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ABILITY

ABILITY ENTERPRISE CO., LTD.
2021 Annual Report

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Date of publication: April 28th, 2022

**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

Name: Tseng, Ming-Jen

Title: Chairman

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Name: CHENG, KO-JEN

Title: Investor Relations Manager

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AUDITORS

CPA Firm: PricewaterhouseCoopers Taiwan

Name of CPA: Lin, YA-Hui and Wu, Han-Chi

Address: 27F, No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei 11012, Taiwan

Tel: +886-2- 27296666

<https://www.pwc.tw>

ABILITY WEBSITE

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

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1. Letter to Shareholders

I. The business operation of 2021

a. The Business Operation

In 2021, the US-China trade conflict continued to affect the manufacturing industry. Worldwide epidemic spread and the countermeasure from each individual country led to the deterioration of market and economic environment. Materials were in short supply.

The international transportation cost keeps high without any hint of reduction. After years of the interest rate cuts to stimulate the economy, inflation skyrocketed, the policies of the central banks of various countries changed from stimulus to suppression, and the strategy of raising interest rates is to be gradually implemented. Many changes have made a great impact on the global economy, but they are also changing business patterns, such as increased demand for teleconferencing. Climate change is forcing the world to jointly face the reduction of carbon emissions and the transition to emission-free transportation.

In the face of this challenging external environment, Ability has adopted a multi-pronged approach to its operations and faced the opportunities brought forth by changes with a positive attitude. First, it disposes of the real estate in Nan-Gang to serve as the main source of funds for future business investment and the planning of the third manufacturing plant. Second, in terms of product research and development, the Company continues to develop technology applications such as optical imaging applications, edge computing, AIoT. Third, the three major areas of business operation are: (1) video application products, such as 360 degrees panoramic cameras for commercial use, video conference products (2) Edge computing and smart application products such as vehicle cameras and surveillance, and (3) Optical components & image modules. In terms of business promotion, in addition to self-marketing efforts, such as participating in exhibitions to increase exposure, the Company also adopts strategic cooperation with partners in-depth collaboration to promote businesses hand in hand. Few cases for reference, for vehicle lenses, the Company cooperates with Tier IV, a Japanese company focusing on the solution of autonomous driving; the Company also cooperates with companies in the United States and Canada to promote international city surveillance.

b.Revenue and Profit (Loss) of 2021:

Ability Enterprise's consolidated operating revenue of 2021 is NT\$3,575,369 thousand, and the operating loss is NT\$331,358 thousand. The net profit after tax attributable to the parent company is NT\$684,119 thousand and the earnings per share are NT\$2.42.

II. The Business Operation and R&D of 2022:

The global business model was originally expected to return to normal with the gradual increase in the vaccination rate of COVID-19. However, the protective lockdown for pandemic prevention in Greater China Region has not been completely lifted, and it is still a severe challenge to the supply and sales of consumer electronic products. The Russo-Ukrainian war caused some countries to impose economic and trade sanctions on Russia, which exacerbated the chaos in the supply chain. The prices of raw materials and oil have increased. In 2022, we will face new situations such as "stagflation" concerns and interest rate hikes. The living and consumption habits of the general public will change due to the pandemic and the hidden worries about the economic outlook.

Technological manufacturing appears to the changes in lifestyles. Therefore, the Company continues to pay attention to changes in the external environment, keeps close contact and cooperates with clients and manufacturers, seizes the opportunities arising from changes, and engages in R&D to manufacture products that are appropriate and adapt to the changing demands. This is going to bring growth to the Company in 2022.

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. Continuing our efforts in marketing in 2021, 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.

The management team will adjust the organization flexibly to respond to the demands, recruit R&D personnel to increase the breadth of R&D, and support the sales team to promote products. We enhance mutual trust with suppliers to reduce

costs. There are several solid operation methods have been executed. The non-core assets were sold to increase cash flow and fund for future business development. strengthen corporate governance to win the support of legal persons and foreign shareholders, and engaged in other specific business practices as well. Realizing operational growth, fulfilling corporate social responsibility, safeguarding shareholders' equity, and sharing business performance with our shareholders, clients and employees are the goals of the management team.

We deeply appreciate every shareholder's support of Ability!

Wish you health and smooth in your daily life.

Chairman: TSENG, MING-JEN

President: CHANG, HSIAO-CHI

2. Company Profile

2.1 Date of Incorporation: May 21, 1965

2.2 The Company Chronicle

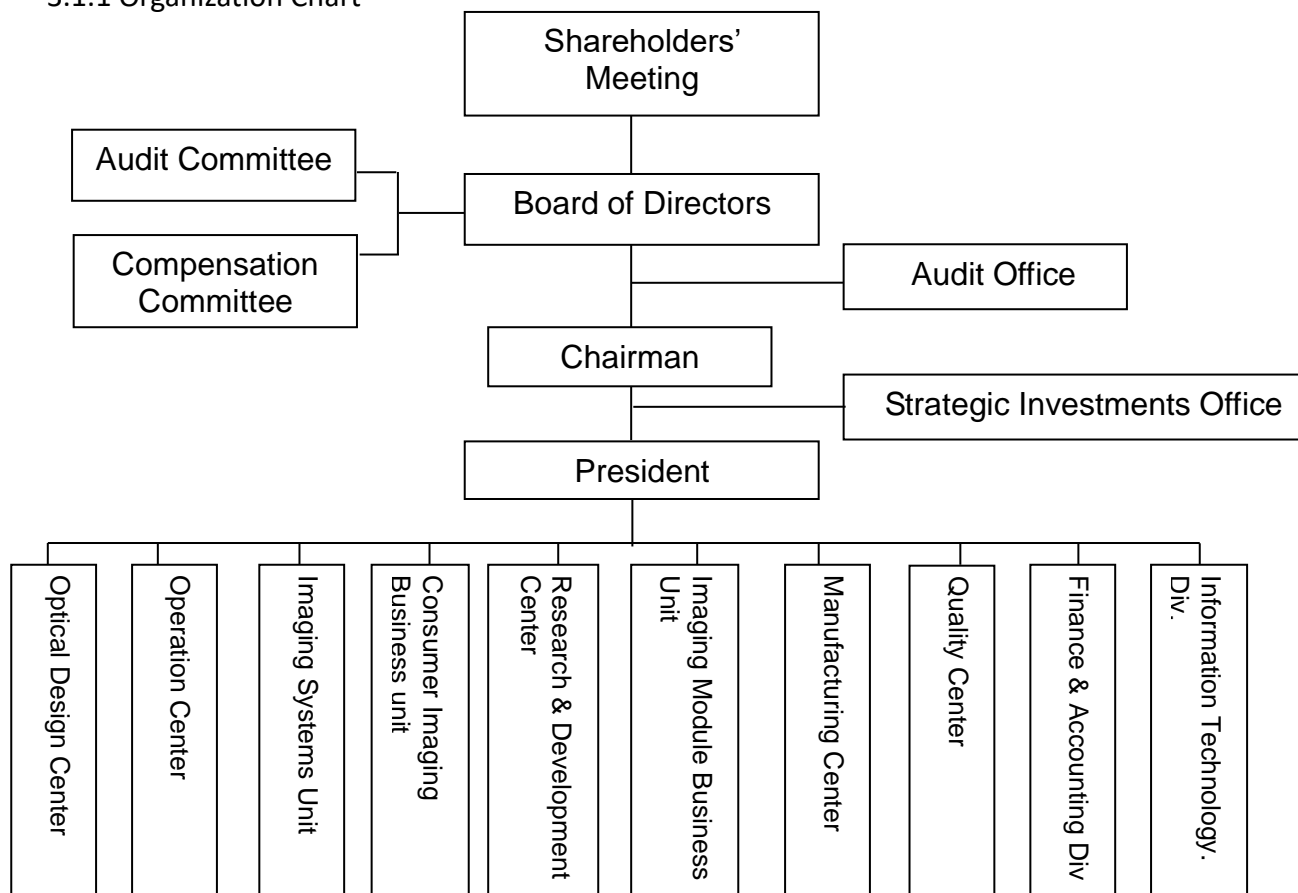
Ability's Chronicle of Events

| 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" |
| 2022 | In April 2022, the company established a joint venture with Ampaus Corporation to set up a Vietnam factory. |

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 04/23/2022

| Title Name | Nationality | Gender and Age | 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. | 6 | 06/14/2019 | 3 | 06/29/2016 | 1,650,000 | 0.58 | 1,650,000 | 0.57 | 0 | 0.00 | 0 | 0.00 | None | None |
| | | Male 61-70 | 06/14/2019 | 3 | 06/01/2004 | 1,209,093 | 0.42 | 1,209,093 | 0.42 | 249,524 | 0.09 | 0 | 0.00 | CEO: VIEWQUEST TECH. INC. ABILITY ENT. CO., LTD. .MBA - TamKang University .EE Dept., National Taiwan University. | .Chairman : ABILITY INTERNATIONAL INVESTMENT CO., LTD. 、 E-Pin Optical INDUSTRY CO.Ltd. 、 ABILITY ENTERPRISE (BVI) CO.,LTD. 、 VIEWQUEST TECH. (BVI) INC. 、 Ability Tech. (Dongguan) Co., Ltd 、 .Director : VIEWQUEST TECHNOLOGIES INTERNATIONAL INC(US) 、 ABILITY I VENTURE CAPITAL CORPORATION .Independent Director : Howtech Technology Co., Ltd. |
| Director VIEWQUEST Investment Co., Ltd. Rep. : Chan, Wen-Hsiung | R.O.C. | 6 | 06/14/2019 | 3 | 06/29/2016 | 1,650,000 | 0.58 | 1,650,000 | 0.57 | 0 | 0.00 | 0 | 0.00 | None | None |
| | | Male 50-60 | 06/14/2019 | 3 | 6/17/2010 | 0 | 0.00 | 600,000 | 0.21 | 0 | 0.00 | 0 | 0.00 | .MBA - National Taiwan University, .Department of Aeronautics and Astronautics , National Cheng Kung University . Director,PANJIT International Inc. .Director,E-Pin Optical INDUSTRY CO.Ltd. | .Chairman : iCatch Technology, Inc. 、 eChem Solutions Corp. .Director : SUNPLUS TECHNOLOGY CO.,LTD. 、 OPALS CHEMICAL TECHNOLOGY LTD. 、 Fine Ace Asset Management CO.,LTD. 、 Opals CHEMICAL TECHNOLOGY LTD. .Independent Director : BIOSTAR MICROTECH INTERNATIONAL CORP. 、 NIEN HSING TEXTILE CO., LTD. .Supervisor : HIYES INTERNATIONAL CO., LTD. |

| Title Name | Nationality | Gender and Age | 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: ABICO AVY CO.,LTD. Rep. : Tong, Chun-Yi | R.O.C. | 28 | 06/14/2019 | 3 | 06/29/2016 | 4,138,544 | 1.47 | 24,378,000 | 8.74 | 0 | 0.00 | 0 | 0.00 | None | None |
| | | Male 50-60 | 06/14/2019 | 3 | 05/31/2001 | 24,232 | 0.01 | 24,232 | 0.01 | 455 | 0.00 | 0 | 0.00 | .Director,GYEN Intl Bussiness Co., Ltd. .Director,ABICO(HK)International Co., LTD. .Vice Chairman Avy Precision Tech. Inc. .Bachelor of Economics, University of Southern California .Master of LSI, Waseda University, Japan | . Chairman:DongGuan Cheng Guang Metal Products 、 ABICO International co., Ltd. 、 ABICO CAPITAL CO., LTD. . Vice Chairman: ABICO AVY CO.,LTD. . Directors: AVY Industrial Co., Ltd. 、 ABICO Plus Entertainment Limited. 、 JBON International 、 Ability I Venture Capital Corporation 、 SEINOH OPTICAL CO., LTD. 、 HONLYNN CO., LTD. 、 ABICO INVESTMENT DEVELOPMENT CO., LTD. 、 Chairman,DAIICHI KASEI CO., LTD. 、 Gold Market Investments Ltd. 、 SOL-PLUS (HK) CO., LIMITED 、 SOL-PLUS HIRASEIMITSU (THAILAND) CO.,LTD. 、 IKKA HOLDINGS (CAYMAN) LIMITED .Independent Director : SIRTEC INTERNATIONAL CO., LTD. 、 TAIWAN SECOM CO., LD. |
| Director: ABICO AVY CO.,LTD. | R.O.C. | 28 | 06/14/2019 | 3 | 06/29/2016 | 4,138,544 | 1.47 | 24,378,000 | 8.47 | 0 | 0.00 | 0 | 0.00 | None | None |

| Title Name | Nationality | Gender and Age | 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 | % | | |
| Rep. : Hu, Shiang-Chi | | Male 61-70 | 06/14/2019 | 3 | 06/14/2019 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | .MBA - National Taiwan University .EE Dept.,National Taiwan University. .Engineer,National Chung-Shan Institute of Science & Technology .Business representative/Consultant,IBM .President,KPT Chairman,EKEEN .Precision Co., Ltd .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. 、 TranSystem, Inc. 、 IKKA HOLDING(CAYMAN) LIMITED . Chairman & President : Ability I Venture Capital Corporation . Executive Director ,Beijing Health (Holdings) Limited . President : ABICO Aisa Capital CO., LTD. . President / Director :ABICO AVY Co.,Ltd. . 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. | 25 | 06/14/2019 | 3 | 06/21/2013 | 8,831,767 | 3.13 | 8,480,767 | 2.95 | 0 | 0.00 | 0 | 0.00 | None | None |
| | | Male 41-50 | 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. 、 ABICO AVY Co.,Ltd 、 GRANDTECH C.G. SYSTEMS INC. 、 GREEN BREEZE TORNADO INCORPORATION |
| Director Chia-Mei | R.O.C. | 23 | 06/14/2019 | 3 | 05/27/2002 | 2,254,974 | 0.80 | 2,254,974 | 0.78 | 0 | 0.00 | 0 | 0.00 | None | None |

| Title Name | Nationality | Gender and Age | 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 | % | | |
| Investment Co., Ltd. Rep.: Tong, En-Shao(Note1) | | Male 21-30 | 06/14/2019 | 3 | 01/07/2022 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | Bachelor of School of International Of liberal Studies WASEDA UNIVERSITY | .Manger- ABILITY VENTURE MANAGEMENT CO., LTD. |
| Independent Director Chen, Kuo-Hong | R.O.C. | Male 61-70 | 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. . Independent Director –Flytech Technology Co., Ltd .Department of Electrical Engineering, National Taiwan University | .Director - Stark Technology Inc. .Chairman - Chaintel Technology Co., Ltd. .Chairman - Howteh Technology Co., Ltd. .Director - Tailyn Techonlogies, Inc. |
| Independent Director Chen, Chien-Hung | R.O.C. | Male 51-60 | 06/14/2019 | 3 | 06/14/2019 | 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/Doctor,s Degree Lawyer,Cheefa United Office Attorney Lawyer,Far East Law Office Attorney Arbitrater,Chinese Arbitration Association .Taipei. | . Director -Chen, Chien-Hung , Attorneys-at-Law |

| Title Name | Nationality | Gender and Age | 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 51-60 | 06/14/2019 | 3 | 06/14/2019 | 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. | . Director -Guangyun CPAS & CO. . Chairman - Hundred matters International Co., Ltd . Independent Director - Auden Techno Corp . Director -JE Techno Corp. . Independent Director -Auden Techno Corp. |

Note 1: On January 7 2022 , the legal representative of CHIA MEI Investment CO., LTD, was changed from Tsay, Wen-Bin to Tong, En-Shao.

Note 2: Please list your actual age and express it in intervals, such as 41-50 years old or 51-60 years old.

- 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. | ABICO AVY CO., LTD. | 100.00 |
| ABICO AVY CO., LTD. | 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 |
| | Hefeng United Co., Ltd | 0.88 |
| | LIN, LAI-CHENG | 0.79 |
| | Gao, XI-CHUAN | 0.74 |
| | LIN, XIU-YUN | 0.71 |
| | YE, YONG-XIONG | 0.63 |
| | | |
| 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,YI-JUN | 20.00 |
| | DONG,JUN-REN | 20.00 |
| | DONG,JUN-YI | 20.00 |
| | Dong, CHIUNG-XIONG | 8.50 |
| | CHISHIEN INVESTMENT CO., LTD. | 5.50 |
| | TRUMP ELEGANT INVESTMENT LIMITED | 5.50 |
| | SKY CENTURY CORP | 5.50 |
| | 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. | 19.60 |
| | 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 | 4.83 |
| | DONG,YI-NAI | 3.00 |
| | DONG, JIONG-XIN | 2.58 |
| Ability International co., Ltd. | CHIA MEI INVESTMENT CO., LTD | 100.00 |

c. Directors' Professional Qualifications and Independent Directors' Independence Status

| Criteria Name | Professional Qualification and Experience | Independent Directors' Independence Status (Note2) | Number of Other Taiwanese Public Companies Concurrently |
|------------------|---|--|---|
| TSENG, MING-JEN | For Directors' professional qualification and experience, please refer to "3.2.1 Board of Directors and Management Team" on page 6-10 of this Annual Report. None of the Directors has been in or is under any circumstances stated in Article 30 of the Company Law. (Note 1) ° | Not Applicable | 1 |
| TONG, CHUN-YI | | | 2 |
| Huang, Li-An | | | 0 |
| HU, SHIANG-CHI | | | 2 |
| CHAN, WEN-HSIUNG | | | 2 |
| Tong, En-Shao | | | 0 |
| Chen, Kuo-Hong | | Satisfy the requirements of "Securities and Exchange Act" and "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" (Note 2) issued by Taiwan's Securities and Futures Bureau | 0 |
| Chen, Chien-Hung | | | 0 |
| HUANG CHIH-CHEN | | | 1 |

Note 1: A person shall not act in a management capacity for a company, and if so appointed, must be immediately discharged if they have been:

1. Convicted for a violation of the Statutes for the Prevention of Organizational Crimes and: has not started serving the sentence; has not completed serving the sentence; or five years have not elapsed since completion of serving the sentence, expiration of probation, or pardon;
2. Convicted for fraud, breach of trust or misappropriation, with imprisonment for a term of more than one year, and: has not started serving the sentence; has not completed serving the sentence; or two years

- have not elapsed since completion of serving the sentence, expiration of probation, or pardon;
- 3. Convicted for violation of the Anti-Corruption Act, and: has not started serving the sentence; has not completed serving the sentence; or two years have not elapsed since completion of serving the sentence, expiration of probation, or pardon;
- 4. Adjudicated bankrupt or adjudicated to commence a liquidation process by a court, and having not been reinstated to his or her rights and privileges;
- 5. Sanctioned for unlawful use of credit instruments, and the term of such sanction has not expired yet;
- 6. if she/he does not have any or limited legal capacity; or
- 7. if she/he has been adjudicated to require legal guardianship and such requirement has not been revoked yet.

Note 2:

- 1. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.
- 2. Not serving concurrently as an independent director on more than three other public companies in total.
- 3. During the two years before being elected and during the term of office, meet any of the following situations:
 - (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 abovepersons 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; and
 - (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 NT\$500,000".

d. Board Diversity and Independence

In accordance with the Company's "Code of Practice on Corporate Governance", the Board of Directors has a diversity policy. In addition to considering basic conditions such as gender, age, nationality and culture, board members have different core competencies and the knowledge and qualities required to perform their duties. The company's current board member diversity policy and implementation are as follows:

| Name | Nationality | Gender | Age | Diversification | | | | | | | |
|--|-------------|--------|-------|---------------------|---------|-----|----------------------|-----------------|----------------------|--------------------|--------------------------------|
| | | | | Business Management | Finance | Law | Operational Judgment | Risk Management | Industrial Knowledge | Global Market View | Leadership & Decision - making |
| TSENG, MING-JEN | R.O.C. | Male | 61-70 | V | — | — | V | V | V | V | V |
| CHAN, WEN-HSIUNG | R.O.C. | Male | 51-60 | V | — | — | V | V | V | V | V |
| TONG, CHUN-YI | R.O.C. | Male | 51-60 | V | — | — | V | V | V | V | V |
| HU, SHIANG-CHI | R.O.C. | Male | 61-70 | V | — | — | V | V | V | V | V |
| Huang, Li-An | R.O.C. | Male | 41-50 | V | — | — | V | V | V | V | V |
| Tsay, Wen-Bin (Note1) | R.O.C. | Male | 61-70 | V | — | — | V | V | V | V | V |
| Chen, Kuo-Hong | R.O.C. | Male | 61-70 | V | — | — | V | V | V | V | V |
| Chen, Chien-Hung | R.O.C. | Male | 51-60 | V | — | V | V | V | V | V | V |
| HUANG CHIH-CHEN | R.O.C. | Male | 51-60 | V | V | — | V | V | V | V | V |
| Tong, En-Shao | R.O.C. | Male | 21-30 | V | — | — | V | V | V | V | V |
| Note 1: On January 7 2022 , the legal representative of CHIA MEI Investment CO., LTD, was changed from Tsay, Wen-Bin to Tong, En-Shao. | | | | | | | | | | | |

The proportion of directors with employee status is 10%; the term of two independent directors is not more than three years, and the term of one independent director is less than six years. All independent directors are in compliance with the relevant provisions of Article 3 (Note 2) of the " Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies. ".

3.2.2 Introduction of the Management Team

As of 04/23/2022

| Title Name | Nationality | Gende | Date First Elected | Current Shareholding | | Spouse or Minor Children | | Shareholding by Nominee Arrangement | | Experience (Education) | Selected Current Positions |
|---|-------------|--------|--------------------|----------------------|------|--------------------------|------|-------------------------------------|------|--|---|
| | | | | Shares | % | Shares | % | Shares | % | | |
| Chairman Tseng, Ming-Jen | R.O.C. | Male | 2003.01 | 1,209,093 | 0.42 | 249,524 | 0.09 | 0 | 0.00 | .CEO:VIEWQUEST TECH. INC. 、 ABILITY ENT. CO., LTD. .MBA -TamKang University .EE Dept.,National Taiwan University | Refer to Introduction of Board of Directors |
| President CHANG, HSIAO-CHI | R.O.C. | Male | 2022.01 | 0 | 0 | 37,710 | 0.01 | 0 | 0 | .Chairman GRANDTECH C.G. SYSTEMS INC. .Independent Director DATA IMAGE CORPORATION .Director CC&C TECHNOLOGIES, INC. .Director TAIWAN-CA INC. .Master of Electric Engineering , Montana State University, USA .Bachelor of Applied Physics, .TamKang University | Chairman,HONLYNN CO., LTD. 、 ABILITY INT'L TENANCY CO., LTD. Director,ABICO NETCOM CO., LTD. |
| Assistant Vice President Adams Chen | R.O.C. | Male | 2015.06 | 50,354 | 0.02 | 0 | 0.00 | 0 | 0.00 | .Assistant Vice President/MFG Center Ability Ent. Co., Ltd .Dept. of EC, TPCU .National Taipei University of Technology EMBA | 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. 、 ANDROVIDEO INC. 、 Ability Tech. (Dongguan) Co., Ltd |
| Accounting Supervisor Lin, Hsin-Chun | 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 |

| Title Name | Nationality | Gende | Date First Elected | Current Shareholding | | Spouse or Minor Children | | Shareholding by Nominee Arrangement | | Experience (Education) | Selected Current Positions |
|---|-------------|--------|--------------------|----------------------|------|--------------------------|------|-------------------------------------|------|--|----------------------------|
| | | | | Shares | % | Shares | % | Shares | % | | |
| Corporate Governance officer Huang, Mei-Ling | R.O.C. | Female | 2021.05 | 4,997 | 0.00 | 0 | 0.00 | 0 | 0.00 | Senior specialist/ Chairman's Office, Ability Ent. Co., Ltd .Dept. of business administration, CLUT | None |

Note1:Combined Chairman and general Manager Specification :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 12/31/2021; Unit: NT\$ thousands

| Title Name | Remuneration of Directors | | | | | | | | Total remuneration (A+B+C+D)and % 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) and % of net income | | Compensation paid to directors from non- consolidated affiliates | | | | | | | | | | | | | | | | | | | | | |
|---|-----------------------------|--------------------------------------|----------------------|--------------------------------------|---|--------------------------------------|----------------------------|--------------------------------------|--|--------------------------------------|--|--------------------------------------|---|-------|--------------------------------------|-------|----------------|--------------------------------------|--|--|---|---|---|---|---|--------|--------|-------|-------|--------|--------|-------|-------|----|----|---|---|---|---|--------|--------|---|
| | Base Compensation (A) | | Severance Pay (B) | | Bonus to Directors (C) (Note 1,3) | | Allowances (D) (Note 4) | | | | 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 | From all consolidated entities | The Company | From all consolidated entities | The Company | From all consolidated entities | The Company | From all consolidated entities | From all consolidated entities | | From all consolidated entities | | The Company | From all consolidated entities | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | Cash | Stock | Cash | Stock | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Chairman: VIEWQUEST Investment Co. Ltd. Rep.:Tseng, Ming-Jen | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Director : VIEWQUEST Investment Co. Ltd. Rep. : Chan,Wen-Hsiung | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Director: ABICO AVY CO.,LTD. Rep. : Tong, Chun-Yi | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Director: ABICO AVY CO.,LTD. Rep. : Hu, Shiang-Chi | | | | | | | | | | | | | | | | | | | | | | — | — | — | — | 14,180 | 14,180 | 3,060 | 3,078 | 2.520% | 2.523% | 7,800 | 7,800 | 72 | 72 | — | — | — | — | 3.671% | 3.673% | — |
| 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 | | | | | | | | | | | | | | | | | | | | | | - | - | - | - | | | | | | | | | | | | | | | | | |

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 amount of directors' remuneration and employee's remuneration of the Company in 2021 is confirmed by the board of directors, and the amount of employee's remuneration for concurrent employees to receive relevant remuneration is the proposed amount.

Note 4 The allowances is \$3,060 thousand for travelling expenses and other allowances of independent directors, and \$3,078 thousand for all consolidated entities.

3.2.3.2 Compensation Paid to President and Vice President

As of 12/31/2021; 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 | — | — | — | — | 1.151% | 1.151% | 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 amount of employee's remuneration of the Company in 2021 is confirmed by the board of directors, and the amount of employee remuneration for President and Vice President is the proposed amount.

3.2.3.3 Employee Profit Sharing Granted to Management Team

As of 12/31/2021; Unit: NT\$ thousands

| Title | Name | Stock (Fair Market Value) (Note 1) | Cash (Note 1) | Total | Ratio of Total Amount to Net Profits After Tax (%) |
|------------------------------|-----------------|------------------------------------|---------------|-------|--|
| President | Tseng, Ming-Jen | 0 | 2,400 | 2,400 | 0.351% |
| Assistant Vice President | Adams Chen | | | | |
| Assistant Vice President | Vincent Lu | | | | |
| Chief Financial Officer | Lin, Hung-Tien | | | | |
| Accounting Supervisor | Lin, Hsin-Chun | | | | |
| Corporate Governance officer | Huang, Mei-Ling | | | | |

Note 1: The amount of employee's remuneration of the Company in 2021 is confirmed by the board of directors, and the amount of employee remuneration for managers is the proposed amount.

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

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

Unit: NT\$ thousands

| Item position | 2021 | | 2020 | |
|--------------------------------|--------|--|--------|--|
| | Amount | Ratio of Total Amount to Net Profits After Tax (%) | Amount | Ratio of Total Amount to Net Profits After Tax (%) |
| directors | 14,180 | 2.07 | - | - |
| presidents and vice presidents | 7,872 | 1.15 | 7,872 | 1.71 |

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

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

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors

A total of 8 (A) meetings of the Board of Directors were held in 2021. 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 | 8 | 0 | 100% | 06/14/2019 Newly elected |
| Director | VIEWQUEST Investment Co. Ltd. Chan,Wen-Hsiung | 8 | 0 | 100% | 06/14/2019 Newly elected |
| Director | ABICO AVY CO., LTD. Rep. : Tong, Chun-Yi | 8 | 0 | 100% | 06/14/2019 Newly elected |
| Director | ABICO AVY CO., LTD. Rep. : Hu, Shiang-Chi | 8 | 0 | 100% | 06/14/2019 Newly elected |
| Director | Chia Nine Investment Co., Ltd. Rep. : Huang, Li-An | 8 | 0 | 100% | 06/14/2019 Newly elected |
| Director | Chia-Mei Investment Co., Ltd. Rep. : Tsay, Wen-Bin | 8 | 0 | 100% | 06/14/2019 Newly elected |
| Independent Director | Chen, Kuo-Hong | 8 | 0 | 100% | 06/14/2019 Re-elected |
| Independent Director | Chen, Chien-Hung | 8 | 0 | 100% | 06/14/2019 Newly elected |
| Independent Director | Huang, Chih-chen | 8 | 0 | 100% | 06/14/2019 Newly elected |

On January 7 2022 ,the legal representative of CHIA MEI Investment CO., LTD, was changed from Tsay, Wen-Bin to Tong, En-Shao.

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) Matters listed in the Securities and Exchange Act §14-3: The Securities and Exchange Act §14-3 is not be applicable because the Company has established the Audit Committee. For relevant information, please refer to the "Audit Committee Meeting Status" in this Annual Report.

(2) There were no recusals of directors due to conflict of interest in 2021.

2. Name of the directors, content of the meeting reasons for conflict of interests and situation of voting should be listed in regards to conflict of interest of the directors:

| Period and Date | Contents of resolutions | Directors | Opinions from all independent directors and how the company has responded to such opinions |
|-----------------|---|--------------------------------|--|
| 2021.3.29 | It is proposed to add a new investment: ABICO ASIA EXCELSIOR PARTNERS L.P.. | TONG, CHUN-YI HU, HIANG-CHI | Not participating in the discussion and avoiding voting |
| 2021.7.13 | Approved the eligible employees list of restricted shares program(including managers) and related matters. | TSENG, MING-JEN | Not participating in the discussion and avoiding voting |
| 2021.11.09 | 1. The company's 2021 annual salary for managers. 2. The year-end bonus distribution plan for managers and employees of the company in 2021. | TSENG, MING-JEN | Not participating in the discussion and avoiding voting |

3. Execution Status of Board Evaluation

(1) According to the Company's "the Board of Directors Performance Evaluation Method".

(2) Evaluation Cycle: The internal evaluation results of the board of directors shall be completed before the end of the first quarter of the next year.

(3) Evaluation Period: 2021.01.01~2021.12.31

(4) Pegatron has executed the 2021Y Board Evaluation in 1st quarter 2022, and will report the result of evaluation to Board of Directors on March 24th, 2022.

| Evaluation Scale | Evaluation Content |
|----------------------|--|
| Board of Directors | Including 5 Aspects: 1. Participation in the operation of the Company 2. Improvement of the quality of the board of directors' decision making 3. Composition and structure of the board of directors 4. Election and continuing education of the directors 5. Internal control |
| Board of Directors | Including 6 Aspects: 1. Familiarity with the goals and missions of the Company 2. Awareness of the duties of the director 3. Participation in the operation of the Company 4. Management and communication of internal relationship 5. The director's profession and continuing educations 6. Internal control |
| Functional committee | Including 5 Aspects: 1. Participation in the operation of the company 2. Awareness of the duties of the committee 3. Improvement of quality of decisions made by committee 4. Composition of the committee and election of its members 5. Internal control |

2021 Evaluation Result: The individual performance of all directors and the overall performance of the board of directors are excellent, which has been submitted to March 24th, 2022 Report of the board of directors.

