8,947,944	3,327,601	5,620,343
ABILITY ENTERPRISE (BVI) CO., LTD.	730,085	2,111,942	454,592	1,657,350
VIEWQUEST TECHNOLOGIES (BVI) INC.	1,103,865	1,408,890	11,368	1,397,522
VIEWQUEST TECHNOLOGIES INTERNATIONAL INC.	42,720	191	0	191
ABILITY INTERNATIONAL INVESTMENT CO., LTD.	13,000	16,726	0	16,726
ANDROVIDEO INC.	70,000	43,623	206,783	(163,160)
E-PIN OPTICAL INDUSTRY CO.,LTD.	236,000	623,656	382,895	240,761
CHIA PING INVESTMENT CO., LTD.	6,000	4,591	0	4,591
ABILITY TECHNOLOGY (DONGGUAN)CO., LTD.	1,199,700	1,693,806	808,115	885,691
VIEWQUEST TECHNOLOGIES (DONGGUAN)CO., LTD	615,679	456,148	18,276	437,872
ALL VISION HOLDING LTD.	516,528	133,829	0	133,829
E-PIN OPTICAL INDUSTRY(M.) SDN. BHD.	45,700	10,563	9,165	1,398
ALL VISION TECHNOLOGY SDN. BHD.	659,334	19,910	10,664	9,246
EVERLIGHT DEVELOPMENT CORPORATION	166,591	232,915	0	232,915
E-SKY HOLDING LTD.	408,372	(99,093)	0	(99,093)
CHIA PING LIMITED	4,664	3,767	0	3,767
SHENZHEN CHIA PING OPTICAL TECHNOLOGY LIMITED	4,272	47,613	43,846	3,767
NANJING EVERLIGHT PHOTONICS TECHNOLOGY CO. LTD.	291,920	280,893	48,075	232,818
ZHONGSHAN SHANXIN ACCURATE INDUSTRY CO. LTD.	252,906	164,551	263,881	(99,330)
NANJING E-PIN OPTICAL CO.,LTD.	205,062	231	0	231

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, 2020, 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 29, 2021

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
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2020 AND 2019**

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR20000502

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, 2020 and 2019, 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, based on our audits and the reports of the other auditors (refer to Other Matter – Scope of the Audit section of our report), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's 2020 consolidated financial statements. 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(14) 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, 2020, the balances of the Group's inventory and allowance for inventory valuation loss were NT\$953,719 thousand and NT\$457,170 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 considered 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

Description

Refer to Notes 4(16) and (18) 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 (11) for account details of property, plant and equipment and investment property. As of December 31, 2020, the balance of property, plant and equipment and investment property totaled to NT\$3,892,151 thousand.

The property, plant and equipment and investment property primarily consist of land, buildings and structures, constituting 43% 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 considered the 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 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\$64,878 thousand and NT\$7,162 thousand, constituting 0.71% and 0.07% of consolidated total assets as of December 31, 2020 and 2019, respectively, operating revenues of NT\$32,962 thousand and NT\$21,801 thousand, constituting 0.96% and 0.33% of the consolidated total net operating revenue for the years then ended, respectively, and the related share of loss of associates and joint ventures accounted for under equity method of NT\$74,486 thousand and NT\$49,642 thousand, constituting 9.58% and 7.97% of consolidated total

comprehensive income (loss) for the years then ended, respectively. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein relative to the consolidated subsidiary and investees, is based solely on the audit reports of the other auditors.

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, 2020 and 2019.

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.

Auditors' responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient 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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Juanlu, Man-Yu

Lin, Ya-Hui

For and on behalf of PricewaterhouseCoopers, Taiwan

March 29, 2021

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 independent auditors' report 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, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 2,498,472	27	\$ 2,809,473	28
1110	Financial assets at fair value through profit or loss - current	6(2)	16,073	-	16,007	
1120	Current financial assets at fair value through other comprehensive income	6(3)	279,967	3	437,306	4
1136	Current financial assets at amortised cost	6(4)	218,240	2	322,312	3
1170	Accounts receivable, net	6(5) and 7	529,291	6	620,399	6
130X	Inventory	6(6)	496,549	6	600,617	6
1470	Other current assets	6(7)	129,947	2	244,725	3
11XX	Total current assets		4,168,539	46	5,050,839	50
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	650,592	7	777,392	8
1550	Investments accounted for under equity method	6(8)	58,476	1	17,866	-
1600	Property, plant and equipment	6(9) and 8	3,248,040	36	3,282,607	32
1755	Right-of-use assets	6(10)	105,938	1	77,212	1
1760	Investment property - net	6(11)	644,111	7	656,699	6
1780	Intangible assets	6(12)	9,446	-	82,198	1
1840	Deferred income tax assets	6(28)	211,985	2	173,064	2
1900	Other non-current assets		34,056	-	33,306	-
15XX	Total non-current assets		4,962,644	54	5,100,344	50
1XXX	Total assets		\$ 9,131,183	100	\$ 10,151,183	100

(Continued)

ABILITY ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2020		December 31, 2019			
			Notes	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term borrowings	6(14)	\$	1,370,415	15	\$	1,090,000	11
2170	Accounts payable	7		726,066	8		925,074	9
2200	Other payables	6(15)		765,999	8		810,470	8
2230	Current income tax liabilities			4,469	-		12,845	-
2250	Current provisions	6(17)		72,106	1		98,662	1
2280	Current lease liabilities			17,114	-		9,584	-
2300	Other current liabilities	6(22)		193,130	2		363,423	3
21XX	Total current liabilities			3,149,299	34		3,310,058	32
Non-current liabilities								
2580	Non-current lease liabilities			19,873	-		392	-
2600	Other non-current liabilities	6(16)		65,553	1		82,032	1
25XX	Total non-current liabilities			85,426	1		82,424	1
2XXX	Total liabilities			3,234,725	35		3,392,482	33
Equity								
Equity attributable to owners of parent								
	Share capital	6(18)						
3110	Common stock			2,823,628	31		2,823,628	28
	Capital surplus	6(19)						
3200	Capital surplus			1,563,494	18		1,563,494	15
	Retained earnings	6(20)						
3310	Legal reserve			1,655,947	18		1,655,947	16
3320	Special reserve			654,447	7		426,178	4
3350	(Accumulated deficit) unappropriated retained earnings		(	86,830)	(1)		678,398	7
	Other equity interest	6(21)						
3400	Other equity interest		(	990,343)	(11)	(	654,447)	(6)
31XX	Equity attributable to owners of the parent			5,620,343	62		6,493,198	64
36XX	Non-controlling interest			276,115	3		265,503	3
3XXX	Total equity			5,896,458	65		6,758,701	67
	Significant events after the balance sheet date	11						
3X2X	Total liabilities and equity		\$	9,131,183	100	\$	10,151,183	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, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, for loss per share amounts)

			Year ended December 31			
			2020		2019	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(22) and 7		\$ 3,442,017	100	\$ 6,591,161	100
5000 Operating costs	6(6)(27) and 7		(2,855,114)	(83)	(5,712,768)	(86)
5950 Net operating margin			<u>586,903</u>	<u>17</u>	<u>878,393</u>	<u>14</u>
Operating expenses	6(27)					
6100 Selling expenses			(113,390)	(3)	(119,728)	(2)
6200 General and administrative expenses			(452,466)	(13)	(533,084)	(8)
6300 Research and development expenses			(637,095)	(19)	(658,867)	(10)
6450 (Impairment loss) impairment gain and reversal of impairment loss determined in accordance with IFRS 9	12(2)		(250)	-	8,302	-
6000 Total operating expenses			(1,203,201)	(35)	(1,303,377)	(20)
6900 Operating loss			(616,298)	(18)	(424,984)	(6)
Non-operating income and expenses						
7100 Interest income	6(23)		25,616	1	40,744	-
7010 Other income	6(24)		66,353	2	127,473	2
7020 Other gains and losses	6(25)		72,930	2	(88,305)	(1)
7050 Finance costs	6(26)		(12,810)	-	(7,760)	-
7060 Share of profit of associates and joint ventures accounted for under equity method	6(8)		<u>3,426</u>	<u>-</u>	<u>5,573</u>	<u>-</u>
7000 Total non-operating income and expenses			<u>155,515</u>	<u>5</u>	<u>77,725</u>	<u>1</u>
7900 Loss before income tax			(460,783)	(13)	(347,259)	(5)
7950 Income tax benefit (expense)	6(28)		<u>15,881</u>	<u>-</u>	(32,003)	(1)
8200 Loss for the year			<u>(\$ 444,902)</u>	<u>(13)</u>	<u>(\$ 379,262)</u>	<u>(6)</u>

(Continued)

ABILITY ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, for loss per share amounts)

Items	Notes	Year ended December 31			
		2020		2019	
		AMOUNT	%	AMOUNT	%
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
8311 Actuarial gains (losses) on defined benefit plans	6(16)	\$ 9,101	-	(\$ 1,018)	-
8316 Unrealised losses on financial assets measured at fair value through other comprehensive income	6(3)	(232,884)	(7)	(92,229)	(1)
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(28)	(1,820)	-	203	-
8310 Other comprehensive loss that will not be reclassified to profit or loss		(225,603)	(7)	(93,044)	(1)
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Financial statements translation differences of foreign operations		(107,029)	(3)	(150,630)	(2)
8360 Other comprehensive loss that will be reclassified to profit or loss		(107,029)	(3)	(150,630)	(2)
8300 Other comprehensive loss for the year		(\$ 332,632)	(10)	(\$ 243,674)	(3)
8500 Total comprehensive loss for the year		(\$ 777,534)	(23)	(\$ 622,936)	(9)
(Loss) profit attributable to:					
8610 Owners of the parent		(\$ 459,802)	(13)	(\$ 399,264)	(6)
8620 Non-controlling interest		14,900	-	20,002	-
		(\$ 444,902)	(13)	(\$ 379,262)	(6)
Comprehensive (loss) income attributable to:					
8710 Owners of the parent		(\$ 788,146)	(23)	(\$ 627,566)	(9)
8720 Non-controlling interest		10,612	-	4,630	-
		(\$ 777,534)	(23)	(\$ 622,936)	(9)
Loss per share	6(29)				
9750 Basic and diluted loss per share		(\$ 1.63)		(\$ 1.41)	

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, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent								
		Retained Earnings					Financial statements translation differences of foreign operations	Non-controlling interest	Total equity	
Notes	Share capital - common stock	Total capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings (accumulated deficit)	Total				
<u>Year ended December 31, 2019</u>										
		\$ 2,823,628	\$ 1,563,455	\$ 1,655,947	\$ -	\$ 1,645,054	(\$ 426,178)	\$ 7,261,906	\$ 260,873	\$ 7,522,779
		-	-	-	-	(399,264)	-	(399,264)	20,002	(379,262)
		-	-	-	-	(33)	(228,269)	(228,302)	(15,372)	(243,674)
		-	-	-	-	(399,297)	(228,269)	(627,566)	4,630	(622,936)
	6(20)									
		-	-	-	426,178	(426,178)	-	-	-	-
		-	-	-	-	(141,181)	-	(141,181)	-	(141,181)
	6(19)	-	39	-	-	-	-	39	-	39
		\$ 2,823,628	\$ 1,563,494	\$ 1,655,947	\$ 426,178	\$ 678,398	(\$ 654,447)	\$ 6,493,198	\$ 265,503	\$ 6,758,701
<u>Year ended December 31, 2020</u>										
		\$ 2,823,628	\$ 1,563,494	\$ 1,655,947	\$ 426,178	\$ 678,398	(\$ 654,447)	\$ 6,493,198	\$ 265,503	\$ 6,758,701
		-	-	-	-	(459,802)	-	(459,802)	14,900	(444,902)
		-	-	-	-	7,552	(335,896)	(328,344)	(4,288)	(332,632)
		-	-	-	-	(452,250)	(335,896)	(788,146)	10,612	(777,534)
	6(20)									
		-	-	-	228,269	(228,269)	-	-	-	-
		-	-	-	-	(84,709)	-	(84,709)	-	(84,709)
		\$ 2,823,628	\$ 1,563,494	\$ 1,655,947	\$ 654,447	(\$ 86,830)	(\$ 990,343)	\$ 5,620,343	\$ 276,115	\$ 5,896,458

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, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(\$ 460,783)	(\$ 347,259)
Adjustments			
Income and expenses having no effect on cash flows			
Depreciation	6(27)	238,281	249,435
Amortisation	6(27)	8,619	16,227
Expected credit loss (gain)	12(2)	250 (	8,302)
Net gain on financial assets or liabilities at fair value through profit or loss		(66 ) (	19)
Interest expense	6(26)	12,810	7,760
Interest income	6(23)	(25,616 ) (	40,744)
Dividend income	6(24)	(27,170 ) (	94,452)
Share of profit or loss of associates and joint ventures accounted for under equity method	6(8)	(3,426 ) (	5,573)
(Gain) loss on disposal of property, plant, and equipment	6(25)	(4,339)	27,880
Impairment loss	6(13)	70,456	75,456
Gain on lease modification		(8)	-
Changes in assets/liabilities relating to operating activities			
Changes in operating assets			
Accounts receivable, net		98,723	516,548
Inventories		85,168	730,005
Other current assets		113,632	108,185
Net changes in liabilities relating to operating activities			
Accounts payable		(168,992 ) (	911,676)
Other payables		(12,000)	37,549
Other current liabilities		(195,155)	103,818
Other non-current liabilities		(7,406 ) (	2,986)
Cash (outflow) inflow generated from operations		(277,022)	461,852
Interest received		25,616	40,744
Dividends received		28,129	94,452
Interest paid		(12,810 ) (	7,760)
Income tax paid		(32,672 ) (	21,601)
Net cash flows (used in) from operating activities		(268,759)	567,687

(Continued)

ABILITY ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2020	2019
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at fair value through other comprehensive income	6(3)	\$ -	(\$ 30,000)
Proceeds from capital reduction of financial assets at fair value through other comprehensive income		9,095	16,050
Acquisition of investments accounted for under the equity method	6(8)	(36,671)	-
Proceeds from disposal of financial assets at amortised cost		104,072	224,794
Acquisition of financial assets at fair value through profit or loss		-	(46,000)
Proceeds from disposal of financial assets at fair value through profit or loss		-	30,012
Acquisition of property, plant and equipment	6(9)	(181,248)	(118,977)
Proceeds from disposal of property, plant and equipment		25,320	11,805
Acquisition of intangible assets	6(12)	(6,323)	(2,291)
Increase in other non-current assets		(750)	(2,498)
Net cash flows (used in) from investing activities		(86,505)	82,895
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term loans		280,415	651,353
Payments of lease liabilities		(20,120)	(24,062)
Payment of cash dividends	6(20)	(84,709)	(141,181)
Increase in other non-current liabilities		28	1,135
Net cash flows from financing activities		175,614	487,245
Net effect of changes in foreign currency exchange rates		(131,351)	(116,409)
Net (decrease) increase in cash and cash equivalents		(311,001)	1,021,418
Cash and cash equivalents at beginning of year		2,809,473	1,788,055
Cash and cash equivalents at end of year		\$ 2,498,472	\$ 2,809,473

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, 2020 AND 2020

(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 29, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments as endorsed by the FSC effective from 2020 are as follows:

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 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	January 1, 2020
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020 (Note)

Note: Earlier application from January 1, 2020 is allowed by the FSC.

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

(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 the FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform— Phase 2'	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.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
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, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

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 at fair value through other comprehensive income.
 - (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.

(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 (%)		Description
			December 31, 2020	December 31, 2019	
The Company	ABILITY ENTERPRISE (BVI) CO., LTD. (ABILITY (BVI))	Holding company	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))	Holding company	100.00	100.00	
The Company	ABILITY INTERNATIONAL INVESTMENT CO., LTD. (ABILITY INTERNATIONAL INVESTMENT)	Investments	100.00	100.00	
The Company	ANDRO VIDEO INC.	Development, manufacturing and trading of digital	100.00	100.00	
The Company	E-PIN OPTICAL INDUSTRY CO., LTD. (E-PIN)	Sales of optical products and electronic components	54.61	54.61	
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	Note 2
VQ (BVI)	VIEWQUEST TECHNOLOGIES (DONGGUAN) CO., LTD. (VIEWQUEST TECHNOLOGIES)	Sales of digital still cameras	-	100.00	Note 4
ABILITY (BVI)	VIEWQUEST TECHNOLOGIES (DONGGUAN) CO., LTD. (VIEWQUEST TECHNOLOGIES)	Sales of digital still cameras	100.00	-	Note 4
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	Note 3
E-PIN	ALL VISION HOLDING LTD. (ALL VISION)	Holding company	100.00	100.00	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2020	December 31, 2019	
E-PIN	JIAPIN INVESTMENT CO., LTD. (JIAPIN INVESTMENT)	Investments	100.00	100.00	
JIAPIN INVESTMENT	CHIA PING LIMITED (CHIA PING)	Holding company	100.00	100.00	Note 1
CHIA PING LIMITED	CHIA PING (SHENZHEN) OPTICAL TECHNOLOGY CO., LTD.	Trading of optical lens and components	100.00	100.00	Note 1
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., LTD. (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: The investments in CHIA PING and CHIA PING (SHENZHEN) OPTICAL TECHNOLOGY CO., LTD. were approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) on August 22, 2019.

Note 2: The liquidation of JIUJIANG VIEWQUEST ELECTRONICS INC. was completed on October 16, 2020. Proceeds from liquidation has been collected.

Note 3: The liquidation of E-PIN was completed on July 7, 2020.

Note 4: To enhance the operation efficiency, on December 20, 2019, the Board of Directors of the Group resolved to acquire 100% shares of VIEWQUEST TECHNOLOGIES from VQ (BVI) through ABILITY(BVI) and conduct the consolidation of VIEWQUEST TECHNOLOGIES and ABILITY (DONGGUAN)). The aforementioned share transfer of VIEWQUEST TECHNOLOGIES was registered on December 10, 2020.

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) Financial assets at fair value through other comprehensive income

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) Financial assets at amortised cost

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) Accounts and notes receivable

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) Leasing arrangements (lessor) - operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(14) 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.

(15) 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.

(16) 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	10 ~ 50 years
Machinery and equipment	1 ~ 20 years
Mold equipment	1 ~ 2 years
Other equipment	1 ~ 20 years

(17) Leasing arrangements (lessee) - right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the fixed payments, less any lease incentives receivable.
- The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

- D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between remeasured lease liability in profit or loss.

(18) 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 30 to 50 years.

(19) 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.

(20) 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.

(21) 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.

(22) 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.

(23) 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.

(24) 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.

(25) 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.

(26) 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.

(27) 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.

(28) 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.

(29) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

(30) 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, 2020, the Group recognised property, plant and equipment, net of impairment loss. Please refer to Note 6(9) and 6(11).

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, 2020, the carrying amount of inventories is described in Note 6(6).

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and revolving funds	\$ 2,520	\$ 2,800
Checking accounts and demand deposits	2,495,952	2,022,456
Time deposits	-	784,217
	<u>\$ 2,498,472</u>	<u>\$ 2,809,473</u>

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, 2020	December 31, 2019
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	\$ 16,000	\$ 16,000
	16,000	16,000
Valuation adjustment	73	7
	<u>\$ 16,073</u>	<u>\$ 16,007</u>

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

(3) Financial assets at fair value through other comprehensive income

Items	December 31, 2020	December 31, 2019
Current items:		
Equity instruments		
Listed stocks	\$ 782,863	\$ 824,096
Valuation adjustment	(502,896)	(386,790)
	<u>\$ 279,967</u>	<u>\$ 437,306</u>
Non-current items:		
Equity instruments		
Listed stocks	\$ 636,816	\$ 636,816
Unlisted stocks	229,455	239,477
	866,271	876,293
Valuation adjustment	(215,679)	(98,901)
	<u>\$ 650,592</u>	<u>\$ 777,392</u>

- A. On August 13, 2019, the Board of Directors of the Group resolved to invest in IH Biomedical Venture Fund I Co., Ltd. in the amount of \$30 million. As of December 31, 2020, the investment amounted to \$15 thousand, and the shareholding ratio was 4.848%.
- B. On November 14, 2019, the Board of Directors of the Group resolved to invest in HorusEye Technology Co., Ltd. in the amount of \$15 million. As of December 31, 2020, the investment amounted to \$15 thousand, and the shareholding ratio was 1.82%.
- C. 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 \$930,559 and \$1,214,698 as at December 31, 2020 and 2019, respectively.
- D. 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:

	For the year ended December 31, 2020	For the year ended December 31, 2019
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	(\$ 232,884)	(\$ 92,229)

E. As at December 31, 2020 and 2019, 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 \$930,559 and \$1,214,698, respectively.

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

(4) Financial assets at amortised cost - current

Items	December 31, 2020	December 31, 2019
Current items:		
Time deposits with initial maturity over three months	\$ 218,240	\$ 322,312

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

	For the year ended December 31, 2020	For the year ended December 31, 2019
Interest income	\$ 6,001	\$ 8,247

B. The Group has no financial assets at amortised cost - current pledged to others as collateral.

C. Information relating to credit risk of financial assets at amortised cost - current is provided in Note 12(2).

(5) Accounts receivable

	December 31, 2020	December 31, 2019
Accounts receivable	\$ 689,987	\$ 783,620
Less: Allowance for bad debts	(165,199)	(165,481)
Accounts receivable, related parties	4,503	2,260
Accounts receivable, net	\$ 529,291	\$ 620,399
	December 31, 2020	December 31, 2019
Not past due	\$ 503,394	\$ 546,135
1 to 90 days	26,638	72,857
91 to 180 days	1,953	1,407
Over 180 days	162,505	165,481
	\$ 694,490	\$ 785,880

The above ageing analysis was based on past due date.

A. As of December 31, 2020 and 2019, accounts receivable were all from contracts with customers. As of January 1, 2019, the balance of accounts receivable from contracts with customers amounted to \$1,300,917.

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

C. As at December 31, 2020 and 2019, 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 \$529,291 and \$620,399, respectively.

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

(6) Inventories

December 31, 2020			
	Cost	Allowance for valuation loss	Book value
Merchandise	\$ 136,483	(\$ 50,356)	\$ 86,127
Finished goods	191,622	(69,241)	122,381
Work in process	64,521	(14,012)	50,509
Raw materials	551,745	(323,561)	228,184
Inventory in transit	9,348	-	9,348
	<u>\$ 953,719</u>	<u>(\$ 457,170)</u>	<u>\$ 496,549</u>

December 31, 2019			
	Cost	Allowance for valuation loss	Book value
Merchandise	\$ 100,256	(\$ 16)	\$ 100,240
Finished goods	168,016	(56,218)	111,798
Work in process	71,077	(10,016)	61,061
Raw materials	505,584	(195,035)	310,549
Inventory in transit	16,969	-	16,969
	<u>\$ 861,902</u>	<u>(\$ 261,285)</u>	<u>\$ 600,617</u>

The cost of inventories recognised as expense for the year:

	For the years ended December 31,	
	2020	2019
Cost of goods sold	\$ 2,607,399	\$ 5,609,142
Loss on (gain on reversal of) decline in market value	195,884	(124,736)
Loss on scrapping inventory	24,553	114,870
Other operating costs	27,278	113,492
	<u>\$ 2,855,114</u>	<u>\$ 5,712,768</u>

(7) Other current assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Advance payment	\$ 41,153	\$ 23,114
Other receivables	38,371	147,434
Others	50,423	74,177
	<u>\$ 129,947</u>	<u>\$ 244,725</u>

(8) Investments accounted for using equity method

<u>Associates</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Altasec Technology Corporation (Altasec Technology)	\$ 21,255	\$ 17,866
BESTMOMENT HOLDINGS PTE.LTD.	37,221	-
Ever Pine International Ltd. (BVI) (EVER PINE)	-	-
	<u>\$ 58,476</u>	<u>\$ 17,866</u>

- A. The above investment was accounted for using equity method as of December 31, 2020 and 2019 based on the investee's financial statements audited by other independent auditors.
- 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: As of December 31, 2020 and 2019, the carrying amount of the Group's individually immaterial associates amounted to \$58,476 and \$17,866, respectively.

	<u>For the year ended December 31, 2020</u>	<u>For the year ended December 31, 2019</u>
Total comprehensive income	\$ 10,805	\$ 18,575

- C. The Group's share in profit recognised under the equity method for the years ended December 31, 2020 and 2019 was \$3,426 and \$5,573, respectively.
- D. The Group established BESTMOMENT HOLDINGS PTE. LTD. in Singapore jointly with Thundercomm HongKong Corporation Limited as resolved by the Board of Directors on August 13, 2019. As of December 31, 2020, the investment amount was SGD 1,723,110 equivalent to \$36,671 and the shareholding ratio was 25%.

(9) Property, plant and equipment

	Land	Buildings and structures	Machinery	Mold equipment	Other equipment and Construction in progress	Total
<u>January 1, 2020</u>						
Cost	\$ 1,304,043	\$ 2,332,237	\$ 1,838,610	\$ 948,182	\$ 582,750	\$ 7,005,822
Accumulated depreciation and impairment	-	(676,465)	(1,618,415)	(936,684)	(491,651)	(3,723,215)
	<u>\$ 1,304,043</u>	<u>\$ 1,655,772</u>	<u>\$ 220,195</u>	<u>\$ 11,498</u>	<u>\$ 91,099</u>	<u>\$ 3,282,607</u>
<u>2020</u>						
Opening net book amount	\$ 1,304,043	\$ 1,655,772	\$ 220,195	\$ 11,498	\$ 91,099	\$ 3,282,607
Additions	-	4,365	109,719	44,265	22,899	181,248
Reclassificaion	-	(2,827)	-	-	-	(2,827)
Disposals	-	(34)	(20,730)	-	(217)	(20,981)
Depreciation	-	(73,316)	(63,549)	(44,703)	(21,815)	(203,383)
Net exchange differences	-	9,363	1,838	-	175	11,376
Closing net book amount	<u>\$ 1,304,043</u>	<u>\$ 1,593,323</u>	<u>\$ 247,473</u>	<u>\$ 11,060</u>	<u>\$ 92,141</u>	<u>\$ 3,248,040</u>
<u>At December 31, 2020</u>						
Cost	\$ 1,304,043	\$ 2,317,287	\$ 1,659,540	\$ 971,003	\$ 529,341	\$ 6,781,214
Accumulated depreciation and impairment	-	(723,964)	(1,412,067)	(959,943)	(437,200)	(3,533,174)
	<u>\$ 1,304,043</u>	<u>\$ 1,593,323</u>	<u>\$ 247,473</u>	<u>\$ 11,060</u>	<u>\$ 92,141</u>	<u>\$ 3,248,040</u>

	Land	Buildings and structures	Machinery	Mold equipment	Other equipment and Construction in progress	Total
<u>January 1, 2019</u>						
Cost	\$ 1,319,299	\$ 2,449,244	\$ 2,173,482	\$ 954,373	\$ 608,448	\$ 7,504,846
Accumulated depreciation and impairment	<u>-</u>	<u>(616,832)</u>	<u>(1,901,075)</u>	<u>(939,506)</u>	<u>(507,487)</u>	<u>(3,964,900)</u>
	<u>\$ 1,319,299</u>	<u>\$ 1,832,412</u>	<u>\$ 272,407</u>	<u>\$ 14,867</u>	<u>\$ 100,961</u>	<u>\$ 3,539,946</u>
<u>2019</u>						
Opening net book amount	\$ 1,319,299	\$ 1,832,412	\$ 272,407	\$ 23,627	\$ 100,961	\$ 3,539,946
Additions	-	4,521	77,453	20,769	16,234	118,977
Reclassification	(15,256)	(63,867)	-	-	-	(79,123)
Disposals	-	(27)	(38,862)	-	(796)	(39,685)
Depreciation	-	(79,472)	(88,464)	(24,185)	(20,228)	(212,349)
Impairment loss	-	(11,466)	3,466	-	(4,563)	(12,563)
Net exchange differences	<u>-</u>	<u>(26,329)</u>	<u>(5,805)</u>	<u>47</u>	<u>(509)</u>	<u>(32,596)</u>
Closing net book amount	<u>\$ 1,304,043</u>	<u>\$ 1,655,772</u>	<u>\$ 220,195</u>	<u>\$ 20,258</u>	<u>\$ 91,099</u>	<u>\$ 3,282,607</u>
<u>At December 31, 2019</u>						
Cost	\$ 1,304,043	\$ 2,332,237	\$ 1,838,610	\$ 948,182	\$ 582,750	\$ 7,005,822
Accumulated depreciation and impairment	<u>-</u>	<u>(676,465)</u>	<u>(1,618,415)</u>	<u>(936,684)</u>	<u>(491,651)</u>	<u>(3,723,215)</u>
	<u>\$ 1,304,043</u>	<u>\$ 1,655,772</u>	<u>\$ 220,195</u>	<u>\$ 11,498</u>	<u>\$ 91,099</u>	<u>\$ 3,282,607</u>

- A. The significant components of buildings and structures include main plants and buildings and mechanical equipment, which are depreciated over 50 and 20 years, respectively.
- B. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(10) Leasing arrangements — lessee

- A. The Group leases various assets including land, plant, office buildings, multifunction printers and exchange telephone system. Rental contracts are typically made for periods of 1 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 69,191	\$ 67,370
Buildings	33,546	8,307
Transportation equipment	2,801	-
Office equipment	400	1,535
	<u>\$ 105,938</u>	<u>\$ 77,212</u>
	<u>For the year ended</u>	<u>For the year ended</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 2,076	\$ 2,068
Buildings	17,701	22,955
Transportation equipment	1,401	-
Office equipment	1,132	1,254
	<u>\$ 22,310</u>	<u>\$ 26,277</u>

C. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets were \$47,192 and \$0, respectively.

D. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>For the year ended</u>	<u>For the year ended</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 593	\$ 723
Expense on short-term lease contracts	2,740	2,487
Expense on leases of low-value assets	426	526
Gains arising from lease modifications	8	-

E. For the years ended December 31, 2020 and 2019, the Group's total cash outflow for leases were \$23,879 and \$27,799, respectively.

F. Information about the right-of-use assets that were pledged to others as collateral is provided in Note 8.

(11) Investment property

	Land	Buildings and structures	Total
<u>At January 1, 2020</u>			
Cost	\$ 272,430	\$ 584,920	\$ 857,350
Accumulated depreciation and impairment	-	(200,651)	(200,651)
	<u>\$ 272,430</u>	<u>\$ 384,269</u>	<u>\$ 656,699</u>
<u>2020</u>			
Opening net book amount	\$ 272,430	\$ 384,269	\$ 656,699
Depreciation	-	(12,588)	(12,588)
Closing net book amount	<u>\$ 272,430</u>	<u>\$ 371,681</u>	<u>\$ 644,111</u>
<u>At December 31, 2020</u>			
Cost	\$ 272,430	\$ 584,920	\$ 857,350
Accumulated depreciation and impairment	-	(213,239)	(213,239)
	<u>\$ 272,430</u>	<u>\$ 371,681</u>	<u>\$ 644,111</u>
	Land	Buildings and structures	Total
<u>At January 1, 2019</u>			
Cost	\$ 257,174	\$ 521,053	\$ 778,227
Accumulated depreciation and impairment	-	(189,842)	(189,842)
	<u>\$ 257,174</u>	<u>\$ 331,211</u>	<u>\$ 588,385</u>
<u>2019</u>			
Opening net book amount	\$ 257,174	\$ 331,211	\$ 588,385
Reclassification	15,256	63,867	79,123
Depreciation	-	(10,809)	(10,809)
Closing net book amount	<u>\$ 272,430</u>	<u>\$ 384,269</u>	<u>\$ 656,699</u>
<u>At December 31, 2019</u>			
Cost	\$ 272,430	\$ 584,920	\$ 857,350
Accumulated depreciation and impairment	-	(200,651)	(200,651)
	<u>\$ 272,430</u>	<u>\$ 384,269</u>	<u>\$ 656,699</u>

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

	For the year ended December 31, 2020	For the year ended December 31, 2019
Rental income from the lease of the investment property	\$ 38,085	\$ 32,738
Direct operating expenses arising from the investment property that generated rental income in the period	\$ 12,588	\$ 10,809

B. The fair value of the investment property held by the Group as at December 31, 2020 and 2019 was \$1,749,226 and \$1,743,767, respectively, which was based on the valuations of the market prices of property sold in similar districts.

(12) Intangible assets

	Software	Goodwill	Others	Total
<u>At January 1, 2020</u>				
Cost	\$ 72,661	\$ 115,084	\$ 37,600	\$ 225,345
Accumulated amortisation and impairment	(64,352)	(62,893)	(15,902)	(143,147)
	<u>\$ 8,309</u>	<u>\$ 52,191</u>	<u>\$ 21,698</u>	<u>\$ 82,198</u>
<u>2020</u>				
Opening net book amount	\$ 8,309	\$ 52,191	\$ 21,698	\$ 82,198
Additions — acquired separately	6,323	-	-	6,323
Amortisation charge	(5,186)	-	(3,433)	(8,619)
Net exchange differences	-	(52,191)	(18,265)	(70,456)
Closing net book amount	<u>\$ 9,446</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,446</u>
<u>At December 31, 2020</u>				
Cost	\$ 78,984	\$ 115,084	\$ 37,600	\$ 231,668
Accumulated amortisation and impairment	(69,538)	(115,084)	(37,600)	(222,222)
	<u>\$ 9,446</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,446</u>

	Software	Goodwill	Others	Total
<u>At January 1, 2019</u>				
Cost	\$ 70,396	\$ 115,084	\$ 37,600	\$ 223,080
Accumulated amortisation and impairment	(59,261)	-	(4,792)	(64,053)
	<u>\$ 11,135</u>	<u>\$ 115,084</u>	<u>\$ 32,808</u>	<u>\$ 159,027</u>
<u>2019</u>				
Opening net book amount	\$ 11,135	\$ 115,084	\$ 32,808	\$ 159,027
Additions — acquired separately	2,291	-	-	2,291
Amortisation charge	(5,117)	-	(11,110)	(16,227)
Net exchange differences	-	(62,893)	-	(62,893)
Closing net book amount	<u>\$ 8,309</u>	<u>\$ 52,191</u>	<u>\$ 21,698</u>	<u>\$ 82,198</u>
<u>At December 31, 2019</u>				
Cost	\$ 72,661	\$ 115,084	\$ 37,600	\$ 225,345
Accumulated amortisation and impairment	(64,352)	(62,893)	(15,902)	(143,147)
	<u>\$ 8,309</u>	<u>\$ 52,191</u>	<u>\$ 21,698</u>	<u>\$ 82,198</u>

Impairment information about the intangible assets is provided in Note 6(13).

(13) Impairment of non-financial assets

A. The Group recognised impairment loss for the years ended December 31, 2020 and 2019 of \$70,456 and \$75,456, respectively. Details of such loss are as follows:

	<u>For the years ended December 31,</u>			
	<u>2020</u>		<u>2019</u>	
	<u>Recognised in profit or loss</u>	<u>Recognised in other comprehensive income</u>	<u>Recognised in profit or loss</u>	<u>Recognised in other comprehensive income</u>
Impairment loss — goodwill	\$ 52,191	\$ -	\$ 62,893	\$ -
Impairment loss — other Intangible assets	18,265	-	-	-
Impairment loss — property, plant and equipment	-	-	12,563	-
	<u>\$ 70,456</u>	<u>\$ -</u>	<u>\$ 75,456</u>	<u>\$ -</u>

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

	For the years ended December 31,			
	2020		2019	
	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	\$ 70,456	\$ -	\$ 75,456	\$ -

C. The product demand decreased due to the highly competitive market and the Group faded out mobile camera module field in 2019. The Group adjusted book values based on recoverable amounts after management assessment, and recognised impairment loss amounting to \$12,563 in 2019.

D. Due to the competitive environment, the actual growth of operating revenue after business combination is not as expected. Based on the Group's assessment, as the recoverable amount is less than the carrying amount, an impairment loss of \$52,191 and \$18,265 was recognised for the goodwill and other intangible assets in 2020, respectively, and an impairment loss \$62,893 was recognised for the goodwill in 2019.

The recoverable amount was determined based on value-in-use calculations for the years ended December 31, 2020 and 2019. These calculations use pre-tax cash flow projections based on financial budgets approved by the management covering a five-year period. The discount rate used for value-in-use calculations is 20.56% and 16.90%, respectively.

(14) Short-term borrowings

Type of borrowings	December 31, 2020	Interest rate range	Collateral
Secured bank borrowings	\$ 41,365	4.32%~4.85%	Note 8
Unsecured bank borrowings	1,329,050	0.70%~1.18%	-
	<u>\$ 1,370,415</u>		
Type of borrowings	December 31, 2019	Interest rate range	Collateral
Unsecured bank borrowings	\$ 1,090,000	0.9%~1.27%	-

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

(15) Other payables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Employees' salary and compensation payable	\$ 387,370	\$ 420,956
Labour payable	254,402	169,391
Tax payable	5,399	17,315
Service fees payable	2,351	17,513
Other payables	116,477	185,295
	<u>\$ 765,999</u>	<u>\$ 810,470</u>

(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:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligations	\$ 90,587	\$ 102,949
Fair value of plan assets	(57,181)	(53,879)
Net defined benefit liability	<u>\$ 33,406</u>	<u>\$ 49,070</u>

(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
<u>Year ended December 31, 2020</u>			
Balance at January 1	\$ 102,949	(\$ 53,879)	\$ 49,070
Current service cost	(4,260)	-	(4,260)
Interest expense (income)	857	(446)	411
	<u>99,546</u>	<u>(54,325)</u>	<u>45,221</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(1,842)	(1,842)
Change in demographic assumptions	1,002	-	1,002
Change in financial assumptions	(6,010)	-	(6,010)
Experience adjustments	(2,251)	-	(2,251)
	<u>(7,259)</u>	<u>(1,842)</u>	<u>(9,101)</u>
Pension fund contribution	-	(2,714)	(2,714)
Paid pension	(1,700)	1,700	-
Balance at December 31	<u>\$ 90,587</u>	<u>(\$ 57,181)</u>	<u>\$ 33,406</u>
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2019</u>			
Balance at January 1	\$ 103,386	(\$ 53,079)	\$ 50,307
Interest expense (income)	1,301	(652)	649
	<u>104,687</u>	<u>(53,731)</u>	<u>50,956</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(1,733)	(1,733)
Change in demographic assumptions	(879)	-	(879)
Change in financial assumptions	6,698	-	6,698
Experience adjustments	(3,068)	(1,733)	(4,801)
	<u>2,751</u>	<u>(1,733)</u>	<u>1,018</u>
Pension fund contribution	-	(2,904)	(2,904)
Paid pension	(4,489)	4,489	-
Balance at December 31	<u>\$ 102,949</u>	<u>(\$ 53,879)</u>	<u>\$ 49,070</u>

(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, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	For the year ended December 31, 2020	For the year ended December 31, 2019
Discount rate	0.35%~0.43%	0.80%~0.84%
Future salary increases	1.75%~2.00%	1.75%~3.00%
Expected return on project assets	0.35%~0.43%	0.80%~0.84%

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%
<u>December 31, 2020</u>				
Effect on present value of defined benefit obligation	(\$ 5,985)	\$ 6,525	\$ 6,377	(\$ 5,912)
<u>December 31, 2019</u>				
Effect on present value of defined benefit obligation	(\$ 7,274)	\$ 7,964	\$ 7,744	(\$ 7,154)

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, 2021 amount to \$2,714.

(g) As of December 31, 2020, the weighted average duration of that retirement plan is 16 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	26,313
1-2 year(s)		21,210
2-5 years		12,952
Over 5 years		25,647
	\$	<u>86,122</u>

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, 2020 and 2019 were \$31,352 and \$35,145, respectively.

(17) Provisions (shown as ‘Other current liabilities’)

	<u>Warranty</u>	<u>Litigation</u>	<u>Total</u>
<u>2020</u>			
At January 1	\$ 85,102	\$ 13,560	\$ 98,662
Additional provisions	(5,904)	-	(5,904)
Unused amounts reversed	(7,092)	(13,560)	(20,652)
At December 31	<u>\$ 72,106</u>	<u>\$ -</u>	<u>\$ 72,106</u>

	<u>Warranty</u>	<u>Litigation</u>	<u>Total</u>
<u>2019</u>			
At January 1	\$ 106,160	\$ -	\$ 106,160
Additional provisions	-	13,560	13,560
Unused amounts reversed	(21,058)	-	(21,058)
At December 31	<u>\$ 85,102</u>	<u>\$ 13,560</u>	<u>\$ 98,662</u>

On January 14, 2020, Ansys, Inc. filed a civil lawsuit (Temporary case No. 4) against the Company alleging copyright infringement with the Intellectual Property Court. Ansys, Inc. is claiming for

compensation in the amount of \$13,560 thousand, plus interest at an annual rate of 5% from the day the complaint was filed until settlement as well as litigation expenses. On May 19, 2020, the procedure has reached a mutual agreement to the way of purchase two sets of software in the amount of \$2,500 thousand (including tax). The formal mediation documents have been signed.

(18) Share capital

As of December 31, 2020, the Company's authorised capital was \$8,000,000, consisting of 800 million shares of ordinary stock, and the paid-in capital was \$2,823,628 with a par value of \$10 (in dollars) per share.

(19) 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, 2020	\$ 1,246,494	\$ 219,206	\$ 56	\$ 97,738	\$ -
Employee restricted shares	-	-	-	-	-
At December 31, 2020	<u>\$ 1,246,494</u>	<u>\$ 219,206</u>	<u>\$ 56</u>	<u>\$ 97,738</u>	<u>\$ -</u>

	Share premium	Treasury share transactions	Capital reserve from gain on disposal of assets	Employee stock options	Employee restricted shares
At January 1, 2019	\$ 1,246,435	\$ 219,206	\$ 56	\$ 97,738	\$ 20
Employee restricted shares	59	-	-	-	(20)
At December 31, 2019	<u>\$ 1,246,494</u>	<u>\$ 219,206</u>	<u>\$ 56</u>	<u>\$ 97,738</u>	<u>\$ -</u>

(20) 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. When distributing by issuing new shares, the distribution shall be proposed by the Board of Directors and resolved by the shareholders. In accordance with Paragraph 5 of Article 240 of the Company Act, the Board of Directors is authorised by the Company to resolve the distribution of dividends and bonuses or legal reserve and capital reserve,

in whole or in part, in accordance with Paragraph 1 of Article 241 of the Company Act in the form of cash by a resolution adopted by the majority vote at its meeting attended by two-thirds of the total number of directors, and then reported it to 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 \$141,181 during 2019. On June 17, 2020, the shareholders resolved for the distribution of dividends from 2019 earnings in the amount of \$84,709 at \$0.3 (in dollars) per share.
- F. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(27).