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 5 (A) meetings of the audit committee were held in 2021. 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 | 5 | 0 | 100% | 06/14/2019 Re-elected |
| Independent Director | Chen, Chien-Hung | 5 | 0 | 100% | 06/214/2019 Newly elected |
| Independent Director | Huang, Chih-chen | 5 | 0 | 100% | 06/214/2019 Newly elected |

Other remarks:

1. When the following situation occurred to the operation of the committee, state the date, period, proposal contents, resolutions, and the handing of the audit committee's opinion by the Company:

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

| Period and Date | Contents of resolutions | Resolution | Opinions from audit committee's resolutions and how the company has responded to audit committee's opinions |
|---------------------------|--|------------|---|
| 2021.2.23 1st in 2021. | 1. Disposal of investment real estate in Nangang . 2. Improvement plan for loan and overdue repayment of ANDROVIDEO INC. | Approved | Passed unanimously by members in attendance. |
| 2021.3.29 2nd in 2021. | 1. The Company's 2020 financial statement. 2. The Company's Business Reports and Financial Statements of 2020, submitted for Recognition. 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, Hsin-Chun as the accounting supervisor . 6. " 2020 Management's Reports on Internal Control System" 7. It is proposed to add a new investment: ABICO ASIA EXCELSIOR PARTNERS L.P.. | Approved | Passed unanimously by members in attendance. |

| | | | |
|----------------------------|--|----------|--|
| 2021.5.04 3rd in 2021. | 1.Approved the Company's 2020 deficit compensation was submitted for recognition. 2. In accordance with the letter sent by the Taiwan Stock Exchange, the company will review the preparation of financial reports and revision of the preparation process of financial statements report on management measures. | Approved | Passed unanimously by members in attendance. |
| 2021.10.15 4th in 2021. | 1.ABILITY ENTERPRISE (BVI) CO., LTD., a subsidiary of the company will dispose of the shareholding of YORKEY OPTICAL INTERNATIONAL (CAYMAN) LTD.. | Approved | Passed unanimously by members in attendance. |
| 2021.11.09 5th in 2021. | 1.The Company's "2022 internal audit plan". 2.The company plans to invest an additional \$1.5 million in attonics systems PTE. Ltd. | Approved | Passed unanimously by members in attendance. |

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

2. Avoidance of involvements in interest-conflicting resolutions by independent directors: None.

3. Communication between independent directors, the chief audit executive and accountants:
(1) Summary on communication between independent directors, supervisors and the chief audit executive:

| Date | Forms | Issues | Results |
|------------|---------|---|---|
| 2021.2.23 | Meeting | 1.Field performance report of audit operations in the fourth quarter of 2020. 2.Field performance report of audit operations in the first quarter of 2021. | No material issues that required rectification. |
| 2021.3.29 | Meeting | 1.Field performance report of audit operations in the first quarter of 2021. 2."2020 Management's Reports on Internal Control system" resolution. | No material issues that required rectification. |
| 2021.5.04 | Meeting | Field performance report of audit operations in the first quarter of 2021. | No material issues that required rectification. |
| 2021.7.13 | Meeting | Field performance report of audit operations in the second quarter of 2021. | No material issues that required rectification. |
| 2021.8.13 | Meeting | Field performance report of audit operations in the second quarter of 2021. | No material issues that required rectification. |
| 2021.11.09 | Meeting | 1.Field performance report of audit operations in the third quarter of 2021. 2.Discussions on the 2022 audit plan.". | No material issues that required rectification. |

| 2021.12.27 | Meeting | None | None |
|--|----------------------------------|---|---|
| <p>(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:</p> | | | |
| Date | Forms | Issues | Results |
| 2021.3.29 | 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. |
| 2021.12.30 | Documents in writing | Annual audit plan - Roles and Responsibilities of the CPA - Audit plan - Preliminary opinions on key audit matters - The independence of the CPA | 1. Noted without other opinions and has replied to the accounting firm. 2. If there are any suggestions and material findings, the chief accountant and the manager shall be promptly notified to arrange further meeting. |
| | | | |

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” in accordance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and 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. | |

| Assessment Item | Implementation Status | | | Non-implementation and its reason(s) |
|--|-----------------------|---|---|--------------------------------------|
| | Y | N | Explanation | |
| (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. | |
| 3. Structure of Board of Directors and its responsibility (1) If the Board develop diversified policies, concrete management goal, and execute? | V | | (1) In accordance with the company's “Corporate Governance Principles” the diversity policy for the composition of the board of directors, in addition to taking into account the basic conditions such as gender, age, nationality and culture, the members of the board of directors have different core competencies and the knowledge and literacy necessary for the performance of their duties. The proportion of directors with employee status of the company is 10%; The term of office of two independent directors shall not exceed three years, and the term of office of one independent director shall be less than six years. The directors of the company have implemented diversified policies based on their academic experience, professional knowledge and related fields.(NOTE1) | 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? | | V | (2) The Company established the remuneration committee and assembled the audit committee at its discretion, while other functional committees are not yet established. There are no other functional committees set up for business operations. | 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? | V | | (3) The company's board of directors approved the "Board Performance Evaluation Regulations" on May 6, 2020. (Note2) | No major deviation |

| Assessment Item | Implementation Status | | | Non-implementation and its reason(s) |
|---|-----------------------|---|--|--------------------------------------|
| | Y | N | Explanation | |
| (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, Lin, Ya-Hui and Wu, Han-Chi. 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 24, 2022. (Note3) | 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 | Y | | <p>The chairman's office of the company has set up a corporate governance authority and responsibility unit, and the corporate governance supervisor is responsible for implementing and promoting corporate governance-related affairs to protect shareholders' rights and interests, strengthen the functions of the board of directors, respect the rights and interests of stakeholders and enhance information transparency.</p> <p>The corporate governance affairs include at least the following items :</p> <ol style="list-style-type: none"> 1. Handling matters relating to board meetings and shareholders meetings according to laws 2. Formulating minutes of board meetings and shareholders meetings 3. Assisting in onboarding and continuous development of directors 4. Furnishing information required for business execution by directors 5. Assisting directors with legal compliance 6. Other matters set out in the articles of incorporation or contracts | No major deviation |

| Assessment Item | Implementation Status | | | Non-implementation and its reason(s) |
|---|-----------------------|---|---|--------------------------------------|
| | Y | N | Explanation | |
| 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? | Y | | The company has departments such as investor relation, stock affairs and legal affairs to deal with and communicate related issues, and set up a special area for stakeholders on the company's website to continuously understand and respond to the needs of stakeholders. The company set up a corporate sustainable development promotion team last year to conduct stakeholder meetings and mergers to actively promote the company's sustainable development related affairs. | No major deviation |
| 6. If the Company engaged professional transfer agent to host annual general shareholders' meeting? | Y | | The Company engaged the registrar agency department of CTBC Bank Co., Ltd. to handle shareholder meeting affairs | No major deviation |

| Assessment Item | Implementation Status | | | Non-implementation and its reason(s) |
|---|-----------------------|---|---|--------------------------------------|
| | Y | N | Explanation | |
| 7 Information Disclosure | | | | |
| (1) If the Company set up a corporate website to disclose information regarding the Company's finance, business and corporate governance? | Y | | (1) The Company promptly discloses relevant information on its corporate website (http://www.abilitycorp.com.tw). | No major deviation |
| (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)? | Y | | (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). | No major deviation |
| (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? | Y | | (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. | No major deviation |

| 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)? | Y | | (1)The company strives to create a pragmatic environment, allowing employees to deepen their internal values and capabilities, and strengthen the company's competitive advantages, exceed customer expectations, create value and share results together, and establish a common prosperity and good partnership. | No major deviation |
| | | | (2)The company established an employee welfare committee , handle various employee welfare and group insurance matters, hold labor-management coordination meetings from time to time, and set up employee complaint mailboxes. | No major deviation |
| | | | (3)The company regularly evaluates customer satisfaction and properly handles customer complaints to improve customer service. | No major deviation |
| | | | (4)The company's website provides investors with open and transparent information, and has set up a special area for the company's stakeholders and a dedicated contact window. | No major deviation |

| Assessment Item | Implementation Status | | | Non-implementation and its reason(s) |
|--|-----------------------|---|--|--------------------------------------|
| | Y | N | Explanation | |
| | | | (5)Rights of stakeholders: Both the Company and stakeholders perform respective rights and obligations in compliance with contracts or relevant operating procedures. | No major deviation |
| | | | (6)The company regularly conducts internal control assessments for each department to detect preventive controls. The audit unit assists the audit committee in supervising the company's business and the implementation of the internal control system. If possible drawbacks are found, appropriate measures can be initiated immediately to reduce operational risks. | No major deviation |
| | | | (7)The company has taken out liability insurance for directors, independent directors and important staff. | No major deviation |
| | | | (8)All directors of the company meet the required training hours. The training status of all directors in 2021 is as follows: Ref to Note4. | No major deviation |
| 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. In order to actively promote matters related to corporate governance, the company set up a corporate sustainability promotion team to enhance corporate governance functions last year. | No major deviation |

NOTE1:

| Name | Gender | Diversification | | | | | | | |
|--|--------|---------------------|---------|-----|---------------------|-----------------|----------------------|--------------------|------------------------------|
| | | Business Management | Finance | Law | Operational udgment | Risk Management | Industrial Knowledge | Global Market View | Leadership& Decision -making |
| TSENG, MING-JEN | Male | * | | | * | * | * | * | * |
| CHAN,WEN-HSIUNG | Male | * | | | * | * | * | * | * |
| TONG,CHUN-YI | Male | * | | | * | * | * | * | * |
| HU, SHIANG-CHI | Male | * | | | * | * | * | * | * |
| Huang, Li-An | Male | * | | | * | * | * | * | * |
| Tsay, Wen-Bin (Note1) | Male | * | | | * | * | * | * | * |
| Chen, Kuo-Hong | Male | * | | | * | * | * | * | * |
| Chen, Chien-Hung | Male | * | | * | * | * | * | * | * |
| HUANG CHIH-CHEN | Male | * | * | | * | * | * | * | * |
| Tong, En-Shao | Male | * | | | * | * | * | * | * |
| Note 1: On January 7 2022 , the legal representative of CHIA MEI Investment CO., LTD, was changed from Tsay, Wen-Bin to Tong, En-Shao. | | | | | | | | | |

Note2: It is specified that the performance evaluation of the internal board of directors shall be conducted at least once a year and completed in the first quarter of the next year. The evaluation shall be oriented as follows:

| Evaluation Scale | Evaluation Content |
|----------------------------------|---|
| Board of Directors (as a whole), | Self evaluation of Board of Directors : 1. Participation in the operation of the Company 2. Improvement of the quality of the board of directors' decision making 3. Composition and structure of the board of directors 4. Election and continuing education of the directors 5. Internal control |
| Board members, | Self evaluation of Board members : 1. Familiarity with the goals and missions of the Company 2. Awareness of the duties of the director |

| Evaluation Scale | Evaluation Content |
|---|---|
| | 3. Participation in the operation of the Company 4. Management and communication of internal relationship 5. The director's profession and continuing educations 6. Internal control |
| Functional committee (Compensation and committee committee) | Self evaluation of Audit and Compensation committee : 1.Participation in the operation of the company 2.Awareness of the duties of the committee 3.Improvement of quality of decisions made by committee 4.Composition of the committee and election of its members 5.Internal control |

2021 Evaluation Result: the individual performance of all directors and the overall performance of the board of directors are excellent, which has been submitted to March 24th, 2022 Report of the board of directors.

Note3: 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 |

| Items Evaluated | Evaluation Finding | Independence |
|---|--------------------|--------------|
| 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 |

Note4:All directors of the company meet the required training hours. The training status of all directors in 2021 is as follows:

| Title | Date | Host by | Training | Duration |
|---------------------------------------|------------|---|--|----------|
| Independent director Chen, Kuo-Hong | 2021/10/18 | Taipei Exchange | Internal Human Rights Promotion and Briefing Session of OTC Emerging Companies | 3 |
| | 2021/11/16 | Taiwan Corporation Governance Association | Operation and decision-making effectiveness of the board of directors | 3 |
| Independent director HUANG CHIH-CHEN | 2021/3/8 | Taiwan Corporation Governance Association R.O.C(TAIWAN) | Business tax declaration key points and doubt analysis | 7 |
| | 2021/9/17 | Taiwan Corporation Governance Association R.O.C(TAIWAN) | A new chapter in virtual currency and money laundering prevention | 3 |
| Independent director Chen, Chien-Hung | 2021/11/3 | ACCOUNTING RESEARCH AND DEVELOPMENT FOUNDATION | Analysis of Corporate Governance Evaluation and Board Performance Evaluation | 3 |
| | 2021/11/17 | ACCOUNTING RESEARCH AND DEVELOPMENT FOUNDATION | Case Analysis of Management Control Fight to Corporate Governance | 3 |
| Director Chen, Chien-Hung | 2021/10/27 | ACCOUNTING RESEARCH AND DEVELOPMENT | Supervision of the company's implementation of ESG by directors, supervisors and senior executives | 3 |

| Title | Date | Host by | Training | Duration |
|---------------------------|------------|---|--|----------|
| | | FOUNDATION | | |
| | 2021/12/8 | ACCOUNTING RESEARCH AND DEVELOPMENT FOUNDATION | How to properly exercise the power of directors from the perspective of the responsibility of securities exchange law-On the audit committee | 3 |
| Director Chen, Chien-Hung | 2021/9/1 | Fainancial Supervisory Commission R.O.C(TAIWAN) | The 13th Taipei Corporate Governance Forum (morning session) | 3 |
| | 2021/9/1 | Fainancial Supervisory Commission R.O.C(TAIWAN) | The 13th Taipei Corporate Governance Forum (afternoon Session) | 3 |
| Director HU, SHIANG-CHI | 2021/1/15 | Association of listed OTC companies | The post-epidemic era of Taiwan's economic development and future prospects | 2 |
| | 2021/3/15 | Association of listed OTC companies | Looking ahead and looking back 50 years in Taiwan: talent cultivation and disaster prevention | 2 |
| | 2021/4/16 | Association of listed OTC companies | The advantages and opportunities of Taiwan's economic development | 2 |
| | 2021/10/27 | SECURITIES&FUTURES INSTITUTE | 2021 Annual Insider Equity Transaction Legal Compliance Publicity and Briefing Session | 3 |
| Director Huang, Li-An | 2021/9/1 | Fainancial Supervisory Commission R.O.C(TAIWAN) | The 13th Taipei Corporate Governance Forum (morning session) | 3 |
| | 2021/9/1 | Fainancial Supervisory Commission R.O.C(TAIWAN) | The 13th Taipei Corporate Governance Forum (afternoon Session) | 3 |
| Director CHAN,WEN-HSIUNG | 2021/11/16 | SECURITIES&FUTURES INSTITUTE | The trend of ESG/CSR and sustainable governance in 2021 | 3 |
| | 2021/11/16 | SECURITIES&FUTURES INSTITUTE | Blockchain technology development and business model | 3 |
| Director Tsay, Wen-Bin | 2021/11/3 | ACCOUNTING RESEARCH AND DEVELOPMENT FOUNDATION | Analysis of Corporate Governance Evaluation and Board Performance Evaluation | 3 |
| | 2021/11/10 | ACCOUNTING RESEARCH AND DEVELOPMENT FOUNDATION | TCFD and SASB highlight link between ESG metrics and corporate financial disclosures | 3 |

3.3.4 Disclose if any, on remuneration committee's formation, responsibilities and operational status

3.3.4.1 Information Regarding Compensation Committee Members

| <div>Title (Note1)</div> <div>Name</div> | | Criteria | Professional Qualification and Experience(Note2) | Independent Directors Independence Status (Note3) | Number of Other Taiwanese Public Companies Concurrently Serving as a Compensation |
|--|----------|---------------------------|--|--|---|
| Director | Director | Chen, Kuo-Hong (chairman) | For members professional qualification and experience, please refer to “3.2.1 Information Regarding Board Members” on page 6-10 of this Annual Report. | Satisfy the requirements of “Securities and Exchange Act” and “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” . | 0 |
| Independent Director | | Chen, Chien-Hung | | | 0 |
| Independent Director | | Huang, Chih-chen | | | 1 |

Note1: Please indicate professional qualification, experiences and independency of the member of the remuneration committee, if the member of the remuneration committee is an independent director, indicate in the note section. Indicate in the title if the member is the chairman of the committee.

Note2: Professional Qualifications and Experiences: state professional qualifications and experiences of individual member of the remuneration committee.

Note3: Independency: state the independency of the members of the remuneration committee; including but not limited to the person, spouse, relatives within the second degree relatives, serves as directors, supervisors or employees of the Company or other related enterprise; the person, spouse, relatives within second degree of relative (or in name of others) hold the shares (and the ratio of the shares) of the Company whether he or she is a director or supervisor of the Company that has a specific relationship with the Company (refer to Article6, Paragraph1, Subparagraphs 5 to 8 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange); amount of remuneration for providing business, legal, financial, accounting and other services to the Company or its affiliates in the last two years.

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 4 (A) meetings of the Compensation Committee were held in 2021. The status of attendance is as follows:

| Title | Name | Attendance in person (B) | By Proxy | Attendance rate (%) B/A | Remarks |
|----------|------------------|--------------------------|----------|-------------------------|------------------------------|
| Chairman | Chen, Kuo-Hong | 4 | 0 | 100% | 06/14/2019 Re-elected |
| Member | Chen, Chien-Hung | 4 | 0 | 100% | 06/214/2019 Newly elected |
| Member | Huang, Chih-chen | 4 | 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 |
|---|---|---|--|
| 2021.05.04 5 nd of the fourth | 1.Salary structure and reward case for new managers. | Passed unanimously by members in attendance | The board of directors passed a resolution better than the remuneration committee. |
| 2021.07.13 6 rd of the fourth | 1.The manager restricts the rights of employees to the new stock allocation proposal. | Passed unanimously by members in attendance | Passed unanimously by directors (including independent directors) in attendance. |
| 2021.11.09 7 th of the fourth | 1.Salary structure and reward case for new managers. 2.The company's 2021 annual salary for managers. 3.The year-end bonus distribution plan for managers and employees of the company in 2021. | Passed unanimously by members in attendance | The board of directors passed a resolution better than the remuneration committee. |
| 2021.12.22 8 th of the fourth | 1.Salary structure and reward case for new managers. | Passed unanimously by members in attendance | The board of directors passed a resolution better than the remuneration committee. |

3.3.5 Implementation of Sustainable Development and Deviations from “Sustainable Development 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 implement governance structure of sustainable development, and a part time or full time unit to execute corporate sustainable development projects, which the Board supervise and authorized top management to overlook? | | V | <p>1. Follow the company's corporate social responsibility policy, the company stipulated the corporate development team, which is the highest-level sustainable decision-making organization in the company. The chairman serves as the convener, president serves as the chairman, and the senior executive of the operation center serves as the ESG/CSR management representative. The impact on the sustainable development of the company's operation, customer relationship and supplier management, green products, environmental sustainability, etc.. Through the meeting to identify sustainable issues of concern to stakeholders, plan and implement the annual plan, and track the implementation results to ensure that the sustainable development strategy is fully implemented in the company's daily operations.</p> <p>2. The preparation of the company's sustainability report and the disclosure of issues are combined with the actual needs, and the sustainability proposal will be reported to the board of directors in a timely manner.</p> <p>3. Related content can be found on the official website: https://www.abilitycorp.com.tw/c/about_norms.php</p> | Handle issues on a timely manner according to the Company's actual needs. |
| 2.If the Company conducted risk assessment on its business operation, social environment as and corporate governance based on the principle of materiality and established risk management policy or strategy accordingly? | V | | <p>1. In response to the international trend of environmental protection and occupational safety and health, the company has established ISO14001 environmental management system and ISO45001 occupational safety and health management system since 2004 in order to reduce and prevent the impact that is not conducive to environmental protection and occupational safety and health, and has passed the third-party audit and verification; In terms of corporate governance, the company has formulated the "Code of Practice for</p> | No major deviation |

| Assessment Item | Implementation Status | | | Non-implementation and its reason(s) |
|-----------------|-----------------------|---|---|--------------------------------------|
| | Y | N | Explanation | |
| | | | <p>Corporate Governance", "Code of Practice for Corporate Social Responsibility", "Management and Control Operations to Prevent Insider Trading", "Code of Ethics", "Internal Control System", "Code of Integrity Management", etc. , Through the continuous operation of various management systems and procedures, the risks related to the operation of the environment, employee safety, customers, suppliers, and various stakeholders can be grasped and responded to in real time.</p> <p>2. Based on the "Risk Management Operating Procedures" as the highest guiding principle of risk management, the company consists of the top managers of various departments and functional units to form a "Risk Management Team", which regularly holds meetings to identify the risk factors they may face. Each functional unit identifies the risks including strategy, operation, finance, hazard, asset safety, compliance with laws and regulations, climate change, etc. according to the preventable risk, strategic risk and external risk, and evaluates the risks of various issues according to the principle of materiality, so as to screen out the scope of risk management, To formulate relevant risk management strategies and preventive measures, quantify the identification results, and continue to implement the improvement countermeasures and preventive measures in various risk areas, so as to control the resulting risks within an acceptable range.</p> <p>3. Based on risk assessment, the management policies related to environmental, social and corporate governance are formulated as follows:</p> <p>(1) Comply with customer expectations and environmental safety regulations: In the process of R&D, manufacturing and service, we not only provide products with good quality, easy</p> | |

| Assessment Item | Implementation Status | | | Non-implementation and its reason(s) |
|--|-----------------------|---|---|--------------------------------------|
| | Y | N | Explanation | |
| | | | <p>disassembly, recyclability, qualified labeling, banned and reduced environmental hazardous substances to meet internal and external issues, requirements and expectations of interest groups, but also comply with quality , environmental protection, safety and health related regulations and obligations.</p> <p>(2) Implement accident prevention and process source management: Establish the concept of cost prevention in internal management to avoid environmental, safety and health accidents and pollution affecting business risks; Each operation shall be process oriented and source managed. Preparation and prevention shall be made first, and everything shall be done right the first time, so as to prevent personnel injury and reduce the loss of environmental pollution, bad cost, inspection cost and heavy industry cost.</p> <p>(3) Continuous pursuit of excellent products and environmental safety performance: Applying the spirit of investigating the root cause, we are committed to improving product quality, environmental protection, energy saving, waste reduction and resource reuse, and continue to pay attention to the impact of climate change and the promotion of personnel safety and health, and carry out reasonable and step-by-step improvement. It is necessary to achieve a better P-D-C-A cycle, continuously improve business management performance, and achieve a green and sustainable enterprise.</p> <p>Related content can be found on the official website: http://www.abilitycorp.com.tw/c/about_protection.php</p> | |
| 3. Environmentally Sustainable Development | | | | |

| Assessment Item | Implementation Status | | | Non-implementation and its reason(s) |
|--|-----------------------|---|--|--------------------------------------|
| | Y | N | Explanation | |
| (1) Has the Company set an Environmental management system designed from its industry characteristics? | V | | <p>1.All plant areas of the company have established systems in accordance with ISO14001 environmental management system and passed the third-party verification. SGS audits and verifies and issues ISO14001 certificates, which are valid from July 31, 2020 to July 31, 2023.</p> <p>2.The company establishes a greenhouse gas inventory management system in accordance with iso14064-1, conducts the previous year's greenhouse gas inventory at the beginning of each year, and tracks the emission reduction results. In addition, wastewater treatment, noise control and waste recycling shall be handled in accordance with the environmental safety management system and environmental protection laws and regulations, and the implementation effect and continuous improvement shall be reviewed at any time, and the implementation status shall be reported to the occupational safety and Health Committee quarterly.</p> <p>3.The relevant greenhouse gas inventory and reduction information is disclosed on the public information website: https://mops.twse.com.tw/mops/web/t152sb01</p> | No major deviation |
| (2) If the Company established proper environmental or energy management system based on the characteristics of the industry where the Company belongs to? | V | | <p>1.The company is committed to promoting cleaner production and energy conservation, aiming at saving various expenses, reducing operating costs, creating profits, and improving overall competitiveness and operating performance. For example, the company does not provide paper cups, employees need to bring their own drinking water cups, and employees are encouraged to bring their own environmentally friendly chopsticks; envelopes and kraft paper bags are reused and used as official document transfer bags; workers collect raw materials in boxes and ask suppliers to use them ; The plastic trays containing semi-finished products are recycled and reused by the supplier after being damaged, and the production unit</p> | No major deviation |

| Assessment Item | Implementation Status | | | Non-implementation and its reason(s) |
|--|-----------------------|---|--|--------------------------------------|
| | Y | N | Explanation | |
| | | | <p>actively handles the recycling of materials and the manufacturing process to reduce pollution and reduce the impact on the environment.</p> <p>2. In terms of energy saving, it is implemented at the management level and technical level, mainly including seven major projects including energy-saving glass for exterior walls, VRV frequency conversion central air conditioning, fresh air exchange, LED lighting energy saving, rainwater recycling, water-saving equipment, and solar energy.</p> <p>3. The company's products are designed to meet the considerations of high recyclability, high added value, low pollution and energy saving, and the resource utilization efficiency is controlled from the source.</p> | |
| (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 | | <p>1. 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.</p> <p>2. The company attaches great importance to issues related to climate change, so employees are asked to start from daily work, such as printing documents on both sides as much as possible, setting up a recycling box next to the photocopier for recycling of recycled paper, and using electronic invoices and encouraging Employees use electronic means to transmit official documents or letters, which can greatly reduce paper consumption.</p> <p>3. The company's building has established a central monitoring system to control the energy consumption of the building's air conditioning, lighting, and basement ventilation equipment. The lighting adopts energy-saving LED lamps, and employees respond to the company's policy to develop</p> | No major deviation |

| Assessment Item | Implementation Status | | | Non-implementation and its reason(s) |
|-----------------|-----------------------|---|--|--------------------------------------|
| | Y | N | Explanation | |
| | | | <p>the good habit of turning off the lights and saving energy, in order to slow down global warming</p> <p>4. Response measures</p> <p>4.1. Energy-saving glass for exterior walls-Double Low-E glass curtain, which can introduce natural light and block radiant heat conduction, reducing the energy consumption of air conditioning and lighting;</p> <p>4.2. The central air-conditioning-variable frequency multi-connected system VRV uses the frequency change to meet the actual load demand, and achieves the demand for power saving and energy saving;</p> <p>4.3. Fresh air exchange - all floors use full heat exchangers to reduce air conditioning load, introduce fresh air into the room, effectively improve indoor air quality, and create a comfortable and healthy working environment;</p> <p>4.4. LED lighting energy saving - LED lighting is fully used in the office floors, induction lighting in the stairwell / lunch break and lane light control scheduling, and the lane lamps in the basement are replaced with microwave induction lamps to achieve the effect of energy saving and carbon reduction;</p> <p>4.5. Rainwater recycling - use the land to conserve water, set up a rainwater recycling system on the top floor and basement, and recycle rainwater and air-conditioning condensate water for plant irrigation;</p> <p>4.6. Water-saving equipment - purchase of six major projects including faucets, toilets, and urinals with energy-saving labels.</p> | |

| 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>1.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> <p>1.1 The Company is committed to the greenhouse gas checking to ensure overall emissions of the greenhouse gas from all factories.</p> <p>1.2 The Company continues to promote energy conservation and carbon reduction measures together with development so as to fulfill its corporate sustainable social responsibility.</p> <p>1.3 The Company complies with laws and regulations relating to environmental protection and satisfy its customer requirements.</p> <p>1.4 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> <p>2.The Company classifies the climate change as a corporate-level risk and exert efforts to control relevant risks. The policies include:</p> <p>2.1Pay close attention to the trend of greenhouse gas-related issues around the world.</p> <p>2.2Take care of green manufacturing, green products and green supply chain management.</p> <p>2.3Carry out greenhouse gas measurement and carbon footprint measurement.</p> <p>3.Greenhouse gas emissions in the past two years: Greenhouse gas for 2020:109.237(Scope 1) mt CO2e: 1030.265 (Scope 2) mt CO2e; Total emissions (Scope 1 plus Scope 2): 1139.502 mt CO2e Greenhouse gas for 2021: 111.089 (Scope 1) mt CO2e: 944.819 Scope 2) mt CO2e; Total emissions (Scope 1 plus</p> | No major deviation |

| Assessment Item | Implementation Status | | | Non-implementation and its reason(s) |
|-----------------|-----------------------|---|--|--------------------------------------|
| | Y | N | Explanation | |
| | | | <p>Scope 2): 1055.908 mt CO₂e</p> <p>4.For other measures related to greenhouse gas reduction, water consumption, waste management, etc., please refer to the announcement on the company's website. (http://www.abilitycorp.com.tw).</p> | |

| 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)The company follows the Taiwan Labor Standards Law and the principles of relevant international labor rights norms to protect the legitimate rights and interests of employees and to treat them with fairness and respect. , The company has established management policies and procedures such as "Employee Work Rules", "Sexual Harassment Measures Complaint and Punishment Measures", and "Corporate Social Responsibility Code". And establish a communication mechanism with employees, set up an employee mailbox and an independent complaint line. | 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 has formulated and implemented reasonable employee welfare measures. The company's articles of association stipulate that if there is profit to be allocated to employees' remuneration in the year,it should be appropriately reflected in the employee's remuneration policy according to the business performance or achievements of the company.Detailed Annual Report V. Labor-Management Relations (1) Various employee welfare measures, further education, training, retirement systems and their implementation, as well as labor-management agreements and various employee rights protection measures. In 2021, the company-related benefits totaled NT\$2,545 thousand. Other benefits NT\$9,687 thousand includes the company's employee travel, club activities, subsidies, birthday parties and other employee benefits. | No major deviation |

| Assessment Item | Implementation Status | | | Non-implementation and its reason(s) |
|--|-----------------------|---|---|--------------------------------------|
| | Y | N | Explanation | |
| (3) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training? | Y | | <p>(3) Providing a safe and friendly workplace is the commitment of the company and the basic guarantee for employees. Therefore, establishing a good working environment and ensuring the workplace safety and physical and mental health of employees is the primary responsibility of the company. During normal times, relevant courses are trained for employees, and employees are trained to evacuate and respond to emergency situations through practical exercises to simulate emergency disasters.</p> <p>According to the Occupational Safety and Health Law, the company has established an occupational safety and health committee, which has been continuously verified and passed the ISO14001 environmental management system verification and ISO45001 occupational safety and health management system international standard certification. Based on the control of the working environment or occupational hazards, the company regularly implements working environment monitoring for the workplace every six months, and provides employees with annual health inspections once a year better than the regulations, as a health inspection management for the prevention of occupational diseases. n-Hexane, arrange colleagues to test, carry out tracking management and give necessary individual health consultation, care and guidance, so that colleagues can grasp their own health status.</p> <p>The company also has four major plan guidelines for labor health protection, technical guidelines for maternal health protection in the workplace, guidelines for prevention of human-induced hazards, guidelines for disease prevention caused by abnormal workload, and guidelines for prevention of unlawful violations in the performance of duties.</p> | 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? | Y | | (4) The company creates a good environment for employees' career development, and establishes an effective career development training program to enhance employees' diverse 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 has been completed step by step. The current training system can be divided into pre-employment training for new recruits, professional training for jobs, etc. In 2021, the total hours of education and training were 2383 hours, and the total number of trainees was 236. The total cost of training was NT \$131 thousand. | No major deviation |
| (5) If the Company followed relevant laws and regulations and international guidelines on consumer health and safety, customer privacy, marketing and labeling of products and services etc. and established relevant consumer and customer protection policy and grievance channel? | Y | | (5) The company has good communication channels and dedicated personnel, who are responsible for listening to the needs of stakeholders, collecting feedback information from different communication channels, including customer relations, employee relations, supplier relations, investor relations or community relations, and making explanations, replies and tracking according to the status of the issues. And set up communication channels with various stakeholders on the company's official website, such as links; https://www.abilitycorp.com.tw/c/about_stakeholder.php The company has established an information security management system in accordance with ISO27001 and has continuously passed its standard verification. Through measures such as information security internal audit, external verification, crisis prevention and related education and training, we will strengthen data protection such as personal data protection and customer privacy. | No major deviation |

| Assessment Item | Implementation Status | | | Non-implementation and its reason(s) |
|---|-----------------------|---|--|--------------------------------------|
| | Y | N | Explanation | |
| (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? | Y | | (6) The company has formulated the "Corporate Association Responsibility Implementation and Operational Measures" for suppliers, establishing screening conditions for suppliers to protect the environment, human rights, safety, health and sustainable development, and conduct supplier CSR audits according to the supplier's corporate social responsibility commitment letter and supplier CSR audit. and other means to verify the supplier's implementation of CSR. If it is found that the supplier has violated environmental protection, human rights, safety and health regulations and labor-related regulations, it will put forward a request for improvement within a time limit. | No major deviation |
| 5. If the Company's CSR report prepared based on international recognized standard and if the report verified by the third party? | Y | | 1. The company compiles the corporate social responsibility report with reference to the internationally accepted GRI report compilation standards, and discloses the "corporate social responsibility report" in accordance with the requirements of the competent authority according to the prescribed schedule. 2. It has not obtained the assurance or assurance opinion of the third-party verification agency. | No major deviation |
| 6. If the Company established any guideline of corporate sustainable development in accordance with "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies"? In December 2015, the company's board of directors approved the company's "Corporate Social Responsibility Code of Practice", and in May 2019, the board of directors approved and revised the code to strengthen the implementation of corporate social responsibility. In response to the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies", it was re-amended at the board meeting on April 28, 2022 and renamed as "Corporate Governance Best-Practice Principles". The company regularly reviews the implementation of this code and makes improvements accordingly. So far, there has been no significant difference in implementation. | | | | |

| Assessment Item | Implementation Status | | | Non-implementation and its reason(s) |
|---|---|---|-------------|--------------------------------------|
| | Y | N | Explanation | |
| 7. Other material information that helps to understand the operation of corporate sustainable development: 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. | | | |
| 2021 | 1.The Mustard Seed Mission - Adoption of Taiwan Children's 44 people / month. 2.Genesis Social Welfare Foundation Invoice Donation. | | | |

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 | | | | |
| (1) Does the company have a Boardapproved 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. | No specific deviation |
| (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. | No specific deviation |

| 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. | No specific deviation |
| 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. | No specific deviation |
| (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. | No specific deviation |
| 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 24, 2022

Based on the findings of self-assessment, ABILITY ENTERPRISE CO., LTD. (ABILITY) states the following with regard to its internal control system in 2021:

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, 2021, 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 24, 2022 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

CHANG, Hsiao-Chi
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) |
|--|--|
| 2021.8.12 Shareholders' meetings | <ol style="list-style-type: none"> 1.Approved the Company's 2020 deficit compensation was submitted for recognition. 2.Approved the Company's 2020 business report and financial statements. 3.Approved amendment of the Company's "Articles of Incorporation" 4.Approved to distribute cash from the additional paid-in capital submitted . 5.Approved to lift the restrictions on the prohibition of competition for the incumbent directors of the company. <p>The implementation is as follows :</p> <ul style="list-style-type: none"> – Distribute cash from the additional paid-in capital submitted ; the Ex-dividend date was on 13 September 2021 and the distribution was completed on 6 October 2021. (The cash distribution will be NT\$0.49068803 per share) |
| 2021.7.13 Board meetings | <ol style="list-style-type: none"> 1.The proposal to re-determine the date and place of the 110th annual general meeting of shareholders of the Company. 2.The eligible employees list restricted shares program(including managers) and related matters. 3.It is proposed to add a new investment: ATTONICS SYSTEMS PTE. LTD. |
| 2021.8.13 Board meetings | <ol style="list-style-type: none"> 1.The company and the bank credit renewal related matters. |
| 2021.10.15 Board meetings | <ol style="list-style-type: none"> 1.ABILITY ENTERPRISE (BVI) CO., LTD., a subsidiary of the company will dispose of the shareholding of YORKEY OPTICAL INTERNATIONAL (CAYMAN) LTD.. |
| 2021.11.09 Board meetings | <ol style="list-style-type: none"> 1. "The Company's "2022 internal audit plan". 2.The company and the bank credit renewal related matters. 3.Salary structure and reward case for new managers. 4.The company's 2021 annual salary for managers. 5.The year-end bonus distribution plan for managers and employees of the company in 2021. 6.The company plans to invest an additional \$1.5 million in attonics systems PTE. Ltd. |
| 2021.12.27 Board meetings | <ol style="list-style-type: none"> 1.The Company's 2022 operation plans. 2.Change of President of the company 3.It is proposed to lift the restrictions on the prohibition of competition for the incumbent directors of the company. 4.Salary structure and reward case for new managers. |

| Date/ Decision Maker | Major resolutions (extracts) |
|-----------------------------|---|
| 2022.3.24 Board meetings | <ol style="list-style-type: none"> 1.The Company's 2021 financial statements. 2.The Company's Business Reports and Financial Statements of 2021, submitted for Recognition. 3.“2021 Management's Reports on Internal Control System”. 4.Evaluation of the CPA's independence of the Company. 5.Amendment of the Company's "Articles of Incorporation", submitted for Discussion. 6.Amendment of the Company's " Rules and Procedures of the Shareholders' Meeting", submitted for Discussion. 7.Re-election of all Company's Directors (including independent directors). 8.Matters related to the date, time and place of the 2022 shareholders' meeting. 9.To draw up the place and period for accepting shareholder proposals for the 2022 shareholders' meeting. 10.The company and the bank credit renewal related matters. |
| 2022.4.28 Board meetings | <ol style="list-style-type: none"> 1.The company's 2021 earnings distribution proposal 2.The amendments to the remuneration management measures for directors. 3.Proposal for the amount of directors' remuneration of the company in 2021. 4.Distribution of remuneration for directors for 2021. 5.Proposal for the amount of employee' remuneration of the company in 2021. 6.Payment of remuneration to independent directors. 7.Re-election of all Company's Directors (including independent directors). 8.It is proposed to lift the restrictions on the prohibition of competition for the incumbent directors of the company. 9.The company intends to set up a joint venture company with Ampacsc Corporation. to establish a factory in Binh Duong, Vietnam. 10.Amendment of "Procedures for Acquisition or Disposal of Assets". 11.VIEWQUEST TECHNOLOGIES (BVI) INC, a subsidiary of the Company, intends to conduct liquidation operations. 12.In the first quarter of 2022, the company restricted the right of employees to cancel the capital reduction of new shares and set a benchmark date for capital reduction. 13.The company and the bank credit renewal related matters. 14.Amendment of " Corporate Governance Best-Practice Principles ". 15.Amendment of " Code of Practice on Corporate Governance ". |

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 |
|---------------------------------------|-----------------|---------------------|---------------------|-------------------------|
| President and Chief Executive Officer | Tseng, Ming-Jen | 2003.01.01 | 2022.01.01 | Job adjustment. |

Note: The effective date of the Chief Executive Officer change is January 1, 2022, and he is still the chairman of the company after the position adjustment.