(21) Other equity items

	2020		
	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total
At January 1	(\$ 168,756)	(\$ 485,691)	(\$ 654,447)
Currency translation differences:			
-Group	(103,012)	-	(103,012)
Revaluation	-	(232,884)	(232,884)
At December 31	(\$ 271,768)	(\$ 718,575)	(\$ 990,343)

2019

	Financial statements translation differences of operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive financial assets	Total
At January 1	(\$ 32,716)	(\$ 393,462)	(\$ 426,178)
Currency translation differences:			
-Group	(136,040)	- (	136,040)
Revaluation	-	(92,229)	(92,229)
At December 31	(\$ 168,756)	(\$ 485,691)	(\$ 654,447)

(22) Operating revenue

	For the years ended December 31,	
	2020	2019
Sales revenue	\$ 3,130,199	\$ 6,237,086
Service revenue	311,818	354,075
	<u>\$ 3,442,017</u>	<u>\$ 6,591,161</u>

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:

2020	Optical manufacturing segment	Strategic investing segment	Total
Total segment revenue	\$ 4,133,171	\$ 1,385,630	\$ 5,518,801
Inter-segment revenue	(1,566,409)	(510,375)	(2,076,784)
Revenue from external customer contracts	<u>\$ 2,566,762</u>	<u>\$ 875,255</u>	<u>\$ 3,442,017</u>
Timing of revenue			
At a point in time	\$ 2,254,944	\$ 875,255	\$ 3,130,199
Over time	<u>311,818</u>	<u>-</u>	<u>311,818</u>
	<u>\$ 2,566,762</u>	<u>\$ 875,255</u>	<u>\$ 3,442,017</u>

2019	Optical manufacturing segment	Strategic investing segment	Total
Total segment revenue	\$ 9,383,039	\$ 1,287,368	\$ 10,670,407
Inter-segment revenue	(3,593,433)	(485,813)	(4,079,246)
Revenue from external customer contracts	<u>\$ 5,789,606</u>	<u>\$ 801,555</u>	<u>\$ 6,591,161</u>
Timing of revenue			
At a point in time	\$ 5,435,531	\$ 801,555	\$ 6,237,086
Over time	<u>354,075</u>	<u>-</u>	<u>354,075</u>
	<u>\$ 5,789,606</u>	<u>\$ 801,555</u>	<u>\$ 6,591,161</u>

B. Contract liabilities

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2019</u>
Contract liabilities - advance sales receipts (shown as Other current liabilities)	<u>\$ 164,587</u>	<u>\$ 181,444</u>	<u>\$ 104,278</u>

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

	<u>2020</u>	<u>2019</u>
Advance sales receipts	<u>\$ 162,859</u>	<u>\$ 41,551</u>

(23) Interest income

	<u>For the years ended December 31, 2020</u>	<u>2019</u>
Interest income:		
Interest income from bank deposits	<u>\$ 25,616</u>	<u>\$ 40,744</u>

(24) Other income

	<u>For the years ended December 31, 2020</u>	<u>2019</u>
Rent income	\$ 39,183	\$ 33,021
Dividend income	<u>27,170</u>	<u>94,452</u>
	<u>\$ 66,353</u>	<u>\$ 127,473</u>

(25) Other gains and losses

	For the years ended December 31,	
	2020	2019
Gains (losses) on disposal of property, plant and equipment	\$ 4,339	(\$ 27,880)
Net currency exchange loss	(7,847)	(7,138)
Impairment loss	(70,456)	(75,456)
Grants revenue	110,114	-
Payables transferred to revenue	38,615	-
Other gains and losses	(1,835)	22,169
	<u>\$ 72,930</u>	<u>(\$ 88,305)</u>

(26) Finance costs

	For the years ended December 31,	
	2020	2019
Interest expense:		
Bank borrowings	\$ 12,217	\$ 7,037
Lease transactions	593	723
	<u>\$ 12,810</u>	<u>\$ 7,760</u>

(27) Employee benefit, depreciation and amortisation expenses

	For the years ended December 31,	
	2020	2019
Employee benefit expenses		
Wages and salaries	\$ 1,060,468	\$ 1,271,269
Labor and health insurance fees	59,293	113,394
Pension costs	27,503	35,794
Other personnel expenses	54,603	84,727
Depreciation (Note)	225,693	238,626
Amortisation	8,619	16,227

Note: For the years ended December 31, 2020 and 2019, depreciation on investment property amounted to \$12,588 and \$10,809, respectively, 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. No employees' compensation and directors' and supervisors' remuneration were accrued due to the net loss incurred for the years ended December 31, 2020 and 2019.

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.

(28) Income tax

A. Income tax (benefit) expense

(a) Components of income tax (benefit) expense:

	For the years ended December 31,	
	2020	2019
Current tax on profits for the year	\$ 62,839	\$ 23,467
Prior year income tax (over) under estimation	(41,178)	2,206
Origination and reversal of temporary differences	(40,741)	5,348
Income tax paid in and for income derived from Mainland China	3,199	982
Income tax (benefit) expense	<u>(\$ 15,881)</u>	<u>\$ 32,003</u>

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

	For the years ended December 31,	
	2020	2019
Remeasurement of defined benefit obligations	<u>\$ 1,820</u>	<u>(\$ 203)</u>

B. Reconciliation between income tax (benefit) expense and accounting profit

	For the years ended December 31,	
	2020	2019
Tax calculated based on profit before tax and statutory tax rate	(\$ 81,553)	(\$ 58,738)
Tax effect of permanent differences	103,651	87,441
Effect of estimated assessment of tax	(41,178)	2,206
Income tax paid in and for income derived from Mainland China	3,199	982
Change in assessment of realisation of deferred tax assets	-	112
Income tax (benefit) expense	<u>(\$ 15,881)</u>	<u>\$ 32,003</u>

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

For the year ended December 31, 2020				
		Recognised in		
		Recognised in	other comprehensive	
	January 1	profit or loss	income	December 31
Deferred tax assets:				
Fees for after sales service	\$ 17,020	(\$ 2,599)	\$ -	\$ 14,421
Adjustment of bad debts				
for tax purposes	32,835	415	-	33,250
Employee benefits	12,922	-	(1,820)	11,102
Taxable loss	77,762	33,690	-	111,452
Royalties	19,099	-	-	19,099
Others	13,426	9,235	-	22,661
	<u>\$ 173,064</u>	<u>\$ 40,741</u>	<u>(\$ 1,820)</u>	<u>\$ 211,985</u>
For the year ended December 31, 2019				
		Recognised in		
		Recognised in	other comprehensive	
	January 1	profit or loss	income	December 31
Deferred tax assets:				
Fees for after sales service	\$ 21,232	(\$ 4,212)	\$ -	\$ 17,020
Adjustment of bad debts				
for tax purposes	33,953	(1,118)	-	32,835
Employee benefits	12,719	-	203	12,922
Taxable loss	80,360	(2,598)	-	77,762
Royalties	19,099	-	-	19,099
Others	10,846	2,580	-	13,426
	<u>\$ 178,209</u>	<u>(\$ 5,348)</u>	<u>\$ 203</u>	<u>\$ 173,064</u>

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, 2020				
			Unrecognised	
Year incurred	Amount filed/assessed	Unused amount	deferred tax assets	Expiry year
2011	\$ 171,184	\$ 34,894	\$ 34,894	2021
2012	72,056	72,056	72,056	2022
2018	606,486	557,261	-	2028
	<u>\$ 849,726</u>	<u>\$ 664,211</u>	<u>\$ 106,950</u>	

December 31, 2019

Year incurred	Amount filed/assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2011	\$ 171,184	\$ 37,184	\$ 37,184	2021
2012	72,056	72,056	72,056	2022
2018	388,809	388,809	-	2028
	<u>\$ 632,049</u>	<u>\$ 498,049</u>	<u>\$ 109,240</u>	

(b) In accordance with the tax regulations in Malaysia, the loss carryforward of the consolidated subsidiary, ALL VISION TECHNOLOGY SDN. BHD, audited by other auditors, had no expiration date. As of December 31, 2020 and 2019, the unused loss carryforward amounted to \$503,023 and \$518,792, respectively.

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

	December 31, 2020	December 31, 2019
Deductible temporary differences	<u>\$ 1,105,717</u>	<u>\$ 1,198,702</u>

F. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2020 and 2019, the amounts of temporary differences unrecognised as deferred tax liabilities were \$159,951 and \$247,745, respectively.

G. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(29) Loss per share

	For the year ended December 31, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
<u>Basic and diluted loss per share</u>			
Loss attributable to ordinary shareholders of the parent	<u>(\$ 459,802)</u>	282,363	<u>(\$ 1.63)</u>

For the year ended December 31, 2019			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
<u>Basic and diluted loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 399,264)	282,363	(\$ 1.41)

(30) 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, 2020 and 2019. Please refer to statements of cash flows for the details.

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Altasec Technology Corporation (Altasec Technology)	Associate
Bestmoment Technology Pte. Ltd (bestmoment 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
Dongguan Guan Cheng Guang Metal Products Co., Ltd. (Dongguan Guan Cheng)	Other related party
Dongguan Ashine Precision Plastics Co., Ltd. (Dongguan Ashine)	Other related party
Ability Int'l Tenancy Co., Ltd. (Ability Int'l)	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:

For the years ended December 31,		
	2020	2019
Sales of goods:		
-Associates	\$ 63,735	\$ 52,531

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

B. Purchases:

	For the years ended December 31,	
	2020	2019
Purchases of goods:		
-Associates	\$ 399	\$ -
-Other related parties	16,538	44,719
	<u>\$ 16,937</u>	<u>\$ 44,719</u>

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

C. Receivables from related parties:

	December 31, 2020	December 31, 2019
Accounts receivable:		
-Associates	<u>\$ 4,503</u>	<u>\$ 2,260</u>

The receivables from related parties arise mainly from sale transactions and the credit term was 1 to 6 months. The receivables are unsecured in nature and bear no interest. There are no allowances for uncollectible accounts held against receivables from related parties.

D. Payables to related parties

	December 31, 2020	December 31, 2019
Accounts payable		
-Associates	\$ 2	\$ -
-Other related parties	10,172	14,505
	<u>\$ 10,174</u>	<u>\$ 14,505</u>

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:

	For the years ended December 31,	
	2020	2019
Other related parties	<u>\$ 3,643</u>	<u>\$ 2,492</u>

(3) Key management compensation

	For the years ended December 31,	
	2020	2019
Salaries and other short-term employee benefits	\$ 12,960	\$ 14,865
Post-employment benefits	498	608
	<u>\$ 13,458</u>	<u>\$ 15,473</u>

8. PLEDGED ASSETS

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

Pledged asset	Book value		Purpose
	December 31, 2020	December 31, 2019	
Land	\$ 1,256,394	\$ 1,256,394	Note
Buildings and structures	21,723	25,354	Bank borrowings
Right-of-use assets, land	2,780	-	Bank borrowings
	<u>\$ 1,280,897</u>	<u>\$ 1,281,748</u>	

Note: In order to jointly develop the operational headquarters with general contractors, the land of Xinzhuang Fuduxin Section was pledged to banks as collateral. Meanwhile, both parties shall obtain land financing and line of credit in proportion to their shareholding.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

- A. The Group plans to dispose the investment property in Phase 1 of Nankang Software Park as resolved by the Board of Directors on February 23, 2021. The Chairman was authorised to fully handle the disposal.
- B. The Board of Directors of the Group resolved the investment in Abico Asia Capital II Excellence Transformation and Growth Limited Partnership with the investment amount not higher than NTD 150 million on March 29, 2021. The Chairman was authorised to fully handle the investment.

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets at amortised cost	<u>\$ 3,263,808</u>	<u>\$ 3,769,377</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost	<u>\$ 2,870,236</u>	<u>\$ 2,825,544</u>
Lease liability	<u>\$ 36,987</u>	<u>\$ 9,976</u>

Financial assets at amortised cost included cash and cash equivalents, current financial assets at amortised cost and accounts receivable, and financial liabilities at amortised cost included short-term borrowings, accounts payable and other payables.

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 Notes 6(2) and (3).

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, 2020				
				Sensitivity analysis	
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$ 68,703	28.48	\$ 1,956,661	1%	\$ 19,567
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	\$ 21,716	28.48	\$ 618,472	1%	\$ 6,185
USD:RMB	10,251	6.5249	291,938	1%	2,919
	December 31, 2019				
				Sensitivity analysis	
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$ 85,203	29.98	\$ 2,554,386	1%	\$ 25,544
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	\$ 25,265	29.98	\$ 757,445	1%	\$ 7,574
USD:RMB	10,420	6.9761	312,390	1%	3,124

- 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, 2020 and 2019 amounted to (\$7,847) and (\$7,138), 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 and financial assets at fair value through other comprehensive income. 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, post-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by \$1,607 and \$1,601, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$93,056 and \$121,470, respectively, as a result of other comprehensive income classified as 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, 2020 and 2019, would have decreased/increased by \$13,704 and \$10,900, 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, and notes receivable in accordance with customer types and credit rating of customer. The Group applies the simplified approach using the provision matrix, 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.

	Not past due	Up to 90 days past due	91~180 days past due	Over 180 days past due	Total
<u>December 31, 2020</u>					
Expected loss rate	0.01%	0.16%	0.00%	100.00%	
Total book value	\$ 265,595	\$ 26,434	\$ -	\$ 162,505	\$ 454,534
Loss allowance	\$ 39	\$ 42	\$ -	\$ 162,505	\$ 162,586
<u>December 31, 2019</u>					
Expected loss rate	0.09%	3.88%	100.00%	100.00%	
Total book value	\$ 206,872	\$ 38,560	\$ 307	\$ 162,072	\$ 407,811
Loss allowance	\$ 190	\$ 1,496	\$ 307	\$ 162,072	\$ 164,065

In addition, on December 31, 2020 and 2019, accounts receivable were \$239,956 and \$378,069, and loss allowance for accounts receivable recognised through individual assessment was \$2,613 and \$1,416, respectively.

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	<u>Accounts receivable</u>	
At January 1	\$ 165,481	\$ 173,783
Impairment loss	250	-
Provision for impairment	- (	8,302)
Write-offs	(532)	-
At December 31	<u>\$ 165,199</u>	<u>\$ 165,481</u>

- vii. Financial assets at amortised cost are time deposits with maturity of more than three months. The credit rating levels were measured based on the 12 months expected credit losses. The financial institutions, the Group transacts with, are all with good credit and thus the impact of impairment loss is evaluated as immaterial.

(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 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, 2020 and 2019, the Group has the following undrawn borrowing facilities:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Fixed rate:</u>		
Expiring within one year	<u>\$ 2,168,175</u>	<u>\$ 2,335,308</u>

- 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, other payables and current lease liabilities are less than one year, and guarantee deposits received and non-current lease liabilities are more than one year.

The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>Non-derivative financial liabilities:</u>	<u>December 31, 2020</u>	
	<u>Less than 1 year</u>	<u>Over 1 year</u>
Lease liability	<u>\$ 17,671</u>	<u>\$ 20,138</u>

<u>Non-derivative financial liabilities:</u>	<u>December 31, 2019</u>	
	<u>Less than 1 year</u>	<u>Over 1 year</u>
Lease liability	<u>\$ 9,674</u>	<u>\$ 401</u>

(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(11).

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 on 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:

<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 16,073	\$ -	\$ -	\$ 16,073
Financial assets at fair value through other comprehensive income				
Equity securities	710,709	-	219,850	930,559
	<u>\$ 726,782</u>	<u>\$ -</u>	<u>\$ 219,850</u>	<u>\$ 946,632</u>
<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 16,007	\$ -	\$ -	\$ 16,007
Financial assets at fair value through other comprehensive income				
Equity securities	1,002,557	-	212,141	1,214,698
	<u>\$ 1,018,564</u>	<u>\$ -</u>	<u>\$ 212,141</u>	<u>\$ 1,230,705</u>

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:

	<u>Listed shares</u>	<u>Open-end fund</u>
Market quoted price	Closing price	Net asset value

- (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, 2020 and 2019, 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, 2020 and 2019:

	2020	2019
At January 1	\$ 212,141	\$ 172,258
Recorded as unrealised gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income	17,731	26,388
Acquired in the year	-	30,000
Capital reduction for the year	(9,095)	(16,050)
Effect of exchange rate changes	(927)	(455)
At December 31	<u>\$ 219,850</u>	<u>\$ 212,141</u>

- J. For the years ended December 31, 2020 and 2019, 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, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instruments:					
Unlisted shares	\$ 204,850	Net asset value	Not applicable	-	Not applicable
Unlisted shares	\$ 15,000	Market price method	Discount for lack of marketability	-	The higher the net asset value, the higher the fair value

	<u>Fair value at December 31, 2019</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instruments:					
Unlisted shares	\$ 197,141	Net asset value	Not applicable	-	Not applicable
Unlisted shares	\$ 15,000	Market price method	Discount for lack of marketability	-	The higher the net asset value, the higher the fair value

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:

		<u>December 31, 2020</u>				
		<u>Recognised in profit or loss</u>		<u>Recognised in other comprehensive income</u>		
	<u>Input</u>	<u>Change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>
Financial assets						
Equity instrument	Net asset value	±1%	\$ -	\$ -	\$2,049	(\$2,049)
Equity instrument	Market price method	±1%	\$ -	\$ -	\$150	(\$150)

		<u>December 31, 2019</u>				
		<u>Recognised in profit or loss</u>		<u>Recognised in other comprehensive income</u>		
	<u>Input</u>	<u>Change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>
Financial assets						
Equity instrument	Net asset value	±1%	\$ -	\$ -	\$1,971	(\$1,971)
Equity instrument	Market price method	±1%	\$ -	\$ -	\$150	(\$150)

N. Due to the spread of COVID-19, the global economy is still full of uncertainties. These events have no significant impact on the uncertainty over the Group's ability to continue as a going concern and related financing risks. However, the Company will continue to pay attention on the development of the COVID-19 pandemic and assess its impact on the Group. In addition, the Group has applied for and received partial government subsidies due to the pandemic.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

Disclosures of investees that are based on investees' audited financial statements on December 31, 2020 and inter-company transactions between companies were eliminated. The following disclosures are for reference only.

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 9.

(4) Major shareholders information:

Major shareholders information: Please refer to table 10.

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

	2020			
	Optical manufacturing segment	Strategic investing segment	Reconciliations and offsets	Total
<u>Revenue</u>				
Revenue from external customers	\$ 2,566,762	\$ 875,255	\$ -	\$ 3,442,017
Revenue from internal customers	1,566,409	510,375	(2,076,784)	-
Total segment revenue	<u>\$ 4,133,171</u>	<u>\$ 1,385,630</u>	<u>(\$ 2,076,784)</u>	<u>\$ 3,442,017</u>
Inter-segment profit (loss)	<u>(\$ 644,851)</u>	<u>\$ 20,657</u>	<u>\$ 7,896</u>	<u>(\$ 616,298)</u>
Segment income (loss):				
Depreciation and amortisation	<u>\$ 160,052</u>	<u>\$ 86,848</u>	<u>\$ -</u>	<u>\$ 246,900</u>
Not included in the segments' profits or losses for measurement, but are still provided to the chief operating decision-maker periodically:				
Interest income				<u>\$ 25,616</u>
Interest expense				<u>\$ 12,810</u>
Income tax benefit				<u>(\$ 15,881)</u>
<u>Segment assets</u>				
Identifiable assets	<u>\$ 7,108,622</u>	<u>\$ 821,541</u>	<u>\$ -</u>	\$ 7,930,163
Financial assets at fair value through other comprehensive income				930,559
Investment accounted for under the equity method				58,476
General assets				211,985
Total assets				<u>\$ 9,131,183</u>
Capital expenditures	<u>\$ 62,438</u>	<u>\$ 118,810</u>	<u>\$ -</u>	<u>\$ 181,248</u>

	2019			
	Optical manufacturing segment	Strategic investing segment	Reconciliations and offsets	Total
<u>Revenue</u>				
Revenue from external customers	\$ 5,789,606	\$ 801,555	\$ -	\$ 6,591,161
Revenue from internal customers	3,593,433	485,813	(4,079,246)	-
Total segment revenue	<u>\$ 9,383,039</u>	<u>\$ 1,287,368</u>	<u>(\$ 4,079,246)</u>	<u>\$ 6,591,161</u>
Inter-segment profit (loss)	<u>(\$ 439,494)</u>	<u>\$ 11,014</u>	<u>\$ 3,496</u>	<u>(\$ 424,984)</u>
Segment income (loss):				
Depreciation and amortisation	<u>\$ 194,807</u>	<u>\$ 70,855</u>	<u>\$ -</u>	<u>\$ 265,662</u>
Not included in the segments' profits or losses for measurement, but are still provided to the chief operating decision-maker periodically:				
Interest income				<u>\$ 40,774</u>
Interest expense				<u>\$ 7,760</u>
Income tax expense				<u>\$ 32,003</u>
<u>Segment assets</u>				
Identifiable assets	<u>\$ 7,987,635</u>	<u>\$ 757,920</u>	<u>\$ -</u>	\$ 8,745,555
Financial assets at fair value through other comprehensive income				1,214,698
Investment accounted for under the equity method				17,866
General assets				<u>173,064</u>
Total assets				<u>\$ 10,151,183</u>
Capital expenditures	<u>\$ 47,403</u>	<u>\$ 71,574</u>	<u>\$ -</u>	<u>\$ 118,977</u>

(4) Reconciliation for segment income (loss)

A reconciliation of adjusted consolidated net profit before tax and the reportable operating segments' net profit for 2020 and 2019 is provided as follows:

	For the years ended December 31,	
	2020	2019
Reportable segments profit and loss	(\$ 616,298)	(\$ 424,984)
Share of profit of associates and joint ventures accounted for using the equity method	3,426	5,573
Finance costs - net	(12,810)	(7,760)
Others	164,899	79,912
Loss before tax and continued operations	(\$ 460,783)	(\$ 347,259)

(5) Information on product and service

Refer to Note 6 (22) for the related information.

(6) Geographical information

Geographical information for the years ended December 31, 2020 and 2019 is as follows:

	For the year ended December 31, 2020		For the year ended December 31, 2019	
	Revenue	Non-current assets	Revenue	Non-current assets
Japan	\$ 1,667,725	\$ -	\$ 3,422,941	\$ -
China	1,137,889	913,212	2,640,448	834,445
Taiwan	105,750	3,128,376	27,874	3,105,279
Others	530,653	3	499,898	3
	<u>\$ 3,442,017</u>	<u>\$ 4,041,591</u>	<u>\$ 6,591,161</u>	<u>\$ 3,939,727</u>

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2020 and 2019 is as follows:

	For the years ended December 31,			
	2020		2019	
	Revenue	Segment	Revenue	Segment
AA Company	\$ 397,429	Optical segment	\$ 834,484	Optical segment
EE Company	380,452	Optical segment	702,219	Optical segment
KK Company	379,236	Optical segment	87,116	Optical segment
R Company	289,241	Optical segment	1,766,290	Optical segment
H Company	267,542	Optical segment	1,244,219	Optical segment

Ability Enterprise Co., Ltd. and subsidiaries
Loans to others
For the year ended December 31, 2020

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the year ended December 31, 2020 (Note 3)	Balance at December 31, 2020 (Note 8)	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short- term financing (Note 6)	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote
													Item	Value			
0	ABILITY ENTERPRISE CO., LTD.	ANDRO VIDEO INC.	Other receivables due from related parties	Yes	200,000	200,000	187,000	1%	Short-term financing	-	Working capital	-	Promissory note	200,000	562,034	2,248,137	-
1	E-PIN OPTICAL INDUSTRY CO., LTD.	ZHONGSHAN SHANXIN ACCURATE INDUSTRY CO., LTD.	Long-term prepayments to suppliers	Yes	63,238	-	-	-	Short-term financing	-	Working capital	-	-	-	24,076	96,304	-

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

- (1) The Company is ‘0’.
- (2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Fill in the name of account in which the loans are recognised, such as receivables–related parties, current account with stockholders, prepayments, temporary payments, etc.

Note 3: Fill in the maximum outstanding balance of loans to others during the year ended December 31, 2020.

In accordance with the Company’s “Procedures for Provision of Loans”, the ceiling on accumulated total loans to others is 40% of the Company’s net assets value in the latest financial statement which was audited or reviewed by independent accountant.

In accordance with the “Procedures for Provision of Loans” of the subsidiary (E-PIN OPTICAL INDUSTRY CO., LTD.), the ceiling on accumulated total loans to others is 40% of the subsidiary’s net assets value in the latest financial statement which was audited or reviewed by independent accountant.

Fill in the maximum outstanding balance of loans to a single party.

In accordance with the Company’s “Procedures for Provision of Loans”, the ceiling on total loans to others is 10% of the Company’s net assets value in the latest financial statement which was audited or reviewed by independent accountant.

In accordance with the “Procedures for Provision of Loans” of the subsidiary (E-PIN OPTICAL INDUSTRY CO., LTD.), the ceiling on total loans to others is 40% of the subsidiary’s net assets value in the latest financial statement which was audited or reviewed by independent accountant.

The accounts denominated in foreign currencies are translated into New Taiwan dollars at the exchange rates prevailing in the financial statements for the year ended December 31, 2020. The spot exchange rate at December 31, 2020 was USD/NTD 28.48.

Note 4: The column of ‘Nature of loan’ shall fill in ‘Business transaction or ‘Short-term financing’.

Note 5: Fill in the amount of business transactions when nature of the loan is related to business transactions, which is the amount of business transactions occurred between the creditor and borrower in the current year.

Note 6: Fill in purpose of loan when nature of loan is for short-term financing, for example, repayment of loan, acquisition of equipment, working capital, etc.

Note 7: Fill in limit on loans granted to a single party and ceiling on total loans granted as prescribed in the creditor company’s “Procedures for Provision of Loans”, and state each individual party to which the loans have been provided and the calculation for ceiling on total loans granted in the footnote.

Note 8: The amounts of funds to be loaned to others which have been approved by the board of directors of a public company in accordance with Article 14, Item 1 of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” should be included in its published balance of loans to others at the end of the reporting period to reveal the risk of loaning the public company bears, even though they have not yet been appropriated. However, this balance should exclude the loans repaid when repayments are done subsequently to reflect the risk adjustment. In addition, if the board of directors of a public company has authorized the chairman to loan funds in instalments or in revolving within certain lines and within one year in accordance with Article 14, Item 2 of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”, the published balance of loans to others at the end of the reporting period should also include these lines of loaning approved by the board of directors, and these lines of loaning should not be excluded from this balance even though the loans are repaid subsequently, for taking into consideration they could be loaned again thereafter.

Ability Enterprise Co., Ltd. and subsidiaries
Provision of endorsements and guarantees to others
For the year ended December 31, 2020

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/guarantor	Party being endorsed/ guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2020 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2020 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the Endorser/guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
		Company name	Relationship with the Endorser/ guarantor (Note 2)											
0	ABILITY ENTERPRISE CO., LTD.	VIEWQUEST TECHNOLOGIES (BVI) INC.	2	2,810,172	511,065	400,144	-	-	7.12	2,810,172	Y	N	N	-
1	E-PIN OPTICAL INDUSTRY CO., LTD.	ZHONGSHAN SHANXIN ACCURATE INDUSTRY CO., LTD.	3	120,381	21,929	-	-	-	-	120,381	Y	N	Y	-

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1) The Company is ‘0’.

(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

(1) Having business relationship.

(2) The endorser/guarantor parent company owns directly or indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.

(4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

(5) Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.

(6) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

(7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: Ceiling on total endorsements/guarantees provided

In accordance with the Company’s “Procedures for Provision of Endorsements and Guarantees”, the ceiling on total endorsements to others is 50% of the Company’s net assets value in the latest financial statements which was audited or reviewed by independent auditors.

In accordance with the “Procedures for Provision of Endorsements and Guarantees” of the subsidiary (E-PIN OPTICAL INDUSTRY CO., LTD.), the ceiling on total endorsements to others is 50% of the subsidiary’s net assets value in the latest financial statement which was audited or reviewed by independent accountant.

Ceiling on endorsements/guarantees provided for a single party

In accordance with the Company’s “Procedures for Provision of Endorsements and Guarantees”, the ceiling on total endorsements to others is 50% of the Company’s net assets value in the latest financial statement which was audited or reviewed by independent accountant.

In accordance with the “Procedures for Provision of Endorsements and Guarantees” of the subsidiary (E-PIN OPTICAL INDUSTRY CO., LTD.), the ceiling on total endorsements to others is 50% of the subsidiary’s net assets value in the latest financial statement which was audited or reviewed by independent accountants.

The accounts denominated in foreign currencies are translated into New Taiwan dollars at the exchange rates prevailing in the financial statements for the year ended December 31, 2020. The spot exchange rates at December 31, 2020 were USD/NTD 28.48 and RMB/NTD 4.3648.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Fill in the amount approved by the Board of Directors or the chariman if the chairman has been authorised by the Board of Directors based on subparagraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in ‘Y’ for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

Ability Enterprise Co., Ltd. and subsidiaries

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2020

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2020				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
ABILITY ENTERPRISE CO., LTD.	STOCKS OF AVY PRECISION TECHNOLOGY INC.	The investee is the corporate director of the Company	Note 5	17,264,223	430,742	10.16	430,742	-
ABILITY ENTERPRISE CO., LTD.	STOCKS OF ABILITY I VENTURE CAPITAL CORPORATION	The Company is the corporate director of the investee	Note 5	8,185,500	77,687	10.70	77,687	-
ABILITY ENTERPRISE CO., LTD.	STOCKS OF ABICO ASIA CAPITAL CORPORATION	-	Note 5	10,000,000	112,219	5.189	112,219	-
ABILITY ENTERPRISE CO., LTD.	STOCKS OF IH BIOMEDICAL VENTURE FUND I CO., LTD.	-	Note 5	1,500,000	14,944	4.848	14,944	-
ABILITY INTERNATIONAL INVESTMENT CO., LTD.	CTBC HWA-WIN MONEY MARKET FUND	-	Note 7	1,447,007.9	16,073	-	16,073	-
ABILITY ENTERPRISE (BVI) CO., LTD.	YORKEY OPTICAL INTERNATIONAL (CAYMAN) LTD.	-	Note 6	143,817,000	279,967	17.58	279,967	-
ABILITY ENTERPRISE (BVI) CO., LTD.	REVL INC.	-	Note 5	367,726	-	1.7	-	-
E-PIN OPTICAL INDUSTRY CO.,LTD	STOCKS OF HORUSEYE TECHNOLOGY CO., LTD.	-	Note 5	636,044	15,000	1.82	15,000	-

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

Note 5: Non-current financial assets at fair value through other comprehensive income

Note 6: Current financial assets at fair value through other comprehensive income

Note 7: Current financial assets at fair value through profit or loss

Ability Enterprise Co., Ltd. and subsidiaries

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

For the year ended December 31, 2020

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		Footnote (Note 2)
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
ABILITY ENTERPRISE CO., LTD.	ABILITY TECHNOLOGY (DONGGUAN) CO., LTD.	Affiliated company	Purchases	1,449,575	89.64	Based on mutual agreement	-	-	(321,989)	22.65	-
ABILITY TECHNOLOGY (DONGGUAN) CO., LTD.	ABILITY ENTERPRISE CO., LTD.	Affiliated company	(sales)	(1,449,575)	74.11	Based on mutual agreement	-	-	321,989	64.96	-
E-PIN OPTICAL INDUSTRY CO., LTD.	NANJING EVERLIGHT PHOTONICS TECHNOLOGY CO., LTD.	Affiliated company	Purchases	435,066	63.29	90~120 days after monthly billings	-	-	(106,479)	82.00	-
NANJING EVERLIGHT PHOTONICS TECHNOLOGY CO., LTD.	E-PIN OPTICAL INDUSTRY CO., LTD.	Affiliated company	(sales)	(435,066)	67.19	90~120 days after monthly billings	-	-	106,479	52.18	-

Note 1: If terms of related-party transactions are different from third-party transactions, explain the differences and reasons in the 'Unit price' and 'Credit term' columns.

Note 2: In case related-party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.

Note 3: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Ability Enterprise Co., Ltd. and subsidiaries
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
December 31, 2020

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2020 (Note 1)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
ABILITY ENTERPRISE CO., LTD.	ANDRO VIDEO INC.	Affiliated company	187,000	Note 3	-	-	-	-
VIEWQUEST TECHNOLOGIES (BVI) INC.	ABILITY ENTERPRISE CO., LTD.	Affiliated company	953,717	-	-	-	-	-
VIEWQUEST TECHNOLOGIES (BVI) INC.	ABILITY ENTERPRISE (BVI) CO., LTD.	Affiliated company	454,592	Note 4	-	-	-	-
ABILITY TECHNOLOGY (DONGGUAN) CO., LTD.	ABILITY ENTERPRISE CO., LTD.	Affiliated company	321,989	9.00	-	-	279,925	-
NANJING EVERLIGHT PHOTONICS TECHNOLOGY CO., LTD.	E-PIN OPTICAL INDUSTRY CO., LTD.	Affiliated company	106,479	4.31	-	-	93,195	-

Note 1: Fill in separately the balances of accounts receivable-related parties, notes receivable-related parties, other receivables-related parties....

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 3: Refer to other receivables arising from loans, therefore calculation of turnover rate is not needed.

Note 4: Refer to other receivables arising from share transfer between the subsidiaries, therefore calculation of turnover rate is not needed.

Ability Enterprise Co., Ltd. and subsidiaries
Significant inter-company transactions during the reporting period
For the year ended December 31, 2020

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	The Company	VQ(BVI)	1	Accounts payable	953,717	-	10
0	The Company	ABILITY (DONGGUAN)	1	Purchases	1,449,575	-	42
0	The Company	ABILITY (DONGGUAN)	1	Accounts payable	321,989	-	4
0	The Company	ANDRO VIDEO INC.	1	Other receivables	187,000	-	2
1	VIEWQUEST TECHNOLOGIES (BVI) INC.	ABILITY ENTERPRISE (BVI) CO., LTD.	3	Other receivables	454,592	-	5
2	E-PIN OPTICAL INDUSTRY CO., LTD.	NANJING EVERLIGHT	3	Purchases	435,066	-	13
2	E-PIN OPTICAL INDUSTRY CO., LTD.	NANJING EVERLIGHT	3	Accounts payable	106,479	-	1

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Ability Enterprise Co., Ltd. and subsidiaries
Information on investees
For the year ended December 31, 2020

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020 (Note 2(2) and 3)	Investment income(loss) recognised by the Company for the year ended December 31, 2020 (Note 2(3))	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value			
ABILITY ENTERPRISE CO., LTD.	ABILITY ENTERPRISE (BVI) CO., LTD.	British Virgin IS.	Holding company	852,156	852,156	-	100.00	1,651,911	104,085	104,085	Subsidiary
ABILITY ENTERPRISE CO., LTD.	VIEWQUEST TECHNOLOGIES INTERNATIONAL INC.	U.S.A	Sales of computer accessories, photography equipment and electronic components	50,729	50,729	-	100.00	191 (	522) (	522)	Subsidiary
ABILITY ENTERPRISE CO., LTD.	VIEWQUEST TECHNOLOGIES (BVI) INC.	British Virgin IS.	Holding Company	1,628,586	1,628,586	-	100.00	1,397,522 (	95,395) (	95,395)	Subsidiary
ABILITY ENTERPRISE CO., LTD.	ABILITY INTERNATIONAL INVESTMENT CO., LTD.	Taiwan	Investments	13,000	13,000	1,300,000	100.00	16,726	491	491	Subsidiary
ABILITY ENTERPRISE CO., LTD.	ANDRO VIDEO INC.	Taiwan	Development of digital surveillance	140,000	140,000	7,000,000	100.00	(163,426)	(78,835)	(152,722)	Subsidiary
ABILITY ENTERPRISE CO., LTD.	E-PIN OPTICAL INDUSTRY CO., LTD.	Taiwan	Sales of optical products and electronic components	421,288	421,288	12,888,334	54.61	133,516 (	17,742) (	9,689)	Subsidiary
ABILITY ENTERPRISE CO., LTD.	ALTASEC TECHNOLOGY CORPORATION	Taiwan	Professional video solutions for surveillance and remote monitoring and installation of camera and server	21,000	21,000	1,500,000	30.00	21,255	14,496	4,349	-
ABILITY ENTERPRISE CO., LTD.	BESTMOMENT HOLDINGS PTE. LTD.	Singapore	Holding company	36,671	-	1,723,110	25.00	37,221 (	3,691) (	923)	-

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020 (Note 2(2) and 3)	Investment income(loss) recognised by the Company for the year ended December 31, 2020 (Note 2(3))	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value			
ABILITY ENTERPRISE (BVI) CO., LTD.	EVER PINE INTERNATIONAL LTD.(BVI)	British Virgin IS.	Sales, import and export of precision metal and plastic part of small motor, plastic case of camera and cover for optical instrument	63,034	63,034	-	34.65	-	-	-	-
E-PIN OPTICAL INDUSTRY CO., LTD.	ALL VISION HOLDING LTD.	Samoa	Holding company	516,527	516,527	15,236,910	100.00	126,668	1,889	-	Second-tier subsidiary
E-PIN OPTICAL INDUSTRY CO., LTD.	E-PIN OPTICAL INDUSTRY CO.,LTD.	Mauritius	Trading	-	5,167	-	-	-	-	-	Second-tier subsidiary
E-PIN OPTICAL INDUSTRY CO., LTD.	E-PIN OPTICAL INDUSTRY(M.) SDN. BHD.	Malaysia	Manufacturing of precision lens	45,700	45,700	5,000,000	100.00	1,398	(34)	-	Second-tier subsidiary
E-PIN OPTICAL INDUSTRY CO., LTD.	ALL VISION TECHNOLOGY SDN. BHD.	Malaysia	Manufacturing of precision lens	659,334	659,334	72,243,894	100.00	9,246	(435)	-	Second-tier subsidiary
E-PIN OPTICAL INDUSTRY CO., LTD.	JIAPIN INVESTMENT CO., LTD.	Taiwan	Investing compny	6,000	6,000	600,000	100.00	4,591	(51)	-	Second-tier subsidiary
JIAPIN INVESTMENT CO., LTD.	CHIA PING LIMITED	Samoa	Holding company	4,497	4,497	150,000	100.00	3,767	32	-	Second-tier subsidiary
ALL VISION HOLDING LTD.	EVERLIGHT DEVELOPMENT CORPORATION	Panama	Holding company	192,006	192,006	58,494	100.00	232,915	29,558	-	Second-tier subsidiary
ALL VISION HOLDING LTD.	E-SKY HOLDING LTD.	Mauritius	Holding company	343,772	343,772	10,472,879	73.04	(99,093)	(27,669)	-	Second-tier subsidiary

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

- (1) The columns of ‘Investee’, ‘Location’, ‘Main business activities’, Initial investment amount’ and ‘Shares held as at December 31, 2020’ should fill orderly in the Company’s (public company’s) information on investees and every directly or indirectly controlled investee’s investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the ‘footnote’ column.
- (2) The ‘Net profit (loss) of the investee for the year ended December 31, 2020’ column should fill in amount of net profit (loss) of the investee for this period.
- (3) The ‘Investment income (loss) recognised by the Company for the year ended December 31, 2020’ column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary’s net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

Note 3: The column was calculated based on the average exchange rate of USD/NTD 29.5879 for the year ended December 31, 2020.

Ability Enterprise Co., Ltd. and subsidiaries
Information on investments in Mainland China
For the year ended December 31, 2020

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Net income of investee for the year ended December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2020 (Note 2)	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
ABILITY TECHNOLOGY (DONGGUAN) CO., LTD.	Sales of digital still cameras	1,199,700	2	1,190,084	-	-	1,190,084	(133,283)	100.00	(133,283)	885,219	-	(2)B and Note 6
JIUJIANG VIEWQUEST ELECTRONICS INC.	Sales of digital still cameras	-	2	305,425	-	305,426	-	158,472	-	158,472	-	14,705	(2)B, Note 6 and Note 10
VIEWQUEST TECHNOLOGIES (DONGGUAN) CO., LTD.	Sales of digital still cameras	615,679	2	356,122	-	-	356,122	72,642	100.00	72,642	437,912	-	(2)B and Note 6
NANJING EVERLIGHT PHOTONICS TECHNOLOGY CO., LTD.	Development and manufacture of optical components	335,147	2	130,881	-	-	130,881	52,069	30.28	15,767	232,818	16,743	(2)B and Note 7
WEIHAY E-SKY OPTICAL-ELECTRICAL CO., LTD.	Development and manufacture of precision optical lens	43,211	2	37,948	-	-	37,948	-	54.61	-	-	-	(2)B and Note 7
ZHONGSHAN SHANXIN ACCURATE INDUSTRY CO., LTD.	Development and manufacture of precision optical lens	329,730	2	211,836	-	-	211,836	(24,161)	39.89	(13,194)	(99,330)	-	(2)B and Note 8
NANJING E-PIN OPTICAL CO., LTD.	Development and manufacture of precision optical lens	232,048	2	52,761	-	-	52,761	(3,661)	28.81	(1,999)	231	-	(2)B and Note 8
CHIA PING (SHENZHEN) OPTICAL TECHNOLOGY CO., LTD.	Trading of optical lens and components	4,517	2	4,497	-	-	4,497	32	54.61	17	3,767	-	(2)C and Note 9

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
The Company and E-PIN OPTICAL INDUSTRY CO.,	1,984,129	2,578,313	3,516,663

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1) Directly invest in a company in Mainland China
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China
- (3) Others

Note 2: In the 'Investment income (loss) recognised by the Company for the year ended December 31, 2020' column:

- (1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
- (2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
 - A. The financial statements were audited by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
 - B. The financial statements were audited by R.O.C. parent company's CPA.
 - C. Others.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.

Note 4: The accumulated amount of remittance from Taiwan to Mainland China did not include investees that have no control (DONGGUAN GUANG TONG BUSINESS MACHINES CO., LTD. and DONGGUAN YORKEY OPTICAL MACHINERY CO., LTD.).

The total investment amount was USD 9,968 thousand.

Note 5: VIEWQUEST TECHNOLOGIES (DONGGUAN) CO., LTD.'s accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 was NTD 356,122 thousand (USD 12,129 thousand) which did not include USD 9,871 thousand of investment through machinery and equipment.

Note 6: Through ABILITY ENTERPRISE (BVI) CO.,LTD.

Note 7: Through EVERLIGHT DEVELOPMENT CORPORATION

Note 8: Through E-SKY HOLDING LTD.

Note 9: Through CHIA PING LIMITED

Note 10: The LIQUIDATION OF JIUJIANG VIEWQUEST ELECTRONICS INC. was completed on October 16, 2020. Proceeds from liquidation has been collected.