3.4 Information Regarding CPA Fees

Unit: NT\$ thousand

| CPA Firm | CPA | Auditing Period | Auditing Fees | Non-Auditing Fees (Note) | Total | Remark |
|----------|-------------|--------------------------|---------------|--------------------------|-------|--------|
| PWC | Lin, Ya-Hui | 1/1/2021 ~ 12/31/2021 | 2,800 | 140 | 2,940 | - |
| | Wu, Han-Chi | 1/1/2021 ~ 12/31/2021 | | | | |

Note : Issuance of new restricted employee shares.

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: None.

3.5 Information on Change of CPA: None.

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 | 2021 | | 1/1/2022 ~ 4/23/2022 | |
|------------------------------|---|-----------------------------|-------------------------------------|-----------------------------|-------------------------------------|
| | | 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 | ABICO AVY Co., Ltd. Rep. : Tong, Chun-Yi | 6,120,456 | - | 960,456 | - |
| Director | ABICO AVY Co., Ltd. Rep. : Hu, Shiang-Chi | | | | |
| Director | Chia-Nine Investment Co., Ltd. Rep.: Huang, Li-An | - (99,000) | - (1,241,810) | - (252,000) | - - |
| 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 | - | - | - | - |
| President | HANG, HSIAO-CHI | - | - | - | - |
| Assistant Vice President | Adams Chen | 120,000 (128,000) | - | (16,000) | - |
| Assistant Vice President | Vincent Lu | 150,000 (150,000) | - | - | - |
| Chief Financial Officer | Lin, Hung-Tien | 85,000 (85,000) | - | - | - |
| Accounting Supervisor | Lin, HSIN-CHUN (Inaugurate 2021.3.29) | 30,000 (30,000) | - | - | - |
| Corporate Governance officer | Huang, Mei-Ling (Inaugurate 2021.5.4) | - | - | - | - |
| major stockholder | Pegatron Corporation | - | - | - | - |
| President | Tseng, Ming-Jen (Resigned 2021.12.31) | - | - | - | - |
| Accounting Supervisor | Lin, Hung-Tien (Resigned 2021.3.29) | 85,000 (85,000) | - | - | - |

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 04/23/2022

| 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 | 11.52 | — | — | — | — | — | — | |
| | — | — | — | — | — | — | — | — | |
| ABICO AVY Co., Ltd. Rep.: Tong, Chun-Jen | 24,378,000 | 8.47 | — | — | — | — | VIEWQUEST Investment Co., Ltd. | Parent company and subsidiaries | |
| | 548 | 0.00 | 32,841 | 0.01 | — | — | Dong, Yi-Jun | family | |
| CHIA NAI INVESTMENT CO., LTD. Rep.: TUNG, I-CHIA | 8,480,767 | 2.95% | — | — | — | — | — | — | |
| | 529 | 0.00 | 9,996 | 0.00 | — | — | — | — | |
| Bank SinoPac is entrusted to keep a special trust account for restricted stocks in which employees of Ability Enterprise Co., Ltd have voting rights and dividend distribution rights. | 5,177,500 | 1.80% | — | — | — | — | — | — | |
| JPMorgan Chase Bank is entrusted with the custody of Advanced Starlight Fund Company's series of funds Advanced Aggregate International Stock Index Fund Investment Account | 2,620,904 | 0.91% | — | — | — | — | — | — | |
| JPMorgan Chase Bank N.A. , Taipei Branch in custody for Vanguard Total International Stock Index Fund , a series of Vanguard Star Funds | 2,364,491 | 0.82% | — | — | — | — | — | — | |
| Chia-Mei Investment Co., Ltd. Rep.: Dong, Yi-Jun | 2,254,974 | 0.78% | — | — | — | — | — | — | |
| | — | — | 37,710 | 0.01 | — | — | Tong, Chun-Jen | family | |
| CITIBANK Managed UBS Europe SE Investment Account | 1,820,929 | 0.63% | — | — | — | — | — | — | |
| VIEWQUEST Investment Co., Ltd. Rep.: Tong, Chun-Jen | 1,650,000 | 0.57% | — | — | — | — | ABICO AVY Co., Ltd. | Parent company and subsidiaries | |
| | 548 | 0.00% | 32,481 | 0.01 | — | — | Dong, Yi-Jun | family | |
| HSBC (Taiwan) Bank is entrusted to keep the special investment account of Morgan Stanley International Co., Ltd | 1,385,873 | 0.48% | — | — | — | — | — | — | |

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 12/31/2021

| 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. | - | - | 6,600,000 | 100 | 6,600,000 | 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. | - | - | 14,338,918 | 100 | 14,338,918 | 100 |
| CHIA PING LIMITED | - | - | 1,350,000 | 100 | 1,350,000 | 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 | |
| 2019.07 | 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 04/23/2022

| 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 04/23/2022; Units: share

| Item | Government Agencies | Financial Institutions | Other Juridical Persons | Foreign institutions & Natural Persons | Domestic Natural Persons | Treasury stocks | Total |
|------------------------|---------------------|------------------------|-------------------------|--|--------------------------|-----------------|-------------|
| Shares | | | | | | | |
| Number of Shareholders | 0 | 2 | 194 | 120 | 59,075 | 1 | 59,392 |
| Shareholding (shares) | 0 | 5,178,699 | 76,505,013 | 18,027,809 | 187,870,791 | 139,000 | 287,721,312 |
| Percentage | 0.00% | 1.8% | 26.59% | 6.27% | 65.29% | 0.05% | 100.00% |

4.1.3 Shareholding Distribution Status Common Share

(The par value for each share is NT\$10) ; As of 04/23/2022

| Class of Shareholding (Unit : Share) | Number of Shareholders | Shareholding (Shares) | Percentage |
|---|---------------------------|--------------------------|------------|
| 1-999 | 30,760 | 4,638,989 | 1.61% |
| 1,000-5,000 | 21,994 | 45,679,328 | 15.88% |
| 5,001-10,000 | 3,626 | 28,315,729 | 9.84% |
| 10,001-15,000 | 980 | 12,467,919 | 4.33% |
| 15,001-20,000 | 643 | 11,931,539 | 4.15% |
| 20,001-30,000 | 495 | 12,929,415 | 4.49% |
| 30,001-40,000 | 239 | 8,639,867 | 3.00% |
| 40,001-50,000 | 181 | 8,436,772 | 2.93% |
| 50,001-100,000 | 265 | 18,860,136 | 6.56% |
| 100,001-200,000 | 123 | 17,441,154 | 6.06% |
| 200,001-400,000 | 46 | 12,522,587 | 4.35% |
| 400,001-600,000 | 11 | 5,824,422 | 2.02% |
| 600,001-800,000 | 9 | 6,201,339 | 2.16% |
| 800,001-1,000,000 | 3 | 2,520,646 | 0.88% |
| Over 1,000,001~ | 17 | 91,311,470 | 31.74% |
| Total | 59,392 | 287,721,312 | 100.00% |

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

As of 04/23/2022

| Shareholder's Name | Shareholding (Shares) | % |
|----------------------|--------------------------|--------|
| Pegatron Corporation | 33,135,300 | 11.52% |
| ABICO AVY CO., LTD. | 24,378,000 | 8.47% |

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 | | | 2020 (Note 5) | 2021 (Note 5) | 01/01/2022~ 4/28/2022 | |
|------------------------|---|----------------------------------|------------------|------------------|--------------------------|--------|
| Market Price per Share | Highest | | 16.65 | 33.05 | 31.15 | |
| | Lowest | | 9.23 | 13.75 | 23.25 | |
| | Average | | 12.97 | 17.06 | 27.27 | |
| Net Worth per Share | Before Distribution | | 19.90 | 17.06 | 27.27 | Note 1 |
| | After Distribution | | - | - | - | |
| Earnings per Share | Weighted Average Shares (thousand shares) | | 282,363 | 282,363 | 282,400 | Note 1 |
| | EPS | Before adjustment (Note 6) | (1.63) | 2.42 | (0.08) | Note 1 |
| | | After adjustment (Note 6) | (1.63) | 2.42 | (0.08) | Note 1 |
| Dividends per Share | Cash Dividends | | 0.5 | 1.0(Note 6) | - | |
| | Stock Dividend | Dividends from Retained Earnings | - | - | - | |
| | | Dividends from Capital Surplus | - | - | - | |
| | Accumulated Undistributed Dividends | | - | - | - | |
| Return on Investment | Price / Earnings Ratio | | (7.96) | 7.05 | (340.88) | Note 2 |
| | Price / Dividend Ratio | | 25.94 | 17.06(Note 6) | - | Note 3 |
| | Cash Dividend Yield Rate | | 3.86 | 5.86(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 2021 distribute 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 15, 2021 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 2021 Shareholders' Meeting proposed to distribute cash of NT\$1.0 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 2021:

a. Employees' remuneration: NT\$75,629,230.

b. Directors' remuneration: NT\$10,635,361.

The difference between the aforesaid distribution and the estimated amount is the reduction of directors' remuneration by NT\$3,545,120, and the difference is adjusted to profit or loss in 2022.

4.1.8.4 The actual remuneration distribution for employees and directors for 2020 and the discrepancy between which and the recognized amount as well as exact amount of difference, causes and responses:

(1) The 2020 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 04/28/2022

| Type of Restricted Shares | Grant of 2021 |
|---|---|
| Approval Date by the Authority | 2021/4/22 |
| Grant Date | 2021/8/22 |
| Number of Employee Restricted Stock Granted | 5,358,500 |
| Price of Issuance | NT\$ 0 |
| Percentage of Employee Restricted Stocks to Outstanding Common Shares | 1.86% |
| Conditions for Exercise of Employee Restricted Stocks | If employees remain employed for particular years from the issuance date, the following percentage of stocks will be granted accordingly: 1. One year: 40%. 2. Two years: 30%. 3. Three years: 30%. |
| Custody of Employee Restricted Stocks | A total of 5,358,500 shares were delivered to the trust custodian |
| 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 | 139,000 |
| Number of Employee Restricted Stocks Free from Custody | 42,000 |
| Number of Employee Restricted Stocks under Custody | 5,177,500 |
| Number of Employee Restricted Stocks under Custody to Outstanding Common Shares (%) | 1.80% |
| Impact on Shareholders' Equity | 1. Possible expensing amount for three years is estimated to be NT\$72,000 thousand. The annually expensed amount is estimated at NT\$46,800 thousands, NT\$18,000 thousands and NT\$7,200 thousands, respectively. 2. Average possible impact on EPS is estimated at NT\$0.17, NT\$0.06, and NT\$0.03, respectively. 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:

| | Title Name | Title Name | Number of Employee Restricted Shares | Number of Restricted Employee Shares to Outstanding Common Shares | Free from the Trust | | | | Under the Trust | | | |
|-----------------|--------------------------|----------------|--------------------------------------|---|---|-------------------|--------------------------|--|--|-------------------|--------------------------|---|
| | | | | | Number of Employee Restricted Stocks Free | Price of Issuance | Total Amount of Issuance | Number of Employee Restricted Stocks Free from Custody to tanding Common | Number of Employee Restricted Stocks under Custody | Price of Issuance | Total Amount of Issuance | Number of Employee Restricted Stocks under Custody to |
| Management Team | Assistant Vice President | Vincent Lu | 385,000 | 0.13% | 0 | 0 | 0 | 0 | 385,000 | 0 | 0 | 0.13% |
| | Assistant Vice President | Adams Chen | | | | | | | | | | |
| | Chief Financial Officer | Lin, Hung-Tien | | | | | | | | | | |
| | Accounting Supervisor | Lin, Xing-Jun | | | | | | | | | | |
| Employee | Senior Director | Jonny Wu | 865,000 | 0.30% | 0 | 0 | 0 | 0 | 865,000 | 0 | 0 | 0.30% |
| | Senior Director | Roger Chiang | | | | | | | | | | |
| | Senior Director | Jackie Lee | | | | | | | | | | |
| | Director | Darrell Lin | | | | | | | | | | |
| | Director | Casper Wu | | | | | | | | | | |
| | Director | Sean Chao | | | | | | | | | | |
| | Deputy Director | Alan Chang | | | | | | | | | | |
| | senior manager | Tony Tseng | | | | | | | | | | |
| | Special Assistant | Nicol Lee | | | | | | | | | | |
| | Special Assistant | JE Chang | | | | | | | | | | |

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

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

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

4.8 Plans and Implentation of Funds Utilization : None.

5. Business Overview

5.1. Business Activities

5.1.1 Business Scope

1. Main content of the business

- (1) Design, production and sale of digital cameras and video cameras.
- (2) Design, production and sale of other digital image capture devices.
- (3) Undertake the professional design and OEM manufacturing business commissioned by international digital camera manufacturers.
- (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

| 2021 | | |
|----------------|-----------|------|
| Major Products | amount | % |
| Optic products | 3,575,369 | 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, in the market.

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.

It is worth mentioning that many major manufacturers are now trying to introduce AI into cameras, mainly for security monitoring or smart home imaging applications. Through big data analysis, they create imaging products with artificial intelligence. GOOGLE's PIXEL is one of the representative works. . In addition, the smart home system created by AI and big data analysis for video needs of home monitoring or entertainment is also a battleground for military strategists in the past two years. Such products will no longer be dominated by hardware, but will require a series of algorithms including cloud and big data analysis, which will be an opportunity for future development.

The early traditional automotive modules were mainly VGA and one million pixels. However, with the significant improvement of the functions of driver assistance systems (Advanced Driver Assistance Syetems), the image requirements must reach High Definition or Ultra High Definition. (Full High Definition), so the pixel specification requirement has been raised to four or eight million pixels.

High-resolution images, lenses with different viewing angles and installation positions, and back-end processors can provide more intelligent applications and upgrade the safety of roads and drivers.

In the past year, under the influence of the COVID-19, 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 | Year | |
|-----------------|-----------|----------------------------------|
| | 2021 | 1/1/2022 ~ 3/31/2022 (Note 1) |
| R&D Expense (A) | 633,633 | 147,044 |
| Net Revenue (B) | 3,575,369 | 1,042,978 |
| (A)/(B) | 17.72% | 14.10% |

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, electrical and software 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.

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. In addition, the control device of the driving system was jointly developed and patented with a Tier 1 major manufacturer.

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", establishment of AI Frame work, AIOT, 3D TOF, "multi-person dynamic measurement" and "vehicle application", Millimeter wave radar detection system, 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 the analysis of research institutions GlobalData and Fuji Economic Data - the global passenger car shipments will be about 80 million units in 2021, and it is estimated that the global passenger car shipments will reach 84 million units in 2022. The module market can reach US\$6 billion. , Under the increasing safety awareness of consumers and the government's requirement to continuously upgrade the active safety of vehicles, the demand for vehicle lens modules 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.

Starting in 2019, some 40 countries, including Japan and European Union (EU) member states, agreed on draft UN regulations for automatic emergency braking (AEB) systems for new light commercial vehicles. In 2019, the European Union adopted the revised UNECE General Safety Regulation. Requires all automakers to have multiple active safety systems in new cars – including automatic emergency braking (AEB) in new cars starting in July 2024 and driving behavior in new cars starting in July 2026 Detection System (DMS). In 2020, my country is also enacting mandatory installation of a driving vision assistance system for large vehicles to improve driving safety, and it will be enforced in mid-2021. This trend predicts that

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

The supply chain in 2022 is expected to remain tight and under crisis pressure due to repeated epidemics, insufficient production capacity, inflation, geopolitical conflicts and other factors. The Supply Chain Management Office cooperates with the company's operational planning in AI, 5G, edge computing, Targets such as products and ESG issues in automotive and other related fields, and maintaining the supply chain to ensure resilience and timeliness under the rapidly changing market competition and various pressure factors are the management direction and 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 | 2020 | | | | 2021 | | | | As of 2022 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 D | 194,485 | 6.81% | None | Supplier E | 109,979 | 4.07% | None | Supplier G | 38,894 | 4.91% | None |
| 2 | Others | 2,660,629 | 93.19% | — | Supplier F | 109,645 | 4.06% | None | Supplier E | 37,339 | 4.71% | None |
| 3 | — | — | — | — | Others | 2,479,877 | 91.87% | — | Others | 716,077 | 90.38% | — |
| | Net Total Purchases | 2,855,114 | 100% | — | Net Total Purchases | 2,699,501 | 100% | — | Net Total Purchases | 792,310 | 100% | — |

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 | 2020 | | | | 2021 | | | | As of 2022 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 | AA | 397,429 | 11.55 % | None | AA | 533,174 | 14.91 % | None | KK | 198,686 | 19.05% | None |
| 2 | EE | 380,452 | 11.05 % | None | Others | 3,042,195 | 85.09% | None | AA | 178,910 | 17.15% | None |
| 3 | KK | 379,236 | 11.02 % | None | — | — | — | — | Others | 665,382 | 63.80% | None |
| 4 | Others | 2,284,900 | 66.38 % | None | — | — | — | — | — | — | — | — |
| | Net Total Sales | 3,442,017 | 100% | — | Net Total Sales | 3,575,369 | 100% | — | Net Total Sales | 1,042,978 | 100.0% | — |

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 | 2021 | | 2020 | |
|--------------------------|------|----------|-----------|----------|-----------|
| | | Quantity | Amount | Quantity | Amount |
| Optic products | | 4,178 | 1,913,266 | 3,262 | 2,218,591 |
| Optic parts | | 52,415 | 786,235 | 47,104 | 636,523 |

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 | 2021 | | | | 2020 | | | |
|--|------|----------|--------|----------|-----------|----------|--------|----------|-----------|
| | | Domestic | | Export | | Domestic | | Export | |
| | | Quantity | Amount | Quantity | Amount | Quantity | Amount | Quantity | Amount |
| Optic products | | 371 | 91,675 | 3,915 | 2,411,170 | 567 | 70,460 | 2,888 | 2,496,302 |
| Optic parts | | 2,745 | 8,159 | 53,643 | 1,064,365 | 2,117 | 4,293 | 45,023 | 870,962 |

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 | | 2020 | 2021 | As of 2022.4.28 |
|--------------------------|--------------------------|--------|--------|--------------------|
| Number of Employees | Others | 209 | 196 | 215 |
| | R&D | 259 | 274 | 232 |
| | Operator | 58 | 58 | 68 |
| | Total | 526 | 528 | 515 |
| Average Age | | 39.04 | 39.04 | 38.63 |
| Average Years of Service | | 9.16 | 9.16 | 8.67 |
| Education | Ph.D. | 0.19% | 0.38% | 0.38% |
| | Masters | 35.21% | 32.95% | 30.67% |
| | Bachelor's Degree | 58.56% | 57.01% | 57.66% |
| | Senior High School | 6.67% | 7.95% | 9.12% |
| | Below Senior High School | 2.09% | 1.70% | 2.13% |

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 2021 amounted to NT\$2,545 thousand. Other benefits includes company travel, community activities, subsidization, birthdays and other employee benefits of the company, with a total amount of NT\$9,687 thousand.

| Unit: NT\$ thousands | |
|-------------------------|--------|
| Item | Amount |
| Health Checkup Fee | 445 |
| Group Insurance | 1,876 |
| Lifeline Consulting Fee | 193 |
| Networking Fee | 31 |
| Other Benefits | 9,687 |
| Total Amount | 12,232 |

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:

| |
|--|
| <p>Access security</p> <ol style="list-style-type: none"> 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. |
| <p>Maintenance of various equipment</p> <ol style="list-style-type: none"> 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 2021 reached 2,383 hours. The total training attendance reached 236 persons. The total training cost was NT\$131 thousand.

Unit: NT\$ thousands

| Projects in 2021 | Person-Time | Training hours | Training cost |
|----------------------------------|-------------|----------------|---------------|
| Professional Skills Training | 31 | 221.5 | 131 |
| Managerial Training | 5 | 56.0 | |
| General Skills Training | 12 | 22.5 | |
| Labor Health and Safety Training | 77 | 305.0 | |
| Quality Management Training | 48 | 315.0 | |
| Language Training | 27 | 1,370.5 | |
| Orientation Training | 36 | 92.8 | |
| Total Amount | 236 | 2,383.3 | |

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, 2021 were NT\$39,277 and NT\$31,613, 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 Management of Information Security

5.6.1 State the information security risk management structure, the information security policy, the specific management plan and the resources invested in the information security management, etc.

A.Datacom security risk management framework:

The company has established an "Information Security Management System Organization" since 2013. The general manager serves as the chairman, and the top executive of the operation center serves as the representative of information security management. Together with senior executives in different fields, they review the information security and information security related to the company's operations. Protection-related policy formulation, implementation, risk management and compliance review, information security management representatives regularly report information security management effectiveness, information security-related issues and directions to the chairman. The company follows the ISO27001 information security management system to establish an information security executive committee, which is divided into a special information security team, a security prevention team, a crisis management team, an information security audit team, and a supply chain promotion team. Regular meetings are held every year to review and decide on information Security and information protection policies and policies, and the effectiveness of

implementing information security management measures.

B. Information Security Policy:

In order to protect the company's information assets from internal or external damage, whether man-made, intentional or accidental, an information security policy is formulated as a standard for implementing various information security measures. Through the formulation of the information security policy, the company's determination to support information security is clearly declared, and relevant personnel are made to abide by it.

The information security policy is as follows:

1. Protect information from unauthorized use.
2. Avoid disclosure of information to unauthorized persons and maintain confidentiality of information.
3. Prevent unauthorized persons from tampering with information and protect the integrity of information.
4. Legal users can obtain the required information in a timely manner.
5. Implement and abide by the laws and regulations related to information security, and avoid the use of illegal software.
6. Establish a system backup mechanism to maintain the sustainable operation of the company's business.
7. Provide employee information security training to strengthen overall security awareness.
8. Build information security control equipment to detect security loopholes in time to prevent computer hacking and virus damage.
9. Establish a real-time notification system, in order to take immediate response measures when a security incident occurs.

This information security policy is also disclosed on the company website:

https://www.abilitycorp.com.tw/c/about_protection.php

C. The specific management plan and the resources invested in the security management of information communication:

The company follows the information security policy of ISO27001 information security management system, and promotes corresponding management plans and resources as follows:

| Management Program | Required Resources |
|--|---|
| Number of zero incidents in information security | Video surveillance system, access control system |
| Information system downtime ratio <0.5% | Basic equipment of computer room, air-conditioning, fire fighting, power equipment |
| Single downtime of information system <12hrs | Basic equipment of computer room air-conditioning, fire protection, power equipment |
| High-hazard vulnerability scan with 100% correction rate | Legitimate Vulnerability Scanner |
| 100% compliance with information security regulations | Information Security Professionals |
| Information security education and training rate of 100% | Information Security Professional Lecturer |

5.6.2 List the losses, possible impacts and countermeasures suffered by major information security incidents in the most recent year and as of the date of publication of the annual report. If it is impossible to estimate reasonably, the fact that it cannot be reasonably estimated shall be stated: None.

The company follows the ISO27001 information security management system to prevent information security incidents. As of the publication date of this annual report, no major information security incidents have occurred.

5.7 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 | 2021.08.01~2022.07.31 | Short-term credit | None |
| Loan Agreement | Taishin bank | 2021.07.01~2022.06.30 | Short-term credit | None |
| Loan Agreement | CTBC bank | 2021.05.01~2022.04.30 | Short-term credit | None |
| Loan Agreement | Mega bank | 2021.12.06~2022.12.05 | Short-term credit | None |
| Loan Agreement | E.SUN bank | 2022.01.17~2023.01.17 | Short-term credit | None |
| Loan Agreement | DBS bank | 2021.06.10~2022.06.10 | Short-term credit | None |
| Loan Agreement | Shin Kong Bank | 2022.02.11~2023.02.11 | 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

Unit: NT\$ thousands

| Year | | 2017 | 2018 | 2019 | 2020 | 2021 | 2022.3.31 (Note 2) |
|---|---------------------|------------|------------|------------|-----------|-----------|-----------------------|
| Item | | | | | | | |
| Current assets | | 6,859,863 | 5,790,775 | 5,050,839 | 4,168,539 | 4,593,172 | 4,635,068 |
| Property, plant and equipment | | 3,989,763 | 3,539,946 | 3,282,607 | 3,248,040 | 3,192,847 | 3,213,907 |
| Intangible assets | | 5,606 | 159,027 | 82,198 | 9,446 | 10,169 | 8,408 |
| Other assets | | 1,951,179 | 1,558,340 | 1,735,539 | 1,705,158 | 1,169,009 | 1,077,683 |
| Total assets | | 12,806,411 | 11,048,088 | 10,151,183 | 9,131,183 | 8,965,197 | 8,935,066 |
| Current liabilities | Before Distribution | 4,017,477 | 3,442,444 | 3,310,058 | 3,149,299 | 2,286,649 | 2,084,290 |
| | After Distribution | 4,243,369 | 3,583,625 | 3,394,767 | 3,290,480 | (Note 3) | (Note 3) |
| Non-current liabilities | | 82,991 | 82,865 | 82,424 | 85,426 | 61,895 | 62,945 |
| Total liabilities | Before Distribution | 4,100,468 | 3,525,309 | 3,392,482 | 3,234,725 | 2,348,544 | 2,147,235 |
| | After Distribution | 4,326,360 | 3,666,490 | 3,477,191 | 3,290,480 | (Note 3) | (Note 3) |
| Equity Attributable to owners of the Parent | | 8,517,342 | 7,261,906 | 6,493,198 | 5,620,343 | 6,315,063 | 6,464,874 |
| Share capital | | 2,823,650 | 2,823,628 | 2,823,628 | 2,823,628 | 2,877,213 | 2,877,213 |
| Capital surplus | | 1,563,069 | 1,563,455 | 1,563,494 | 1,563,494 | 1,339,848 | 1,341,238 |
| Retained earnings | Before Distribution | 3,978,672 | 3,301,001 | 2,760,523 | 2,223,564 | 2,996,691 | 2,713,286 |
| | After Distribution | 3,752,780 | 3,159,820 | 2,675,814 | 2,082,383 | (Note 3) | (Note 3) |
| Other equity interest | | 151,951 | (426,178) | (654,447) | (990,343) | (898,689) | (465,473) |
| Treasury stock | | 0 | 0 | 0 | 0 | 0 | (1,390) |
| Non-controlling interests | | 188,601 | 260,873 | 265,503 | 276,115 | 310,590 | 322,957 |
| Total Equity | Before Distribution | 8,705,943 | 7,522,779 | 6,758,701 | 5,896,458 | 6,616,653 | 6,787,831 |
| | After Distribution | 8,480,051 | 7,381,598 | 6,673,992 | 5,755,277 | (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

Unit: NT\$ thousands

| Item \ Year | 2017 | 2018 | 2019 | 2020 | 2021 | 2022.3.31 (Note 2) |
|---|------------|-------------|-----------|-----------|-----------|-----------------------|
| Sales revenues | 11,201,600 | 7,635,028 | 6,591,161 | 3,442,017 | 3,575,369 | 1,042,978 |
| Net operating margin | 1,416,172 | 646,291 | 878,393 | 586,903 | 875,868 | 250,668 |
| Net Operating Income (Loss) | 64,853 | (739,861) | (424,984) | (616,298) | (331,358) | (33,036) |
| Non-operating Income and Expense | 163,428 | 225,289 | 77,725 | 155,515 | 1,253,367 | 20,772 |
| Income (Loss) before Tax | 228,281 | (514,572) | (347,259) | (460,783) | 922,009 | (12,264) |
| Income (Loss) for Continued Operations | 206,398 | (425,525) | (379,262) | (444,902) | 720,512 | (12,739) |
| Income (Loss) from Discontinued Operations | — | — | — | — | — | — |
| Net Income (Loss) | 206,398 | (425,525) | (379,262) | (444,902) | 720,512 | (12,739) |
| Other Comprehensive Income (Loss) | 254,173 | (562,105) | (243,674) | (332,632) | 126,024 | 174,395 |
| Total Comprehensive Income (Loss) | 460,571 | (987,630) | (622,936) | (777,534) | 846,536 | 161,656 |
| Net Income Attributable to Owners of the Parent | 217,663 | (463,048) | (399,264) | (459,802) | 684,119 | (21,632) |
| Net Income (Loss) Attributable to Non-controlling Interests | (11,265) | 37,523 | 20,002 | 14,900 | 36,393 | 8,893 |
| Comprehensive Income (Loss) Attributable to Owners of the Parent | 474,693 | (1,021,497) | (627,566) | (788,146) | 821,061 | 140,289 |
| Comprehensive Income (Loss) Attributable to Non-controlling Interests | (14,122) | 33,867 | 4,630 | 10,612 | 25,475 | 21,367 |
| Earnings(Loss) per Share (Note3) | 0.77 | (1.64) | (1.41) | (1.63) | 2.42 | (0.08) |