Ability Enterprise Co., Ltd. and subsidiaries

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

For the year ended December 31, 2020

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				Others
	Amount	%	Amount	%	Balance at December 31, 2020	%	Balance at December 31, 2020	Purpose	Maximum balance during the year ended December 31, 2020	Balance at December 31, 2020	Interest rate	Interest during the year ended December 31, 2020	
NANJING EVERLIGHT PHOTONICS TECHNOLOGY CO., LTD.	(435,066)	(13)	-	-	(106,479)	(1)	-	-	-	-	-	-	-

Ability Enterprise Co., Ltd.
Major shareholders information
December 31, 2020

Table 10

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
PEGATRON CORPORATION	33,135,300	11.73%

Note 1: The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference in calculation basis.

Note 2: If the aforementioned data contains shares which were held in trust by the shareholders, the data was disclosed as separate account of client which was set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio includes the self-owned shares and shares held in trust, at the same time, the shareholder has the power to decide how to allocate the trust assets. For the information of reported share equity of insider, please refer to Market Observation Post System.

Attachment II.

ABILITY ENTERPRISE CO., LTD.
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS’
REPORT
DECEMBER 31, 2020 AND 2019

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.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

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

PWCR20000535

Opinion

We have audited the accompanying balance sheets of Ability Enterprise Co., Ltd. (the “Company”) as at December 31, 2020 and 2019, 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 auditors (please refer to the *Other Matter* section), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's 2020 financial statements. 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(5) 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, 2020, inventories and allowance for inventory valuation loss amounted to NT\$143,731 thousand and NT\$107,998 thousand, respectively, while the investments accounted for using equity method amounted to NT\$3,094,916 thousand. The Company's direct and indirect wholly-owned subsidiaries, Viewquest Technologies (BVI) Inc., Ability Technology (Dongguan) Co., Ltd. and Dongguan Viewquest Electronics Inc., are main operating entities. All of which are primarily engaged in manufacturing and sales of digital cameras, optical devices as well as related parts and components. Due to rapid technological innovations, short life cycles of electronic products and fluctuations in market prices, there is higher risk in inventory valuation losses and obsolescence. The subsidiaries recognise inventories at the lower of cost and net realisable value and assesses excess inventories and those separately identified as obsolete.

Since the net realisable value used in the valuation of obsolete inventories involves significant judgments and high uncertainties in estimation, and considering that the company's subsidiaries, Viewquest Technologies (BVI) Inc., Ability Technology (Dongguan) Co., Ltd. and Dongguan Viewquest Electronics Inc., which are directly and indirectly 100% owned are accounted for using equity method, the inventories of Viewquest Technologies (BVI) Inc., Ability Technology (Dongguan) Co., Ltd. and Dongguan Viewquest Electronics Inc. have a significant impact on the parent only financial statements. Therefore, we considered 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 method used by management in determining the net realisable value, and 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 equipment and investment property

Description

Refer to Notes 4(13) and (15) 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(6) and (8) for account details of property, plant and equipment and investment property. As of December 31, 2020, property, plant and equipment and investment property amounted to a total of NT\$3,010,506 thousand.

The Company's property, plant and equipment and investment property primarily consist of land, buildings and structures, constituting 34% of total assets. Asset valuation is subject to factors such as equilibrium in real estate market, natural disasters, government policies and economic situation. Risk of asset impairment exists given the uncertainty of real estate valuation. Hence, we considered the 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 – Reference to the audits of other auditors

We did not audit the financial statements of certain subsidiaries and investments accounted for under the equity method which were audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in respect of these subsidiaries and associates, is based solely on the reports of the other auditors. The balance of these investments accounted for under the equity method

(including credits of long-term equity investments) amounted to (NT\$142,171) thousand and NT\$7,162 thousand, constituting 1.59% and 0.07% of the total assets as at December 31, 2020 and 2019, respectively, and the comprehensive loss recognised from investees accounted for under the equity method amounted to NT\$148,374 thousand and NT\$123,645 thousand, constituting 18.83% and 19.70% of the total comprehensive loss for the years then ended, respectively.

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.

Auditors' responsibilities for the audit of the financial statements

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

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient 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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Juanlu, Man-Yu

Lin, Ya-Hui

For and on behalf of PricewaterhouseCoopers, Taiwan

March 29, 2021

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 independent auditors' report 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, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

Assets			December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 1,527,082	17	\$ 1,676,252	16
1170	Accounts receivable, net	6(3) and 7	158,913	2	288,047	3
130X	Inventories	6(4)	35,733	-	79,911	1
1470	Other current assets	7	246,327	3	289,687	3
11XX	Total current assets		1,968,055	22	2,333,897	23
Non-current assets						
1517	Non-current financial assets at fair value through profit or loss	6(2)	635,592	7	762,392	7
1550	Investments accounted for using equity method	6(5)	3,258,342	36	3,859,729	38
1600	Property, plant and equipment	6(6), 7 and 8	2,366,395	26	2,417,874	24
1755	Right-of-use assets	6(7)	3,201	-	1,535	-
1760	Investment property, net	6(8)	644,111	7	656,699	6
1780	Intangible assets		8,636	-	6,853	-
1840	Deferred tax assets	6(21)	198,775	2	161,178	2
1900	Other non-current assets		28,263	-	24,401	-
15XX	Total non-current assets		7,143,315	78	7,890,661	77
1XXX	Total assets		\$ 9,111,370	100	\$ 10,224,558	100

(Continued)

ABILITY ENTERPRISE CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			Notes		December 31, 2020		December 31, 2019	
					AMOUNT	%	AMOUNT	%
Current liabilities								
2100	Short-term borrowings	6(9)	\$	1,200,000	13	\$	950,000	9
2170	Accounts payable	7		1,421,636	16		1,938,739	19
2200	Other payables	6(10)		462,760	5		442,912	5
2250	Provisions for liabilities - current	6(12)		72,106	1		98,662	1
2280	Current lease liabilities			1,629	-		1,175	-
2300	Other current liabilities	6(16)		124,808	1		230,035	2
21XX	Total current liabilities			3,282,939	36		3,661,523	36
Non-current liabilities								
2580	Non-current lease liabilities			1,621	-		393	-
2600	Other non-current liabilities	6(5)(11)		206,467	2		69,444	-
25XX	Total non-current liabilities			208,088	2		69,837	-
2XXX	Total liabilities			3,491,027	38		3,731,360	36
Equity								
	Share capital	6(13)						
3110	Common stock			2,823,628	31		2,823,628	28
	Capital surplus	6(14)						
3200	Capital surplus			1,563,494	18		1,563,494	15
	Retained earnings	6(15)						
3310	Legal reserve			1,655,947	18		1,655,947	16
3320	Special reserve			654,447	7		426,178	4
3350	(Accumulated deficit) unappropriated retained earnings		(	86,830)	(1)		678,398	7
	Other equity interest							
3400	Other equity interest		(	990,343)	(11)	(	654,447)	(6)
3XXX	Total equity			5,620,343	62		6,493,198	64
	Significant Events after the Balance Sheet Date	11						
3X2X	Total liabilities and equity		\$	9,111,370	100	\$	10,224,558	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
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except for loss per share amounts)

			Year ended December 31			
			2020		2019	
Items	Notes		AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(16) and 7	\$ 2,064,103	100	\$ 4,009,775	100
5000	Operating costs	6(4)(20) and 7	(1,634,287)	(79)	(3,059,036)	(76)
5950	Gross profit from operations		429,816	21	950,739	24
	Operating expenses	6(20)				
6100	Selling expenses		(61,926)	(3)	(58,555)	(2)
6200	Administrative expenses		(294,489)	(14)	(361,919)	(9)
6300	Research and development expenses		(465,737)	(23)	(529,016)	(13)
6450	Impairment gain and reversal of impairment loss determined in accordance with IFRS 9	12(2)	310	-	6,621	-
6000	Total operating expenses		(821,842)	(40)	(942,869)	(24)
6900	Net operating (loss) income		(392,026)	(19)	7,870	-
	Non-operating income and expenses					
7100	Interest income	6(17)	10,775	-	16,023	-
7010	Other income	6(18)	52,390	3	40,572	1
7020	Other gains and losses	6(19)	(7,352)	-	(15,477)	-
7050	Finance costs		(10,216)	(1)	(4,712)	-
7070	Share of loss of associates and joint ventures accounted for using equity method, net	6(5)	(150,326)	(7)	(428,026)	(11)
7000	Total non-operating income and expenses		(104,729)	(5)	(391,620)	(10)
7900	Loss before income tax		(496,755)	(24)	(383,750)	(10)
7950	Income tax benefit (expense)	6(21)	36,953	2	15,514	-
8200	Loss for the year		(\$ 459,802)	(22)	(\$ 399,264)	(10)
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Gains on remeasurements of defined benefit plans	6(11)	\$ 9,849	1	\$ 1,137	-
8316	Unrealised (losses) gains from investments in equity instruments measured at fair value through other comprehensive income	6(2)	(117,705)	(6)	87,021	2
8330	Share of other comprehensive loss of associates and joint ventures accounted for using equity method		(115,506)	(6)	(180,192)	(4)
8349	Income tax related to components of other comprehensive loss that will not be reclassified to profit or loss	6(21)	(1,970)	-	(228)	-
8310	Other comprehensive loss that will not be reclassified to profit or loss		(225,332)	(11)	(92,262)	(2)
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Exchange differences on translation		(103,012)	(5)	(136,040)	(4)
8360	Other comprehensive loss that will be reclassified to profit or loss		(103,012)	(5)	(136,040)	(4)
8300	Total other comprehensive loss		(\$ 328,344)	(16)	(\$ 228,302)	(6)
8500	Total comprehensive loss		(\$ 788,146)	(38)	(\$ 627,566)	(16)
	Earnings per share	6(22)				
9750	Basic earnings per share		(\$ 1.63)	(\$ 1.41)		

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
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

			Retained Earnings			Other equity interest			
		Share capital - common stock	Total capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings (accumulated deficit)	Financial statements translation differences of foreign operations	Unrealised losses from financial assets measured at fair value through other comprehensive income	Total equity
	Notes								
<u>Year ended December 31, 2019</u>									
Balance at January 1, 2019		\$ 2,823,628	\$ 1,563,455	\$ 1,655,947	\$ -	\$ 1,645,054	(\$ 32,716)	(\$ 393,462)	\$ 7,261,906
Loss for 2019		-	-	-	-	(399,264)	-	-	(399,264)
Other comprehensive loss for 2019		-	-	-	-	(33)	(136,040)	(92,229)	(228,302)
Total comprehensive loss for 2019		-	-	-	-	(399,297)	(136,040)	(92,229)	(627,566)
Appropriations and distribution of 2018 retained earnings	6(15)								
Special reserve		-	-	-	426,178	(426,178)	-	-	-
Cash dividends		-	-	-	-	(141,181)	-	-	(141,181)
Adjustments to changes in vested number of restricted stock	6(14)	-	39	-	-	-	-	-	39
Balance at December 31, 2019		\$ 2,823,628	\$ 1,563,494	\$ 1,655,947	\$ 426,178	\$ 678,398	(\$ 168,756)	(\$ 485,691)	\$ 6,493,198
<u>Year ended December 31, 2020</u>									
Balance at January 1, 2020		\$ 2,823,628	\$ 1,563,494	\$ 1,655,947	\$ 426,178	\$ 678,398	(\$ 168,756)	(\$ 485,691)	\$ 6,493,198
Loss for 2020		-	-	-	-	(459,802)	-	-	(459,802)
Other comprehensive income (loss) for 2020		-	-	-	-	7,552	(103,012)	(232,884)	(328,344)
Total comprehensive income (loss) for 2020		-	-	-	-	(452,250)	(103,012)	(232,884)	(788,146)
Appropriations and distribution of 2019 retained earnings	6(15)								
Special reserve		-	-	-	228,269	(228,269)	-	-	-
Cash dividends		-	-	-	-	(84,709)	-	-	(84,709)
Balance at December 31, 2020		\$ 2,823,628	\$ 1,563,494	\$ 1,655,947	\$ 654,447	(\$ 86,830)	(\$ 271,768)	(\$ 718,575)	\$ 5,620,343

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
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2020	2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Loss before tax		(\$ 496,755)	(\$ 383,750)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(20)	93,862	83,094
Amortisation	6(20)	4,539	4,484
Expected credit gain	12(2)	(310)	(6,621)
Interest expense		10,216	4,712
Interest income	6(17)	(10,775)	(16,023)
Dividend income	6(18)	(13,513)	(7,646)
Share of loss of associates and joint ventures	6(5)	150,326	428,026
Gain on disposal of property, plant, equipment	6(19)	(1,038)	(960)
Gain on lease modification	6(7)	(8)	-
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable, net		129,444	264,758
Inventories		44,178	(79,699)
Other current assets		121,360	(3,479)
Changes in operating liabilities			
Accounts payable		(517,103)	(394,937)
Other payables		19,848	13,876
Provisions		(26,556)	(21,058)
Other current liabilities		(105,227)	125,626
Other non-current liabilities		(6,102)	(1,710)
Cash (outflow) inflow generated from operations		(603,614)	8,693
Interest received		10,775	16,023
Dividends received		435,449	310,377
Interest paid		(10,216)	(4,712)
Income tax paid		(2,614)	(3,772)
Net cash flows (used in) from operating activities		(170,220)	326,609

(Continued)

ABILITY ENTERPRISE CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2020	2019
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at fair value through other comprehensive income	6(2)	\$ -	(\$ 15,000)
Proceeds from capital reduction of financial assets at fair value through other comprehensive income		9,095	16,050
Acquisition of investments accounted for using equity method	6(5)	(36,671)	-
Acquisition of property, plant and equipment	6(6)	(27,501)	(44,108)
Proceeds from disposal of property, plant and equipment		1,277	1,943
Acquisition of intangible assets		(6,322)	(1,991)
Increase in other current assets		(78,000)	(58,000)
Increase in other non-current assets		(3,862)	(3,465)
Net cash flows used in investing activities		(141,984)	(104,571)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term loans		250,000	710,000
Increase in other non-current liabilities		251	1,484
Payments of lease liabilities		(2,508)	(1,222)
Payment of cash dividends	6(15)	(84,709)	(141,181)
Net cash flows from financing activities		163,034	569,081
Net (decrease) increase in cash and cash equivalents		(149,170)	791,119
Cash and cash equivalents at beginning of year		1,676,252	885,133
Cash and cash equivalents at end of year		<u>\$ 1,527,082</u>	<u>\$ 1,676,252</u>

The accompanying notes are an integral part of these parent company only financial statements.

ABILITY ENTERPRISE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(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 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. As at December 31, 2020 and 2019, the Company had 530 and 486 employees, respectively.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These parent company only financial statements were authorised for issuance by the Board of Directors on March 29, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments as endorsed by FSC effective from 2020 are as follows:

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 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	January 1, 2020
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020 (Note)
Note: Earlier application from January 1, 2020 is allowed by FSC.	

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform - Phase 2'	January 1, 2021

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

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
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, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts - cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018-2020	January 1, 2022

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

- A. Except for the following items, these parent company only financial statements have been prepared under the historical cost convention:
 - (a) Financial assets at fair value through other comprehensive income.
 - (b) 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 International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). The parent company only financial statements are presented in NTD, which is the Company’s functional and 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 foreign exchange gains and losses are 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 company 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 Company 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 Company 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.

(4) 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.

(5) 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.

(6) Financial assets at fair value through other comprehensive income

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company 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 Company'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 Company measures the financial assets at fair value plus transaction costs. The Company 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 Company and the amount of the dividend can be measured reliably.

(7) Accounts and notes receivable

A. Accounts and notes receivable entitle the Company 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.

(8) 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 Company 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 Company recognises the impairment provision for lifetime ECLs.

(9) Derecognition of financial assets

The Company 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 Company 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 Company has not retained control of the financial asset.

(10) Leasing arrangements (lessor) - operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(11) 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. 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.

(12) Investments accounted for using equity method / subsidiaries, associates and joint ventures

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company 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.
- B. Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Company are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' 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 Company's share of losses in a subsidiary

equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.

- 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. Associates are all entities over which the Company 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.
- F. The Company 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 Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- G. 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 Company's ownership percentage of the associate, the Company recognises the company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- H. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company'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 Company.
- I. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company'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 Company'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.
- J. When the Company 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.

- K. Pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, profit (loss) of the current period and other comprehensive income in the non-consolidated financial statements shall equal to the amount attributable to owners of the parent in the financial statements prepared with basis for consolidation. Owners' equity in the non-consolidated financial statements shall equal to equity attributable to owners of the parent in the financial statements prepared with basis for consolidation.

(13) 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 Company 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	10 ~ 50 years
Machinery and equipment	1 ~ 9 years
Mold equipment	1 ~ 2 years
Other equipment	3 ~ 10 years

(14) Leasing arrangements (lessee) - right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the fixed payments, less any lease incentives receivable.

The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize the difference between remeasured lease liability in profit or loss.

(15) 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 30 to 50 years.

(16) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 5 years.

(17) Impairment of non-financial assets

The Company 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. 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.

(18) 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.

(19) 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.

(20) 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.

(21) Provisions

Warranty provision is recognised when the Company 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.

(22) 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 the defined contribution plan, 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 Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plan 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 Company uses interest rates of government the bonds (at the balance sheet date) instead.

- ii. Remeasurements arising on the defined benefit plan 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 Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(23) 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 parent company only 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 Company 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.

(24) 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.

(25) Revenue recognition

A. Sales of goods

The Company 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 Company has objective evidence that all criteria for acceptance have been satisfied.

B. Sales of services

The Company 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 Company recognises the incremental costs of obtaining a contract as an expense when incurred although the Company expects to recover those costs.

(26) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Company will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which

the Company recognises expenses for the related costs for which the grants are intended to compensate.

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

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company'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 Company's accounting policies

None.

(2) Critical accounting estimates and assumptions

A. Impairment assessment of tangible assets

The Company 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 Company strategy might cause material impairment on assets in the future.

As of December 31, 2020, the Company recognised property, plant and equipment and investment property, net of impairment loss. Please refer to Notes 6(6) and 6(8).

B. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company 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, 2020, the carrying amount of inventories is described in Note 6(4).

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and revolving funds	\$ 356	\$ 356
Demand deposits	179,188	23,707
Time deposits	-	239,840
Foreign currency deposits	1,347,538	1,412,349
	<u>\$ 1,527,082</u>	<u>\$ 1,676,252</u>

A. The Company 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 Company has no cash and cash equivalents pledged to others.

(2) Non-current financial assets at fair value through other comprehensive income

Items	December 31, 2020	December 31, 2019
Non-current items:		
Equity instruments		
Listed stocks	\$ 636,816	\$ 636,816
Unlisted stocks	196,855	205,950
	833,671	842,766
Valuation adjustment	(198,079)	(80,374)
	<u>\$ 635,592</u>	<u>\$ 762,392</u>

A. On August 13, 2019, the Board of Directors of the Company resolved to invest in IH Biomedical Venture Fund I Co., Ltd. in the amount of \$30 million. As of December 31, 2020, the investment amounted to \$15,000, and the shareholding ratio was 4.848%.

B. The Company 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 \$635,592 and \$762,392 as at December 31, 2020 and 2019, respectively.

C. 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:

<u>Equity instruments at fair value through other comprehensive income</u>	<u>For the year ended December 31, 2020</u>	<u>For the year ended December 31, 2019</u>
Fair value change recognised in other comprehensive (loss) income	(\$ 117,705)	\$ 87,021

D. As at December 31, 2020 and 2019, 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 Company was \$635,592 and \$762,392, respectively.

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

(3) Accounts receivable

	December 31, 2020	December 31, 2019
Accounts receivable	\$ 304,632	\$ 399,495
Less: Allowance for bad debts	(161,455)	(162,297)
Accounts receivable, related parties	15,736	50,849
Accounts receivable, net	<u>\$ 158,913</u>	<u>\$ 288,047</u>

	December 31, 2020	December 31, 2019
Not past due	\$ 154,270	\$ 253,958
1 to 90 days	2,810	34,051
91 to 180 days	1,953	468
Over 180 days	161,335	161,867
	<u>\$ 320,368</u>	<u>\$ 450,344</u>

The above ageing analysis was based on past due date.

A. As of December 31, 2020 and 2019, accounts receivable were all from contracts with customers.

As of January 1, 2019, the balance of accounts receivable from contracts with customers amounted to \$715,102.

B. The Company has no accounts receivable pledged to others.

C. As at December 31, 2020 and 2019, 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 Company was \$158,913 and \$288,047, respectively.

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

(4) Inventories

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 82,974	(\$ 63,080)	\$ 19,894
Work in process	1,767	-	1,767
Finished goods	9,542	(277)	9,265
Inventory in transit	49,448	(44,641)	4,807
	<u>\$ 143,731</u>	<u>(\$ 107,998)</u>	<u>\$ 35,733</u>

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 26,561	\$ -	\$ 26,561
Work in process	7,983	-	7,983
Finished goods	36,215	-	36,215
Inventory in transit	9,152	-	9,152
	<u>\$ 79,911</u>	<u>\$ -</u>	<u>\$ 79,911</u>

The cost of inventories recognised as expense for the year:

	For the years ended December 31,	
	2020	2019
Cost of goods sold	\$ 1,501,018	\$ 2,974,666
Loss on (gain on reversal of) decline in market value (Note)	107,998 (	285)
Other operating costs	25,271	84,655
	<u>\$ 1,634,287</u>	<u>\$ 3,059,036</u>

Note: Gain on reversal of decline in market value for the year ended December 31, 2019 arose from inventory clearance.

(5) Investments accounted for using equity method

Associates	December 31, 2020	December 31, 2019
Subsidiaries:		
ABILITY ENTERPRISE (BVI) CO., LTD.	\$ 1,651,911	\$ 2,090,881
VIEWQUEST TECHNOLOGIES (BVI) INC.	1,397,522	1,590,964
VIEWQUEST TECHNOLOGIES INTERNATIONAL LTD.	191	730
Ability International Investment Co., Ltd.	16,726	16,235
E-PIN OPTICAL INDUSTRY CO., LTD.	133,516	143,053
AndroVideo INC.	(163,426) (	10,704)
Associate:		
Altasec Technology Corporation	21,255	17,866
BESTMOMENT HOLDINGS PTE. LTD.	37,221	-
	3,094,916	3,849,025
Add: Credits of long-term equity investments (shown as other non-current liabilities)	163,426	10,704
	<u>\$ 3,258,342</u>	<u>\$ 3,859,729</u>

A. The above investment was accounted for using equity method as of December 31, 2020 and 2019 based on the investee's financial statements audited by other independent accountants.

B. Subsidiaries

Please refer to Note 4(3) in the consolidated financial statements for the year ended December 31, 2020 for the information regarding the Company's subsidiaries.

C. Associates

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

As of December 31, 2020 and 2019, the carrying amount of the Company's individually immaterial associates amounted to \$58,476 and \$17,866, respectively.

	December 31, 2020	December 31, 2019
Total comprehensive income	\$ 10,805	\$ 18,575

- D. The Company's share in profit (loss) recognised under the equity method for the years ended December 31, 2020 and 2019 was (\$150,326) and (\$428,226), respectively.
- E. As the Company's subsidiary, AndroVideo, continued to incur losses, the Company's share of losses in the subsidiary amounting to \$163,426 and \$10,704 on December 31, 2020 and 2019, respectively, exceeds its interest in the subsidiary and were shown as other non-current liabilities.
- F. The Company established BESTMOMENT HOLDINGS PTE. LTD. in Singapore jointly with Thundercomm Hong Kong Corporation Limited as resolved by the Board of Directors on August 13, 2019. As of December 31, 2020, the investment amount was SGD 1,723,110 equivalent to \$36,671 and the shareholding ratio was 25%.

(6) Property, plant and equipment

	Land	Buildings and structures	Machinery	Mold equipment	Other equipment and Construction in progress	Total
<u>January 1, 2020</u>						
Cost	\$ 1,304,043	\$ 1,126,948	\$ 114,678	\$ 925,483	\$ 133,292	\$ 3,604,444
Accumulated depreciation and impairment	-	(110,204)	(94,484)	(918,570)	(63,312)	(1,186,570)
	<u>\$ 1,304,043</u>	<u>\$ 1,016,744</u>	<u>\$ 20,194</u>	<u>\$ 6,913</u>	<u>\$ 69,980</u>	<u>\$ 2,417,874</u>
<u>2020</u>						
Opening net book amount	\$ 1,304,043	\$ 1,016,744	\$ 20,194	\$ 6,913	\$ 69,980	\$ 2,417,874
Additions	-	-	5,541	14,304	7,656	27,501
Disposals	-	-	(239)	-	-	(239)
Depreciation	-	(40,423)	(8,859)	(16,638)	(12,821)	(78,741)
Closing net book amount	<u>\$ 1,304,043</u>	<u>\$ 976,321</u>	<u>\$ 16,637</u>	<u>\$ 4,579</u>	<u>\$ 64,815</u>	<u>\$ 2,366,395</u>
<u>At December 31, 2020</u>						
Cost	\$ 1,304,043	\$ 1,126,948	\$ 118,740	\$ 939,787	\$ 134,621	\$ 3,624,139
Accumulated depreciation and impairment	-	(150,627)	(102,103)	(935,208)	(69,806)	(1,257,744)
	<u>\$ 1,304,043</u>	<u>\$ 976,321</u>	<u>\$ 16,637</u>	<u>\$ 4,579</u>	<u>\$ 64,815</u>	<u>\$ 2,366,395</u>

	Land	Buildings and structures	Machinery	Mold equipment	Other equipment and Construction in progress	Total
<u>January 1, 2019</u>						
Cost	\$ 1,319,299	\$ 1,190,815	\$ 100,287	\$ 910,814	\$ 136,024	\$ 3,657,239
Accumulated depreciation and impairment	-	(68,002)	(92,006)	(905,626)	(66,702)	(1,132,336)
	<u>\$ 1,319,299</u>	<u>\$ 1,122,813</u>	<u>\$ 8,281</u>	<u>\$ 5,188</u>	<u>\$ 69,322</u>	<u>\$ 2,524,903</u>
<u>2019</u>						
Opening net book amount	\$ 1,319,299	\$ 1,122,813	\$ 8,281	\$ 5,188	\$ 69,322	\$ 2,524,903
Additions	-	-	17,258	15,701	11,149	44,108
Disposals	-	-	(983)	-	-	(983)
Reclassification	(15,256)	(63,867)	-	-	-	(79,123)
Depreciation	-	(42,202)	(4,362)	(13,976)	(10,491)	(71,031)
Closing net book amount	<u>\$ 1,304,043</u>	<u>\$ 1,016,744</u>	<u>\$ 20,194</u>	<u>\$ 6,913</u>	<u>\$ 69,980</u>	<u>\$ 2,417,874</u>
<u>At December 31, 2019</u>						
Cost	\$ 1,304,043	\$ 1,119,632	\$ 114,678	\$ 925,483	\$ 133,292	\$ 3,597,128
Accumulated depreciation and impairment	-	(102,888)	(94,484)	(918,570)	(63,312)	(1,179,254)
	<u>\$ 1,304,043</u>	<u>\$ 1,016,744</u>	<u>\$ 20,194</u>	<u>\$ 6,913</u>	<u>\$ 69,980</u>	<u>\$ 2,417,874</u>

- A. The significant components of buildings and structures include main plants and electrical equipment, which are depreciated over 50 and 20 years, respectively.
- B. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(7) Leasing arrangements—lessee

- A. The Company leases various assets including multifunction printers and exchange telephone system. Rental contracts are typically made for periods of 2 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2020	December 31, 2020
	Carrying amount	Carrying amount
Office equipment	\$ 3,201	\$ 1,535
	For the years ended December 31,	
	2020	2019
	Depreciation charge	Depreciation charge
Office equipment	\$ 2,533	\$ 1,254

C. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets were \$4,252 and \$0, respectively.

D. The information on profit and loss accounts relating to lease contracts is as follows:

	For the years ended December 31,	
	2020	2019
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	82	\$ 49
Expense on short-term lease contracts	718	593
Expense on leases of low-value assets	116	13
Gain or loss on lease modification	8	-

E. For the years ended December 31, 2020 and 2019, the Company's total cash outflow for leases was \$3,424 and \$1,877, respectively.

(8) Investment property

	Land	Buildings and structures	Total
<u>At January 1, 2020</u>			
Cost	\$ 272,430	\$ 584,920	\$ 857,350
Accumulated depreciation and impairment	-	(200,651)	(200,651)
	<u>\$ 272,430</u>	<u>\$ 384,269</u>	<u>\$ 656,699</u>
<u>2020</u>			
Opening net book amount	\$ 272,430	\$ 384,269	\$ 656,699
Depreciation	-	(12,588)	(12,588)
Closing net book amount	<u>\$ 272,430</u>	<u>\$ 371,681</u>	<u>\$ 644,111</u>
<u>At December 31, 2020</u>			
Cost	\$ 272,430	\$ 584,920	\$ 857,350
Accumulated depreciation and impairment	-	(213,239)	(213,239)
	<u>\$ 272,430</u>	<u>\$ 371,681</u>	<u>\$ 644,111</u>

	Land	Buildings and structures	Total
<u>At January 1, 2019</u>			
Cost	\$ 257,174	\$ 521,053	\$ 778,227
Accumulated depreciation and impairment	-	(189,842)	(189,842)
	<u>\$ 257,174</u>	<u>\$ 331,211</u>	<u>\$ 588,385</u>
<u>2019</u>			
Opening net book amount	\$ 257,174	\$ 331,211	\$ 588,385
Reclassification	15,256	63,867	79,123
Depreciation	-	(10,809)	(10,809)
Closing net book amount	<u>\$ 272,430</u>	<u>\$ 384,269</u>	<u>\$ 656,699</u>
<u>At December 31, 2019</u>			
Cost	\$ 272,430	\$ 584,920	\$ 857,350
Accumulated depreciation and impairment	-	(200,651)	(200,651)
	<u>\$ 272,430</u>	<u>\$ 384,269</u>	<u>\$ 656,699</u>

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

	For the year ended December 31, 2020	For the year ended December 31, 2019
Rental income from the lease of the investment property	<u>\$ 38,877</u>	<u>\$ 32,926</u>
Direct operating expenses arising from the investment property that generated rental income in the period	<u>\$ 12,588</u>	<u>\$ 10,809</u>

The fair value of the investment property held by the Company as at December 31, 2020 and 2019 was \$1,749,226 and \$1,743,767, respectively, which was based on the valuations of the market prices of property sold in similar districts.

(9) Short-term borrowings

Type of borrowings	December 31, 2020	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	<u>\$ 1,200,000</u>	0.70%~0.98%	-
Type of borrowings	December 31, 2019	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	<u>\$ 950,000</u>	0.90%~1.03%	-

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

(10) Other payables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Employees' salary and compensation payable	\$ 306,238	\$ 328,488
Pensions payable	122,945	49,500
Service fees payable	2,351	17,513
Labour and health insurance fees payable	7,517	8,479
Other payables	23,709	38,932
	<u>\$ 462,760</u>	<u>\$ 442,912</u>

(11) Pensions

A.(a) The Company has 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 contributes 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 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 will make contribution for the deficit by next March.

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligations	\$ 72,957	\$ 85,164
Fair value of plan assets	(37,031)	(33,286)
Net defined benefit liability	<u>\$ 35,926</u>	<u>\$ 51,878</u>

(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
<u>Year ended December 31, 2020</u>			
Balance at January 1	\$ 85,164	(\$ 33,286)	\$ 51,878
Current service cost	(4,260)	-	(4,260)
Interest expense (income)	716	(280)	436
	<u>81,620</u>	<u>(33,566)</u>	<u>48,054</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	\$ -	(\$ 1,186)	(\$ 1,186)
Change in demographic assumptions	832	-	832
Change in financial assumptions	(6,860)	-	(6,860)
Experience adjustments	(2,635)	-	(2,635)
	<u>(8,663)</u>	<u>(1,186)</u>	<u>(9,849)</u>
Pension fund contribution	-	(2,279)	(2,279)
Paid pension	-	-	-
Balance at December 31	<u>\$ 72,957</u>	<u>(\$ 37,031)</u>	<u>\$ 35,926</u>
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2019</u>			
Balance at January 1	\$ 88,570	(\$ 33,844)	\$ 54,726
Interest expense (income)	1,134	(433)	701
	<u>89,704</u>	<u>(34,277)</u>	<u>55,427</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(1,086)	(1,086)
Change in demographic assumptions	(1,004)	-	(1,004)
Change in financial assumptions	6,074	-	6,074
Experience adjustments	(5,121)	-	(5,121)
	<u>(51)</u>	<u>(1,086)</u>	<u>(1,137)</u>
Pension fund contribution	-	(2,412)	(2,412)
Paid pension	(4,489)	4,489	-
Balance at December 31	<u>\$ 85,164</u>	<u>(\$ 33,286)</u>	<u>\$ 51,878</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's 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 has no right to participate in managing and operating that fund and hence the Company is 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, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	For the year ended December 31, 2020	For the year ended December 31, 2019
Discount rate	0.43%	0.84%
Future salary increases	2.00%	3.00%
Expected returns on plan assets	0.43%	0.84%

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%
<u>December 31, 2020</u>				
Effect on present value of defined benefit obligation	(\$ 5,507)	\$ 6,028	\$ 5,900	(\$ 5,451)
<u>December 31, 2019</u>				
Effect on present value of defined benefit obligation	(\$ 6,789)	\$ 7,459	\$ 7,258	(\$ 6,684)

(f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2021 amount to \$2,279.

(g) As of December 31, 2020, the weighted average duration of that retirement plan is 16 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	17,365
1-2 year(s)		19,382
2-5 years		11,124
Over 5 years		18,600
	\$	<u>66,471</u>

B.(a)Effective July 1, 2005, the Company has 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 contributes 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 pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2020 and 2019 were \$22,440 and \$23,944, respectively.

(12) Provisions - current

	<u>Warranty</u>	<u>Litigation</u>	<u>Total</u>
<u>2020</u>			
At January 1	\$ 85,102	\$ 13,560	\$ 98,662
Used during the year	(5,904)	-	(5,904)
Unused amounts reversed	(7,092)	(13,560)	(20,652)
At December 31	<u>\$ 72,106</u>	<u>\$ -</u>	<u>\$ 72,106</u>
	<u>Warranty</u>	<u>Litigation</u>	<u>Total</u>
<u>2019</u>			
At January 1	\$ 106,160	\$ -	\$ 106,160
Additional provision	-	13,560	13,560
Unused amounts reversed	(21,058)	-	(21,058)
At December 31	<u>\$ 85,102</u>	<u>\$ 13,560</u>	<u>\$ 98,662</u>

On January 14, 2020, Ansys, Inc. filed a civil lawsuit (Temporary case No. 4) against the Company alleging copyright infringement with the Intellectual Property Court. Ansys, Inc. is claiming for compensation in the amount of \$13,560 thousand, plus interest at an annual rate of 5% from the day the complaint was filed until settlement as well as litigation expenses. On May 19, 2020, the procedure has reached a mutual agreement to purchase two sets of software in the amount of \$2,500 thousand (including tax), and the formal mediation documents have been signed.

(13) Share capital

As of December 31, 2020, the Company’s authorised capital was \$8,000,000, consisting of 800 million shares of ordinary stock, and the paid-in capital was \$2,823,628 with a par value of \$10 (in dollars) per share.

(14) 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, 2020	\$ 1,246,494	\$ 219,206	\$ 56	\$ 97,738	\$ -
Employee restricted shares	-	-	-	-	-
At December 31, 2020	<u>\$ 1,246,494</u>	<u>\$ 219,206</u>	<u>\$ 56</u>	<u>\$ 97,738</u>	<u>\$ -</u>

	Share premium	Treasury share transactions	Capital reserve from gain on disposal of assets	Employee stock options	Employee restricted shares
At January 1, 2019	\$ 1,246,435	\$ 219,206	\$ 56	\$ 97,738	\$ 20
Employee restricted shares	59	-	-	-	(20)
At December 31, 2019	<u>\$ 1,246,494</u>	<u>\$ 219,206</u>	<u>\$ 56</u>	<u>\$ 97,738</u>	<u>\$ -</u>

(15) 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, when distributing by issuing new shares, the distribution shall be proposed by the Board of Directors and resolved by the shareholders. In accordance with Paragraph 5 of Article 240 of the Company Act, the Board of Directors is authorised by the Company to resolve the distribution of dividends and bonuses or legal reserve and capital reserve, in whole or in part, in accordance with Paragraph 1 of Article 241 of the Company Act in the form of cash by a resolution adopted by the majority vote at its meeting attended by two-thirds of the total number of directors, which will then be reported it to 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 distributed to owners amounting to \$141,181 during 2019. On June 17, 2020, the shareholders resolved for the distribution of dividends from 2019 earnings in the amount of \$84,709 at \$0.3 (in dollars) per share.

(16) Operating revenue

	For the years ended December 31,	
	2020	2019
Sales revenue	\$ 1,796,890	\$ 3,726,382
Service revenue	267,213	283,393
	<u>\$ 2,064,103</u>	<u>\$ 4,009,775</u>

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods and services over time and at a point in time as follows:

	For the years ended December 31,	
	2020	2019
Timing of revenue	\$ 1,796,890	\$ 3,726,382
At a point in time	267,213	283,393
Over time	<u>\$ 2,064,103</u>	<u>\$ 4,009,775</u>

B. Contract liabilities

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2019</u>
Contract liabilities -			
advance sales receipts (shown			
as Other current liabilities)	<u>\$ 120,368</u>	<u>\$ 155,281</u>	<u>\$ 80,948</u>

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

	For the years ended December 31,	
	2020	2019
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Advance sales receipts	\$ 151,976	\$ 36,281

(17) Interest income

	For the years ended December 31,	
	2020	2019
Interest income from bank deposits	\$ 10,775	\$ 16,023

(18) Other income

	For the years ended December 31,	
	2020	2019
Rental revenue	\$ 38,877	\$ 32,926
Dividend income	13,513	7,646
	<u>\$ 52,390</u>	<u>\$ 40,572</u>

(19) Other gains and losses

	For the years ended December 31,	
	2020	2019
Gains on disposal of property, plant and equipment	\$ 1,038	\$ 960
Depreciation on investment property	(12,588)	(10,809)
Currency exchange net loss	(22,744)	(6,103)
Other gains	26,942	475
	<u>(\$ 7,352)</u>	<u>(\$ 15,477)</u>

(20) Employee benefit, depreciation and amortisation expenses

		For the years ended December 31,			
		2020		2019	
Nature	Function	Classified as operating costs	Classified as operating expenses	Classified as operating costs	Classified as operating expenses
Employee benefit expenses					
Wages and salaries		\$ 18,801	\$ 452,713	\$ 2,653	\$ 560,595
Labor and health insurance fees		1,981	37,708	226	43,467
Pension costs		1,011	17,605	114	24,531
Other personnel expenses		1,815	23,871	192	29,023
Depreciation (Note)		32,003	49,271	16,010	56,275
Amortisation		95	4,444	-	4,484

Note: For the years ended December 31, 2020 and 2019, depreciation on investment property amounted to \$12,588 and \$10,809, respectively, 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. No employees' compensation and directors' and supervisors' remuneration were accrued due to the net loss incurred for the years ended December 31, 2020 and 2019.

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.

(21) Income tax

A. Income tax (benefit) expense

(a) Components of income tax (benefit) expense:

	For the years ended December 31,	
	2020	2019
Current tax on profits for the year	\$ 43,955	\$ 6,665
Prior year income tax (over) under estimation	(42,866)	2,206
Origination and reversal of temporary differences	(39,567)	5,661
Income tax paid in and for income derived from Mainland China	1,525	982
Income tax (benefit) expense	(\$ 36,953)	\$ 15,514

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

	For the years ended December 31,	
	2020	2019
Remeasurement of defined benefit obligations	\$ 1,970	\$ 228

B. Reconciliation between income tax (benefit) expense and accounting profit

	For the years ended December 31,	
	2020	2019
Tax calculated based on loss before tax and statutory tax rate	(\$ 99,351)	(\$ 76,750)
Tax effect of permanent differences	103,739	89,076
Prior year income tax (over) under estimation	(42,866)	2,206
Income tax paid in and for income derived from Mainland China	1,525	982
Income tax (benefit) expense	(\$ 36,953)	\$ 15,514

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

	For the year ended December 31, 2020			
	January 1	Recognised in		December 31
		Recognised in profit or loss	other comprehensive income	
Deferred tax assets:				
Fees for after sales service	\$ 17,020	(\$ 2,599)	\$ -	\$ 14,421
Adjustment of bad debts for tax purposes	32,835	415	-	33,250
Taxable loss	77,762	33,690	-	111,452
Royalties	19,099	-	-	19,099
Others	14,462	8,061	(1,970)	20,553
	<u>\$ 161,178</u>	<u>\$ 39,567</u>	<u>(\$ 1,970)</u>	<u>\$ 198,775</u>

For the year ended December 31, 2019				
	January 1	Recognised in		December 31
		profit or loss	other comprehensive income	
Deferred tax assets:				
Fees for after sales service	\$ 21,232	(\$ 4,212)	\$ -	\$ 17,020
Adjustment of bad debts for tax purposes	33,953	(1,118)	-	32,835
Taxable loss	80,360	(2,598)	-	77,762
Royalties	19,099	-	-	19,099
Others	12,423	2,267	(228)	14,462
	<u>\$ 167,067</u>	<u>(\$ 5,661)</u>	<u>(\$ 228)</u>	<u>\$ 161,178</u>

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

December 31, 2020				
Year incurred	Amount filed/assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2018	<u>\$ 600,486</u>	<u>\$ 557,261</u>	<u>\$ -</u>	2028

December 31, 2019				
Year incurred	Amount filed/assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2018	<u>\$ 388,809</u>	<u>\$ 388,809</u>	<u>\$ -</u>	2028

E. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2020 and 2019, the amounts of temporary differences unrecognised as deferred tax liabilities were \$159,951 and \$247,745, respectively.

F. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(22) Loss per share

For the year ended December 31, 2020			
	Amount after tax	Weighted average number of ordinary shares outstanding	Loss per share
		(shares in thousands)	(in dollars)
<u>Basic and diluted loss per share</u>			
Loss for the year	<u>(\$ 459,802)</u>	282,363	<u>(\$ 1.63)</u>

	For the year ended December 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
<u>Basic and diluted loss per share</u>			
Loss for the year	(\$ 399,264)	282,363	(\$ 1.41)

(23) 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, 2020 and 2019. Please refer to statements of cash flows for the details.