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

Unit: NT\$ thousands

| Year | | 2017 | 2018 | 2019 | 2020 | 2021 |
|-------------------------------|---------------------|------------|------------|------------|-----------|-----------|
| Item | | | | | | |
| Current assets | | 2,369,138 | 1,665,818 | 2,333,897 | 1,968,055 | 1,728,307 |
| Property, plant and equipment | | 2,756,242 | 2,524,903 | 2,417,874 | 2,366,395 | 2,310,812 |
| Intangible assets | | 4,682 | 9,346 | 6,853 | 8,636 | 9,368 |
| Other assets | | 6,929,791 | 6,348,823 | 5,455,230 | 4,768,284 | 4,421,046 |
| Total assets | | 12,059,853 | 10,548,890 | 10,213,854 | 9,111,370 | 8,469,533 |
| Current liabilities | Before Distribution | 3,481,082 | 3,226,880 | 3,661,523 | 3,282,939 | 2,121,980 |
| | After Distribution | 3,706,974 | 3,368,061 | 3,746,232 | 3,424,120 | (Note 2) |
| Non-current liabilities | | 61,429 | 60,104 | 59,133 | 208,088 | 32,490 |
| Total liabilities | Before Distribution | 3,542,511 | 3,286,984 | 3,720,656 | 3,491,027 | 2,154,470 |
| | After Distribution | 3,768,403 | 3,428,165 | 3,805,365 | 3,632,208 | (Note 2) |
| Share Capital | | 2,823,650 | 2,823,628 | 2,823,628 | 2,823,628 | 2,877,213 |
| Capital surplus | | 1,563,069 | 1,563,455 | 1,563,494 | 1,563,494 | 1,339,848 |
| Retained earnings | Before Distribution | 3,978,672 | 3,301,001 | 2,760,523 | 2,223,564 | 2,996,691 |
| | After Distribution | 3,752,780 | 3,159,820 | 2,675,814 | 2,082,383 | (Note 2) |
| Other equity interest | | 151,951 | (426,178) | (654,447) | (990,343) | (898,689) |
| Treasury stock | | — | — | — | — | — |
| Total Equity | Before Distribution | 8,517,342 | 7,261,906 | 6,493,198 | 5,620,343 | 6,315,063 |
| | After Distribution | 8,291,450 | 7,120,725 | 6,408,489 | 5,479,162 | (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

Unit: NT\$ thousands

| Item \ Year | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|-----------|-------------|-----------|-----------|-----------|
| Sales revenues | 9,959,455 | 5,622,943 | 4,009,775 | 2,064,103 | 2,230,373 |
| Net operating margin | 1,059,880 | 248,066 | 950,739 | 429,816 | 398,958 |
| Net Operating Income (Loss) | 13,907 | (792,267) | 7,870 | (392,026) | (485,704) |
| Non-operating Income and Expense | 206,886 | 210,725 | (391,620) | (104,729) | 1,341,261 |
| Income (Loss) before Tax | 220,793 | (581,542) | (383,750) | (496,755) | 855,557 |
| Income (Loss) for Continued Operations | 217,663 | (463,048) | (399,264) | (459,802) | 684,119 |
| Income (Loss) from Discontinued Operations | — | — | — | — | — |
| Net Income (Loss) | 217,663 | (463,048) | (399,264) | (459,802) | 684,119 |
| Other Comprehensive Income (Loss) | 257,030 | (558,449) | (228,302) | (328,344) | 136,942 |
| Total Comprehensive Income (Loss) | 474,693 | (1,021,497) | (627,566) | (788,146) | 821,061 |
| Earnings(Loss) per Share (Note 2) | 0.77 | (1.64) | (1.41) | (1.63) | 2.42 |

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 |
|------|----------|----------------------------------|------------------|
| 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 |
| 2021 | PWC | Ya-Hui Lin Han-Chi Wu | Unqualified |

6.2 Five-Year Financial Analysis

6.2.1 Consolidated Financial Analysis

| Year | | 2017 | 2018 | 2019 | 2020 | 2021 | 2022.3.31 (Note 2) | Remake |
|--|---|---|---------|---------|---------|---------|-----------------------|--------|
| Item (Note 4) | | | | | | | | |
| Capital structure (%) | Debt ratio | 32.02 | 31.91 | 33.42 | 35.43 | 26.20 | 24.03 | (1) |
| | Ratio of long-term capital to property, plant and equipment | 218.21 | 212.51 | 205.89 | 181.54 | 207.23 | 211.20 | |
| Solvency | Current ratio (%) | 170.75 | 168.22 | 152.59 | 132.36 | 200.87 | 222.38 | (1) |
| | Quick ratio (%) | 131.39 | 124.85 | 131.90 | 113.82 | 153.69 | 164.49 | (1) |
| | Times interest earned (Times) | 42.07 | (76.27) | (43.75) | (34.97) | 94.41 | (11.20) | (1) |
| Operating ability | Accounts receivable turnover (Times) | 5.78 | 4.82 | 6.32 | 4.65 | 4.72 | 5.71 | |
| | Average collection period | 63.14 | 75.72 | 57.75 | 78.49 | 77.33 | 63.92 | |
| | Inventory turnover (Times) | 5.84 | 4.03 | 4.42 | 3.14 | 2.43 | 2.35 | (1) |
| | Accounts payable turnover (Times) | 3.93 | 3.34 | 4.12 | 3.46 | 3.28 | 3.67 | |
| | Average days in sales | 62.50 | 90.57 | 82.57 | 116.24 | 150.20 | 155.31 | (1) |
| | Property, plant, and equipment turnover (Times) | 2.83 | 2.03 | 1.93 | 1.05 | 1.11 | 1.30 | |
| | Total assets turnover (Times) | 0.87 | 0.64 | 0.62 | 0.36 | 0.40 | 0.47 | |
| Profitability | Return on total assets (%) | 1.63 | (3.52) | (3.52) | (4.51) | 8.05 | (0.13) | (2) |
| | Return on stockholders' equity (%) | 2.40 | (5.24) | (5.31) | (7.03) | 11.52 | (0.19) | (2) |
| | Pretax profit to paid-in capital (%) | 8.08 | (18.22) | (12.30) | (16.32) | 32.05 | (0.43) | (2) |
| | Net profit margin (%) | 1.84 | (5.57) | (5.75) | (12.93) | 20.15 | (1.22) | (2) |
| | Basic earnings(Loss) per share (\$) (Note 3) | 0.77 | (1.64) | (1.41) | (1.63) | 2.42 | (0.08) | (2) |
| Cash flow | Cash flow ratio (%) | 7.59 | (8.21) | 17.15 | (8.53) | (27.36) | (8.76) | (1) |
| | Cash flow adequacy ratio (%) | 126.45 | 81.17 | 75.13 | 26.49 | (12.02) | (42.71) | (1) |
| | Cash reinvestment ratio (%) | 0.35 | (4.20) | 3.78 | (3.46) | (7.08) | (1.66) | (1) |
| Leverage | Operating leverage | 26.04 | (1.06) | (2.14) | (0.98) | (2.61) | (7.48) | (1) |
| | Financial leverage | 1.09 | 0.99 | 0.98 | 0.98 | 0.97 | 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. | | | | | | |
| | | (2)Mainly due to this year's recognition of Nangang's real property disposition interests has resulted in an increase in pre-tax profit and loss for the current period compared with last year. | | | | | | |

6.2.2 Individual Financial Analysis

| Year | | 2017 | 2018 | 2019 | 2020 | 2021 | Remake |
|--|---|--|----------|---------|---------|--------|--------|
| Item (Note 4) | | | | | | | |
| Capital structure (%) | Debt ratio | 29.37 | 31.16 | 36.43 | 38.32 | 25.44 | (1) |
| | Ratio of long-term capital to property, plant and equipment | 309.02 | 287.61 | 268.55 | 237.51 | 273.28 | |
| Solvency | Current ratio (%) | 68.06 | 51.62 | 63.74 | 59.95 | 81.45 | (1) |
| | Quick ratio (%) | 67.96 | 51.59 | 61.50 | 58.84 | 78.57 | (1) |
| | Times interest earned (Times) | 3,562.18 | (979.68) | (80.44) | (47.63) | 150.63 | (1) |
| Operating ability | Accounts receivable turnover (Times) | 6.36 | 5.47 | 7.72 | 5.73 | 5.94 | |
| | Average collection period | 57.39 | 66.73 | 47.28 | 63.69 | 61.44 | |
| | Inventory turnover (Times) | 2,584.08 | 3,134.95 | 76.09 | 14.62 | 13.15 | |
| | Accounts payable turnover (Times) | 3.07 | 2.18 | 1.43 | 0.97 | 1.30 | (1) |
| | Average days in sales | 0.14 | 0.12 | 4.80 | 24.97 | 27.76 | |
| | Property, plant, and equipment turnover (Times) | 3.79 | 2.13 | 1.62 | 0.86 | 0.95 | |
| | Total assets turnover (Times) | 0.81 | 0.50 | 0.39 | 0.21 | 0.25 | |
| Profitability | Return on total assets (%) | 1.77 | (4.09) | (3.81) | (4.67) | 7.83 | (1) |
| | Return on stockholders' equity (%) | 2.59 | (5.87) | (5.81) | (7.59) | 11.46 | (1) |
| | Pretax profit to paid-in capital (%) | 7.82 | (20.60) | (13.59) | (17.59) | 29.74 | (2) |
| | Net profit margin (%) | 2.19 | (8.23) | (9.96) | (22.28) | 30.67 | (2) |
| | Basic earnings(Loss) per share (\$) (Note 3) | 0.77 | (1.64) | (1.41) | (1.63) | 2.42 | (2) |
| Cash flow | Cash flow ratio (%) | 0.00 | 0.00 | 8.92 | 0.00 | 0.00 | |
| | Cash flow adequacy ratio (%) | 128.88 | 86.98 | 53.25 | 1.36 | 0.00 | |
| | Cash reinvestment ratio (%) | 0.00 | 0.00 | 1.50 | 0.00 | 0.00 | |
| Leverage | Operating leverage | 75.72 | (0.31) | 115.61 | (1.03) | (0.74) | (1) |
| | Financial leverage | 1.00 | 1.00 | 2.49 | 0.97 | 0.99 | |
| Analysis of financial ratio change in the last two years : | | <p>(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.</p> <p>(2)Mainly due to this year's recognition of Nangang's real property disposition interests has resulted in an increase in pre-tax profit and loss for the current period compared with last year.</p> | | | | | |

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)" 2021 Business Report, Financial Statements, and proposal for earning distribution. 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 earning distribution 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
Apr.28, 2022

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 | 2021 | 2020 | Difference | |
|---|-----------|-----------|------------|---------|
| | | | Amount | % |
| Current Asset | 4,593,172 | 4,168,539 | 424,633 | 10.19 |
| Property, plant and equipment | 3,192,847 | 3,248,040 | (55,193) | (1.70) |
| Intangible Assets | 10,169 | 9,446 | 723 | 7.65 |
| Other Assets | 1,169,009 | 1,705,158 | (535,149) | (31.44) |
| Total Assets | 8,965,197 | 9,131,183 | (165,986) | (1.82) |
| Current Liabilities | 2,286,649 | 3,149,299 | (862,650) | (27.39) |
| Non-current liabilities | 61,895 | 85,426 | (23,531) | (27.55) |
| Total Liabilities | 2,348,544 | 3,234,725 | (886,181) | (27.40) |
| Equity Attributable to owners of the Parent | 6,315,063 | 5,620,343 | 694,720 | 12.36 |
| Share capital | 2,877,213 | 2,823,628 | 53,585 | 1.90 |
| Capital surplus | 1,339,848 | 1,563,494 | (223,646) | (14.30) |
| Retained earnings | 2,996,691 | 2,223,564 | 773,127 | 34.77 |
| Other equity interest | (898,689) | (990,343) | 91,654 | (9.25) |
| Non-controlling interests | 301,590 | 276,115 | 25,475 | 9.23 |
| Total Equity | 6,616,653 | 5,896,458 | 720,195 | 12.21 |
| <p>Analysis of changes in financial ratios:</p> <p>(1) The decrease in other assets was mainly due to the sale of investment real estate.</p> <p>(2) The decrease in current liabilities was mainly due to the repayment of short-term loans.</p> | | | | |

7.2 Analysis of Operating Results - Consolidated

7.2.1 Analysis of Operating Results

Unit: NT\$ thousands

| Item \ Year | 2021 | 2020 | Difference amount | Difference % |
|---|-----------|-----------|-------------------|--------------|
| Net Sales | 3,575,369 | 3,442,017 | 133,352 | 3.87 |
| Cost of Sales | 2,699,501 | 2,855,114 | (155,613) | (5.45) |
| Gross Profit | 875,868 | 586,903 | 288,965 | 49.24 |
| Operating Expense | 1,207,226 | 1,203,201 | 4,025 | 0.33 |
| Net Operating Income (Loss) | (331,358) | (616,298) | 284,940 | (46.23) |
| Non-operating Income and Expenses | 1,253,367 | 155,515 | 1,097,852 | 705.95 |
| Profit (Loss) Before Tax | 922,009 | (460,783) | 1,382,792 | (300.10) |
| Income Tax Expense | (201,497) | (15,881) | (185,616) | 1,168.79 |
| Profit (Loss) After Tax | 720,512 | (444,902) | 1,165,414 | (261.95) |
| Analysis of changes in financial ratios over 20%: | | | | |
| (1) The increase in non-operating income and expenses was mainly due to the sale of investment real estate. | | | | |
| (2) The increase in profit (loss) before tax was mainly due to the sale of investment real estate. | | | | |

7.2.2 Analysis of changes in the operating profit margin:

Mainly due to the impact of the COVID-19 pneumonia epidemic in 2020, the supply chain was chaotic and the phenomenon of long and short materials. The lead-time long material preparation increased, and the loss of inventory depreciation was listed according to the accounting policy. In 2021, after the inventory was successfully digested, the inventory fell in value. The loss will be turned into a recovery profit; coupled with the adjustment of the product mix, it will develop towards a small, diversified and high-margin market.

7.3 Analysis of Cash Flow

7.3.1 Cash Flow Analysis for the Current Year – Consolidated

Unit: NT\$ thousand

| Cash Balance 1/1/2021 | Net Cash Provided by Operating Activities in 2021 | Net Cash Used in Investing and Financing Activities in 2021 | Cash Balance 12/31/2021 | Supplement measures for insufficient cash | |
|--------------------------|---|--|----------------------------|--|-----------------------|
| | | | | Investment planning | Financial planning |
| 2,498,472 | (625,585) | 264,279 | 2,137,166 | None | None |

- Cash flows used in operating activities 625,585 : Mainly due to increase in inventories.
- Cash flows from in investing activities 1,613,691 : Mainly for the disposal of real estate, plant and equipment.
- Cash flows used in financing activities 1,349,412 : Mainly due to the repayment of short-term loans 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 2021 are NT\$6,585 thousand, NT\$3,426 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 annual growth rate of consumer price index and wholesale price index was 1.96% and 9.42% respectively in 2021. In the face of imported inflation pressure, the domestic inflation rate continued to be high, and the Central Bank of the Republic of China (Taiwan) raised the policy interest rate by 0.25% in March 2022. Given that global inflation still faces conspicuous upside risk, the Central Bank of the Republic of China (Taiwan) will keep close watch on developments related to international raw material prices, monetary policy actions by major economies, and geopolitical risks, and how these factors affect domestic prices and economic and financial conditions. Based on the assessments thereof, the Central Bank of the Republic of China (Taiwan) may adjust its monetary policy timely and appropriately to fulfill the statutory duties of maintaining price stability, safeguarding financial stability, and fostering economic development, and did not have material impact on the Company's financial conditions in 2021.

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 2021 that the company has invested in is NT\$633,633 thousand, accounting for 18% of the revenue. In 2022, an additional amount of NT\$553,508 thousand is estimated 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: The Company monitors material changes in governing regulations and laws and be fully aware of the changes in the markets. In 2021 and as of the date of this annual report, there were no such risks to the Company.

7.6.5 Effects of and Response to Changes in Technology (including Risk of Information Security) 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 establishment of new overseas production is to meet the customers' demand, and to enhance our competitiveness in the international market. Vietnam has lower production costs, tax incentives, and a complete supply chain compared to Southeast Asian countries. Therefore, the Company plans to invest in Vietnam. The Company can share the business risk with the joint venture partner, Ampacs Corporation (hereinafter referred to as Ampacs) , which has experience and resources in Vietnam. In the future, the Company will lead the customer service and core manufacturing technology, and Ampacs will manage the operation of plants. To achieve the multi-benefits of the joint venture, both parties will work together to plan the production bases needed for business growth and develop high-quality and globally competitive products to meet customers' demands.

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 diverse and reduce the risks of significant impacts from single or few clients on us.

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

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

7.6.12 Litigation or Non-litigation Matters :

In 2021 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.

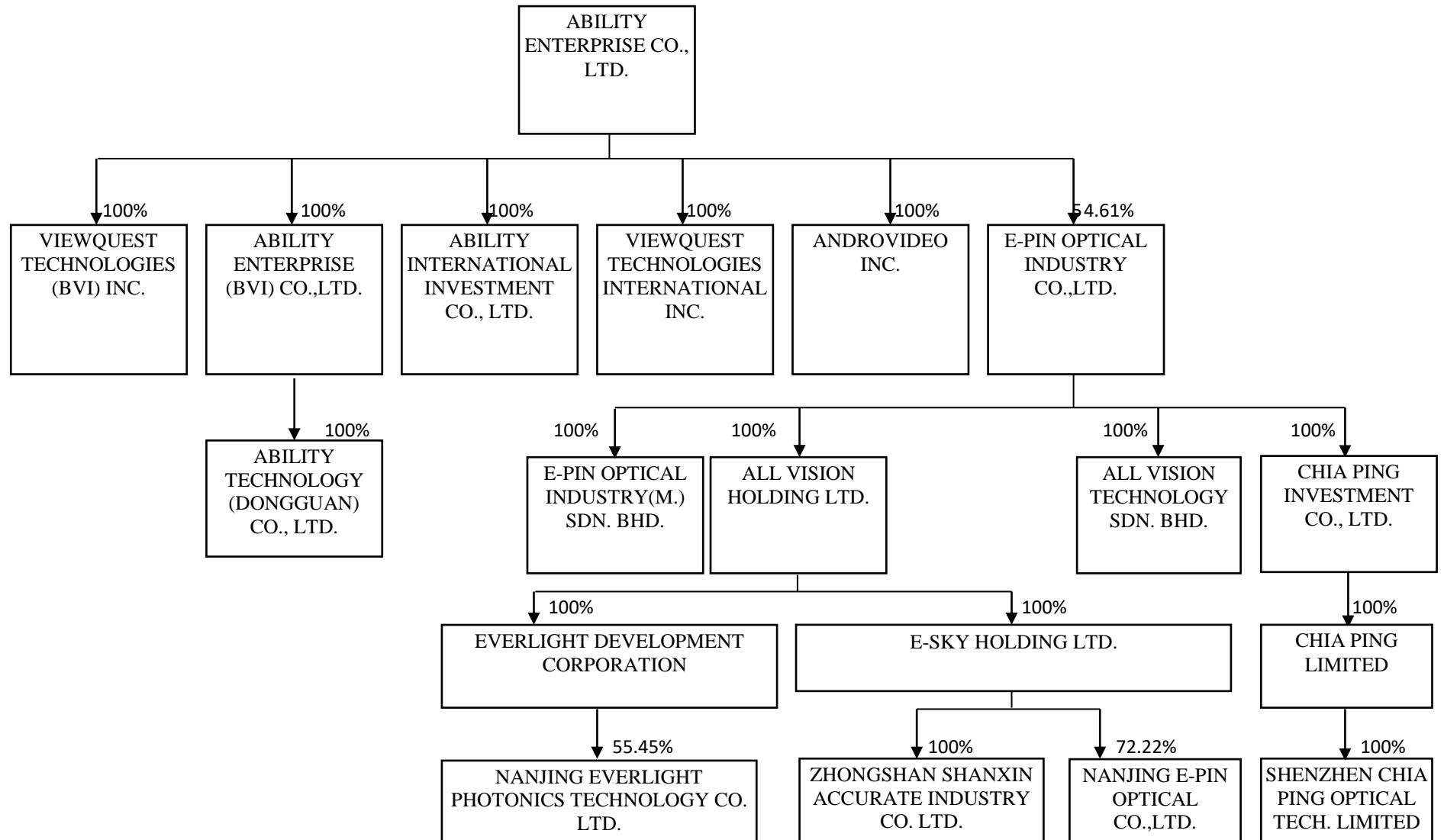
7.6.13.Other significant risk and mitigation measures being or to be taken: No other significant risks.

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 12/31/2021; 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.) | NTD66,000 | Investments |
| ABILITY TECHNOLOGY (DONGGUAN)CO., LTD. | 2003.12.29 | Dongguan , China | RMB415,913,406 | 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 | USD1,350,000 | Holding company |
| SHENZHEN CHIA PING OPTICAL TECHNOLOGY LIMITED | 2018.11.08 | Shenzhen, China | RMB8,806,740 | 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 | RMB76,397,006 | Development and manufacturing of various types of precision lens |
| NANJING E-PIN OPTICAL CO.,LTD. | 1994.05.24 | Nanjing, China | RMB53,163,523 | 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 |
| 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- Liao, Wen-Cheng | 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 | 6,600,000 | 100.00 |
| | Director | E-PIN OPTICAL- Yin, Zhi-Xiang | 6,600,000 | 100.00 |
| | Director | E-PIN OPTICAL-Pan, Ching-Hsiang | 6,600,000 | 100.00 |
| | Supervisor | E-PIN OPTICAL- Chen, Ting-Shen | 6,600,000 | 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) - Lin, Hung-Tien | — | 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 | 14,338,918 | 100.00 |
| CHIA PING LIMITED | Director | Lu, Chien-Hsun | 1,350,000 | 100.00 |
| SHENZHEN CHIA PING OPTICAL TECHNOLOGY LIMITED | Director | Lu, Chien-Hsun | — | 100.00 |
| | Supervisor | Zhong, Pei-Yi | — | |
| NANJING EVERLIGHT PHOTONICS TECHNOLOGY CO. LTD. | Chairman | EVERLIGHT DEVELOPMENT CORP. -Pan, Ching-Hsiang | — | 55.45 |
| | | EVERLIGHT DEVELOPMENT CORP. | — | 55.45 |
| | Director | -Ju, Ming-Jang | — | 55.45 |
| | | EVERLIGHT DEVELOPMENT CORP. | — | |
| | Director | -Wang, Shang-Li | — | 55.45 |
| | | EVERLIGHT DEVELOPMENT CORP. | — | |
| | Director | - Lin, Yong-Shan | — | 38.74 |
| | | NANJING NEW INDUSTRY INVESTMENT GROUP CO.,LTD | — | |
| | Vice Chairman | -Shin, Chien-Hua | — | 38.74 |
| | | NANJING NEW INDUSTRY INVESTMENT GROUP CO.,LTD | — | |
| ZHONGSHAN SHANXIN ACCURATE INDUSTRY CO. LTD. | Director | -Wang, Hsin-Yu | — | 5.81 |
| | Director | Shih-Hua | — | |
| | Supervisor | NANJING NEW INDUSTRY INVESTMENT GROUP CO.,LTD | — | |
| | | -Huang, Wei-Min | — | |
| NANJING E-PIN OPTICAL CO.,LTD. | Chairman | E-SKY HOLDING LTD.-Pan, Ching-Hsiang | — | 100.00 |
| | Director | E-SKY HOLDING LTD.- Wu, Zhi-Yu | — | 100.00 |
| | Director | E-SKY HOLDING LTD.- Yin, Zhi-Xiang | — | 100.00 |
| | Director | E-SKY HOLDING LTD.- Wang, Jun-Feng | — | 100.00 |
| | Supervisor | Chung, Pei-Yi | — | — |
| 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 12/31/2021 ; Unit: NT\$ thousands

| Company | Capital Stock | Assets | Liabilities | Net Worth |
|---|---------------|-----------|-------------|-----------|
| ABILITY ENTERPRISE CO., LTD. | 2,877,213 | 8,469,533 | 2,154,470 | 6,315,063 |
| ABILITY ENTERPRISE (BVI) CO., LTD. | 709,577 | 2,384,176 | 442,025 | 1,942,151 |
| VIEWQUEST TECHNOLOGIES (BVI) INC. | 1,141,789 | 1,368,927 | 10,699 | 1,358,228 |
| VIEWQUEST TECHNOLOGIES INTERNATIONAL INC. | 50,729 | 447 | 0 | 447 |
| ABILITY INTERNATIONAL INVESTMENT CO., LTD. | 13,000 | 16,302 | 0 | 16,302 |
| ANDROVIDEO INC. | 70,000 | 6,026 | 0 | 6,026 |
| E-PIN OPTICAL INDUSTRY CO.,LTD. | 236,000 | 735,445 | 489,662 | 245,783 |
| CHIA PING INVESTMENT CO., LTD. | 66,000 | 65,537 | 42 | 65,495 |
| ABILITY TECHNOLOGY (DONGGUAN)CO., LTD. | 1,619,280 | 2,343,119 | 886,755 | 1,456,364 |
| ALL VISION HOLDING LTD. | 516,528 | 199,262 | 0 | 199,262 |
| E-PIN OPTICAL INDUSTRY(M.) SDN. BHD. | 45,700 | 4,141 | 2,866 | 1,275 |
| ALL VISION TECHNOLOGY SDN. BHD. | 659,334 | 12,500 | 4,117 | 8,383 |
| EVERLIGHT DEVELOPMENT CORPORATION | 161,911 | 261,779 | 0 | 261,779 |
| E-SKY HOLDING LTD. | 396,901 | (62,524) | 0 | (62,524) |
| CHIA PING LIMITED | 38,255 | 38,442 | 0 | 38,442 |
| SHENZHEN CHIA PING OPTICAL TECHNOLOGY LIMITED | 37,368 | 70,221 | 31,779 | 38,442 |
| NANJING EVERLIGHT PHOTONICS TECHNOLOGY CO. LTD. | 283,720 | 360,588 | 98,903 | 261,685 |
| ZHONGSHAN SHANXIN ACCURATE INDUSTRY CO. LTD. | 240,816 | 114,056 | 176,771 | (62,715) |
| NANJING E-PIN OPTICAL CO.,LTD. | 199,302 | 185 | 0 | 185 |

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, 2021, 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

Chairman : Tseng, Ming-Jen



March 24, 2022

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.

Consolidated Financial Statements

**ABILITY ENTERPRISE CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2021 AND 2020**

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.

ABILITY ENTERPRISE CO., LTD.
DECEMBER 31, 2021 AND 2020 CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
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INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR21000446

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, 2021 and 2020, 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, 2021 and 2020, 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 Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's 2021 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, 2021, the balances of the Group's inventory and allowance for inventory valuation loss were NT\$1,259,040 thousand and NT\$265,770 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 Group recognises inventories at the lower of cost and net realisable value; for inventories which are separately identified as obsolete and damaged, the Group 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.
- Obtained an understanding of the method used in determining 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 equipment 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, 2021, the balance of property, plant and equipment and investment property totaled to NT\$3,266,632 thousand.

The property, plant and equipment and investment property primarily consist of land, buildings and structures, constituting 36% 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 under equity method that are included in the financial statements, which statements reflect total assets (including investments accounted for using equity method) of NT\$23,686 thousand and NT\$64,878 thousand, constituting 0.26% and 0.71% of consolidated total assets as of December 31, 2021 and 2020, respectively, operating revenues of NT\$0 and NT\$32,962 thousand, constituting 0% and 0.96% of the consolidated total net operating revenue for the years then ended, respectively, and the related share of profit (loss) of associates and joint ventures accounted for under equity method of NT\$5,730 thousand and (NT\$74,486) thousand, constituting 0.68% and 9.58% 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, 2021 and 2020.

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.

Lin, Ya-Hui

Wu, Han-Chi

For and on Behalf of PricewaterhouseCoopers, Taiwan

March 24, 2022

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, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

| Assets | | Notes | December 31, 2021 | | December 31, 2020 | |
|--------------------|---|------------|-------------------|-----|-------------------|-----|
| | | | AMOUNT | % | AMOUNT | % |
| Current assets | | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | \$ 2,137,166 | 24 | \$ 2,498,472 | 27 |
| 1110 | Financial assets at fair value through profit or loss - current | 6(2) | 16,101 | - | 16,073 | |
| 1120 | Current financial assets at fair value through other comprehensive income | 6(3) | 413,429 | 4 | 279,967 | 3 |
| 1136 | Current financial assets at amortised cost | 6(4) | 65,123 | 1 | 218,240 | 2 |
| 1170 | Accounts receivable, net | 6(5) and 7 | 813,800 | 9 | 529,291 | 6 |
| 130X | Inventory | 6(6) | 993,270 | 11 | 496,549 | 6 |
| 1470 | Other current assets | 6(7) | 154,283 | 2 | 129,947 | 2 |
| 11XX | Total current assets | | 4,593,172 | 51 | 4,168,539 | 46 |
| Non-current assets | | | | | | |
| 1517 | Non-current financial assets at fair value through other comprehensive income | 6(3) | 793,580 | 9 | 650,592 | 7 |
| 1550 | Investments accounted for under equity method | 6(8) | 61,559 | 1 | 58,476 | 1 |
| 1600 | Property, plant and equipment | 6(9) and 8 | 3,192,847 | 35 | 3,248,040 | 36 |
| 1755 | Right-of-use assets | 6(10) | 84,981 | 1 | 105,938 | 1 |
| 1760 | Investment property - net | 6(11) | 73,785 | 1 | 644,111 | 7 |
| 1780 | Intangible assets | 6(12) | 10,169 | - | 9,446 | - |
| 1840 | Deferred income tax assets | 6(29) | 99,712 | 1 | 211,985 | 2 |
| 1900 | Other non-current assets | | 55,392 | 1 | 34,056 | - |
| 15XX | Total non-current assets | | 4,372,025 | 49 | 4,962,644 | 54 |
| 1XXX | Total assets | | \$ 8,965,197 | 100 | \$ 9,131,183 | 100 |

(Continued)

ABILITY ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

| Liabilities and Equity | | | December 31, 2021 | | December 31, 2020 | |
|---|---|-------|-------------------|-------|-------------------|-------|
| | | | AMOUNT | % | AMOUNT | % |
| Current liabilities | | | | | | |
| 2100 | Short-term borrowings | 6(14) | \$ 266,979 | 3 | \$ 1,370,415 | 15 |
| 2170 | Accounts payable | 7 | 921,563 | 10 | 726,066 | 8 |
| 2200 | Other payables | 6(15) | 814,400 | 9 | 765,999 | 8 |
| 2230 | Current income tax liabilities | | 5,739 | - | 4,469 | - |
| 2250 | Current provisions | 6(18) | 55,000 | 1 | 72,106 | 1 |
| 2280 | Current lease liabilities | | 13,557 | - | 17,114 | - |
| 2300 | Other current liabilities | 6(23) | 209,411 | 2 | 193,130 | 2 |
| 21XX | Total current liabilities | | 2,286,649 | 25 | 3,149,299 | 34 |
| Non-current liabilities | | | | | | |
| 2580 | Non-current lease liabilities | | 5,041 | - | 19,873 | - |
| 2600 | Other non-current liabilities | | 56,854 | 1 | 65,553 | 1 |
| 25XX | Total non-current liabilities | | 61,895 | 1 | 85,426 | 1 |
| 2XXX | Total liabilities | | 2,348,544 | 26 | 3,234,725 | 35 |
| Equity | | | | | | |
| Equity attributable to owners of parent | | | | | | |
| | Share capital | 6(19) | | | | |
| 3110 | Common stock | | 2,877,213 | 32 | 2,823,628 | 31 |
| | Capital surplus | 6(20) | | | | |
| 3200 | Capital surplus | | 1,339,848 | 15 | 1,563,494 | 18 |
| | Retained earnings | 6(21) | | | | |
| 3310 | Legal reserve | | 1,655,947 | 19 | 1,655,947 | 18 |
| 3320 | Special reserve | | 654,447 | 7 | 654,447 | 7 |
| 3350 | Unappropriated retained earnings | | | | | |
| | (Accumulated deficit) | | 686,297 | 8 | (86,830) | (1) |
| | Other equity interest | 6(22) | | | | |
| 3400 | Other equity interest | | (898,689) | (10) | (990,343) | (11) |
| 31XX | Equity attributable to owners of the parent | | 6,315,063 | 71 | 5,620,343 | 62 |
| 36XX | Non-controlling interest | | 301,590 | 3 | 276,115 | 3 |
| 3XXX | Total equity | | 6,616,653 | 74 | 5,896,458 | 65 |
| 3X2X | Total liabilities and equity | | \$ 8,965,197 | 100 | \$ 9,131,183 | 100 |

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

ABILITY ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars, except for earnings (loss) per share amounts)

| | Items | Notes | Year ended December 31 | | | |
|------|--|----------------|------------------------|-----------|---------------------|--------------|
| | | | 2021 | | 2020 | |
| | | | AMOUNT | % | AMOUNT | % |
| 4000 | Sales revenue | 6(23) and 7 | \$ 3,575,369 | 100 | \$ 3,442,017 | 100 |
| 5000 | Operating costs | 6(6)(28) and 7 | (2,699,501) | (75) | (2,855,114) | (83) |
| 5950 | Net operating margin | | 875,868 | 25 | 586,903 | 17 |
| | Operating expenses | 6(28) | | | | |
| 6100 | Selling expenses | | (103,749) | (3) | (113,390) | (3) |
| 6200 | General and administrative expenses | | (465,593) | (13) | (452,466) | (13) |
| 6300 | Research and development expenses | | (633,633) | (18) | (637,095) | (19) |
| 6450 | Impairment loss determined in accordance with IFRS 9 | 12(2) | (4,251) | - | (250) | - |
| 6000 | Total operating expenses | | (1,207,226) | (34) | (1,203,201) | (35) |
| 6900 | Operating loss | | (331,358) | (9) | (616,298) | (18) |
| | Non-operating income and expenses | | | | | |
| 7100 | Interest income | 6(24) | 9,550 | - | 25,616 | 1 |
| 7010 | Other income | 6(25) | 64,725 | 2 | 66,353 | 2 |
| 7020 | Other gains and losses | 6(26) | 1,182,378 | 33 | 72,930 | 2 |
| 7050 | Finance costs | 6(27) | (9,871) | - | (12,810) | - |
| 7060 | Share of profit of associates and joint ventures accounted for under equity method | 6(8) | 6,585 | - | 3,426 | - |
| 7000 | Total non-operating income and expenses | | 1,253,367 | 35 | 155,515 | 5 |
| 7900 | Profit (loss) before income tax | | 922,009 | 26 | (460,783) | (13) |
| 7950 | Income tax (expense) benefit | 6(29) | (201,497) | (6) | 15,881 | - |
| 8200 | Profit (loss) for the year | | <u>\$ 720,512</u> | <u>20</u> | <u>(\$ 444,902)</u> | <u>(13)</u> |

(Continued)

ABILITY ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars, except for earnings (loss) per share amounts)

| Items | Notes | Year ended December 31 | | | |
|---|-------|------------------------|-----------|---------------------|--------------|
| | | 2021 | | 2020 | |
| | | AMOUNT | % | AMOUNT | % |
| Other comprehensive income (loss) | | | | | |
| Components of other comprehensive income that will not be reclassified to profit or loss | | | | | |
| 8311 Actuarial gains on defined benefit plans | | \$ 3,178 | - | \$ 9,101 | - |
| 8316 Unrealised gains (losses) on financial assets measured at fair value through other comprehensive income | 6(3) | 206,858 | 6 (| 232,884) (| 7) |
| 8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | | (636) | - | (1,820) | - |
| 8310 Other comprehensive income (loss) that will not be reclassified to profit or loss | | 209,400 | 6 (| 225,603) (| 7) |
| Components of other comprehensive income (loss) that will be reclassified to profit or loss | | | | | |
| 8361 Financial statements translation differences of foreign operations | | (83,376) | (2) | (107,029) | (3) |
| 8360 Other comprehensive loss that will be reclassified to profit or loss | | (83,376) | (2) | (107,029) | (3) |
| 8300 Other comprehensive income (loss) for the year | | <u>\$ 126,024</u> | <u>4</u> | <u>(\$ 332,632)</u> | <u>(10)</u> |
| 8500 Total comprehensive income (loss) for the year | | <u>\$ 846,536</u> | <u>24</u> | <u>(\$ 777,534)</u> | <u>(23)</u> |
| Profit (loss) attributable to: | | | | | |
| 8610 Owners of the parent | | \$ 684,119 | 19 | (\$ 459,802) | (13) |
| 8620 Non-controlling interest | | 36,393 | 1 | 14,900 | - |
| | | <u>\$ 720,512</u> | <u>20</u> | <u>(\$ 444,902)</u> | <u>(13)</u> |
| Comprehensive income (loss) attributable to: | | | | | |
| 8710 Owners of the parent | | \$ 821,061 | 23 | (\$ 788,146) | (23) |
| 8720 Non-controlling interest | | 25,475 | 1 | 10,612 | - |
| | | <u>\$ 846,536</u> | <u>24</u> | <u>(\$ 777,534)</u> | <u>(23)</u> |
| Earnings (loss) per share | 6(30) | | | | |
| 9750 Basic earnings (loss) per share | | <u>\$ 2.42</u> | | <u>(\$ 1.63)</u> | |
| 9850 Diluted earnings (loss) per share | | <u>\$ 2.40</u> | | <u>(\$ 1.63)</u> | |

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

ABILITY ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

| | | Equity attributable to owners of the parent | | | | | | | | |
|-------------------------------------|------------------------------|---|---------------|-----------------|--|---------------|--|--------------|--------------------------|--------------|
| | | Retained Earnings | | | | | Financial statements translation differences of foreign operations | Total | Non-controlling interest | Total equity |
| Notes | Share capital - common stock | Total capital surplus, additional paid-in capital | Legal reserve | Special reserve | Total unappropriated retained earnings (accumulated deficit) | | | | | |
| <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(21) | | | | | | | | | |
| | | - | - | - | 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 |
| <u>Year ended December 31, 2021</u> | | | | | | | | | | |
| | | \$ 2,823,628 | \$ 1,563,494 | \$ 1,655,947 | \$ 654,447 | (\$ 86,830) | (\$ 990,343) | \$ 5,620,343 | \$ 276,115 | \$ 5,896,458 |
| | | - | - | - | - | 684,119 | - | 684,119 | 36,393 | 720,512 |
| | | - | - | - | - | 2,178 | 134,764 | 136,942 | (10,918) | 126,024 |
| | | - | - | - | - | 686,297 | 134,764 | 821,061 | 25,475 | 846,536 |
| | 6(21) | | | | | | | | | |
| | | - | (141,181) | - | - | - | - | (141,181) | - | (141,181) |
| | 6(20) | - | (86,830) | - | - | 86,830 | - | - | - | - |
| | 6(17) | - | 199 | - | - | - | 14,641 | 14,840 | - | 14,840 |
| | 6(17) | 53,585 | 4,166 | - | - | - | (57,751) | - | - | - |
| | | \$ 2,877,213 | \$ 1,339,848 | \$ 1,655,947 | \$ 654,447 | \$ 686,297 | (\$ 898,689) | \$ 6,315,063 | \$ 301,590 | \$ 6,616,653 |

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

ABILITY ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

| | Notes | Year ended December 31 | |
|--|-----------|------------------------|---------------|
| | | 2021 | 2020 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit (loss) before tax | | \$ 922,009 | (\$ 460,783) |
| Adjustments | | | |
| Income and expenses having no effect on cash flows | | | |
| Depreciation | 6(28) | 208,983 | 238,281 |
| Amortisation | 6(28) | 6,068 | 8,619 |
| Expected credit loss | 12(2) | 4,251 | 250 |
| Net gain on financial assets or liabilities at fair value through profit or loss | | (28) | (66) |
| Compensation cost of share-based payment | 6(17) | 14,840 | - |
| Interest expense | 6(27) | 9,871 | 12,810 |
| Interest income | 6(24) | (9,550) | (25,616) |
| Dividend income | 6(25) | (29,018) | (27,170) |
| Share of profit or loss of associates and joint ventures accounted for under equity method | 6(8) | (6,585) | (3,426) |
| Gain on disposal of property, plant, and equipment | 6(26) | (10,065) | (4,339) |
| Impairment loss | 6(13)(26) | - | 70,456 |
| Gain on disposal of non-current assets held for sale | 6(26) | (1,137,067) | - |
| Gain on lease modification | 6(10) | (37) | (8) |
| Changes in assets/liabilities relating to operating activities | | | |
| Changes in operating assets | | | |
| Accounts receivable, net | | (284,703) | 98,723 |
| Inventories | | (511,004) | 85,168 |
| Other current assets | | (25,897) | 113,632 |
| Net changes in liabilities relating to operating activities | | | |
| Accounts payable | | 212,351 | (168,992) |
| Other payables | | 68,532 | (12,000) |
| Other current liabilities | | (624) | (195,155) |
| Other non-current liabilities | | (2,280) | (7,406) |
| Cash outflow generated from operations | | (569,953) | (277,022) |
| Interest received | | 9,550 | 25,616 |
| Dividends received | | 32,318 | 28,129 |
| Interest paid | | (9,871) | (12,810) |
| Income tax paid | | (87,629) | (32,672) |
| Net cash flows used in operating activities | | (625,585) | (268,759) |

(Continued)

ABILITY ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

| | Notes | Year ended December 31 2021 | 2020 |
|--|-------|--------------------------------|--------------|
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | | |
| Acquisition of financial assets at fair value through other comprehensive income | 6(3) | (\$ 123,182) | \$ - |
| Proceeds from capital reduction of financial assets at fair value through other comprehensive income | | 31,105 | 9,095 |
| Acquisition of investments accounted for under the equity method | | - | (36,671) |
| Proceeds from disposal of financial assets at amortised cost | | 153,117 | 104,072 |
| Proceeds from disposal of non-current assets held for sale | | 1,702,465 | - |
| Acquisition of property, plant and equipment | 6(9) | (140,677) | (181,248) |
| Proceeds from disposal of property, plant and equipment | | 18,990 | 25,320 |
| Acquisition of intangible assets | 6(12) | (6,791) | (6,323) |
| Increase in other non-current assets | | (21,336) | (750) |
| Net cash flows from (used in) investing activities | | 1,613,691 | (86,505) |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | | |
| (Decrease) increase in short-term loans | | (1,103,436) | 280,415 |
| Payments of lease liabilities | | (14,444) | (20,120) |
| Payment of cash dividends | 6(21) | (141,181) | (84,709) |
| (Decrease) increase in other non-current liabilities | | (3,241) | 28 |
| Net cash flows (used in) from financing activities | | (1,262,302) | 175,614 |
| Net effect of changes in foreign currency exchange rates | | (87,110) | (131,351) |
| Net decrease in cash and cash equivalents | | (361,306) | (311,001) |
| Cash and cash equivalents at beginning of year | | 2,498,472 | 2,809,473 |
| Cash and cash equivalents at end of year | | \$ 2,137,166 | \$ 2,498,472 |

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

ABILITY ENTERPRISE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 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 24, 2022.

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 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 |
| Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’ | April 1, 2021 (Note) |

Note: Earlier application from January 1, 2021 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 2022 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 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. | |

(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 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 |
| Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information' | 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 12, 'Deferred tax related to assets and liabilities arising from a single transaction' | January 1, 2023 |

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) 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, 2021 | December 31, 2020 | |
| 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 surveillance | 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 | - | - | Note 1 |
| VQ (BVI) | VIEWQUEST TECHNOLOGIES (DONGGUAN) CO., LTD. (VIEWQUEST TECHNOLOGIES) | Sales of digital still cameras | - | - | Note 3 |
| ABILITY (BVI) | VIEWQUEST TECHNOLOGIES (DONGGUAN) CO., LTD. (VIEWQUEST TECHNOLOGIES) | Sales of digital still cameras | 100.00 | 100.00 | Note 3 |
| 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 | - | - | Note 2 |
| 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, 2021 | December 31, 2020 | |
| 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 | |
| CHIA PING LIMITED | CHIA PING (SHENZHEN) OPTICAL TECHNOLOGY CO., LTD. | Trading of optical lens and components | 100.00 | 100.00 | |
| ALL VISION | EVERLIGHT DEVELOPMENT CORPORATION (EVERLIGHT) | Holding company | 100.00 | 100.00 | |
| ALL VISION | E-SKY HOLDING LTD. (E-SKY) | Holding company | 100.00 | 73.04 | Note 4 |
| 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 liquidation of JIUJIANG VIEWQUEST ELECTRONICS INC. was completed on October 16, 2020. Proceeds from liquidation has been collected.

Note 2: The liquidation of E-PIN was completed on July 7, 2020.

Note 3: 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.

Note 4: In order to strengthen the adjustment of organisation structure, on December 17, 2020, the Board of Directors approved to repurchase minor share equity of 26.96%. Aforementioned transfer of share equity had been reported to the Board of Directors on October 22, 2021 and the registration had been completed.

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:

As of December 31, 2021 and 2020, the non-controlling interest amounted to \$301,590 and \$276,115, respectively. The information on non-controlling interest and respective subsidiaries is as follows:

| | | Non-controlling interest | | | |
|--|-----------------------------|--------------------------|---------------|-------------------|---------------|
| | | December 31, 2021 | | December 31, 2020 | |
| Name of subsidiary | Principal place of business | Amount | Ownership (%) | Amount | Ownership (%) |
| E-PIN OPTICAL INDUSTRY (M.) SDN. BHD. (E-PIN (M.)) | Taiwan | <u>\$ 301,590</u> | 45.39% | <u>\$ 276,115</u> | 45.39% |

Balance Sheets

| E-PIN OPTICAL INDUSTRY (M.) SDN. BHD. (E-PIN (M.)) | | | |
|---|---|-------------------|-------------------|
| | | December 31, 2021 | December 31, 2020 |
| Current assets | | \$ 701,889 | \$ 549,445 |
| Non-current assets | | 302,104 | 287,462 |
| Current liabilities | (| 542,132) | (391,614) |
| Non-current liabilities | (| 5,831) | (17,481) |
| Total net assets | | <u>\$ 456,030</u> | <u>\$ 427,812</u> |

Consolidated Income Statement

| E-PIN OPTICAL INDUSTRY (M.) SDN. BHD. (E-PIN (M.)) | | | |
|---|---|------------------------------|------------------------------|
| | | Year ended December 31, 2021 | Year ended December 31, 2020 |
| Revenue | | \$ 1,072,524 | \$ 875,255 |
| Profit before income tax | | 62,269 | 19,363 |
| Income tax expense | (| 21,655) | (14,152) |
| Profit for the year | | <u>40,614</u> | <u>5,211</u> |
| Total comprehensive income for the year | | <u>\$ 37,105</u> | <u>\$ 6,088</u> |
| Comprehensive income attributable to non-controlling interest | | <u>\$ 25,475</u> | <u>\$ 10,612</u> |

Statement of Cash Flows

| | | E-PIN OPTICAL INDUSTRY (M.) SDN. BHD. (E-PIN (M.)) | |
|---|----|---|------------------------------|
| | | Year ended December 31, 2021 | Year ended December 31, 2020 |
| Net cash provided by operating activities | \$ | 14,124 | \$ 53,415 |
| Net cash used in investing activities | (| 104,284) | (121,136) |
| Net cash provided by financing activities | | 110,795 | 47,147 |
| Effect of exchange rates on cash and cash equivalents | (| 3,509) | 877 |
| Increase (decrease) in cash and cash equivalents | | 17,126 | (19,697) |
| Cash and cash equivalents, beginning of year | | 172,959 | 192,656 |
| Cash and cash equivalents, end of year | \$ | 190,085 | \$ 172,959 |

(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 years.

(19) Intangible assets

- A. Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 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) Employee share-based payment

- A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.
- B. Restricted stocks:
 - (a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.
 - (b) For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the

vesting period, the Group recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.

- (c) For restricted stocks where employees do not need to pay to acquire those stocks, if the Group will pay the employees who resign during the vesting period to repurchase the stocks, the Group estimates such payments that will be made and recognises such amounts as compensation cost and liability at the grant date, in accordance with the terms of restricted stocks.

(27) 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.

(28) 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.

(29) 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.

(30) 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.

(31) 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, 2021, the Group recognised property, plant and equipment, net of impairment loss. Please refer to Notes 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, 2021, the carrying amount of inventories is described in Note 6(6).

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---------------------------------------|--------------------------|--------------------------|
| Cash on hand and revolving funds | \$ 3,251 | \$ 2,520 |
| Checking accounts and demand deposits | <u>2,133,915</u> | <u>2,495,952</u> |
| | <u>\$ 2,137,166</u> | <u>\$ 2,498,472</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

| <u>Items</u> | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--|--------------------------|--------------------------|
| Current items: | | |
| Financial assets mandatorily measured at fair value through profit or loss | | |
| Beneficiary certificates | \$ 16,000 | \$ 16,000 |
| Valuation adjustment | 101 | 73 |
| | <u>\$ 16,101</u> | <u>\$ 16,073</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

| <u>Items</u> | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|----------------------|--------------------------|--------------------------|
| Current items: | | |
| Equity instruments | | |
| Listed stocks | \$ 760,872 | \$ 782,863 |
| Valuation adjustment | (347,443) | (502,896) |
| | <u>\$ 413,429</u> | <u>\$ 279,967</u> |
| Non-current items: | | |
| Equity instruments | | |
| Listed stocks | \$ 636,816 | \$ 636,816 |
| Unlisted stocks | 321,038 | 229,455 |
| | 957,854 | 866,271 |
| Valuation adjustment | (164,274) | (215,679) |
| | <u>\$ 793,580</u> | <u>\$ 650,592</u> |

A. The Group has elected to classify equity investments that are considered to be strategic investments or steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$1,207,009 and \$930,559 as at December 31, 2021 and 2020, respectively.

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

| <u>Equity instruments at fair value through other comprehensive income</u> | <u>For the year ended December 31, 2021</u> | <u>For the year ended December 31, 2020</u> |
|--|---|---|
| Fair value change recognised in other comprehensive income | \$ 206,858 | (\$ 232,884) |

C. As at December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was \$1,207,009 and \$930,559, respectively.

- D. The Group has no financial assets at fair value through other comprehensive income pledged to others as collateral.
- E. In May 2021, the Group invested in the Singaporean company, ATTONICS SYSTEMS PTE. LTD. As of December 31, 2021, the investment amounted to US\$2,120 thousand, approximately NT\$58,682 thousand, for a shareholding ratio of 13.8%.
- F. On March 29, 2021, the Board of Directors of the Group resolved to invest in ABICO ASIA EXCELSIOR PARTNERS L.P. with a limit of NT\$150 million. As of December 31, 2021, the investment amount was \$49,500 with a shareholding ratio of 5.92%.
- G. 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. In July 2021, the Group invested \$15,000 according to the joint ventures agreement. As of December 31, 2021, the investment amounted to \$30 thousand, and the shareholding ratio was 4.848%.

(4) Financial assets at amortised cost - current

| Items | December 31, 2021 | December 31, 2020 |
|---|-------------------|-------------------|
| Current items: | | |
| Time deposits with initial maturity over three months | \$ 65,123 | \$ 218,240 |

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

| | For the year ended December 31, 2021 | For the year ended December 31, 2020 |
|-----------------|---|---|
| Interest income | \$ 2,366 | \$ 6,001 |

- 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, 2021 | December 31, 2020 |
|--------------------------------------|-------------------|-------------------|
| Accounts receivable | \$ 802,478 | \$ 689,987 |
| Less: Allowance for bad debts | (8,108) | (165,199) |
| Accounts receivable, related parties | 19,430 | 4,503 |
| Accounts receivable, net | \$ 813,800 | \$ 529,291 |
| | December 31, 2021 | December 31, 2020 |
| Not past due | \$ 797,542 | \$ 503,394 |
| 1 to 90 days | 23,715 | 26,638 |
| 91 to 180 days | 48 | 1,953 |
| Over 180 days | 603 | 162,505 |
| | \$ 821,908 | \$ 694,490 |

The above ageing analysis was based on past due date.

A. As of December 31, 2021 and 2020, accounts receivable were all from contracts with customers. As of January 1, 2020, the balance of accounts receivable from contracts with customers amounted to \$785,880.

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

C. As at December 31, 2021 and 2020, 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 \$813,800 and \$529,291, respectively.

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

(6) Inventories

| December 31, 2021 | | | |
|----------------------|---------------------|------------------------------|-------------------|
| | Cost | Allowance for valuation loss | Book value |
| Merchandise | \$ 70,973 | (\$ 2,519) | \$ 68,454 |
| Finished goods | 240,034 | (47,421) | 192,613 |
| Work in process | 145,264 | (13,824) | 131,440 |
| Raw materials | 758,475 | (202,006) | 556,469 |
| Inventory in transit | 44,294 | - | 44,294 |
| | <u>\$ 1,259,040</u> | <u>(\$ 265,770)</u> | <u>\$ 993,270</u> |

| 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> |

The cost of inventories recognised as expense for the year:

| For the years ended December 31, | | |
|--|---------------------|---------------------|
| | 2021 | 2020 |
| Cost of goods sold | \$ 2,790,827 | \$ 2,607,399 |
| (Gain on reversal) loss on decline in market value | (148,517) | 195,884 |
| Loss on scrapping inventory | 39,083 | 24,553 |
| Other operating costs | 18,108 | 27,278 |
| | <u>\$ 2,699,501</u> | <u>\$ 2,855,114</u> |

(7) Other current assets

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|-------------------|--------------------------|--------------------------|
| Advance payment | \$ 32,861 | \$ 41,153 |
| Other receivables | 62,900 | 38,371 |
| Others | 58,522 | 50,423 |
| | <u>\$ 154,283</u> | <u>\$ 129,947</u> |

(8) Investments accounted for using equity method

| <u>Associates</u> | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---|--------------------------|--------------------------|
| Altasec Technology Corporation (Altasec Technology) | \$ 23,686 | \$ 21,255 |
| BESTMOMENT HOLDINGS PTE.LTD. | 37,873 | 37,221 |
| Ever Pine International Ltd. (BVI) (EVER PINE) | - | - |
| | <u>\$ 61,559</u> | <u>\$ 58,476</u> |

- A. The above investment was accounted for using equity method as of December 31, 2021 and 2020 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, 2021 and 2020, the carrying amount of the Group's individually immaterial associates amounted to \$61,559 and \$58,476, respectively.

| | <u>For the year ended December 31, 2021</u> | <u>For the year ended December 31, 2020</u> |
|----------------------------|---|---|
| Total comprehensive income | \$ 22,519 | \$ 10,805 |

- C. The Group's share in profit recognised under the equity method for the years ended December 31, 2021 and 2020 was \$6,585 and \$3,426, 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 for a shareholding ratio of 25%.

(9) Property, plant and equipment

| | | | | | Other equipment and Construction | |
|---|---------------------|-----------------------------|-------------------|-------------------|--|---------------------|
| | Land | Buildings and structures | Machinery | Mold equipment | in progress | Total |
| <u>January 1, 2021</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> |
| <u>2021</u> | | | | | | |
| Opening net book amount | \$ 1,304,043 | \$ 1,593,323 | \$ 247,473 | \$ 11,060 | \$ 92,141 | \$ 3,248,040 |
| Additions | - | 222 | 88,788 | 44,133 | 7,534 | 140,677 |
| Disposals | - | (502) | (6,820) | - | (1,603) | (8,925) |
| Depreciation | - | (74,409) | (59,215) | (31,285) | (22,468) | (187,377) |
| Net exchange differences | - | (3,327) | 3,834 | - | (75) | 432 |
| Closing net book amount | <u>\$ 1,304,043</u> | <u>\$ 1,515,307</u> | <u>\$ 274,060</u> | <u>\$ 23,908</u> | <u>\$ 75,529</u> | <u>\$ 3,192,847</u> |
| <u>At December 31, 2020</u> | | | | | | |
| Cost | \$ 1,304,043 | \$ 2,311,088 | \$ 1,529,898 | \$ 992,997 | \$ 363,446 | \$ 6,501,472 |
| Accumulated depreciation and impairment | - | (795,781) | (1,255,838) | (969,089) | (287,917) | (3,308,625) |
| | <u>\$ 1,304,043</u> | <u>\$ 1,515,307</u> | <u>\$ 274,060</u> | <u>\$ 23,908</u> | <u>\$ 75,529</u> | <u>\$ 3,192,847</u> |

| | 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 |
| Reclassification | - | (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, 2019</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> |

- 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, 2021</u> | <u>December 31, 2020</u> |
|--------------------------|--------------------------|--------------------------|
| | <u>Carrying amount</u> | <u>Carrying amount</u> |
| Land | \$ 66,682 | \$ 69,191 |
| Buildings | 16,725 | 33,546 |
| Transportation equipment | 1,401 | 2,801 |
| Office equipment | 173 | 400 |
| | <u>\$ 84,981</u> | <u>\$ 105,938</u> |

| | <u>For the year ended December 31, 2021</u> | <u>For the year ended December 31, 2020</u> |
|--------------------------|---|---|
| | <u>Depreciation charge</u> | <u>Depreciation charge</u> |
| Land | \$ 2,137 | \$ 2,076 |
| Buildings | 12,913 | 17,701 |
| Transportation equipment | 1,401 | 1,401 |
| Office equipment | 227 | 1,132 |
| | <u>\$ 16,678</u> | <u>\$ 22,310</u> |

C. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were \$0 and \$47,192, respectively.

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

| | <u>For the year ended December 31, 2021</u> | <u>For the year ended December 31, 2020</u> |
|--|---|---|
| <u>Items affecting profit or loss</u> | | |
| Interest expense on lease liabilities | \$ 518 | \$ 593 |
| Expense on short-term lease contracts | 1,626 | 2,740 |
| Expense on leases of low-value assets | 204 | 426 |
| Gains arising from lease modifications | 37 | 8 |

E. For the years ended December 31, 2021 and 2020, the Group's total cash outflow for leases were \$16,792 and \$23,879, 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, 2021</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> |
| <u>2021</u> | | | |
| Opening net book amount | \$ 272,430 | \$ 371,681 | \$ 644,111 |
| Reclassification | (257,173) | (308,225) | (565,398) |
| Depreciation | - | (4,928) | (4,928) |
| Closing net book amount | <u>\$ 15,257</u> | <u>\$ 58,528</u> | <u>\$ 73,785</u> |
| <u>At December 31, 2021</u> | | | |
| Cost | \$ 15,257 | \$ 63,867 | \$ 79,124 |
| Accumulated depreciation and impairment | - | (5,339) | (5,339) |
| | <u>\$ 15,257</u> | <u>\$ 58,528</u> | <u>\$ 73,785</u> |
| | 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> |

- 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, 2021 | For the year ended December 31, 2020 |
|---|---|---|
| Rental income from the lease of the investment property | \$ 22,165 | \$ 38,085 |
| Direct operating expenses arising from the investment property that generated rental income during the year | \$ 4,927 | \$ 12,588 |

- B. The fair value of the investment property held by the Group as at December 31, 2021 and 2020 was \$117,598 and \$1,749,226, respectively, which was based on the valuations of the market prices of property sold in similar districts.
- C. For a future strategic investment and in line with the Group's manufacturing strategy, on February 23, 2021, the Board of Directors approved to dispose the investment property in Nankang Software Park. In March 2021, the Group entered into a Real Estate Letter of Intent with potential buyers, and transferred related assets into non-current assets held for sale. In June 2021, the disposal procedure had been completed, and the Group recognised gain on disposal of non-current assets held for sale of \$1,137,067 which was accounted as other gains and losses. The proceeds from the disposal had been fully collected.

(12) Intangible assets

| | Software | Goodwill | Others | Total |
|---|------------------|-------------|-------------|------------------|
| <u>At January 1, 2021</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> |
| <u>2021</u> | | | | |
| Opening net book amount | \$ 9,446 | \$ - | \$ - | \$ 9,446 |
| Additions — acquired separately | 6,791 | - | - | 6,791 |
| Amortisation charge | (6,068) | - | - | (6,068) |
| Closing net book amount | <u>\$ 10,169</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 10,169</u> |
| <u>At December 31, 2021</u> | | | | |
| Cost | \$ 85,775 | \$ 115,084 | \$ 37,600 | \$ 238,459 |
| Accumulated amortisation and impairment | (75,606) | (115,084) | (37,600) | (228,290) |
| | <u>\$ 10,169</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 10,169</u> |

| | 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) |
| Impairment | - | (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> |

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 year ended December 31, 2020 of \$70,456.

Details of such loss are as follows:

| | For the year ended December 31, 2020 | |
|---|---|--|
| | Recognised in profit or loss | Recognised in other comprehensive income |
| Impairment loss - goodwill | \$ 52,191 | \$ - |
| Impairment loss - other intangible assets | 18,265 | - |
| | <u>\$ 70,456</u> | <u>\$ -</u> |

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

| | For the year ended December 31, 2020 | |
|---|---|--|
| | Recognised in profit or loss | Recognised in other comprehensive income |
| Impairment loss - optical manufacturing segment | \$ 70,456 | \$ - |

C. 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.

The recoverable amount was determined based on value-in-use calculations for the year ended December 31, 2020. 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%.

(14) Short-term borrowings

| Type of borrowings | December 31, 2021 | Interest rate range | Collateral |
|---------------------------|---------------------|---------------------|------------|
| Secured bank borrowings | \$ 27,979 | 4.30%~4.85% | Note 8 |
| Unsecured bank borrowings | 239,000 | 1.00%~1.20% | - |
| | <u>\$ 266,979</u> | | |
| 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> | | |

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

(15) Other payables

| | December 31, 2021 | December 31, 2020 |
|--|-------------------|-------------------|
| Employees' salary and compensation payable | \$ 338,873 | \$ 387,370 |
| Labour payable | 250,371 | 254,402 |
| Accrued employees' compensation and directors' and supervisors' remuneration | 89,810 | - |
| Other payables | 135,346 | 124,227 |
| | <u>\$ 814,400</u> | <u>\$ 765,999</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, 2021</u> | <u>December 31, 2020</u> |
|---|--------------------------|--------------------------|
| Present value of defined benefit obligations | \$ 85,868 | \$ 90,587 |
| Fair value of plan assets | (58,205) | (57,181) |
| Net defined benefit liability (account as other non-current liabilities) | <u>\$ 27,663</u> | <u>\$ 33,406</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, 2021</u> | | | |
| Balance at January 1 | \$ 90,587 | (\$ 57,181) | \$ 33,406 |
| Interest expense (income) | 376 | (229) | 147 |
| | <u>90,963</u> | <u>(57,410)</u> | <u>33,553</u> |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | - | (792) | (792) |
| Change in demographic assumptions | 1,434 | - | 1,434 |
| Change in financial assumptions | (4,308) | - | (4,308) |
| Experience adjustments | 488 | - | 488 |
| | <u>(2,386)</u> | <u>(792)</u> | <u>(3,178)</u> |
| Pension fund contribution | - | (2,712) | (2,712) |
| Paid pension | <u>(2,709)</u> | <u>2,709</u> | <u>-</u> |
| Balance at December 31 | <u>\$ 85,868</u> | <u>(\$ 58,205)</u> | <u>\$ 27,663</u> |
| | 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 | <u>(1,700)</u> | <u>1,700</u> | <u>-</u> |
| Balance at December 31 | <u>\$ 90,587</u> | <u>(\$ 57,181)</u> | <u>\$ 33,406</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, 2021 and 2020 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, 2021 | For the year ended December 31, 2020 |
|-----------------------------------|---|---|
| Discount rate | 0.75%~0.77% | 0.35%~0.43% |
| Future salary increases | 1.75%~2.00% | 1.75%~2.00% |
| Expected return on project assets | 0.75%~0.77% | 0.35%~0.43% |

Assumptions regarding future mortality experience are set based on the published statistics and experience in the 6th 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, 2021</u> | | | | |
| Effect on present value of defined benefit obligation | (\$ 4,637) | \$ 5,071 | \$ 4,990 | (\$ 4,614) |
| <u>December 31, 2020</u> | | | | |
| Effect on present value of defined benefit obligation | (\$ 5,985) | \$ 6,525 | \$ 6,377 | (\$ 5,912) |

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, 2022 amount to \$2,514.

(g) As of December 31, 2021, the weighted average duration of that retirement plan is 15 years. The analysis of timing of the future pension payment was as follows:

| | | |
|---------------|----|---------------|
| Within 1 year | \$ | 35,980 |
| 1-2 year(s) | | 16,573 |
| 2-5 years | | 10,158 |
| Over 5 years | | 19,579 |
| | \$ | <u>82,290</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, 2021 and 2020 were \$34,842 and \$31,352, respectively.

(17) Share-based payment

A. For the year ended December 31, 2021, the details of the Group’s share-based payment arrangement were as follows:

| Type of arrangement | Grant date | Quantity granted | Contract period | Vesting conditions |
|--|------------|------------------|-----------------|--------------------|
| Restricted stocks to employees (Note) | 2021.8.13 | 5,358,500 | 3 years | 3 years' service |

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

The abovementioned share-based payment arrangement is equity-settled.

B. The fair value of stock options granted is measured using the Black-Scholes model. Relevant information is as follows:

| Type of arrangement | Grant date | Stock price (in dollars) | Strike price (in dollars) | Expected price volatility | Expected dividends | Risk-free interest rate | Fair value per unit (in dollars) |
|--------------------------------|-----------------|-----------------------------|------------------------------|------------------------------|--------------------|-------------------------|--|
| Restricted stocks to employees | Expired 1 year | \$ 14.55 | \$ - | 33.22% | - | 0.1134% | \$ 11.64 |
| Restricted stocks to employees | Expired 2 years | 14.55 | - | 32.52% | - | 0.1720% | 11.64 |
| Restricted stocks to employees | Expired 3 years | 14.55 | - | 32.58% | - | 0.2079% | 11.64 |

C. Expense incurred on share-based payment transactions is shown below:

| | Year ended December 31, 2021 |
|----------------|------------------------------|
| Equity-settled | \$ 14,840 |

(18) Provisions

| | Warranty | Litigation | Total |
|-------------------------|------------------|-------------|------------------|
| <u>2021</u> | | | |
| At January 1 | \$ 72,106 | \$ - | \$ 72,106 |
| Unused amounts reversed | (17,106) | - | (17,106) |
| At December 31 | <u>\$ 55,000</u> | <u>\$ -</u> | <u>\$ 55,000</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> |

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 assent in the way of purchasing two sets of software in the amount of \$2,500 thousand (including tax) and the formal mediation documents were signed.