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
VIEWQUEST TECHNOLOGIES (BVI) INC. (VQ)	Subsidiary
ABILITY INTERNATIONAL INVESTMENT CO., LTD. (ABILITY INTERNATIONAL INVESTMENT)	Subsidiary
ABILITY TECHNOLOGY (DONGGUAN) CO., LTD. (ABILI	Subsidiary
JIUJIANG VIEWQUEST ELECTRONICS INC. (JIUJIANG VIEWQUEST)) (NOTE)	Subsidiary
E-PIN OPTICAL INDUSTRY CO., LTD. (E-PIN)	Subsidiary
ANDROVIDEO INC. (ANDROVIDEO)	Subsidiary
ALTASEC TECHNOLOGY CORPORATION (ALTASEC TECHNOLOGY)	Associate
BESTMOMENT TECHNOLOGY PTE. LTD. (BESTMOMENT TECHNOLOGY)	Associate
AVY CO., LTD. (AVY)	Other related party
AVY PRECISION TECHNOLOGY INC. (AVY PRECISION)	Other related party
SHINE TRADE INTERNATIONAL LTD. (SHINE TRADE)	Other related party
TAICHIBA INTERNATIONAL LTD. (TAICHIBA)	Other related party
ABILITY INT'L TENANCY CO., LTD. (ABILITY INT'L)	Other related party

Note: The liquidation of Jiujiang Viewquest Electronics Inc. was completed on October 16, 2020.

(2) Significant related party transactions

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

A. Operating revenue:

	For the years ended December 31,	
	2020	2019
Sales of goods:		
-Associates	\$ 63,735	\$ 52,531
-Subsidiaries	20,313.00	43,582.00
	<u>\$ 84,048</u>	<u>\$ 96,113</u>

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

B. Purchases:

	For the years ended December 31,	
	2020	2019
Purchases of goods:		
- Subsidiaries		
VQ	\$ -	\$ 1,584,112
JIUJIANG VIEWQUEST	-	1,116,283
ABILITY (DONGGUAN)	1,449,575	373,972
Others	204	-
-Associates	399	-
-Other related parties	158	27
	<u>\$ 1,450,336</u>	<u>\$ 3,074,394</u>

Goods and services are purchased from other related parties on normal commercial terms and conditions. Payments of purchases from subsidiaries were based on mutual agreements.

C. Receivables from related parties:

	December 31, 2020	December 31, 2019
Accounts receivable:		
- Subsidiaries		
VQ	\$ -	\$ 45,729
ABILITY (DONGGUAN)	11,045	2,822
Others	188	38
-Associates	4,503	2,260
	<u>\$ 15,736</u>	<u>\$ 50,849</u>

The receivables from related parties arise mainly from sale transactions and the credit term was 1 to 6 months. The receivables are unsecured in nature and bear no interest. There are no allowances for uncollectible accounts held against receivables from related parties.

D. Payables to related parties

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts payable		
- Subsidiaries		
VQ	\$ 953,717	\$ 1,260,622
ABILITY (DONGGUAN)	321,989	156,244
JIUJIANG VIEWQUEST	-	292,210
Others	322	661
-Associates	2	-
-Other related parties	1,839	1,803
	<u>\$ 1,277,869</u>	<u>\$ 1,711,540</u>

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

E. Property transactions:

Acquisition of property, plant and equipment:

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
-Subsidiaries	\$ -	\$ 1,507
-Other related parties	3,643	2,492
	<u>\$ 3,643</u>	<u>\$ 3,999</u>

F. Loans to /from related parties:

Loans to related parties (shown as other current assets)

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries		
ANDROVIDEO INC.	<u>\$ 187,000</u>	<u>\$ 109,000</u>

(3) Key management compensation

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Salaries and other short-term employee benefits	\$ 12,960	\$ 14,865
Post-employment benefits	498	608
	<u>\$ 13,458</u>	<u>\$ 15,473</u>

8. PLEDGED ASSETS

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

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>	
Land	<u>\$ 1,256,394</u>	<u>\$ 1,256,394</u>	Note

Note: In order to jointly develop the operational headquarters with general contractors, the land of 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

- A. The Company plans to dispose the investment property in Phase 1 of Nankang Software Park as resolved by the Board of Directors on February 23, 2021. The Chairman was authorised to fully handle the disposal.
- B. The Board of Directors of the Group resolved the investment in Abico Asia Capital II Excellence Transformation and Growth Limited Partnership with the investment amount not higher than \$150 million on March 29, 2021. The Chairman was authorised to fully handle the investment.

12. OTHERS

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company'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 Company 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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets at amortised cost	<u>\$ 1,927,775</u>	<u>\$ 2,232,364</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost	<u>\$ 3,091,510</u>	<u>\$ 3,338,515</u>
Lease liability	<u>\$ 3,250</u>	<u>\$ 1,567</u>

Financial assets at amortised cost included cash and cash equivalents, accounts receivable, other receivables and guarantee deposits paid; and financial liabilities at amortised cost included short-term borrowings, accounts payable, other payables and guarantee deposits received.

The information on carrying amounts of financial assets at fair value through other comprehensive income is provided in Note 6(2).

B. Financial risk management policies

- (a) The Company'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 Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial position and financial performance.

- (b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the board of directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Company'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 Company 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 Company treasury.
- iii. The Company 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 Company 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 Company's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies, and China as the main regional.
- v. The Company'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, 2020					
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis	
				Degree of variation	Effect on profit or loss
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$ 52,932	28.48	\$ 1,507,503	1%	\$ 15,075
<u>Investments accounted for under equity method</u>					
USD:NTD	\$ 107,079	28.48	\$ 3,049,624		
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	\$ 50,165	28.48	\$ 1,428,699	1%	\$ 14,287

December 31, 2019					
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis	
				Degree of variation	Effect on profit or loss
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$ 70,098	29.98	\$ 2,101,538	1%	\$ 21,015
<u>Investments accounted for under equity method</u>					
USD:NTD	\$ 122,834	29.98	\$ 3,682,563		
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	\$ 66,531	29.98	\$ 1,994,599	1%	\$ 19,946

vi. Total exchange loss, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2020 and 2019 amounted to \$22,744 and \$6,103, respectively.

Price risk

- i. The Company'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 Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- ii. The Company's investments in equity securities comprise shares and open-end funds issued by 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, other components of equity for the years ended December 31, 2020 and 2019 would have increased/decreased by \$63,559 and \$76,239, 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 Company's main interest rate risk arises from bank borrowings with variable rates, which expose the Group to cash flow interest rate risk.
- ii. The Company'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, 2020 and 2019, would have decreased/increased by \$12,000 and \$9,500, 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 Company 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 Company's credit policy, each local entity in the Company 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 Company 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 Company classifies customer's accounts receivable, and notes receivable in accordance with customer types and credit rating of customer. The Company applies the simplified approach using the provision matrix, loss rate methodology to estimate expected credit loss.
- v. The Company 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 Company does not expect any significant loss allowance for the accounts receivable due to loss rate.

		Up to 90 days	91~180 days	Over 180 days	
	Not past due	past due	past due	past due	Total
<u>December 31, 2020</u>					
Expected loss rate	0.28%	1.38%	0.00%	100.00%	
Total book value	\$ 8,662	\$ 2,606	\$ -	\$ 161,335	\$172,603
Loss allowance	\$ 24	\$ 36	\$ -	\$ 161,335	\$161,395
<u>December 31, 2019</u>					
Expected loss rate	0.44%	3.09%	0.00%	100.00%	
Total book value	\$ 19,038	\$ 8,635	\$ -	\$ 161,867	\$189,540
Loss allowance	\$ 83	\$ 267	\$ -	\$ 161,867	\$162,217

In addition, on December 31, 2020 and 2019, accounts receivable were \$147,765 and \$260,804, and loss allowance for accounts receivable recognised through individual assessment was \$60 and \$80, respectively.

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

	2020	2020
At January 1	\$ 162,297	\$ 168,918
Reversal of impairment loss	(310)	(6,621)
Write-offs	(532)	-
At December 31	<u>\$ 161,987</u>	<u>\$ 162,297</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company'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 Company treasury. Company 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, 2020 and 2019, the Company has the following undrawn borrowing facilities:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Fixed rate:</u>		
Expiring within one year	\$ <u>1,897,440</u>	\$ <u>1,989,440</u>

iv. The table below analyses the Company'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 Company's non-derivative financial liabilities, of which short-term borrowings, accounts payable, other payables and current lease liabilities is less than one year, and guarantee deposits received and non-current lease liabilities is more than one year.

	<u>December 31, 2020</u>	
<u>Non-derivative financial liabilities:</u>	<u>Less than 1 year</u>	<u>Over 1 year</u>
Lease liability	\$ <u>1,675</u>	\$ <u>1,637</u>
	<u>December 31, 2020</u>	
<u>Non-derivative financial liabilities:</u>	<u>Less than 1 year</u>	<u>Over 1 year</u>
Lease liability	\$ <u>1,200</u>	\$ <u>401</u>

(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 Company'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 Company'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(8).

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

- D. The related information on 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:

<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through				
other comprehensive income				
Equity securities	\$ 430,742	\$ -	\$ 204,850	\$ 635,592
<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through				
other comprehensive income				
Equity securities	\$ 565,251	\$ -	\$ 197,141	\$ 762,392

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

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

	<u>Listed shares</u>
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 parent company only 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 Company'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 Company'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 parent company only balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

- G. The Company 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 company's credit quality.
- H. For the years ended December 31, 2020 and 2019, 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, 2020 and 2019:

	2020	2019
At January 1	\$ 197,141	\$ 172,258
Recorded as unrealised gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income	16,804	25,933
Acquired in the year	-	15,000
Capital reduction for the year	(9,095)	(16,050)
At December 31	<u>\$ 204,850</u>	<u>\$ 197,141</u>

- J. For the years ended December 31, 2020 and 2019, 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, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instruments:					
Unlisted shares	\$ 204,850	Net asset value	Not applicable	-	Not applicable

	<u>Fair value at December 31, 2019</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instruments:					
Unlisted shares	\$ 197,141	Net asset value	Not applicable	-	Not applicable

M. The Company 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:

		<u>December 31, 2020</u>				
		<u>Recognised in profit or loss</u>		<u>Recognised in other comprehensive income</u>		
		<u>Favourable change</u>	<u>Unfavourable change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>	
<u>Input</u>	<u>Change</u>					
Financial assets						
Equity instrument	Net asset value	±1%	\$ -	\$ -	\$2,049	(\$2,049)

		<u>December 31, 2019</u>				
		<u>Recognised in profit or loss</u>		<u>Recognised in other comprehensive income</u>		
		<u>Favourable change</u>	<u>Unfavourable change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>	
<u>Input</u>	<u>Change</u>					
Financial assets						
Equity instrument	Net asset value	±1%	\$ -	\$ -	\$1,971	(\$1,971)

- (4) Due to the spread of the COVID-19, the global economy is still full of uncertainties. These events have no significant impact on the uncertainty over the Group's ability to continue as a going concern and related financing risks. However, the Company will continue to pay attention on the development of the COVID-19 pandemic and assess its impact on the Group. In addition, the Group has applied for and received partial government subsidies due to this pandemic.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

According to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the significant transactions for the year ended December 31, 2020 are as follows:

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 9.

(4) Major shareholders information

Major shareholders information: Please refer to table 10.

14. SEGMENT INFORMATION

None.

ABILITY ENTERPRISE CO., LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Statement 1

Item	Description	Amount
Cash on hand and petty cash - NTD		\$ 227
- RMB	RMB 10,000, exchange rate 4.3648	44
- USD	USD 3,000, exchange rate 28.48	85
		<u>356</u>
Demand deposits - NTD		179,188
- JPY	JPY 2,170,306, exchange rate 0.2763	600
- USD	USD 47,293,120.23, exchange rate 28.48	1,346,908
- EUR	EUR 1.05, exchange rate 35.02	-
- HKD	HKD 6.15, exchange rate 3.6730	-
- RMB	RMB 6,807.48, exchange rate 4.3648	30
		<u>1,526,726</u>
		<u>\$ 1,527,082</u>

ABILITY ENTERPRISE CO., LTD.
STATEMENT OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - CURRENT
YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Statement 2

Name	Beginning balance		Addition		Decrease		Ending balance		Collateral	Note
<u>Listed company</u>	Shares	Fair value	Shares	Amount	Shares	Amount	Shares	Fair value		
AVY Precision Technology Inc.	\$ 16,924	\$ 565,251	340	\$ -	-	(\$ 134,509)	17,264	\$ 430,742	None	Note 1
<u>Unlisted companies</u>										
Ability I Venture Capital Corporation	9,095	78,861	-	7,921	(909)	(9,095)	8,186	77,687	None	Note 2
Abico Asia Capital Corporation	10,000	103,595	-	8,624	-	-	10,000	112,219	None	Note 3
IH Biomedical Venture Fund I Co., Ltd.	1,500	14,685	-	259	-	-	1,500	14,944	None	Note 4
		<u>\$ 762,392</u>		<u>\$ 16,804</u>		<u>(\$ 143,604)</u>		<u>\$ 635,592</u>		

Note 1: It refers to stock dividends distributed of \$340 and losses on financial assets at fair value through profit or loss of \$134,509 which were distributed and recognised in the year.

Note 2: It refers to gains on financial assets at fair value through profit or loss of \$7,921 and proceeds from capital reduction of \$9,095 which were recognised in the year.

Note 3: It refers to gains on financial assets at fair value through profit or loss of \$8,624 which were recognised in the year.

Note 4: It refers to gains on financial assets at fair value through profit or loss of \$259 which were recognised in the year.

ABILITY ENTERPRISE CO., LTD.
STATEMENT OF TRADE RECEIVABLES
DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Statement 3

Client Name	Description	Amount	Note
CC company	Operating	\$ 147,355	
EE company	"	46,766	
R company	"	42,364	
KK company	"	34,706	
AA company	"	18,157	
Others	"		Balance of each client has not exceeded 5% of total account balance
		31,020	
		320,368	
Less: Allowance for uncollectible accounts		(161,455)	
		<u>\$ 158,913</u>	

ABILITY ENTERPRISE CO., LTD.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Statement 4

Name	Beginning Balance		Addition		Decrease		Ending Balance			Market Value or Net		Collatera l	Note
	Shares (Note)	Book Value	Shares (Note)	Amount	Shares (Note)	Amount	Shares (Note)	Ownership (%)	Book value	Unit Price	Total Amount		
ABILITY ENTERPRISE (BVI) CO., LTD.	-	\$ 2,090,881	-	\$ 104,085	-	(\$ 543,055)	-	100	\$ 1,651,911	\$ -	\$ 1,651,911	None	-
VIEWQUEST TECHNOLOGIES (BVI) INC.	-	1,590,964	-	88,731	-	(282,173)	-	100	1,397,522	-	1,397,522	None	-
VIEWQUEST TECHNOLOGIES INTERNATIONAL INC.	-	730	-	-	-	(539)	-	100	191	-	191	None	-
ABILITY INTERNATIONAL INVESTMENT CO., LTD.	1,300	16,235	-	491	-	-	1,300	100	16,726	-	16,726	None	-
ANDROVIDEO INC. E-PIN OPTICAL	7,000	(10,704)	-	-	-	(152,722)	7,000	100	(163,426)	-	(163,426)	None	-
INDUSTRY CO., LTD. ALTASEC TECHNOLOGY CORPORATION	12,888	143,053	-	479	-	(10,016)	12,888	54.61	133,516	-	133,516	None	-
BESTMOMENT HOLDINGS PTE. LTD.	1,500	17,866	-	4,349	-	(960)	1,500	30	21,255	-	21,255	None	-
Add: Credits of long-term equity investments (shown as other non-current liabilities)	-	-	-	38,144	-	(923)	-	25	37,221	-	37,221	None	-
Total		<u>\$ 3,859,729</u>		<u>\$ 236,279</u>		<u>(\$ 837,666)</u>			<u>\$ 3,258,342</u>		<u>\$ 3,258,342</u>		

Note: Shares in thousands

ABILITY ENTERPRISE CO., LTD.
STATEMENT OF SHORT-TERM BORROWINGS
DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Statement 5

<u>Nature</u>	<u>Description</u>	<u>Ending Balance</u>	<u>Contract Period</u>	<u>Credit Line</u>	<u>Collateral</u>	<u>Note</u>
Unsecured borrowings	E.SUN Commercial Bank	\$ 350,000	2020/12/17-2021/1/15	500,000	None	
Unsecured borrowings	CTBC Bank	420,000	2020/12/18-2021/6/18	450,000	None	
Unsecured borrowings	Taishin International Bank	230,000	2020/12/31-2021/1/29	450,000	None	
Unsecured borrowings	Taiwan Shin Kong Commercial Bank	200,000	2020/12/30-2021/1/29	200,000	None	
		<u>\$ 1,200,000</u>				

Note: Interest rate ranged from 0.70% to 0.98%.

ABILITY ENTERPRISE CO., LTD.
STATEMENT OF TRADE PAYABLES
DECEMBER 31, 2020

(Expressed in thousands of New Taiwan dollars)

Statement 6

Client Name	Description	Amount	Note
VIEWQUEST TECHNOLOGIES (BVI)	Operating	\$ 953,717	
ABILITY TECHNOLOGY (DONGGUAN) CO., LTD.	"	321,989	
Others	"	145,930	Balance of each client has not exceeded 5% of total account balance
		<u>\$ 1,421,636</u>	

ABILITY ENTERPRISE CO., LTD.
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Statement 7

Item	Volume (per unit)	Net amount	Note
Optical products:			
Domestic sales	566,966	\$ 70,460	
Export sales	2,035,219	1,726,430	
		1,796,890	
Service revenue		267,213	
		<u>\$ 2,064,103</u>	

ABILITY ENTERPRISE CO., LTD.
STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Statement 8

Item	Amount	
	Subtotal	Total
Raw materials		\$ 53,054
Beginning raw materials	\$ 26,561	
Add: Raw materials purchased	146,464	
Less: Ending raw materials	(82,974)	
Raw materials sold	(7,060)	
Transferred to expenses	(29,846)	
Others	(91)	
Direct labor		10,611
Manufacturing expense		49,743
Manufacturing cost		\$ 113,408
Add: Beginning work in progress		7,983
Less: Ending work in progress	(1,767)	
Transferred to expenses	(6,349)	
Cost of finished goods		\$ 113,275
Add: Beginning finished goods		36,215
Net purchases for the year (including merchandise)		1,442,065
Less: Ending finished goods (including merchandise)	(58,990)	
Finished goods sold	(35,085)	
Others	(3,023)	
Cost of goods sold from manufacturing		1,494,457
Cost of raw materials sold		7,060
Cost of finished goods sold		35,085
Loss from reversal of decline in market value		107,998
Other operating costs	(10,313)	
Operating costs		<u>\$ 1,634,287</u>

ABILITY ENTERPRISE CO., LTD.
STATEMENT OF SELLING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Statement 9

Item	Description	Amount	Note
Wages and salaries		\$ 38,642	
Insurance expenses		3,092	
Other expenses		20,192	Balance of each client has not exceeded 5% of total account balance
		<u>\$ 61,926</u>	

ABILITY ENTERPRISE CO., LTD.
STATEMENT OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Statement 10

Item	Description	Amount	Note
Wages and salaries		\$ 165,187	
Depreciation expense		25,887	
Insurance expenses		14,390	
Other expenses		89,025	Balance of each client has not exceeded 5% of total account balance
		<u>\$ 294,489</u>	

ABILITY ENTERPRISE CO., LTD.
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 11

Item	Description	Amount	Note
Wages and salaries		\$ 248,884	
Contracted research expense		36,480	
Insurance expenses		23,075	
Depreciation expense		21,501	
Other expenses		135,797	Balance of each client has not exceeded 5% of total account balance
		<u>\$ 465,737</u>	

ABILITY ENTERPRISE CO., LTD.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, AND AMORTIZATION EXPENSES BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Statement 12

Function Nature	Year ended December 31, 2020			Year ended December 31, 2019		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee Benefit Expense						
Wages and salaries	\$ 18,801	\$ 452,713	\$ 471,514	\$ 2,653	\$ 560,595	\$ 563,248
Labour and health insurance fees	1,981	37,708	39,689	226	43,467	43,693
Pension costs	1,011	17,605	18,616	114	24,531	24,645
Directors' remuneration	-	1,260	1,260	-	1,640	1,640
Other personnel expenses	1,815	22,611	24,426	192	27,383	27,575
Depreciation	32,003	49,271	81,274	16,010	26,275	42,285
Amortisation	95	4,444	4,539	-	4,484	4,484

Note:

- A. As at December 31, 2020 and 2019, the Company had 530 and 486 employees, including 8 and 8 non-employee directors, respectively.
- B. A company whose stock is listed for trading on the stock exchange or over-the-counter securities exchange shall additionally disclose the following information:
- (a) The average employee benefit expense of current year was \$1,062 (in dollars) ((Total employee benefit expense of current year-Total directors' compensation of current year)/(Number of employees of current year-Number of non-employee directors of current year)).
The average employee benefit expense of prior year was \$1,379 (in dollars) ((Total employee benefit expense of prior year-Total directors' compensation of prioryear)/(Number of employees of prior year-Number of non-employee directors of prior year)).
- (b) The average wages and salaries of current year were \$903 (in dollars) (Total wages and salaries of current year/(Number of employees of current year-Number employee of non- directors of current year)).
The average wages and salaries of prior year were \$1,178 (in dollars) (Total wages and salaries of prior year/(Number of employees of prior year-Number of non-employee directors of prior year)).