(19) Share capital

- A. As of December 31, 2021, the Company's authorised capital was \$8,000,000, consisting of 800 million shares of ordinary stock, and the paid-in capital was \$2,877,213 with a par value of \$10 (in dollars) per share.
- B. On June 17, 2020, shareholders of the Company resolved to issue employee restricted shares and the issuance date as well as the effective date were both August 20, 2021. The Company issued 5,358 thousand shares for free with a par value of NT\$0 per share. The rights and obligations of the issued common shares were the same as other issued common shares, except the restriction of transfer before employees reached the vesting conditions.

(20) Capital surplus

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

| | Share premium | Treasury share transactions | Capital reserve from gain on disposal of assets | Employee stock options | Employee restricted shares |
|--|---------------------|-----------------------------|---|------------------------|----------------------------|
| At January 1, 2021 | \$ 1,246,494 | \$ 219,206 | \$ 56 | \$ 97,738 | \$ - |
| Cash dividends | (141,181) | | | | |
| Capital surplus used to offset accumulated deficit | - | (86,774) | (56) | - | - |
| Compensation cost of share-based payment | 199 | - | - | - | - |
| Employee restricted shares | 348 | - | - | - | 3,818 |
| At December 31, 2021 | <u>\$ 1,105,860</u> | <u>\$ 132,432</u> | <u>\$ -</u> | <u>\$ 97,738</u> | <u>\$ 3,818</u> |

| | 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> |

(21) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses. Then, 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the total capital stock balance and

the Company shall appropriate or reverse special reserve when necessary. The appropriation of the remainder along with beginning unappropriated earnings is the accumulated distributable earnings for shareholders. When distributing by issuing new shares, the distribution shall be proposed by the Board of Directors and resolved by the shareholders.

- B. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- C. The Company's dividend policy is adopted taking into consideration the Company's financial structure, future capital expenditures, future cash flows and assurance of the Company's competitiveness in the market. In accordance with the dividend policy, cash dividends shall account for at least 10% of the total dividends distributed.
- D. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.
- E. The Company recognised dividends amounting to \$84,709 during 2020. On August 12, 2021, the shareholders resolved to distribute cash dividends from capital surplus in the amount of \$141,181 at \$0.5 (in dollars) per share.
- F. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(28).

(22) Other equity items

| 2021 | | | | |
|------------------------------------|--|---|--------------------------------------|--------------|
| | Financial statements translation differences of foreign operations | Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income | Unearned employee compensation | Total |
| At January 1 | (\$ 271,768) | (\$ 718,575) | \$ - | (\$ 990,343) |
| Currency translation differences: | | | | |
| -Group | (72,094) | - | - | (72,094) |
| Revaluation | - | 206,858 | - | 206,858 |
| Employee restricted shares: | | | | |
| -Compensation cost | | | 14,641 | 14,641 |
| -Unearned employee compensation | - | - | (57,751) | (57,751) |
| At December 31 | (\$ 343,862) | (\$ 511,717) | (\$ 43,110) | (\$ 898,689) |
| 2020 | | | | |
| | Financial statements translation differences of operations | Unrealised gains (losses) from financial assets measured at fair value through other comprehensive financial assets | Unearned employee compensation | 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) |

(23) Operating revenue

| For the years ended December 31, | | |
|----------------------------------|---------------------|---------------------|
| | 2021 | 2020 |
| Sales revenue | \$ 3,367,175 | \$ 3,130,199 |
| Service revenue | 208,194 | 311,818 |
| | <u>\$ 3,575,369</u> | <u>\$ 3,442,017</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:

| 2021 | Optical manufacturing segment | Strategic investing segment | Total |
|---|-------------------------------------|--------------------------------|---------------------|
| Total segment revenue | \$ 4,170,472 | \$ 1,725,122 | \$ 5,895,594 |
| Inter-segment revenue | (1,667,627) | (652,598) | (2,320,225) |
| Revenue from external customer contracts | <u>\$ 2,502,845</u> | <u>\$ 1,072,524</u> | <u>\$ 3,575,369</u> |
| Timing of revenue | | | |
| At a point in time | \$ 2,294,651 | \$ 1,072,524 | \$ 3,367,175 |
| Over time | <u>208,194</u> | <u>-</u> | <u>208,194</u> |
| | <u>\$ 2,502,845</u> | <u>\$ 1,072,524</u> | <u>\$ 3,575,369</u> |
| 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> |

B. Contract liabilities

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

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> | <u>January 1, 2020</u> |
|--|--------------------------|--------------------------|------------------------|
| Contract liabilities - advance sales receipts (shown as Other current liabilities) | <u>\$ 201,891</u> | <u>\$ 164,587</u> | <u>\$ 181,444</u> |

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

| | <u>2021</u> | <u>2020</u> |
|------------------------|-------------------|-------------------|
| Advance sales receipts | <u>\$ 145,181</u> | <u>\$ 162,859</u> |

(24) Interest income

| | <u>For the years ended December 31,</u> | |
|------------------------------------|---|------------------|
| | <u>2021</u> | <u>2020</u> |
| Interest income from bank deposits | <u>\$ 9,550</u> | <u>\$ 25,616</u> |

(25) Other income

| | For the years ended December 31, | |
|-----------------|----------------------------------|------------------|
| | 2021 | 2020 |
| Rent income | \$ 35,707 | \$ 39,183 |
| Dividend income | 29,018 | 27,170 |
| | <u>\$ 64,725</u> | <u>\$ 66,353</u> |

(26) Other gains and losses

| | For the years ended December 31, | |
|--|----------------------------------|------------------|
| | 2021 | 2020 |
| Gains on disposal of property, plant and equipment | \$ 10,065 | \$ 4,339 |
| Gain on disposal of non-current assets held for sale | 1,137,067 | |
| Net currency exchange gain (loss) | 4,919 (| 7,847) |
| Impairment loss | - (| 70,456) |
| Grants revenue | 20,840 | 110,114 |
| Payables transferred to revenue | - | 38,615 |
| Other gains and losses | 9,487 (| 1,835) |
| | <u>\$ 1,182,378</u> | <u>\$ 72,930</u> |

(27) Finance costs

| | For the years ended December 31, | |
|--------------------|----------------------------------|------------------|
| | 2021 | 2020 |
| Bank borrowings | \$ 9,353 | \$ 12,217 |
| Lease transactions | 518 | 593 |
| | <u>\$ 9,871</u> | <u>\$ 12,810</u> |

(28) Employee benefit, depreciation and amortisation expenses

| | For the years ended December 31, | |
|---------------------------------|----------------------------------|--------------|
| | 2021 | 2020 |
| Employee benefit expenses | | |
| Wages and salaries | \$ 1,190,452 | \$ 1,060,468 |
| Labor and health insurance fees | 55,566 | 59,293 |
| Pension costs | 34,989 | 27,503 |
| Other personnel expenses | 58,832 | 54,603 |
| Depreciation (Note) | 204,055 | 225,693 |
| Amortisation | 6,068 | 8,619 |

Note: For the years ended December 31, 2021 and 2020, depreciation on investment property amounted to \$4,928 and \$12,588, 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. For the year ended December 31, 2021, employees' compensation was accrued at \$75,629; while directors' and supervisors' remuneration was accrued at \$14,181. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 8% and 1.5% of distributable profit of current year.

No employees' compensation and directors' and supervisors' remuneration were accrued due to the net loss incurred for the year ended December 31, 2020.

For the year ended December 31, 2020, the Company has incurred a net loss before tax and did not distribute employees' compensation and directors' remuneration, which was in agreement with the information disclosed in the 2020 financial statements.

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.

(29) Income tax

A. Income tax expense (benefit)

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

| | For the years ended December 31, | |
|---|----------------------------------|--------------------|
| | 2021 | 2020 |
| Current tax on profits for the year | \$ 27,452 | \$ 62,839 |
| Prior year income tax under (over) estimation | 1,515 | (41,178) |
| Origination and reversal of temporary differences | 111,637 | (40,741) |
| Income tax paid in and for income derived from Mainland China | 1,080 | 3,199 |
| Land value increment tax | 59,813 | - |
| Income tax expense (benefit) | <u>\$ 201,497</u> | <u>(\$ 15,881)</u> |

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

| | For the years ended December 31, | |
|--|----------------------------------|-----------------|
| | 2021 | 2020 |
| Remeasurement of defined benefit obligations | <u>\$ 636</u> | <u>\$ 1,820</u> |

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

| | For the years ended December 31, | |
|--|----------------------------------|--------------------|
| | 2021 | 2020 |
| Tax calculated based on profit before tax and statutory tax rate | \$ 201,904 | (\$ 81,553) |
| Tax effect of permanent differences | (277,024) | 103,651 |
| Temporary differences not recognised as deferred tax assets | 40,843 | - |
| Taxable loss not recognised as deferred tax assets | 178,425 | - |
| Effect of estimated assessment of tax | (3,544) | (41,178) |
| Income tax paid in and for income derived from Mainland China | 1,080 | 3,199 |
| Land value increment tax | 59,813 | - |
| Income tax expense (benefit) | <u>\$ 201,497</u> | <u>(\$ 15,881)</u> |

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

| For the year ended December 31, 2021 | | | | |
|--|-------------------|------------------------------|--|------------------|
| | January 1 | Recognised in profit or loss | Recognised in other comprehensive income | December 31 |
| Deferred tax assets: | | | | |
| Fees for after sales service | \$ 14,421 | (\$ 3,421) | \$ - | \$ 11,000 |
| Adjustment of bad debts for tax purposes | 33,250 | (31,412) | - | 1,838 |
| Employee benefits | 11,102 | - | (636) | 10,466 |
| Taxable loss | 111,452 | (55,058) | - | 56,394 |
| Royalties | 19,099 | (6,360) | - | 12,739 |
| Others | 22,661 | (15,386) | - | 7,275 |
| | <u>\$ 211,985</u> | <u>(\$ 111,637)</u> | <u>(\$ 636)</u> | <u>\$ 99,712</u> |

| For the year ended December 31, 2020 | | | | |
|--|-------------------|------------------------------|--|-------------------|
| | January 1 | Recognised in profit or loss | Recognised in other comprehensive 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> |

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, 2021 | | | | |
|-------------------|-----------------------|---------------------|----------------------------------|-------------|
| Year incurred | Amount filed/assessed | Unused amount | Unrecognised deferred tax assets | Expiry year |
| 2012 | \$ 72,056 | \$ 72,056 | \$ 72,056 | 2022 |
| 2018 | 606,486 | 531,968 | 250,000 | 2028 |
| 2021 | 616,830 | 616,830 | 616,830 | 2031 |
| | <u>\$ 1,295,372</u> | <u>\$ 1,220,854</u> | <u>\$ 938,886</u> | |

| December 31, 2020 | | | | |
|-------------------|-----------------------|-------------------|----------------------------------|-------------|
| Year incurred | Amount filed/assessed | Unused amount | Unrecognised 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> | |

(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, 2021 and 2020, the unused loss carryforward amounted to \$470,228 and \$503,023, respectively.

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

| | December 31, 2021 | December 31, 2020 |
|----------------------------------|---------------------|---------------------|
| Deductible temporary differences | <u>\$ 1,110,923</u> | <u>\$ 1,105,717</u> |

F. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2021 and 2020, the amounts of temporary differences unrecognised as deferred tax liabilities were \$216,911 and \$159,951, respectively.

G. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority.

(30) Earnings (loss) per share

| For the year ended December 31, 2021 | | | |
|---|------------------|---|------------------------------------|
| | Amount after tax | Weighted average number of ordinary shares outstanding (shares in thousands) | Earnings per share (in dollars) |
| <u>Basic earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | \$ 684,119 | 282,363 | \$ 2.42 |
| <u>Diluted earnings per share</u> | | | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employee compensation | | 2,468 | |
| Employee restricted shares | | 625 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | \$ 684,119 | 285,456 | \$ 2.40 |

| 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 | (\$ 459,802) | 282,363 | (\$ 1.63) |

(31) Changes in liabilities from financing activities

Changes in liabilities from financing activities arose from changes in cash flow from financing activities for the years ended December 31, 2021 and 2020. 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 |
| Abico AVY Co., Ltd. (Abico AVY) (Note) | 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 |

Note: Formerly known as AVY Precision Technology Inc.

(2) Significant related party transactions

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

A. Operating revenue:

| | <u>For the years ended December 31,</u> | |
|-----------------|---|-------------|
| | <u>2021</u> | <u>2020</u> |
| Sales of goods: | | |
| -Associates | \$ 83,460 | \$ 63,735 |

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

B. Purchases:

| | <u>For the years ended December 31,</u> | |
|------------------------|---|------------------|
| | <u>2021</u> | <u>2020</u> |
| Purchases of goods: | | |
| -Associates | \$ 4,381 | \$ 399 |
| -Other related parties | 17,345 | 16,538 |
| | <u>\$ 21,726</u> | <u>\$ 16,937</u> |

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

C. Receivables from related parties:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|----------------------|--------------------------|--------------------------|
| Accounts receivable: | | |
| -Associates | \$ 19,430 | \$ 4,503 |

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, 2021</u> | <u>December 31, 2020</u> |
|------------------------|--------------------------|--------------------------|
| Accounts payable | | |
| -Associates | \$ 381 | \$ 2 |
| -Other related parties | <u>9,823</u> | <u>10,172</u> |
| | <u>\$ 10,204</u> | <u>\$ 10,174</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:

| | <u>For the years ended December 31,</u> | |
|-----------------------|---|-----------------|
| | <u>2021</u> | <u>2020</u> |
| Other related parties | <u>\$ 2,091</u> | <u>\$ 3,643</u> |

(3) Key management compensation

| | <u>For the years ended December 31,</u> | |
|---|---|------------------|
| | <u>2021</u> | <u>2020</u> |
| Salaries and other short-term employee benefits | \$ 31,335 | \$ 12,960 |
| Post-employment benefits | 586 | 498 |
| Share-based payments | <u>1,066</u> | <u>-</u> |
| | <u>\$ 32,987</u> | <u>\$ 13,458</u> |

8. PLEDGED ASSETS

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

| <u>Pledged asset</u> | <u>Book value</u> | | <u>Purpose</u> |
|---------------------------|--------------------------|--------------------------|------------------|
| | <u>December 31, 2021</u> | <u>December 31, 2020</u> | |
| Land | \$ 1,256,394 | \$ 1,256,394 | Bank credit loan |
| Buildings and structures | 20,556 | 21,723 | Bank borrowings |
| Right-of-use assets, land | <u>2,618</u> | <u>2,780</u> | Bank borrowings |
| | <u>\$ 1,279,568</u> | <u>\$ 1,280,897</u> | |

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Financial instruments by category

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---|--------------------------|--------------------------|
| <u>Financial assets</u> | | |
| Financial assets at amortised cost | <u>\$ 3,034,420</u> | <u>\$ 3,263,808</u> |
| <u>Financial liabilities</u> | | |
| Financial liabilities at amortised cost | <u>\$ 2,007,457</u> | <u>\$ 2,870,236</u> |
| Lease liability | <u>\$ 18,598</u> | <u>\$ 36,987</u> |

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

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, 2021 | | | | |
|--|--|------------------|---------------------|------------------------|-----------------------------|
| | 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 | \$ 81,278 | 27.68 | \$ 2,249,775 | 1% | \$ 22,498 |
| <u>Financial liabilities</u> | | | | | |
| <u>Monetary items</u> | | | | | |
| USD:NTD | \$ 27,378 | 27.68 | \$ 757,823 | 1% | \$ 7,578 |

| 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 | \$ 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 |

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, 2021 and 2020 amounted to \$4,919 and (\$7,847), 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, 2021 and 2020 would have increased/decreased by \$1,610 and \$1,607, 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 \$120,701 and \$93,056, 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, 2021 and 2020, would have decreased/increased by \$2,670 and \$13,704, 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 wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. On December 31, 2021 and 2020, the Group's written-off financial assets that are still under recourse procedures amounted to \$161,335 and \$532, respectively.
- vi. 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.

| | Up to 90 days 91~180 days Over 180 days | | | | |
|--------------------------|---|-----------|----------|------------|------------|
| | Not past due | past due | past due | past due | Total |
| <u>December 31, 2021</u> | | | | | |
| Expected loss rate | 0.97% | 2.79% | 100.00% | 100.00% | |
| Total book value | \$ 423,700 | \$ 23,715 | \$ 48 | \$ 603 | \$ 448,066 |
| Loss allowance | \$ 4,130 | \$ 661 | \$ 48 | \$ 603 | \$ 5,442 |
| <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 |

In addition, on December 31, 2021 and 2020, accounts receivable were \$373,842 and \$239,956, and loss allowance for accounts receivable recognised through individual assessment was \$2,666 and \$2,613, 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, 2021</u> | <u>December 31, 2020</u> |
|-----------------------|----------------------------|--------------------------|
| | <u>Accounts receivable</u> | |
| At January 1 | \$ 165,199 | \$ 165,481 |
| Impairment loss | 4,251 | 250 |
| Write-offs | (161,335) | (532) |
| Exchange rate effects | (7) | - |
| At December 31 | <u>\$ 8,108</u> | <u>\$ 165,199</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, 2021 and 2020, the Group has the following undrawn borrowing facilities:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--------------------------|--------------------------|--------------------------|
| <u>Fixed rate:</u> | | |
| Expiring within one year | <u>\$ 3,149,125</u> | <u>\$ 2,168,175</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> | December 31, 2021 | |
|--|-------------------|-------------|
| | Less than 1 year | Over 1 year |
| Lease liability | \$ 13,793 | \$ 5,065 |

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

(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, 2021</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 | | | | |
| Beneficiary certificate | \$ 16,101 | \$ - | \$ - | \$ 16,101 |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | 879,563 | - | 327,446 | 1,207,009 |
| | <u>\$ 895,664</u> | <u>\$ -</u> | <u>\$ 327,446</u> | <u>\$ 1,223,110</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 | | | | |
| Beneficiary certificate | \$ 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> |

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, 2021 and 2020, 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, 2021 and 2020:

| | 2021 | 2020 |
|---|-------------------|-------------------|
| At January 1 | \$ 219,850 | \$ 212,141 |
| Recorded as unrealised gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income | 7,322 | 17,731 |
| Acquired during the year | 123,182 | - |
| Capital reduction during the year | (31,105) | (9,095) |
| Effect of exchange rate changes | 8,197 | (927) |
| At December 31 | <u>\$ 327,446</u> | <u>\$ 219,850</u> |

- J. For the years ended December 31, 2021 and 2020, 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:

| | <u>Fair value at December 31, 2021</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 | \$ 312,446 | 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, 2020</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 | \$ 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 |

- 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 on profit or loss or on other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

| December 31, 2021 | | | | | | |
|-------------------|---------------------|---------------|-------------------------------------|----------------------------|---|----------------------------|
| | | | <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% | \$ - | \$ - | \$3,124 | (\$3,124) |
| Equity instrument | Market price method | ±1% | \$ - | \$ - | \$150 | (\$150) |
| December 31, 2020 | | | | | | |
| | | | <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) |
| Equity instrument | Market price method | ±1% | \$ - | \$ - | \$150 | (\$150) |

N. Due to the spread of COVID-19, there is a lot of uncertainty affecting the global economy. Based on the Group's assessment, the pandemic has no significant impact on the Group's ability to continue as a going concern and related financing risks. However, the Company will continue to closely monitor the developments 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, 2021 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: Please refer to table 4.

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 5.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.

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

J. Significant inter-company transactions during the reporting periods: Please refer to table 7.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 8.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 9.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 10.

(4) Major shareholders information:

Major shareholders information: Please refer to table 11.

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

| | 2021 | | | |
|---|----------------------------------|--------------------------------|--------------------------------|---------------------|
| | Optical manufacturing segment | Strategic investing segment | Reconciliations and offsets | Total |
| <u>Revenue</u> | | | | |
| Revenue from external customers | \$ 2,502,845 | \$ 1,072,524 | \$ - | \$ 3,575,369 |
| Revenue from internal customers | 1,667,627 | 652,598 | (2,320,225) | - |
| Total segment revenue | <u>\$ 4,170,472</u> | <u>\$ 1,725,122</u> | <u>(\$ 2,320,225)</u> | <u>\$ 3,575,369</u> |
| Inter-segment profit (loss) | <u>(\$ 375,949)</u> | <u>\$ 44,008</u> | <u>\$ 583</u> | <u>(\$ 331,358)</u> |
| Segment income (loss): | | | | |
| Depreciation and amortisation | <u>\$ 133,424</u> | <u>\$ 81,627</u> | <u>\$ -</u> | <u>\$ 215,051</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>\$ 9,550</u> |
| Interest expense | | | | <u>\$ 9,871</u> |
| Income tax benefit | | | | <u>\$ 201,497</u> |
| <u>Segment assets</u> | | | | |
| Identifiable assets | <u>\$ 6,624,872</u> | <u>\$ 972,045</u> | <u>\$ -</u> | \$ 7,596,917 |
| Financial assets at fair value through other comprehensive income | | | | 1,207,009 |
| Investment accounted for under the equity method | | | | 61,559 |
| General assets | | | | 99,712 |
| Total assets | | | | <u>\$ 8,965,197</u> |
| Capital expenditures | <u>\$ 39,340</u> | <u>\$ 101,337</u> | <u>\$ -</u> | <u>\$ 140,677</u> |

| | 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 expense | | | | <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 | | | | <u>211,985</u> |
| Total assets | | | | <u>\$ 9,131,183</u> |
| Capital expenditures | <u>\$ 62,438</u> | <u>\$ 118,810</u> | <u>\$ -</u> | <u>\$ 181,248</u> |

(4) Reconciliation for segment income (loss)

A reconciliation of adjusted consolidated net profit before tax and the reportable operating segments' net profit for 2021 and 2020 is provided as follows:

| | For the years ended December 31, | |
|--|----------------------------------|---------------------|
| | 2021 | 2020 |
| Reportable segments profit and loss | (\$ 331,358) | (\$ 616,298) |
| Share of profit of associates and joint ventures accounted for using the equity method | 6,585 | 3,426 |
| Finance costs - net | (9,871) | (12,810) |
| Others | 1,256,653 | 164,899 |
| Profit (loss) before tax and continued operations | <u>\$ 922,009</u> | <u>(\$ 460,783)</u> |

(5) Information on product and service

Refer to Note 6 (23) 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, 2021 | | For the year ended December 31, 2020 | |
|--------|---|---------------------|---|---------------------|
| | Revenue | Non-current assets | Revenue | Non-current assets |
| Japan | \$ 1,552,092 | \$ - | \$ 1,667,725 | \$ - |
| China | 1,372,061 | 864,926 | 1,137,889 | 913,212 |
| Taiwan | 107,592 | 2,552,246 | 105,750 | 3,128,376 |
| Others | 543,624 | 2 | 530,653 | 3 |
| | <u>\$ 3,575,369</u> | <u>\$ 3,417,174</u> | <u>\$ 3,442,017</u> | <u>\$ 4,041,591</u> |

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2021 and 2020 is as follows:

| | For the years ended December 31, | | | |
|------------|----------------------------------|-----------------|------------|-----------------|
| | 2021 | | 2020 | |
| | Revenue | Segment | Revenue | Segment |
| AA Company | \$ 533,174 | Optical segment | \$ 397,429 | Optical segment |
| KK Company | 326,950 | Optical segment | 379,236 | Optical segment |
| R Company | 288,386 | Optical segment | 289,241 | Optical segment |
| EE Company | 246,423 | Optical segment | 380,452 | Optical segment |
| A Company | 211,471 | Optical segment | 218,496 | Optical segment |

Ability Enterprise Co., Ltd. and subsidiaries

Loans to others

For the year ended December 31, 2021

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, 2021 (Note 3) | Balance at December 31, 2021 (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 | \$ - | \$ - | 1% | Short-term financing | - | Working capital | - | - | - | 631,506 | 2,526,025 | - |

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, 2021.

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.

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, 2021

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, 2021 (Note 4) | Outstanding endorsement/ guarantee amount at December 31, 2021 (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 | \$ 3,157,532 | \$ 408,855 | \$ - | - | - | - | \$ 3,157,532 | Y | N | N | - |
| 1 | E-PIN OPTICAL INDUSTRY CO., LTD. | ZHONGSHAN SHANXIN ACCURATE INDUSTRY CO., LTD. | 3 | 122,892 | 43,415 | 43,415 | 11,915 | - | 17.66 | 122,892 | 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 "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, 2021. The spot exchange rates at December 31, 2021 were USD/NTD 27.68 and RMB/NTD 4.3415.

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 chairman 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, 2021

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, 2021 | | | | Footnote (Note 4) |
|--|--|---|------------------------|-------------------------|---------------------|---------------|------------|-------------------|
| | | | | Number of shares | Book value (Note 3) | Ownership (%) | Fair value | |
| ABILITY ENTERPRISE CO., LTD. | STOCKS OF ABICO AVY CO., LTD. (Note 8) | The investee is the corporate director of the Company | Note 5 | 17,264,223 | \$ 466,134 | 10.16 | \$ 466,134 | - |
| ABILITY ENTERPRISE CO., LTD. | STOCKS OF ABILITY I VENTURE CAPITAL CORPORATION | The Company is the corporate director of the investee | Note 5 | 5,075,010 | 44,994 | 10.70 | 44,994 | - |
| ABILITY ENTERPRISE CO., LTD. | STOCKS OF ABICO ASIA CAPITAL CORPORATION | - | Note 5 | 10,000,000 | 117,468 | 5.189 | 117,468 | - |
| ABILITY ENTERPRISE CO., LTD. | ABICO ASIA EXCELSIOR PARTNERS L.P. | - | Note 5 | - | 58,192 | 5.920 | 58,192 | - |
| ABILITY ENTERPRISE CO., LTD. | STOCKS OF IH BIOMEDICAL VENTURE FUND I CO., LTD. | - | Note 5 | 3,000,000 | 33,110 | 4.848 | 33,110 | - |
| ABILITY INTERNATIONAL INVESTMENT CO., LTD. | CTBC HWA-WIN MONEY MARKET FUND | - | Note 7 | 1,447,007.9 | 16,101 | - | 16,101 | - |
| ABILITY ENTERPRISE (BVI) CO., LTD. | YORKEY OPTICAL INTERNATIONAL (CAYMAN) LTD. | - | Note 6 | 143,817,000 | 413,429 | 17.62 | 413,429 | - |
| ABILITY ENTERPRISE (BVI) CO., LTD. | REVL INC. | - | Note 5 | 367,726 | - | - | - | - |
| ABILITY ENTERPRISE (BVI) CO., LTD. | ATTONICS SYSTEMS PTE. LTD. | - | Note 5 | 11,678 | 58,682 | 13.80 | 58,682 | - |
| 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

Note 8: Formerly known as AVY Precision Technology Inc.(AVY Precision).

Ability Enterprise Co., Ltd. and subsidiaries
Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more
For the year ended December 31, 2021

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

| Real estate disposed by | Real estate | Transaction date or date of the event | Date of acquisition | Book value | Disposal amount (Note 4) | Status of collection of proceeds | Gain (loss) on disposal (Note 5) | Counterparty | Relationship with the seller | Reason for disposal | Basis or reference used in setting the price | Other commitments |
|------------------------------|--------------------------------|---------------------------------------|---------------------|------------|--------------------------|----------------------------------|----------------------------------|--|------------------------------|---|---|--|
| Ability Enterprise Co., Ltd. | Land, buildings and structures | March 30, 2021 | April 2000 | \$ 565,398 | \$ 1,702,465 | Received payment | \$ 1,137,067 | AMPACS CORPORATION、LUNG AN INVESTMENT LIMITED、SHEUNG ON INVESTMENT COMPANY LIMITED | Unrelated party | Primarily capital resource of strategic investment in the future and the arrangement of manufacture strategy. | Refer to the market price of Actual Price Registration of Real Estate Transaction and appraisal report of property. | Signing bonus of 10%, payment for affixing seal of 10%, tax payment of 10% and final payment of 70% will be paid when the transaction completed. |

Note 1: The appraisal result should be presented in the ‘Basis or reference used in setting the price’ column if the real estate disposed of should be appraised pursuant to the regulations.

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: Date of the event referred to herein is the date of contract signing, date of payment, date of execution of a trading order, date of title transfer, date of board resolution, or other date that can confirm the counterparty and the monetary amount of the transaction, whichever is earlier.

Note 4: The transaction amount did not include house tax and business tax.

Note 5: On March 30, 2021, the announced expected gain on disposal were \$10.6 billion, including effects from land value increment tax, house tax and business tax and commission fees.

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, 2021

Table 5

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 | \$ 1,536,385 | 92.28 | Based on mutual agreement | \$ - | - | (\$ 340,821) | 24.28 | - |
| ABILITY TECHNOLOGY (DONGGUAN) CO., LTD. | ABILITY ENTERPRISE CO., LTD. | Affiliated company | (sales) | (1,536,385) | 79.59 | Based on mutual agreement | - | - | 340,821 | 75.12 | - |
| E-PIN OPTICAL INDUSTRY CO., LTD. | NANJING EVERLIGHT PHOTONICS TECHNOLOGY CO., LTD. | Affiliated company | Purchases | 551,007 | 63.82 | 90~120 days after monthly billings | - | - | (84,540) | 60.53 | - |
| NANJING EVERLIGHT PHOTONICS TECHNOLOGY CO., LTD. | E-PIN OPTICAL INDUSTRY CO., LTD. | Affiliated company | (sales) | (551,007) | 64.41 | 90~120 days after monthly billings | - | - | 84,540 | 30.18 | - |

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, 2021

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

| Creditor | Counterparty | Relationship with the counterparty | Balance as at December 31, 2021 (Note 1) | Turnover rate | Overdue receivables | | Amount collected subsequent to the balance sheet date | Allowance for doubtful accounts |
|--|------------------------------------|------------------------------------|--|---------------|---------------------|--------------|---|---------------------------------|
| | | | | | Amount | Action taken | | |
| VIEWQUEST TECHNOLOGIES (BVI) INC. | ABILITY ENTERPRISE CO., LTD. | Affiliated company | \$ 926,563 | - | - | - | - | - |
| VIEWQUEST TECHNOLOGIES (BVI) INC. | ABILITY ENTERPRISE (BVI) CO., LTD. | Affiliated company | 441,823 | Note 3 | - | - | - | - |
| ABILITY TECHNOLOGY (DONGGUAN) CO., LTD. | ABILITY ENTERPRISE CO., LTD. | Affiliated company | 340,821 | 4.64 | - | - | 340,821 | - |
| NANJING EVERLIGHT PHOTONICS TECHNOLOGY CO., LTD. | E-PIN OPTICAL INDUSTRY CO., LTD. | Affiliated company | 84,540 | 5.77 | - | - | 84,540 | - |

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.

Ability Enterprise Co., Ltd. and subsidiaries
Significant inter-company transactions during the reporting period
For the year ended December 31, 2021

Table 7

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 | \$ 926,563 | - | 10 |
| 0 | The Company | ABILITY (DONGGUAN) | 1 | Purchases | 1,536,385 | - | 43 |
| 0 | The Company | ABILITY (DONGGUAN) | 1 | Accounts payable | 340,821 | - | 4 |
| 1 | VIEWQUEST TECHNOLOGIES (BVI) INC. | ABILITY ENTERPRISE (BVI) CO., LTD. | 3 | Other receivables | 441,823 | - | 5 |
| 2 | E-PIN OPTICAL INDUSTRY CO., LTD. | NANJING EVERLIGHT | 3 | Purchases | 551,007 | - | 15 |
| 2 | E-PIN OPTICAL INDUSTRY CO., LTD. | NANJING EVERLIGHT | 3 | Accounts payable | 84,540 | - | 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, 2021

Table 8

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, 2021 | | | Net profit (loss) of the investee for the year ended December 31, 2021 (Note 2(2) and 3) | Investment income (loss) recognised by the Company for the year ended December 31, 2021 (Note 2(3)) | Footnote |
|------------------------------|--|--------------------|---|---------------------------------|---------------------------------|-------------------------------------|---------------|--------------|--|---|------------|
| | | | | Balance as at December 31, 2021 | Balance as at December 31, 2020 | 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 | \$ 1,936,712 | \$ 159,565 | \$ 159,565 | 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 | 447 | 264 | 264 | Subsidiary |
| ABILITY ENTERPRISE CO., LTD. | VIEWQUEST TECHNOLOGIES (BVI) INC. | British Virgin IS. | Holding Company | 1,628,586 | 1,628,586 | - | 100.00 | 1,358,228 | (38) | (38) | Subsidiary |
| ABILITY ENTERPRISE CO., LTD. | ABILITY INTERNATIONAL INVESTMENT CO., LTD. | Taiwan | Investments | 13,000 | 13,000 | 1,300,000 | 100.00 | 16,302 | 4 | 4 | Subsidiary |
| ABILITY ENTERPRISE CO., LTD. | ANDRO VIDEO INC. | Taiwan | Development of digital surveillance | 140,000 | 140,000 | 7,000,000 | 100.00 | 5,759 | (17,815) | (17,815) | 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 | 136,259 | 7,730 | 4,221 | 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 | 23,686 | 19,101 | 5,730 | - |
| ABILITY ENTERPRISE CO., LTD. | BESTMOMENT HOLDINGS PTE. LTD. | Singapore | Holding company | 36,671 | 36,671 | 1,723,110 | 25.00 | 37,873 | 3,418 | 855 | - |

| Investor | Investee (Notes 1 and 2) | Location | Main business activities | Initial investment amount | | Shares held as at December 31, 2021 | | | Net profit (loss) of the investee for the year ended December 31, 2021 (Note 2(2) and 3) | Investment income (loss) recognised by the Company for the year ended December 31, 2021 (Note 2(3)) | Footnote |
|------------------------------------|------------------------------------|--------------------|--|---------------------------------|---------------------------------|-------------------------------------|---------------|------------|--|---|------------------------|
| | | | | Balance as at December 31, 2021 | Balance as at December 31, 2020 | 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 | 195,275 | 1,353 | - | Second-tier subsidiary |
| E-PIN OPTICAL INDUSTRY CO., LTD. | E-PIN OPTICAL INDUSTRY CO., LTD. | Malaysia | Manufacturing of precision lens | 45,700 | 45,700 | 5,000,000 | 100.00 | 1,275 | (211) | - | 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 | 8,383 | (1,739) | - | Second-tier subsidiary |
| E-PIN OPTICAL INDUSTRY CO., LTD. | JIAPIN INVESTMENT CO., LTD. | Taiwan | Investing compny | 66,000 | 6,000 | 6,600,000 | 100.00 | 65,495 | 773 | - | Second-tier subsidiary |
| JIAPIN INVESTMENT CO., LTD. | CHIA PING LIMITED | Samoa | Holding company | 37,713 | 4,497 | 1,350,000 | 100.00 | 38,442 | 953 | - | Second-tier subsidiary |
| ALL VISION HOLDING LTD. | EVERLIGHT DEVELOPMENT CORPORATION | Panama | Holding company | 192,006 | 192,006 | 58,494 | 100.00 | 261,779 | 41,110 | - | Second-tier subsidiary |
| ALL VISION HOLDING LTD. | E-SKY HOLDING LTD. | Mauritius | Holding company | 396,901 | 343,772 | 14,338,918 | 100.00 | (62,524) | (39,757) | - | 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, 2021’ 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, 2021’ 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, 2021’ 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 27.9904 for the year ended December 31, 2021.

Note 4: ANDROVIDEO INC. applied to the court for the approval of dissolution and liquidation and pending for the approval.

Ability Enterprise Co., Ltd. and subsidiaries
Information on investments in Mainland China
For the year ended December 31, 2021

Table 9

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, 2021 | Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2021 | | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021 | Net income of investee for the year ended December 31, 2021 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognised by the Company for the year ended December 31, 2021 (Note 2) | Book value of investments in Mainland China as of December 31, 2021 | Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021 | Footnote |
|---|---|-----------------|----------------------------|--|---|-------------------------|--|---|--|--|---|---|-----------------|
| | | | | | Remitted to Mainland China | Remitted back to Taiwan | | | | | | | |
| ABILITY TECHNOLOGY (DONGGUAN) CO., LTD. | Sales of digital still cameras | \$ 1,805,688 | 2 | \$ 1,190,084 | - | - | \$ 1,546,206 | \$ 160,290 | 100.00 | \$ 160,290 | \$ 1,456,364 | - | (2)B and Note 6 |
| JIUJIANG VIEWQUEST ELECTRONICS INC. | Sales of digital still cameras | - | 2 | 356,122 | - | - | - | (20,537) | - | (20,537) | - | - | (2)B, Note 6 |
| NANJING EVERLIGHT PHOTONICS TECHNOLOGY CO., LTD. | Development and manufacture of optical components | 333,358 | 2 | 130,881 | - | - | 130,881 | 73,815 | 30.28 | 22,352 | 261,685 | - | (2)B and Note 7 |
| WEIHAY E-SKY OPTICAL-ELECTRICAL CO., LTD. | Development and manufacture of precision optical lens | 42,980 | 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 | 327,970 | 2 | 211,836 | - | - | 211,836 | (34,671) | 54.61 | (18,934) | (62,715) | - | (2)B and Note 8 |
| NANJING E-PIN OPTICAL CO., LTD. | Development and manufacture of precision optical lens | 230,809 | 2 | 52,761 | - | - | 52,761 | (44) | 39.44 | (24) | 185 | - | (2)B and Note 8 |
| CHIA PING (SHENZHEN) OPTICAL TECHNOLOGY CO., LTD. | Trading of optical lens and components | 38,234 | 2 | 4,497 | 33,420 | - | 37,917 | 953 | 54.61 | 520 | 38,442 | - | (2)C and Note 9 |

| Company name | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021 | Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 10) | Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA |
|---|--|--|---|
| The Company and E-PIN OPTICAL INDUSTRY CO., | \$ 2,017,549 | \$ 2,235,383 | \$ 3,936,509 |

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, 2021' 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, 2021 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: Because the Company wanted to merge ABILITY TECHNOLOGY (DONGGUAN) CO., LTD. (former paid-in capital was US\$36.5 million) with VIEWQUEST TECHNOLOGIES (DONGGUAN) CO., LTD. (former paid-in capital was US\$22 million), and ABILITY TECHNOLOGY (DONGGUAN) CO., LTD. will be the surviving company while VIEWQUEST TECHNOLOGIES (DONGGUAN) CO., LTD. will be the dissolved company. After the merger, the paid-in capital was US\$58.5 million. On March 16, 2021, the Investment Commission of the Ministry of Economic Affairs (MOEA) (Jing-Shen-II-Zi No. 11000025180) approved the total investment amount was US\$51,984,670.56 after recognising the investment in the dissolved company.

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, 2021

Table 10

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, 2021 | % | Balance at December 31, 2021 | Purpose | Maximum balance during the year ended December 31, 2021 | Balance at December 31, 2021 | Interest rate | Interest during the year ended December 31, 2021 | |
| NANJING EVERLIGHT PHOTONICS TECHNOLOGY CO., LTD. | (\$ 551,007) (| 15) | - | - | (\$ 84,540) (| 1) | - | - | - | - | - | - | - |

Ability Enterprise Co., Ltd.
Major shareholders information
December 31, 2021

Table 11

| Name of major shareholders | Shares | |
|----------------------------|-----------------------|---------------|
| | Number of shares held | Ownership (%) |
| PEGATRON CORPORATION | 33,135,300 | 11.51% |
| ABICO AVY CO., LTD. | 19,962,000 | 6.93% |

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.
Non-Consolidated Financial Statements

ABILITY ENTERPRISE CO., LTD.
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS’
REPORT
DECEMBER 31, 2021 AND 2020

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.

ABILITY ENTERPRISE CO., LTD.
DECEMBER 31, 2021 AND 2020 PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS' REPORT
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INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

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

PWCR21000453

Opinion

We have audited the accompanying balance sheets of Ability Enterprise Co., Ltd. (the “Company”) as at December 31, 2021 and 2020, 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 (refer to *Other Matter* section), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, 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 2021 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, 2021, inventories and allowance for inventory valuation loss amounted to NT\$134,875 thousand and NT\$75,054 thousand, respectively, while the investments accounted for using equity method amounted to NT\$3,515,266 thousand. The Company's direct and indirect wholly-owned subsidiary, Ability Technology (Dongguan) Co., Ltd., is the main operating entity and is 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 subsidiary recognises 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 evaluation of obsolete inventories involves significant judgments and high estimation uncertainty, the inventories of Ability Technology (Dongguan) Co., Ltd. has a significant impact on the individual 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, 2021, property, plant and equipment and investment property amounted to NT\$2,384,597 thousand.

The Company's property, plant and equipment and investment property primarily consist of land, buildings and structures, constituting 28% 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 long-term equity investments with credit balances) amounted to NT\$23,686 thousand and (NT\$142,171) thousand, constituting 0.28% and 1.59% of the total assets as at December 31, 2021 and 2020, respectively, and the share of profit (loss) recognised from investees accounted for under the equity method amounted to NT\$5,730 thousand and (NT\$148,374) thousand, constituting 0.70% and 18.83% 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:

- A. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.
- E. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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.

Lin, Ya-Hui

Wu, Han-Chi

For and on behalf of PricewaterhouseCoopers, Taiwan

March 24, 2022

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, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

| Assets | | | December 31, 2021 | | December 31, 2020 | |
|--------------------|---|---------------|-------------------|-----|-------------------|-----|
| | | | AMOUNT | % | AMOUNT | % |
| Current assets | | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | \$ 1,165,739 | 14 | \$ 1,527,082 | 17 |
| 1170 | Accounts receivable, net | 6(3) and 7 | 425,427 | 5 | 158,913 | 2 |
| 130X | Inventories | 6(4) | 59,791 | - | 35,733 | - |
| 1470 | Other current assets | 7 | 77,350 | 1 | 246,327 | 3 |
| 11XX | Total current assets | | 1,728,307 | 20 | 1,968,055 | 22 |
| Non-current assets | | | | | | |
| 1517 | Non-current financial assets at fair value through profit or loss | 6(2) | 719,898 | 9 | 635,592 | 7 |
| 1550 | Investments accounted for using equity method | 6(5) | 3,515,266 | 42 | 3,258,342 | 36 |
| 1600 | Property, plant and equipment | 6(6), 7 and 8 | 2,310,812 | 27 | 2,366,395 | 26 |
| 1755 | Right-of-use assets | 6(7) | 1,573 | - | 3,201 | - |
| 1760 | Investment property, net | 6(8) | 73,785 | 1 | 644,111 | 7 |
| 1780 | Intangible assets | | 9,368 | - | 8,636 | - |
| 1840 | Deferred tax assets | 6(21) | 86,715 | 1 | 198,775 | 2 |
| 1900 | Other non-current assets | | 23,809 | - | 28,263 | - |
| 15XX | Total non-current assets | | 6,741,226 | 80 | 7,143,315 | 78 |
| 1XXX | Total assets | | \$ 8,469,533 | 100 | \$ 9,111,370 | 100 |

(Continued)

ABILITY ENTERPRISE CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

| Liabilities and Equity | | | Notes | | December 31, 2021 | | December 31, 2020 | | | |
|-------------------------|--------------------------------------|----------|-------|-----------|-------------------|-----|-------------------|----------|----|-----|
| | | | | | AMOUNT | % | AMOUNT | % | | |
| Current liabilities | | | | | | | | | | |
| 2100 | Short-term borrowings | 6(9) | \$ | - | - | \$ | 1,200,000 | 13 | | |
| 2150 | Notes payable | | | 604 | - | | - | - | | |
| 2170 | Accounts payable | 7 | | 1,403,791 | 16 | | 1,421,636 | 16 | | |
| 2200 | Other payables | 6(10) | | 495,499 | 6 | | 462,760 | 5 | | |
| 2250 | Provisions for liabilities - current | 6(13) | | 55,000 | 1 | | 72,106 | 1 | | |
| 2280 | Current lease liabilities | | | 1,621 | - | | 1,629 | - | | |
| 2300 | Other current liabilities | 6(17) | | 165,465 | 2 | | 124,808 | 1 | | |
| 21XX | Total current liabilities | | | 2,121,980 | 25 | | 3,282,939 | 36 | | |
| Non-current liabilities | | | | | | | | | | |
| 2580 | Non-current lease liabilities | | | - | - | | 1,621 | - | | |
| 2600 | Other non-current liabilities | 6(5)(11) | | 32,490 | - | | 206,467 | 2 | | |
| 25XX | Total non-current liabilities | | | 32,490 | - | | 208,088 | 2 | | |
| 2XXX | Total liabilities | | | 2,154,470 | 25 | | 3,491,027 | 38 | | |
| Equity | | | | | | | | | | |
| | Share capital | 6(14) | | | | | | | | |
| 3110 | Common stock | | | 2,877,213 | 34 | | 2,823,628 | 31 | | |
| | Capital surplus | 6(15) | | | | | | | | |
| 3200 | Capital surplus | | | 1,339,848 | 16 | | 1,563,494 | 18 | | |
| | Retained earnings | 6(16) | | | | | | | | |
| 3310 | Legal reserve | | | 1,655,947 | 20 | | 1,655,947 | 18 | | |
| 3320 | Special reserve | | | 654,447 | 8 | | 654,447 | 7 | | |
| 3350 | Unappropriated retained earnings | | | | | | | | | |
| | (accumulated deficit) | | | 686,297 | 8 | (| 86,830) | (| 1) | |
| | Other equity interest | | | | | | | | | |
| 3400 | Other equity interest | | (| 898,689) | (| 11) | (| 990,343) | (| 11) |
| 3XXX | Total equity | | | 6,315,063 | 75 | | 5,620,343 | 62 | | |
| 3X2X | Total liabilities and equity | | \$ | 8,469,533 | 100 | \$ | 9,111,370 | 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, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except for earnings (loss) per share amounts)

| Items | | Notes | Year ended December 31 | | | |
|-------|--|----------------|------------------------|-----------|-----------------------|---------------|
| | | | 2021 | | 2020 | |
| | | | AMOUNT | % | AMOUNT | % |
| 4000 | Operating revenue | 6(17) and 7 | \$ 2,230,373 | 100 | \$ 2,064,103 | 100 |
| 5000 | Operating costs | 6(4)(21) and 7 | (1,831,415) | (82) | (1,634,287) | (79) |
| 5950 | Gross profit from operations | | 398,958 | 18 | 429,816 | 21 |
| | Operating expenses | 6(21) | | | | |
| 6100 | Selling expenses | | (68,720) | (3) | (61,926) | (3) |
| 6200 | Administrative expenses | | (308,989) | (14) | (294,489) | (14) |
| 6300 | Research and development expenses | | (501,574) | (22) | (465,737) | (23) |
| 6450 | (Impairment loss) impairment gain and reversal of impairment loss determined in accordance with IFRS 9 | 12(2) | (5,379) | - | 310 | - |
| 6000 | Total operating expenses | | (884,662) | (39) | (821,842) | (40) |
| 6900 | Net operating loss | | (485,704) | (21) | (392,026) | (19) |
| | Non-operating income and expenses | | | | | |
| 7100 | Interest income | 6(18) | 1,706 | - | 10,775 | - |
| 7010 | Other income | 6(19) | 33,175 | 1 | 52,390 | 3 |
| 7020 | Other gains and losses | 6(20) | 1,159,312 | 52 | (7,352) | - |
| 7050 | Finance costs | | (5,718) | - | (10,216) | (1) |
| 7070 | Share of profit (loss) of associates and joint ventures accounted for using equity method, net | 6(5) | 152,786 | 7 | (150,326) | (7) |
| 7000 | Total non-operating income and expenses | | 1,341,261 | 60 | (104,729) | (5) |
| 7900 | Profit (loss) before income tax | | 855,557 | 39 | (496,755) | (24) |
| 7950 | Income tax (expense) benefit | 6(22) | (171,438) | (8) | 36,953 | 2 |
| 8200 | Profit (loss) for the year | | <u>\$ 684,119</u> | <u>31</u> | <u>(\$ 459,802)</u> | <u>(22)</u> |
| | Other comprehensive income | | | | | |
| | Components of other comprehensive income that will not be reclassified to profit or loss | | | | | |
| 8311 | Gains on remeasurements of defined benefit plan | 6(11) | \$ 2,175 | - | \$ 9,849 | 1 |
| 8316 | Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | 6(2) | 50,911 | 2 | (117,705) | (6) |
| 8330 | Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method | | 156,385 | 7 | (115,506) | (6) |
| 8349 | Income tax related to components of other comprehensive loss that will not be reclassified to profit or loss | 6(22) | (435) | - | (1,970) | - |
| 8310 | Other comprehensive income (loss) that will not be reclassified to profit or loss | | 209,036 | 9 | (225,332) | (11) |
| | Components of other comprehensive income that will be reclassified to profit or loss | | | | | |
| 8361 | Exchange differences on translation | | (72,094) | (3) | (103,012) | (5) |
| 8360 | Other comprehensive loss that will be reclassified to profit or loss | | (72,094) | (3) | (103,012) | (5) |
| 8300 | Total other comprehensive income (loss) | | <u>\$ 136,942</u> | <u>6</u> | <u>(\$ 328,344)</u> | <u>(16)</u> |
| 8500 | Total comprehensive income (loss) | | <u>\$ 821,061</u> | <u>37</u> | <u>(\$ 788,146)</u> | <u>(38)</u> |
| | Earnings (loss) per share | 6(23) | | | | |
| 9750 | Basic earnings (loss) per share | | \$ 2.42 | | (\$ 1.63) | |
| 9850 | Diluted earnings (loss) per share | | \$ 2.40 | | (\$ 1.63) | |

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, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

| | | | Retained Earnings | | | Other Equity Interest | | | | |
|--|------------------------------|---|---------------------|-------------------|--|--|---|----------------------|---------------------|--|
| | | | | | | | Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income | Other equity, others | Total equity | |
| Notes | 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 | | | | |
| <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 of 2019 earnings | 6(16) | | | | | | | | | |
| Special reserve | - | - | - | 228,269 | (228,269) | - | - | - | - | |
| Cash dividends | - | - | - | - | (84,709) | - | - | - | (84,709) | |
| Balance at December 31, 2020 | <u>\$ 2,823,628</u> | <u>\$ 1,563,494</u> | <u>\$ 1,655,947</u> | <u>\$ 654,447</u> | <u>(\$ 86,830)</u> | <u>(\$ 271,768)</u> | <u>(\$ 718,575)</u> | <u>\$ -</u> | <u>\$ 5,620,343</u> | |
| <u>Year ended December 31, 2021</u> | | | | | | | | | | |
| Balance at January 1, 2021 | \$ 2,823,628 | \$ 1,563,494 | \$ 1,655,947 | \$ 654,447 | (\$ 86,830) | (\$ 271,768) | (\$ 718,575) | \$ - | \$ 5,620,343 | |
| Profit for 2021 | - | - | - | - | 684,119 | - | - | - | 684,119 | |
| Other comprehensive income (loss) for 2021 | - | - | - | - | 2,178 | (72,094) | 206,858 | - | 136,942 | |
| Total comprehensive income (loss) for 2021 | - | - | - | - | 686,297 | (72,094) | 206,858 | - | 821,061 | |
| Appropriations of 2020 earnings | 6(16) | | | | | | | | | |
| Cash dividends | - | (141,181) | - | - | - | - | - | - | (141,181) | |
| Capital surplus used to offset accumulated deficit | 6(15) | - | (86,830) | - | - | 86,830 | - | - | - | |
| Compensation cost of share-based payment | 6(12) | - | 199 | - | - | - | - | 14,641 | 14,840 | |
| Issuance of employee restricted shares | | 53,585 | 4,166 | - | - | - | - | (57,751) | - | |
| Balance at December 31, 2021 | <u>\$ 2,877,213</u> | <u>\$ 1,339,848</u> | <u>\$ 1,655,947</u> | <u>\$ 654,447</u> | <u>\$ 686,297</u> | <u>(\$ 343,862)</u> | <u>(\$ 511,717)</u> | <u>(\$ 43,110)</u> | <u>\$ 6,315,063</u> | |

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, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

| | | Year ended December 31 | |
|---|-------|------------------------|----------------|
| | Notes | 2021 | 2020 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit (loss) before tax | | \$ 855,557 | (\$ 496,755) |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Depreciation | 6(21) | 81,116 | 93,862 |
| Amortisation | 6(21) | 5,383 | 4,539 |
| Expected credit loss (gain) | 12(2) | 5,379 | (310) |
| Compensation cost of share-based payment | 6(12) | 14,840 | - |
| Interest expense | | 5,718 | 10,216 |
| Interest income | 6(18) | (1,706) | (10,775) |
| Dividend income | 6(19) | (11,010) | (13,513) |
| Share of (profit) loss of associates and joint ventures accounted for using the equity method | 6(5) | (152,786) | 150,326 |
| Gain on disposal of property, plant, equipment | 6(20) | (216) | (1,038) |
| Gain on disposal of non-current assets held for sale | 6(20) | (1,137,067) | - |
| Gain on lease modification | 6(7) | - | (8) |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Accounts receivable, net | | (271,893) | 129,444 |
| Inventories | | (24,058) | 44,178 |
| Other current assets | | (17,870) | 121,360 |
| Changes in operating liabilities | | | |
| Notes payable | | 604 | - |
| Accounts payable | | (17,845) | (517,103) |
| Other payables | | 32,739 | 19,848 |
| Provisions | | (17,106) | (26,556) |
| Other current liabilities | | 40,657 | (105,227) |
| Other non-current liabilities | | (2,139) | (6,102) |
| Cash outflow generated from operations | | (611,703) | (603,614) |
| Interest received | | 1,706 | 10,775 |
| Dividends received | | 14,738 | 435,449 |
| Interest paid | | (5,718) | (10,216) |
| Income tax paid | | (59,967) | (2,614) |
| Net cash flows used in operating activities | | (660,944) | (170,220) |

(Continued)

ABILITY ENTERPRISE CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

| | Notes | Year ended December 31 | |
|--|-------|------------------------|--------------|
| | | 2021 | 2020 |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | | |
| Acquisition of financial assets at fair value through other comprehensive income | 6(2) | (\$ 64,500) | \$ - |
| Proceeds from capital reduction of financial assets at fair value through other comprehensive income | | 31,105 | 9,095 |
| Acquisition of investments accounted for using equity method | 6(5) | - | (36,671) |
| Acquisition of property, plant and equipment | 6(6) | (18,977) | (27,501) |
| Proceeds from disposal of property, plant and equipment | | 216 | 1,277 |
| Proceeds from disposal of non-current assets held for sale | | 1,702,465 | - |
| Acquisition of intangible assets | | (6,115) | (6,322) |
| Increase in other current assets | | - | (78,000) |
| Decrease (increase) in other non-current assets | | 4,454 | (3,862) |
| Net cash flows from (used in) investing activities | | 1,648,648 | (141,984) |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | | |
| Increase in short-term loans | | - | 250,000 |
| Repayments of short-term loans | | (1,200,000) | - |
| (Decrease) increase in other non-current liabilities | | (6,237) | 251 |
| Payments of lease liabilities | | (1,629) | (2,508) |
| Payment of cash dividends | 6(16) | (141,181) | (84,709) |
| Net cash flows (used in) from financing activities | | (1,349,047) | 163,034 |
| Net decrease in cash and cash equivalents | | (361,343) | (149,170) |
| Cash and cash equivalents at beginning of year | | 1,527,082 | 1,676,252 |
| Cash and cash equivalents at end of year | | \$ 1,165,739 | \$ 1,527,082 |

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

ABILITY ENTERPRISE CO., LTD.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
DECEMBER 31, 2021 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 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, 2021 and 2020, the Company had 530 and 530 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 24, 2022.

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 2021 are as follows:

| <u>New Standards, Interpretations and Amendments</u> | <u>Effective date by International Accounting Standards Board</u> |
|---|---|
| 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 |
| Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’ | April 1, 2021 (Note) |

Note: Earlier application from January 1, 2021 is allowed by the 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 2022 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 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.

(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 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 |
| Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information' | 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 12, 'Deferred tax related to assets and liabilities arising from a single transaction' | January 1, 2023 |

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 recognise 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 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 recognising 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 plan

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 plan

- 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 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, 2021, 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, 2021, the carrying amount of inventories is described in Note 6(4).

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|----------------------------------|--------------------------|--------------------------|
| Cash on hand and revolving funds | \$ 356 | \$ 356 |
| Demand deposits | 51,988 | 179,188 |
| Foreign currency deposits | 1,113,395 | 1,347,538 |
| | <u>\$ 1,165,739</u> | <u>\$ 1,527,082</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, 2021 | December 31, 2020 |
|----------------------|-------------------|-------------------|
| Non-current items: | | |
| Equity instruments | | |
| Listed stocks | \$ 636,816 | \$ 636,816 |
| Unlisted stocks | 230,250 | 196,855 |
| | 867,066 | 833,671 |
| Valuation adjustment | (147,168) | (198,079) |
| | <u>\$ 719,898</u> | <u>\$ 635,592</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. In July 2021, the Group invested \$15,000 according to the joint ventures agreement. As of December 31, 2021, the investment amounted to \$30 thousand, and the shareholding ratio was 4.848%.
- B. On March 29, 2021, the Board of Directors of the Group resolved to invest in ABICO ASIA EXCELSIOR PARTNERS L.P. with a limit of \$150 million. As of December 31, 2021, the investment amount was \$49,500 with a shareholding ratio of 5.92%.
- C. 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 \$719,898 and \$635,592 as at December 31, 2021 and 2020, 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, 2021 | For the year ended December 31, 2020 |
|--|---|---|
| <u>Equity instruments at fair value through other comprehensive income</u> | | |
| Fair value change recognised in other comprehensive income (loss) | \$ 50,911 | (\$ 117,705) |

- E. As at December 31, 2021 and 2020, 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 \$719,898 and \$635,592, respectively.
- F. The Company has no financial assets at fair value through other comprehensive income pledged to others as collateral.

(3) Accounts receivable

| | December 31, 2021 | December 31, 2020 |
|--------------------------------------|-------------------|-------------------|
| Accounts receivable | \$ 410,931 | \$ 304,632 |
| Less: Allowance for bad debts | (5,499) | (161,455) |
| Accounts receivable, related parties | 19,995 | 15,736 |
| Accounts receivable, net | <u>\$ 425,427</u> | <u>\$ 158,913</u> |

| | December 31, 2021 | December 31, 2020 |
|----------------|-------------------|-------------------|
| Not past due | \$ 419,315 | \$ 154,270 |
| 1 to 90 days | 991 | 2,810 |
| 91 to 180 days | 48 | 1,953 |
| Over 180 days | 572 | 161,335 |
| | <u>\$ 420,926</u> | <u>\$ 320,368</u> |

The above ageing analysis was based on past due date.

A. As of December 31, 2021 and 2020, accounts receivable were all from contracts with customers.

As of January 1, 2020, the balance of accounts receivable from contracts with customers amounted to \$450,344.

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

C. As at December 31, 2021 and 2020, 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 \$425,427 and \$158,913, respectively.

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

(4) Inventories

| | December 31, 2021 | | |
|----------------------|-------------------|---------------------------------|------------------|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | \$ 116,204 | (\$ 71,743) | \$ 44,461 |
| Work in process | 8,398 | - | 8,398 |
| Finished goods | 5,943 | (1,336) | 4,607 |
| Inventory in transit | 4,300 | (1,975) | 2,325 |
| | <u>\$ 134,845</u> | <u>(\$ 75,054)</u> | <u>\$ 59,791</u> |

| | 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> |

The cost of inventories recognised as expense for the year:

| | For the years ended December 31, | |
|---------------------------------|----------------------------------|---------------------|
| | 2021 | 2020 |
| Cost of goods sold | \$ 1,803,408 | \$ 1,501,018 |
| Loss on decline in market value | 9,938 | 107,998 |
| Other operating costs | 18,069 | 25,271 |
| | <u>\$ 1,831,415</u> | <u>\$ 1,634,287</u> |

(5) Investments accounted for using equity method

| Associates | December 31, 2021 | December 31, 2020 |
|--|---------------------|---------------------|
| Subsidiaries: | | |
| ABILITY ENTERPRISE (BVI) CO., LTD. | \$ 1,936,712 | \$ 1,651,911 |
| VIEWQUEST TECHNOLOGIES (BVI) INC. | 1,358,228 | 1,397,522 |
| VIEWQUEST TECHNOLOGIES INTERNATIONAL LTD. | 447 | 191 |
| Ability International Investment Co., Ltd. | 16,302 | 16,726 |
| E-PIN OPTICAL INDUSTRY CO., LTD. | 136,259 | 133,516 |
| AndroVideo INC. | 5,759 | (163,426) |
| Associates: | | |
| Altasec Technology Corporation | 23,686 | 21,255 |
| BESTMOMENT HOLDINGS PTE. LTD. | 37,873 | 37,221 |
| | 3,515,266 | 3,094,916 |
| Add: Long-term equity investments with credit balances | - | 163,426 |
| (shown as other non-current liabilities) | | |
| | <u>\$ 3,515,266</u> | <u>\$ 3,258,342</u> |

A. The above investment was accounted for using equity method as of December 31, 2021 and 2020 based on the investees' financial statements audited by other independent auditors.

B. Subsidiaries

Please refer to Note 4(3) in the consolidated financial statements for the year ended December 31, 2021 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, 2021 and 2020, the carrying amount of the Company's individually immaterial associates amounted to \$61,559 and \$58,476, respectively.

| | December 31, 2021 | December 31, 2020 |
|----------------------------|-------------------|-------------------|
| Total comprehensive income | \$ 22,519 | \$ 10,805 |

- D. The Company's share in profit (loss) recognised under the equity method for the years ended December 31, 2021 and 2020 was \$152,786 and (\$150,326), 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 as of December 31, 2020, exceeded its interest in the subsidiary and was 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, 2021, the investment amount was SGD 1,723,110 equivalent to \$36,671 for a shareholding ratio of 25%.

(6) Property, plant and equipment

| | Land | Buildings and structures | Machinery | Mold equipment | Other equipment and construction in progress | Total |
|---|---------------------|-----------------------------|------------------|-------------------|---|---------------------|
| <u>January 1, 2021</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> |
| <u>2021</u> | | | | | | |
| Opening net book amount | \$ 1,304,043 | \$ 976,321 | \$ 16,637 | \$ 4,579 | \$ 64,815 | \$ 2,366,395 |
| Additions | - | - | 2,092 | 15,649 | 1,236 | 18,977 |
| Depreciation | - | (40,423) | (8,658) | (11,933) | (13,546) | (74,560) |
| Closing net book amount | <u>\$ 1,304,043</u> | <u>\$ 935,898</u> | <u>\$ 10,071</u> | <u>\$ 8,295</u> | <u>\$ 52,505</u> | <u>\$ 2,310,812</u> |
| <u>At December 31, 2020</u> | | | | | | |
| Cost | \$ 1,304,043 | \$ 1,126,948 | \$ 119,535 | \$ 955,435 | \$ 133,287 | \$ 3,639,248 |
| Accumulated depreciation and impairment | - | (191,050) | (109,464) | (947,140) | (80,782) | (1,328,436) |
| | <u>\$ 1,304,043</u> | <u>\$ 935,898</u> | <u>\$ 10,071</u> | <u>\$ 8,295</u> | <u>\$ 52,505</u> | <u>\$ 2,310,812</u> |

| | | | | | Other equipment and construction in progress | |
|---|---------------------|-----------------------------|------------------|-------------------|---|---------------------|
| | Land | Buildings and structures | Machinery | Mold equipment | | 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, 2019</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> |

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:

| | <u>December 31, 2021</u> | <u>December 31, 2021</u> |
|------------------|---|----------------------------|
| | <u>Carrying amount</u> | <u>Carrying amount</u> |
| Office equipment | <u>\$ 1,573</u> | <u>\$ 3,201</u> |
| | <u>For the years ended December 31,</u> | |
| | <u>2021</u> | <u>2020</u> |
| | <u>Depreciation charge</u> | <u>Depreciation charge</u> |
| Office equipment | <u>\$ 1,628</u> | <u>\$ 2,533</u> |

C. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were \$0 and \$4,252, respectively.

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

| | For the years ended December 31, | |
|---------------------------------------|----------------------------------|-------|
| | 2021 | 2020 |
| <u>Items affecting profit or loss</u> | | |
| Interest expense on lease liabilities | \$ 45 | \$ 82 |
| Expense on short-term lease contracts | 1,356 | 718 |
| Expense on leases of low-value assets | 52 | 116 |
| Gain or loss on lease modification | - | 8 |

E. For the years ended December 31, 2021 and 2020, the Company's total cash outflow for leases was \$3,082 and \$3,424, respectively.

(8) Investment property

| | Land | Buildings and structures | Total |
|---|-------------------|--------------------------|-------------------|
| <u>At January 1, 2021</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> |
| <u>2021</u> | | | |
| Opening net book amount | \$ 272,430 | \$ 371,681 | \$ 644,111 |
| Reclassification | (257,173) | (308,225) | (565,398) |
| Depreciation | - | (4,928) | (4,928) |
| Closing net book amount | <u>\$ 15,257</u> | <u>\$ 58,528</u> | <u>\$ 73,785</u> |
| <u>At December 31, 2021</u> | | | |
| Cost | \$ 15,257 | \$ 63,867 | \$ 79,124 |
| Accumulated depreciation and impairment | - | (5,339) | (5,339) |
| | <u>\$ 15,257</u> | <u>\$ 58,528</u> | <u>\$ 73,785</u> |

| | Land | Buildings and structures | Total |
|---|-------------------|--------------------------|-------------------|
| At January 1, 2020 | | | |
| 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> |
| 2020 | | | |
| 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> |
| At December 31, 2020 | | | |
| 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> |

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, 2021 | For the year ended December 31, 2020 |
|---|---|---|
| Rental income from the lease of the investment property | <u>\$ 22,165</u> | <u>\$ 38,877</u> |
| Direct operating expenses arising from the investment property that generated rental income during the year | <u>\$ 4,928</u> | <u>\$ 12,588</u> |

B. The fair value of the investment property held by the Company as at December 31, 2021 and 2020 was \$117,598 and \$1,749,226, respectively, which was based on the valuations of the market prices of property sold in similar districts.