ABILITY ENTERPRISE CO., LTD.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, AND AMORTIZATION EXPENSES BY FUNCTION
(Cont.)
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Statement 12

- (c) Changes on average employee salaries adjustment were (23.3%) ((Average wages and salaries of current year-Average wages and salaries of prior year)/Average wages and salaries of prior year).
- (d) The Company has no supervisors' remuneration for current and prior years. (There were no supervisors' remuneration as the Company has set up an audit committee.)
- (e) The Company's remuneration policy (including directors, supervisors, managers and employees) is as follows:
 - i. Directors' remuneration and managers' emoluments shall be submitted to Board of Directors for resolution in accordance with the regulations after being reviewed by the remuneration committee. The determination of directors' remuneration was stipulated in the Articles of Incorporation of the Company; managers' emoluments shall be paid in accordance with the general pay levels of the industry.
 - ii. Employees' compensation of the Company shall be determined in accordance with the results of salary survey and analysis, the Company's operations and personal performance after being approved by the responsible regulatory authority.

Ability Enterprise Co., Ltd. and subsidiaries
Loans to others
For the year ended December 31, 2020

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the year ended December 31, 2020 (Note 3)	Balance at December 31, 2020 (Note 8)	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short- term financing (Note 6)	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote
													Item	Value			
0	ABILITY ENTERPRISE CO., LTD.	ANDRO VIDEO INC.	Other receivables due from related parties	Yes	200,000	200,000	187,000	1%	Short-term financing	-	Working capital	-	Promissory note	200,000	562,034	2,248,137	-
1	E-PIN OPTICAL INDUSTRY CO., LTD.	ZHONGSHAN SHANXIN ACCURATE INDUSTRY CO., LTD.	Long-term prepayments to suppliers	Yes	63,238	-	-	-	Short-term financing	-	Working capital	-	-	-	24,076	96,304	-

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

- (1) The Company is ‘0’.
- (2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Fill in the name of account in which the loans are recognised, such as receivables–related parties, current account with stockholders, prepayments, temporary payments, etc.

Note 3: Fill in the maximum outstanding balance of loans to others during the year ended December 31, 2020.

In accordance with the Company’s “Procedures for Provision of Loans”, the ceiling on accumulated total loans to others is 40% of the Company’s net assets value in the latest financial statement which was audited or reviewed by independent accountant.

In accordance with the “Procedures for Provision of Loans” of the subsidiary (E-PIN OPTICAL INDUSTRY CO., LTD.), the ceiling on accumulated total loans to others is 40% of the subsidiary’s net assets value in the latest financial statement which was audited or reviewed by independent accountant.

Fill in the maximum outstanding balance of loans to a single party.

In accordance with the Company’s “Procedures for Provision of Loans”, the ceiling on total loans to others is 10% of the Company’s net assets value in the latest financial statement which was audited or reviewed by independent accountant.

In accordance with the “Procedures for Provision of Loans” of the subsidiary (E-PIN OPTICAL INDUSTRY CO., LTD.), the ceiling on total loans to others is 40% of the subsidiary’s net assets value in the latest financial statement which was audited or reviewed by independent accountant.

The accounts denominated in foreign currencies are translated into New Taiwan dollars at the exchange rates prevailing in the financial statements for the year ended December 31, 2020. The spot exchange rate at December 31, 2020 was USD/NTD 28.48.

Note 4: The column of ‘Nature of loan’ shall fill in ‘Business transaction or ‘Short-term financing’.

Note 5: Fill in the amount of business transactions when nature of the loan is related to business transactions, which is the amount of business transactions occurred between the creditor and borrower in the current year.

Note 6: Fill in purpose of loan when nature of loan is for short-term financing, for example, repayment of loan, acquisition of equipment, working capital, etc.

Note 7: Fill in limit on loans granted to a single party and ceiling on total loans granted as prescribed in the creditor company’s “Procedures for Provision of Loans”, and state each individual party to which the loans have been provided and the calculation for ceiling on total loans granted in the footnote.

Note 8: The amounts of funds to be loaned to others which have been approved by the board of directors of a public company in accordance with Article 14, Item 1 of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” should be included in its published balance of loans to others at the end of the reporting period to reveal the risk of loaning the public company bears, even though they have not yet been appropriated. However, this balance should exclude the loans repaid when repayments are done subsequently to reflect the risk adjustment. In addition, if the board of directors of a public company has authorized the chairman to loan funds in instalments or in revolving within certain lines and within one year in accordance with Article 14, Item 2 of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”, the published balance of loans to others at the end of the reporting period should also include these lines of loaning approved by the board of directors, and these lines of loaning should not be excluded from this balance even though the loans are repaid subsequently, for taking into consideration they could be loaned again thereafter.

Ability Enterprise Co., Ltd. and subsidiaries
Provision of endorsements and guarantees to others
For the year ended December 31, 2020

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/guarantor	Party being endorsed/ guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2020 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2020 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the Endorser/guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
		Company name	Relationship with the Endorser/ guarantor (Note 2)											
0	ABILITY ENTERPRISE CO., LTD.	VIEWQUEST TECHNOLOGIES (BVI) INC.	2	2,810,172	511,065	400,144	-	-	7.12	2,810,172	Y	N	N	-
1	E-PIN OPTICAL INDUSTRY CO., LTD.	ZHONGSHAN SHANXIN ACCURATE INDUSTRY CO., LTD.	3	120,381	21,929	-	-	-	-	120,381	Y	N	Y	-

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1) The Company is ‘0’.

(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

(1) Having business relationship.

(2) The endorser/guarantor parent company owns directly or indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.

(4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

(5) Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.

(6) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

(7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: Ceiling on total endorsements/guarantees provided

In accordance with the Company’s “Procedures for Provision of Endorsements and Guarantees”, the ceiling on total endorsements to others is 50% of the Company’s net assets value in the latest financial statements which was audited or reviewed by independent auditors.

In accordance with the “Procedures for Provision of Endorsements and Guarantees” of the subsidiary (E-PIN OPTICAL INDUSTRY CO., LTD.), the ceiling on total endorsements to others is 50% of the subsidiary’s net assets value in the latest financial statement which was audited or reviewed by independent accountant.

Ceiling on endorsements/guarantees provided for a single party

In accordance with the Company’s “Procedures for Provision of Endorsements and Guarantees”, the ceiling on total endorsements to others is 50% of the Company’s net assets value in the latest financial statement which was audited or reviewed by independent accountant.

In accordance with the “Procedures for Provision of Endorsements and Guarantees” of the subsidiary (E-PIN OPTICAL INDUSTRY CO., LTD.), the ceiling on total endorsements to others is 50% of the subsidiary’s net assets value in the latest financial statement which was audited or reviewed by independent accountants.

The accounts denominated in foreign currencies are translated into New Taiwan dollars at the exchange rates prevailing in the financial statements for the year ended December 31, 2020. The spot exchange rates at December 31, 2020 were USD/NTD 28.48 and RMB/NTD 4.3648.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Fill in the amount approved by the Board of Directors or the chariman if the chairman has been authorised by the Board of Directors based on subparagraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in ‘Y’ for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

Ability Enterprise Co., Ltd. and subsidiaries

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2020

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2020				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
ABILITY ENTERPRISE CO., LTD.	STOCKS OF AVY PRECISION TECHNOLOGY INC.	The investee is the corporate director of the Company	Note 5	17,264,223	430,742	10.16	430,742	-
ABILITY ENTERPRISE CO., LTD.	STOCKS OF ABILITY I VENTURE CAPITAL CORPORATION	The Company is the corporate director of the investee	Note 5	8,185,500	77,687	10.70	77,687	-
ABILITY ENTERPRISE CO., LTD.	STOCKS OF ABICO ASIA CAPITAL CORPORATION	-	Note 5	10,000,000	112,219	5.189	112,219	-
ABILITY ENTERPRISE CO., LTD.	STOCKS OF IH BIOMEDICAL VENTURE FUND I CO., LTD.	-	Note 5	1,500,000	14,944	4.848	14,944	-
ABILITY INTERNATIONAL INVESTMENT CO., LTD.	CTBC HWA-WIN MONEY MARKET FUND	-	Note 7	1,447,007.9	16,073	-	16,073	-
ABILITY ENTERPRISE (BVI) CO., LTD.	YORKEY OPTICAL INTERNATIONAL (CAYMAN) LTD.	-	Note 6	143,817,000	279,967	17.58	279,967	-
ABILITY ENTERPRISE (BVI) CO., LTD.	REVL INC.	-	Note 5	367,726	-	1.7	-	-
E-PIN OPTICAL INDUSTRY CO.,LTD	STOCKS OF HORUSEYE TECHNOLOGY CO., LTD.	-	Note 5	636,044	15,000	1.82	15,000	-

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

Note 5: Non-current financial assets at fair value through other comprehensive income

Note 6: Current financial assets at fair value through other comprehensive income

Note 7: Current financial assets at fair value through profit or loss

Ability Enterprise Co., Ltd. and subsidiaries

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

For the year ended December 31, 2020

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		Footnote (Note 2)
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
ABILITY ENTERPRISE CO., LTD.	ABILITY TECHNOLOGY (DONGGUAN) CO., LTD.	Affiliated company	Purchases	1,449,575	89.64	Based on mutual agreement	-	-	(321,989)	22.65	-
ABILITY TECHNOLOGY (DONGGUAN) CO., LTD.	ABILITY ENTERPRISE CO., LTD.	Affiliated company	(sales)	(1,449,575)	74.11	Based on mutual agreement	-	-	321,989	64.96	-
E-PIN OPTICAL INDUSTRY CO., LTD.	NANJING EVERLIGHT PHOTONICS TECHNOLOGY CO., LTD.	Affiliated company	Purchases	435,066	63.29	90~120 days after monthly billings	-	-	(106,479)	82.00	-
NANJING EVERLIGHT PHOTONICS TECHNOLOGY CO., LTD.	E-PIN OPTICAL INDUSTRY CO., LTD.	Affiliated company	(sales)	(435,066)	67.19	90~120 days after monthly billings	-	-	106,479	52.18	-

Note 1: If terms of related-party transactions are different from third-party transactions, explain the differences and reasons in the 'Unit price' and 'Credit term' columns.

Note 2: In case related-party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.

Note 3: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Ability Enterprise Co., Ltd. and subsidiaries
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
December 31, 2020

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2020 (Note 1)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
ABILITY ENTERPRISE CO., LTD.	ANDRO VIDEO INC.	Affiliated company	187,000	Note 3	-	-	-	-
VIEWQUEST TECHNOLOGIES (BVI) INC.	ABILITY ENTERPRISE CO., LTD.	Affiliated company	953,717	-	-	-	-	-
VIEWQUEST TECHNOLOGIES (BVI) INC.	ABILITY ENTERPRISE (BVI) CO., LTD.	Affiliated company	454,592	Note 4	-	-	-	-
ABILITY TECHNOLOGY (DONGGUAN) CO., LTD.	ABILITY ENTERPRISE CO., LTD.	Affiliated company	321,989	9.00	-	-	279,925	-
NANJING EVERLIGHT PHOTONICS TECHNOLOGY CO., LTD.	E-PIN OPTICAL INDUSTRY CO., LTD.	Affiliated company	106,479	4.31	-	-	93,195	-

Note 1: Fill in separately the balances of accounts receivable-related parties, notes receivable-related parties, other receivables-related parties....

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 3: Refer to other receivables arising from loans, therefore calculation of turnover rate is not needed.

Note 4: Refer to other receivables arising from share transfer between the subsidiaries, therefore calculation of turnover rate is not needed.

Ability Enterprise Co., Ltd. and subsidiaries
Significant inter-company transactions during the reporting period
For the year ended December 31, 2020

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	The Company	VQ(BVI)	1	Accounts payable	953,717	-	10
0	The Company	ABILITY (DONGGUAN)	1	Purchases	1,449,575	-	42
0	The Company	ABILITY (DONGGUAN)	1	Accounts payable	321,989	-	4
0	The Company	ANDRO VIDEO INC.	1	Other receivables	187,000	-	2
1	VIEWQUEST TECHNOLOGIES (BVI) INC.	ABILITY ENTERPRISE (BVI) CO., LTD.	3	Other receivables	454,592	-	5
2	E-PIN OPTICAL INDUSTRY CO., LTD.	NANJING EVERLIGHT	3	Purchases	435,066	-	13
2	E-PIN OPTICAL INDUSTRY CO., LTD.	NANJING EVERLIGHT	3	Accounts payable	106,479	-	1

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Ability Enterprise Co., Ltd. and subsidiaries
Information on investees
For the year ended December 31, 2020

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020 (Note 2(2) and 3)	Investment income(loss) recognised by the Company for the year ended December 31, 2020 (Note 2(3))	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value			
ABILITY ENTERPRISE CO., LTD.	ABILITY ENTERPRISE (BVI) CO., LTD.	British Virgin IS.	Holding company	852,156	852,156	-	100.00	1,651,911	104,085	104,085	Subsidiary
ABILITY ENTERPRISE CO., LTD.	VIEWQUEST TECHNOLOGIES INTERNATIONAL INC.	U.S.A	Sales of computer accessories, photography equipment and electronic components	50,729	50,729	-	100.00	191 (	522) (	522) (	Subsidiary
ABILITY ENTERPRISE CO., LTD.	VIEWQUEST TECHNOLOGIES (BVI) INC.	British Virgin IS.	Holding Company	1,628,586	1,628,586	-	100.00	1,397,522 (	95,395) (	95,395) (	Subsidiary
ABILITY ENTERPRISE CO., LTD.	ABILITY INTERNATIONAL INVESTMENT CO., LTD.	Taiwan	Investments	13,000	13,000	1,300,000	100.00	16,726	491	491	Subsidiary
ABILITY ENTERPRISE CO., LTD.	ANDRO VIDEO INC.	Taiwan	Development of digital surveillance	140,000	140,000	7,000,000	100.00	(163,426) (	78,835) (	152,722) (	Subsidiary
ABILITY ENTERPRISE CO., LTD.	E-PIN OPTICAL INDUSTRY CO., LTD.	Taiwan	Sales of optical products and electronic components	421,288	421,288	12,888,334	54.61	133,516 (	17,742) (	9,689) (	Subsidiary
ABILITY ENTERPRISE CO., LTD.	ALTASEC TECHNOLOGY CORPORATION	Taiwan	Professional video solutions for surveillance and remote monitoring and installation of camera and server	21,000	21,000	1,500,000	30.00	21,255	14,496	4,349	-
ABILITY ENTERPRISE CO., LTD.	BESTMOMENT HOLDINGS PTE. LTD.	Singapore	Holding company	36,671	-	1,723,110	25.00	37,221 (	3,691) (	923) (-

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020 (Note 2(2) and 3)	Investment income(loss) recognised by the Company for the year ended December 31, 2020 (Note 2(3))	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value			
ABILITY ENTERPRISE (BVI) CO., LTD.	EVER PINE INTERNATIONAL LTD.(BVI)	British Virgin IS.	Sales, import and export of precision metal and plastic part of small motor, plastic case of camera and cover for optical instrument	63,034	63,034	-	34.65	-	-	-	-
E-PIN OPTICAL INDUSTRY CO., LTD.	ALL VISION HOLDING LTD.	Samoa	Holding company	516,527	516,527	15,236,910	100.00	126,668	1,889	-	Second-tier subsidiary
E-PIN OPTICAL INDUSTRY CO., LTD.	E-PIN OPTICAL INDUSTRY CO.,LTD.	Mauritius	Trading	-	5,167	-	-	-	-	-	Second-tier subsidiary
E-PIN OPTICAL INDUSTRY CO., LTD.	E-PIN OPTICAL INDUSTRY(M.) SDN. BHD.	Malaysia	Manufacturing of precision lens	45,700	45,700	5,000,000	100.00	1,398	(34)	-	Second-tier subsidiary
E-PIN OPTICAL INDUSTRY CO., LTD.	ALL VISION TECHNOLOGY SDN. BHD.	Malaysia	Manufacturing of precision lens	659,334	659,334	72,243,894	100.00	9,246	(435)	-	Second-tier subsidiary
E-PIN OPTICAL INDUSTRY CO., LTD.	JIAPIN INVESTMENT CO., LTD.	Taiwan	Investing compny	6,000	6,000	600,000	100.00	4,591	(51)	-	Second-tier subsidiary
JIAPIN INVESTMENT CO., LTD.	CHIA PING LIMITED	Samoa	Holding company	4,497	4,497	150,000	100.00	3,767	32	-	Second-tier subsidiary
ALL VISION HOLDING LTD.	EVERLIGHT DEVELOPMENT CORPORATION	Panama	Holding company	192,006	192,006	58,494	100.00	232,915	29,558	-	Second-tier subsidiary
ALL VISION HOLDING LTD.	E-SKY HOLDING LTD.	Mauritius	Holding company	343,772	343,772	10,472,879	73.04	(99,093)	(27,669)	-	Second-tier subsidiary

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

- (1) The columns of ‘Investee’, ‘Location’, ‘Main business activities’, Initial investment amount’ and ‘Shares held as at December 31, 2020’ should fill orderly in the Company’s (public company’s) information on investees and every directly or indirectly controlled investee’s investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the ‘footnote’ column.
- (2) The ‘Net profit (loss) of the investee for the year ended December 31, 2020’ column should fill in amount of net profit (loss) of the investee for this period.
- (3) The ‘Investment income (loss) recognised by the Company for the year ended December 31, 2020’ column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary’s net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

Note 3: The column was calculated based on the average exchange rate of USD/NTD 29.5879 for the year ended December 31, 2020.

Ability Enterprise Co., Ltd. and subsidiaries
Information on investments in Mainland China
For the year ended December 31, 2020

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Net income of investee for the year ended December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2020 (Note 2)	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
ABILITY TECHNOLOGY (DONGGUAN) CO., LTD.	Sales of digital still cameras	1,199,700	2	1,190,084	-	-	1,190,084	(133,283)	100.00	(133,283)	885,219	-	(2)B and Note 6
JIUJIANG VIEWQUEST ELECTRONICS INC.	Sales of digital still cameras	-	2	305,425	-	305,426	-	158,472	-	158,472	-	14,705	(2)B, Note 6 and Note 10
VIEWQUEST TECHNOLOGIES (DONGGUAN) CO., LTD.	Sales of digital still cameras	615,679	2	356,122	-	-	356,122	72,642	100.00	72,642	437,912	-	(2)B and Note 6
NANJING EVERLIGHT PHOTONICS TECHNOLOGY CO., LTD.	Development and manufacture of optical components	335,147	2	130,881	-	-	130,881	52,069	30.28	15,767	232,818	16,743	(2)B and Note 7
WEIHAY E-SKY OPTICAL-ELECTRICAL CO., LTD.	Development and manufacture of precision optical lens	43,211	2	37,948	-	-	37,948	-	54.61	-	-	-	(2)B and Note 7
ZHONGSHAN SHANXIN ACCURATE INDUSTRY CO., LTD.	Development and manufacture of precision optical lens	329,730	2	211,836	-	-	211,836	(24,161)	39.89	(13,194)	(99,330)	-	(2)B and Note 8
NANJING E-PIN OPTICAL CO., LTD.	Development and manufacture of precision optical lens	232,048	2	52,761	-	-	52,761	(3,661)	28.81	(1,999)	231	-	(2)B and Note 8
CHIA PING (SHENZHEN) OPTICAL TECHNOLOGY CO., LTD.	Trading of optical lens and components	4,517	2	4,497	-	-	4,497	32	54.61	17	3,767	-	(2)C and Note 9

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
The Company and E-PIN OPTICAL INDUSTRY CO.,	1,984,129	2,578,313	3,516,663

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1) Directly invest in a company in Mainland China
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China
- (3) Others

Note 2: In the 'Investment income (loss) recognised by the Company for the year ended December 31, 2020' column:

- (1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
- (2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
 - A. The financial statements were audited by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
 - B. The financial statements were audited by R.O.C. parent company's CPA.
 - C. Others.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.

Note 4: The accumulated amount of remittance from Taiwan to Mainland China did not include investees that have no control (DONGGUAN GUANG TONG BUSINESS MACHINES CO., LTD. and DONGGUAN YORKEY OPTICAL MACHINERY CO., LTD.).

The total investment amount was USD 9,968 thousand.

Note 5: VIEWQUEST TECHNOLOGIES (DONGGUAN) CO., LTD.'s accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 was NTD 356,122 thousand (USD 12,129 thousand) which did not include USD 9,871 thousand of investment through machinery and equipment.

Note 6: Through ABILITY ENTERPRISE (BVI) CO.,LTD.

Note 7: Through EVERLIGHT DEVELOPMENT CORPORATION

Note 8: Through E-SKY HOLDING LTD.

Note 9: Through CHIA PING LIMITED

Note 10: The LIQUIDATION OF JIUJIANG VIEWQUEST ELECTRONICS INC. was completed on October 16, 2020. Proceeds from liquidation has been collected.

Ability Enterprise Co., Ltd. and subsidiaries

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

For the year ended December 31, 2020

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				Others
	Amount	%	Amount	%	Balance at December 31, 2020	%	Balance at December 31, 2020	Purpose	Maximum balance during the year ended December 31, 2020	Balance at December 31, 2020	Interest rate	Interest during the year ended December 31, 2020	
NANJING EVERLIGHT PHOTONICS TECHNOLOGY CO., LTD.	(435,066)	(13)	-	-	(106,479)	(1)	-	-	-	-	-	-	-

Ability Enterprise Co., Ltd.
Major shareholders information
December 31, 2020

Table 10

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
PEGATRON CORPORATION	33,135,300	11.73%

Note 1: The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference in calculation basis.

Note 2: If the aforementioned data contains shares which were held in trust by the shareholders, the data was disclosed as separate account of client which was set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio includes the self-owned shares and shares held in trust, at the same time, the shareholder has the power to decide how to allocate the trust assets. For the information of reported share equity of insider, please refer to Market Observation Post System.

ABILITY ENTERPRISE CO., LTD.



Chairman: Tseng, Ming-Jen