C. For a future strategic investment and in line with the Company's manufacturing strategy, on February 23, 2021, the Board of Directors approved to dispose the investment property in Nankang Software Park. In March 2021, the Company entered into a Real Estate Letter of Intent with potential buyers, and transferred related assets into non-current assets held for sale. In June 2021, the disposal procedure had been completed, and the Company recognised gain on disposal of non-current assets held for sale of \$1,137,067 which was accounted as other gains and losses. The proceeds from the disposal had been fully collected.

(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% | - |

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

(10) Other payables

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---|--------------------------|--------------------------|
| Employees' salary and compensation payable | \$ 253,027 | \$ 306,238 |
| Pensions payable | 117,131 | 122,945 |
| Employee compensation payable and compensation due to directors | 89,810 | - |
| Labour and health insurance fees payable | 8,206 | 7,517 |
| Service fees payable | 1,384 | 2,351 |
| Other payables | 25,941 | 23,709 |
| | <u>\$ 495,499</u> | <u>\$ 462,760</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, 2021</u> | <u>December 31, 2020</u> |
|--|--------------------------|--------------------------|
| Present value of defined benefit obligations | \$ 70,890 | \$ 72,957 |
| Fair value of plan assets | (39,278) | (37,031) |
| Net defined benefit liability | <u>\$ 31,612</u> | <u>\$ 35,926</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, 2021</u> | | | |
| Balance at January 1 | \$ 72,957 | (\$ 37,031) | \$ 35,926 |
| Current service cost | - | - | - |
| Interest expense (income) | 313 | (159) | 154 |
| | <u>73,270</u> | <u>(37,190)</u> | <u>36,080</u> |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | \$ - | (\$ 495) | (\$ 495) |
| Change in demographic assumptions | 715 | - | 715 |
| Change in financial assumptions | (3,654) | - | (3,654) |
| Experience adjustments | 1,259 | - | 1,259 |
| | <u>(1,680)</u> | <u>(495)</u> | <u>(2,175)</u> |
| Pension fund contribution | - | (2,293) | (2,293) |
| Paid pension | (700) | 700 | - |
| Balance at December 31 | <u>\$ 70,890</u> | <u>(\$ 39,278)</u> | <u>\$ 31,612</u> |
| | 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> |

(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, 2021 and 2020 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, 2021 | For the year ended December 31, 2020 |
|---------------------------------|---|---|
| Discount rate | 0.77% | 0.43% |
| Future salary increases | 2.00% | 2.00% |
| Expected returns on plan assets | 0.77% | 0.43% |

Assumptions regarding future mortality experience are set based on the published statistics and experience in the 6th 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, 2021</u> | | | | |
| Effect on present value of defined benefit obligation | (\$ 5,050) | \$ 5,501 | \$ 5,405 | (\$ 5,015) |
| <u>December 31, 2020</u> | | | | |
| Effect on present value of defined benefit obligation | (\$ 5,507) | \$ 6,028 | \$ 5,900 | (\$ 5,451) |

(f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2022 amount to \$2,095.

- (g) As of December 31, 2021, the weighted average duration of that retirement plan is 15 years. The analysis of timing of the future pension payment was as follows:

| | | |
|---------------|----|---------------|
| Within 1 year | \$ | 27,474 |
| 1-2 year(s) | | 15,243 |
| 2-5 years | | 8,828 |
| Over 5 years | | 14,453 |
| | \$ | <u>65,998</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, 2021 and 2020 were \$23,668 and \$22,440, respectively.

(12) Share-based payment

A. For the year ended December 31, 2021, the details of the Company’s share-based payment arrangement were as follows:

| Type of arrangement | Grant date | Quantity granted | Contract period | Vesting conditions |
|--------------------------------|------------|------------------|-----------------|-----------------------------|
| Restricted stocks to employees | 2021.8.13 | 5,358,500 | 3 years | 3 years' service conditions |

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

The abovementioned share-based payment arrangement is equity-settled.

B. The fair value of stock options granted is measured using the Black-Scholes model, option-pricing model or other. Relevant information is as follows:

| Type of arrangement | Due date | Stock price (in dollars) | Strike price (in dollars) | Expected price volatility | Expected dividends | Risk-free interest rate | Fair value per unit (in dollars) |
|--------------------------------|----------|--------------------------|---------------------------|---------------------------|--------------------|-------------------------|----------------------------------|
| Restricted stocks to employees | 1 years | \$ 14.55 | \$ - | 33.22% | - | 0.1134% | \$ 11.64 |

| Type of arrangement | Due date | Stock price (in dollars) | Strike price (in dollars) | Expected price volatility | Expected dividends | Risk-free interest rate | Fair value per unit (in dollars) |
|--------------------------------|----------|-----------------------------|------------------------------|------------------------------|--------------------|-------------------------|-------------------------------------|
| Restricted stocks to employees | 2 years | \$ 14.55 | - | 32.52% | - | 0.1720% | \$ 11.64 |

| Type of arrangement | Due date | Stock price (in dollars) | Strike price (in dollars) | Expected price volatility | Expected dividends | Risk-free interest rate | Fair value per unit (in dollars) |
|--------------------------------|----------|-----------------------------|------------------------------|------------------------------|--------------------|-------------------------|-------------------------------------|
| Restricted stocks to employees | 3 years | \$ 14.55 | \$ - | 32.58% | - | 0.2079% | \$ 11.64 |

C. Expense incurred on share-based payment transactions is shown below:

| | Year ended December 31, 2021 | Year ended December 31, 2020 |
|----------------|---------------------------------|---------------------------------|
| Equity-settled | \$ 14,840 | \$ - |

(13) Provisions - current

| | Warranty | Litigation | Total |
|-------------------------|------------------|-------------|------------------|
| <u>2021</u> | | | |
| At January 1 | \$ 72,106 | \$ - | \$ 72,106 |
| Used during the year | - | - | - |
| Unused amounts reversed | (17,106) | - | (17,106) |
| At December 31 | <u>\$ 55,000</u> | <u>\$ -</u> | <u>\$ 55,000</u> |
| | Warranty | Litigation | Total |
| <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> |

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 assent in the way of purchasing two sets of software in the amount of \$2,500 thousand (including tax) and the formal mediation documents were signed.

(14) Share capital

A. As of December 31, 2021, the Company's authorised capital was \$8,000,000, consisting of 800 million shares of ordinary stock, and the paid-in capital was \$2,877,213 with a par value of \$10 (in dollars) per share.

- B. On June 17, 2020, shareholders of the Company resolved to issue employee restricted shares and the issuance date as well as the effective date were both August 20, 2021. The Company issued 5,358 thousand shares for free with a par value of NT\$0 per share. The rights and obligations of the issued common shares were the same as other issued common shares, except the restriction of transfer before employees reached the vesting conditions.

(15) 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, 2021 | \$ 1,246,494 | \$ 219,206 | \$ 56 | \$ 97,738 | \$ - |
| Cash dividends | (141,181) | - | - | - | - |
| Capital surplus used to offset accumulated deficit | - | (86,774) | (56) | - | - |
| Share-based payment | 199 | - | - | - | - |
| Employee restricted shares | 348 | - | - | - | 3,818 |
| At December 31, 2021 | <u>\$ 1,105,860</u> | <u>\$ 132,432</u> | <u>\$ -</u> | <u>\$ 97,738</u> | <u>\$ 3,818</u> |

| | 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> |

(16) 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.
- 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 \$84,709 during 2020. On August 12, 2021, the shareholders resolved the distribution of dividends from 2020 earnings in the amount of \$141,181 at \$0.5 (in dollars) per share.
- F. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(28).

(17) Operating revenue

| | For the years ended December 31, | |
|-----------------|----------------------------------|---------------------|
| | 2021 | 2020 |
| Sales revenue | \$ 2,032,392 | \$ 1,796,890 |
| Service revenue | 197,981 | 267,213 |
| | <u>\$ 2,230,373</u> | <u>\$ 2,064,103</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, | |
|--------------------|----------------------------------|---------------------|
| | 2021 | 2020 |
| Timing of revenue | \$ 2,032,392 | \$ 1,796,890 |
| At a point in time | 197,981 | 267,213 |
| Over time | <u>\$ 2,230,373</u> | <u>\$ 2,064,103</u> |

B. Contract liabilities

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

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> | <u>January 1, 2020</u> |
|-------------------------------|--------------------------|--------------------------|------------------------|
| Contract liabilities - | | | |
| advance sales receipts (shown | | | |
| as Other current liabilities) | <u>\$ 160,451</u> | <u>\$ 120,368</u> | <u>\$ 155,281</u> |

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

| | For the years ended December 31, | |
|---|----------------------------------|------------|
| | 2021 | 2020 |
| Revenue recognised that was included in the contract liability balance at the beginning of the year | | |
| Advance sales receipts | \$ 105,130 | \$ 151,976 |

(18) Interest income

| | For the years ended December 31, | |
|------------------------------------|----------------------------------|-----------|
| | 2021 | 2020 |
| Interest income from bank deposits | \$ 1,706 | \$ 10,775 |

(19) Other income

| | For the years ended December 31, | |
|-----------------|----------------------------------|-----------|
| | 2021 | 2020 |
| Rental revenue | \$ 22,165 | \$ 38,877 |
| Dividend income | 11,010 | 13,513 |
| | \$ 33,175 | \$ 52,390 |

(20) Other gains and losses

| | For the years ended December 31, | |
|--|----------------------------------|------------|
| | 2021 | 2020 |
| Gains on disposal of property, plant and equipment | \$ 216 | \$ 1,038 |
| Gain on disposal of non-current assets held for sale | 1,137,067 | - |
| Depreciation on investment property | (4,928) | (12,588) |
| Net currency exchange gain (loss) | 4,946 | (22,744) |
| Other gains | 22,011 | 26,942 |
| | \$ 1,159,312 | (\$ 7,352) |

(21) Employee benefit, depreciation and amortisation expenses

| Nature \ Function | For the years ended December 31, | | | |
|---------------------------------|-------------------------------------|--|-------------------------------------|--|
| | 2021 | | 2020 | |
| | Classified as operating costs | Classified as operating expenses | Classified as operating costs | Classified as operating expenses |
| Employee benefit expenses | | | | |
| Wages and salaries | \$ 24,691 | \$ 582,059 | \$ 18,801 | \$ 452,713 |
| Labor and health insurance fees | 2,383 | 41,844 | 1,981 | 37,708 |
| Pension costs | 1,176 | 22,646 | 1,011 | 17,605 |
| Other personnel expenses | 2,186 | 25,200 | 1,815 | 23,871 |
| Depreciation (Note) | 27,860 | 48,328 | 32,003 | 49,271 |
| Amortisation | 95 | 5,288 | 95 | 4,444 |

Note: For the years ended December 31, 2021 and 2020, depreciation on investment property amounted to \$4,928 and \$12,588, 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. For the year ended December 31, 2021, employees' compensation was accrued at \$75,629; while directors' and supervisors' remuneration was accrued at \$14,181. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 8% and 1.5% of distributable profit of current year.

No employees' compensation and directors' and supervisors' remuneration were accrued due to the net loss incurred for the year ended December 31, 2020.

For the year ended December 31, 2020, the Company has incurred a net loss before tax and did not distribute employees' compensation and directors' remuneration, which was in agreement with the information disclosed in the 2020 financial statements.

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.

(22) Income tax

A. Income tax expense (benefit)

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

| | For the years ended December 31, | |
|---|----------------------------------|--------------------|
| | 2021 | 2020 |
| Current tax on profits for the year | \$ - | \$ 43,955 |
| Prior year income tax over estimation | - | (42,866) |
| Origination and reversal of temporary differences | 111,625 | (39,567) |
| Income tax paid in and for income derived from Mainland China | - | 1,525 |
| Land value increment tax | 59,813 | - |
| Income tax expense (benefit) | <u>\$ 171,438</u> | <u>(\$ 36,953)</u> |

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

| | For the years ended December 31, | |
|--|----------------------------------|-----------------|
| | 2021 | 2020 |
| Remeasurement of defined benefit obligations | <u>\$ 435</u> | <u>\$ 1,970</u> |

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

| | For the years ended December 31, | |
|---|----------------------------------|--------------------|
| | 2021 | 2020 |
| Tax calculated based on profit (loss) before tax and statutory tax rate | \$ 171,111 | (\$ 99,351) |
| Tax effect of permanent differences | (278,754) | 103,739 |
| Temporary differences not recognised as deferred tax | 40,843 | - |
| Taxable loss not recognised as deferred tax assets | 178,425 | - |
| Prior year income tax over estimation | - | (42,866) |
| Income tax paid in and for income derived from Mainland China | - | 1,525 |
| Land value increment tax | 59,813 | - |
| Income tax expense (benefit) | <u>\$ 171,438</u> | <u>(\$ 36,953)</u> |

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

| For the year ended December 31, 2021 | | | | |
|--|-------------------|-----------------------------------|-------------------|-------------------|
| | | Recognised in | | |
| | | Recognised in other comprehensive | | |
| | January 1 | profit or loss | income | December 31 |
| Deferred tax assets: | | | | |
| Fees for after sales service | \$ 14,421 | (\$ 3,421) | \$ - | \$ 11,000 |
| Adjustment of bad debts for tax purposes | 33,250 | (31,412) | - | 1,838 |
| Taxable loss | 111,452 | (55,058) | - | 56,394 |
| Royalties | 19,099 | (6,360) | - | 12,739 |
| Others | 20,553 | (15,374) | (435) | 4,744 |
| | <u>\$ 198,775</u> | <u>(\$ 111,625)</u> | <u>(\$ 435)</u> | <u>\$ 86,715</u> |
| 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 |
| 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> |

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

| December 31, 2021 | | | | | |
|-------------------|-----------------------|---------------|---------------------|-------------|--|
| | | | Unrecognised | | |
| Year incurred | Amount filed/assessed | Unused amount | deferred tax assets | Expiry year | |
| 2018 | \$ 600,486 | \$ 531,968 | \$ 250,000 | 2028 | |
| 2021 | 616,830 | 616,830 | 616,830 | 2031 | |
| December 31, 2020 | | | | | |
| | | | Unrecognised | | |
| Year incurred | Amount filed/assessed | Unused amount | deferred tax assets | Expiry year | |
| 2018 | \$ 600,486 | \$ 557,261 | \$ - | 2028 | |

E. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2021 and 2020, the amounts of temporary differences unrecognised as deferred tax liabilities were \$216,911 and \$159,951, respectively.

F. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority.

(23) Earnings (loss) per share

| For the year ended December 31, 2021 | | | |
|--|------------------|--|---------------------------------|
| | Amount after tax | Weighted average number of ordinary shares outstanding (shares in thousands) | Earnings per share (in dollars) |
| <u>Basic earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | \$ 684,119 | 282,363 | \$ 2.42 |
| <u>Diluted earnings per share</u> | | | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employee compensation | | 2,468 | |
| Employee restricted shares | | 625 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | \$ 684,119 | 285,456 | \$ 2.40 |
| 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 | (\$ 459,802) | 282,363 | (\$ 1.63) |

(24) 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, 2021 and 2020. 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. (ABILITY (DONGGUAN)) | Subsidiary |
| JIUJIANG VIEWQUEST ELECTRONICS INC. (JIUJIANG VIEWQUEST)) (NOTE 1) | 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 |
| ABICO AVY CO., LTD. (ABICO AVY) (NOTE 2) | 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 1: The liquidation of Jiujiang Viewquest Electronics Inc. was completed on October 16, 2020.

Note 2: Formerly AVY Precision Technology Inc.

(2) Significant related party transactions

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

A. Operating revenue:

| | <u>For the years ended December 31,</u> | |
|-----------------|---|------------------|
| | <u>2021</u> | <u>2020</u> |
| Sales of goods: | | |
| -Associates | \$ 83,460 | \$ 63,735 |
| -Subsidiaries | 86,727 | 20,313 |
| | <u>\$ 170,187</u> | <u>\$ 84,048</u> |

Goods and services are sold from conditions on normal commercial terms. Payments of sales from subsidiaries were based on mutual agreements.

B. Purchases:

| | For the years ended December 31, | |
|------------------------|----------------------------------|---------------------|
| | 2021 | 2020 |
| Purchases of goods: | | |
| - Subsidiaries | | |
| ABILITY (DONGGUAN) | \$ 1,536,385 | \$ 1,449,575 |
| Others | 563 | 204 |
| -Associates | 4,381 | 399 |
| -Other related parties | 191 | 158 |
| | <u>\$ 1,541,520</u> | <u>\$ 1,450,336</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, 2021 | December 31, 2020 |
|----------------------|-------------------|-------------------|
| Accounts receivable: | | |
| - Subsidiaries | \$ 565 | \$ 11,233 |
| -Associates | 19,430 | 4,503 |
| | <u>\$ 19,995</u> | <u>\$ 15,736</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, 2021 | December 31, 2020 |
|------------------------|---------------------|---------------------|
| Accounts payable | | |
| - Subsidiaries | | |
| VQ | \$ 926,563 | \$ 953,717 |
| ABILITY (DONGGUAN) | 340,821 | 321,989 |
| Others | - | 322 |
| -Associates | 381 | 2 |
| -Other related parties | 900 | 1,839 |
| | <u>\$ 1,268,665</u> | <u>\$ 1,277,869</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:

| | For the years ended December 31, | |
|------------------------|----------------------------------|-----------------|
| | 2021 | 2020 |
| -Subsidiaries | \$ 562 | \$ - |
| -Other related parties | 2,091 | 3,643 |
| | <u>\$ 2,653</u> | <u>\$ 3,643</u> |

F. Loans to /from related parties:

Loans to related parties (shown as other current assets)

| | December 31, 2021 | December 31, 2020 |
|-----------------|-------------------|-------------------|
| Subsidiaries | | |
| ANDROVIDEO INC. | <u>\$ -</u> | <u>\$ 187,000</u> |

(3) Key management compensation

| | For the years ended December 31, | |
|---|----------------------------------|------------------|
| | 2021 | 2020 |
| Salaries and other short-term employee benefits | \$ 31,335 | \$ 12,960 |
| Post-employment benefits | 586 | 498 |
| Share-based payments | 1,066 | - |
| | <u>\$ 32,987</u> | <u>\$ 13,458</u> |

8. PLEDGED ASSETS

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

| Pledged asset | Book value | | Purpose |
|---------------|---------------------|---------------------|-----------------|
| | December 31, 2021 | December 31, 2020 | |
| Land | <u>\$ 1,256,394</u> | <u>\$ 1,256,394</u> | Bank borrowings |

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The 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, 2021</u> | <u>December 31, 2020</u> |
|---|--------------------------|--------------------------|
| <u>Financial assets</u> | | |
| Financial assets at amortised cost | <u>\$ 1,668,933</u> | <u>\$ 1,927,775</u> |
| <u>Financial liabilities</u> | | |
| Financial liabilities at amortised cost | <u>\$ 1,900,770</u> | <u>\$ 3,091,510</u> |
| Lease liability | <u>\$ 1,621</u> | <u>\$ 3,250</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 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 functional currency: NTD). 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, 2021 | | | | | |
|--|---|---------------|---------------------|----------------------|--------------------------|
| | 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 | \$ 40,105 | 27.68 | \$ 1,110,106 | 1% | \$ 11,101 |
| <u>Investments accounted for under equity method</u> | | | | | |
| USD:NTD | \$ 119,053 | 27.68 | \$ 3,295,387 | | |
| <u>Financial liabilities</u> | | | | | |
| <u>Monetary items</u> | | | | | |
| USD:NTD | \$ 52,391 | 27.68 | \$ 1,450,183 | 1% | \$ 14,502 |
| 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 |

- vi. Total exchange gain (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, 2021 and 2020 amounted to \$4,946 and (\$22,744), 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, 2021 and 2020 would have increased/decreased by \$71,990 and \$63,559, 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, 2021 and 2020, would have decreased/increased by \$0 and \$12,000, 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, the Company is responsible for managing and analysing the credit risk for each of the 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 wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights. On December 31, 2021 and 2020, the Company's written-off financial assets that are still under recourse procedures amounted to \$161,335 and \$532, respectively.
- vi. 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, 2021</u> | | | | | |
| Expected loss rate | 3.84% | 66.20% | 100.00% | 100.00% | |
| Total book value | \$ 107,195 | \$ 991 | \$ 48 | \$ 572 | \$108,806 |
| Loss allowance | \$ 4,118 | \$ 656 | \$ 48 | \$ 572 | \$ 5,394 |
| <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 |

In addition, as of December 31, 2021 and 2020, accounts receivable were \$322,120 and \$147,765, and loss allowance for accounts receivable recognised through individual assessment was \$105 and \$60, respectively.

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

| | 2021 | 2020 |
|-----------------------------|-----------------|-------------------|
| At January 1 | \$ 161,455 | \$ 162,297 |
| Reversal of impairment loss | 5,379 | (310) |
| Write-offs | (161,335) | (532) |
| At December 31 | <u>\$ 5,499</u> | <u>\$ 161,455</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, 2021</u> | <u>December 31, 2020</u> |
|--------------------------|--------------------------|--------------------------|
| <u>Fixed rate:</u> | | |
| Expiring within one year | \$ 2,975,040 | \$ 1,897,440 |

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

| | <u>December 31, 2021</u> | |
|--|--------------------------|--------------------|
| <u>Non-derivative financial liabilities:</u> | <u>Less than 1 year</u> | <u>Over 1 year</u> |
| Lease liability | \$ 1,637 | \$ - |

| | <u>December 31, 2021</u> | |
|--|--------------------------|--------------------|
| <u>Non-derivative financial liabilities:</u> | <u>Less than 1 year</u> | <u>Over 1 year</u> |
| Lease liability | \$ 1,675 | \$ 1,637 |

(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, 2021</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 | \$ 466,134 | \$ - | \$ 253,764 | \$ 719,898 |
| <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 |

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, 2021 and 2020, 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, 2021 and 2020:

| | 2021 | 2020 |
|---|-------------------|-------------------|
| At January 1 | \$ 204,850 | \$ 197,141 |
| Recorded as unrealised gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income | 15,519 | 16,804 |
| Acquired during the year | 64,500 | - |
| Capital reduction during the year | (31,105) | (9,095) |
| At December 31 | <u>\$ 253,764</u> | <u>\$ 204,850</u> |

- J. For the years ended December 31, 2021 and 2020, 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:

| | <u>Fair value at December 31, 2021</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 | \$ 253,764 | Net asset value | Not applicable | - | Not applicable |

| | <u>Fair value at December 31, 2020</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 | \$ 204,850 | 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 on profit or loss or on other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

| | | <u>December 31, 2021</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% | \$ - | \$ - | \$2,538 | (\$2,538) |

| | | <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) |

- (4) Due to the spread of the COVID-19, there is a lot of uncertainty affecting the global economy. Based on the Group's assessment, the pandemic has no significant impact on the Group's ability to continue as a going concern and related financing risks. However, the Company will continue to closely monitor the developments 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, 2021 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: Please refer to table 4.
- 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 5.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.
- I. Trading in derivative instruments undertaken during the reporting periods: None.

Significant inter-company transactions during the reporting periods: Please refer to table 7.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 8.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 9.

Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 10.

(4) Major shareholders information

Major shareholders information: Please refer to table 11.

14. SEGMENT INFORMATION

None.

Ability Enterprise Co., Ltd. and subsidiaries

Loans to others

For the year ended December 31, 2021

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, 2021 (Note 3) | Balance at December 31, 2021 (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 | \$ - | \$ - | 1% | Short-term financing | - | Working capital | - | - | - | 631,506 | 2,526,025 | - |

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, 2021.

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.

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, 2021

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, 2021 (Note 4) | Outstanding endorsement/ guarantee amount at December 31, 2021 (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 | \$ 3,157,532 | \$ 408,855 | \$ - | - | - | - | \$ 3,157,532 | Y | N | N | - |
| 1 | E-PIN OPTICAL INDUSTRY CO., LTD. | ZHONGSHAN SHANXIN ACCURATE INDUSTRY CO., LTD. | 3 | 122,892 | 43,415 | 43,415 | 11,915 | - | 17.66 | 122,892 | 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 “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, 2021. The spot exchange rates at December 31, 2021 were USD/NTD 27.68 and RMB/NTD 4.3415.

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, 2021

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, 2021 | | | | Footnote (Note 4) |
|--|--|---|------------------------|-------------------------|---------------------|---------------|------------|-------------------|
| | | | | Number of shares | Book value (Note 3) | Ownership (%) | Fair value | |
| ABILITY ENTERPRISE CO., LTD. | STOCKS OF ABICO AVY CO., LTD. (Note 8) | The investee is the corporate director of the Company | Note 5 | 17,264,223 | \$ 466,134 | 10.16 | \$ 466,134 | - |
| ABILITY ENTERPRISE CO., LTD. | STOCKS OF ABILITY I VENTURE CAPITAL CORPORATION | The Company is the corporate director of the investee | Note 5 | 5,075,010 | 44,994 | 10.70 | 44,994 | - |
| ABILITY ENTERPRISE CO., LTD. | STOCKS OF ABICO ASIA CAPITAL CORPORATION | - | Note 5 | 10,000,000 | 117,468 | 5.189 | 117,468 | - |
| ABILITY ENTERPRISE CO., LTD. | ABICO ASIA EXCELSIOR PARTNERS L.P. | - | Note 5 | - | 58,192 | 5.920 | 58,192 | - |
| ABILITY ENTERPRISE CO., LTD. | STOCKS OF IH BIOMEDICAL VENTURE FUND I CO., LTD. | - | Note 5 | 3,000,000 | 33,110 | 4.848 | 33,110 | - |
| ABILITY INTERNATIONAL INVESTMENT CO., LTD. | CTBC HWA-WIN MONEY MARKET FUND | - | Note 7 | 1,447,007.9 | 16,101 | - | 16,101 | - |
| ABILITY ENTERPRISE (BVI) CO., LTD. | YORKEY OPTICAL INTERNATIONAL (CAYMAN) LTD. | - | Note 6 | 143,817,000 | 413,429 | 17.62 | 413,429 | - |
| ABILITY ENTERPRISE (BVI) CO., LTD. | REVL INC. | - | Note 5 | 367,726 | - | - | - | - |
| ABILITY ENTERPRISE (BVI) CO., LTD. | ATTONICS SYSTEMS PTE. LTD. | - | Note 5 | 11,678 | 58,682 | 13.80 | 58,682 | - |
| 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

Note 8: Formerly known as AVY Precision Technology Inc.(AVY Precision).

Ability Enterprise Co., Ltd. and subsidiaries
Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more
For the year ended December 31, 2021

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

| Real estate disposed by | Real estate | Transaction date or date of the event | Date of acquisition | Book value | Disposal amount (Note 4) | Status of collection of proceeds | Gain (loss) on disposal (Note 5) | Counterparty | Relationship with the seller | Reason for disposal | Basis or reference used in setting the price | Other commitments |
|------------------------------|--------------------------------|---------------------------------------|---------------------|------------|--------------------------|----------------------------------|----------------------------------|--|------------------------------|---|---|--|
| Ability Enterprise Co., Ltd. | Land, buildings and structures | March 30, 2021 | April 2000 | \$ 565,398 | \$ 1,702,465 | Received payment | \$ 1,137,067 | AMPACS CORPORATION、LUNG AN INVESTMENT LIMITED、SHEUNG ON INVESTMENT COMPANY LIMITED | Unrelated party | Primarily capital resource of strategic investment in the future and the arrangement of manufacture strategy. | Refer to the market price of Actual Price Registration of Real Estate Transaction and appraisal report of property. | Signing bonus of 10%, payment for affixing seal of 10%, tax payment of 10% and final payment of 70% will be paid when the transaction completed. |

Note 1: The appraisal result should be presented in the 'Basis or reference used in setting the price' column if the real estate disposed of should be appraised pursuant to the regulations.

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: Date of the event referred to herein is the date of contract signing, date of payment, date of execution of a trading order, date of title transfer, date of board resolution, or other date that can confirm the counterparty and the monetary amount of the transaction, whichever is earlier.

Note 4: The transaction amount did not include house tax and business tax.

Note 5: On March 30, 2021, the announced expected gain on disposal were \$10.6 billion, including effects from land value increment tax, house tax and business tax and commission fees.

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, 2021

Table 5

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 | \$ 1,536,385 | 92.28 | Based on mutual agreement | \$ - | - | (\$ 340,821) | 24.28 | - |
| ABILITY TECHNOLOGY (DONGGUAN) CO., LTD. | ABILITY ENTERPRISE CO., LTD. | Affiliated company | (sales) | (1,536,385) | 79.59 | Based on mutual agreement | - | - | 340,821 | 75.12 | - |
| E-PIN OPTICAL INDUSTRY CO., LTD. | NANJING EVERLIGHT PHOTONICS TECHNOLOGY CO., LTD. | Affiliated company | Purchases | 551,007 | 63.82 | 90~120 days after monthly billings | - | - | (84,540) | 60.53 | - |
| NANJING EVERLIGHT PHOTONICS TECHNOLOGY CO., LTD. | E-PIN OPTICAL INDUSTRY CO., LTD. | Affiliated company | (sales) | (551,007) | 64.41 | 90~120 days after monthly billings | - | - | 84,540 | 30.18 | - |

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, 2021

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

| Creditor | Counterparty | Relationship with the counterparty | Balance as at December 31, 2021 (Note 1) | Turnover rate | Overdue receivables | | Amount collected subsequent to the balance sheet date | Allowance for doubtful accounts |
|--|------------------------------------|------------------------------------|---|---------------|---------------------|--------------|---|---------------------------------|
| | | | | | Amount | Action taken | | |
| VIEWQUEST TECHNOLOGIES (BVI) INC. | ABILITY ENTERPRISE CO., LTD. | Affiliated company | \$ 926,563 | - | - | - | - | - |
| VIEWQUEST TECHNOLOGIES (BVI) INC. | ABILITY ENTERPRISE (BVI) CO., LTD. | Affiliated company | 441,823 | Note 3 | - | - | - | - |
| ABILITY TECHNOLOGY (DONGGUAN) CO., LTD. | ABILITY ENTERPRISE CO., LTD. | Affiliated company | 340,821 | 4.64 | - | - | 340,821 | - |
| NANJING EVERLIGHT PHOTONICS TECHNOLOGY CO., LTD. | E-PIN OPTICAL INDUSTRY CO., LTD. | Affiliated company | 84,540 | 5.77 | - | - | 84,540 | - |

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.

Ability Enterprise Co., Ltd. and subsidiaries
Significant inter-company transactions during the reporting period
For the year ended December 31, 2021

Table 7

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 | \$ 926,563 | - | 10 |
| 0 | The Company | ABILITY (DONGGUAN) | 1 | Purchases | 1,536,385 | - | 43 |
| 0 | The Company | ABILITY (DONGGUAN) | 1 | Accounts payable | 340,821 | - | 4 |
| 1 | VIEWQUEST TECHNOLOGIES (BVI) INC. | ABILITY ENTERPRISE (BVI) CO., LTD. | 3 | Other receivables | 441,823 | - | 5 |
| 2 | E-PIN OPTICAL INDUSTRY CO., LTD. | NANJING EVERLIGHT | 3 | Purchases | 551,007 | - | 15 |
| 2 | E-PIN OPTICAL INDUSTRY CO., LTD. | NANJING EVERLIGHT | 3 | Accounts payable | 84,540 | - | 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, 2021

Table 8

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, 2021 | | | Net profit (loss) of the investee for the year ended December 31, 2021 (Note 2(2) and 3) | Investment income (loss) recognised by the Company for the year ended December 31, 2021 (Note 2(3)) | Footnote |
|------------------------------|--|--------------------|---|---------------------------------|---------------------------------|-------------------------------------|---------------|--------------|--|---|------------|
| | | | | Balance as at December 31, 2021 | Balance as at December 31, 2020 | 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 | \$ 1,936,712 | \$ 159,565 | \$ 159,565 | 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 | 447 | 264 | 264 | Subsidiary |
| ABILITY ENTERPRISE CO., LTD. | VIEWQUEST TECHNOLOGIES (BVI) INC. | British Virgin IS. | Holding Company | 1,628,586 | 1,628,586 | - | 100.00 | 1,358,228 | (38) | (38) | Subsidiary |
| ABILITY ENTERPRISE CO., LTD. | ABILITY INTERNATIONAL INVESTMENT CO., LTD. | Taiwan | Investments | 13,000 | 13,000 | 1,300,000 | 100.00 | 16,302 | 4 | 4 | Subsidiary |
| ABILITY ENTERPRISE CO., LTD. | ANDRO VIDEO INC. | Taiwan | Development of digital surveillance | 140,000 | 140,000 | 7,000,000 | 100.00 | 5,759 | (17,815) | (17,815) | 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 | 136,259 | 7,730 | 4,221 | 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 | 23,686 | 19,101 | 5,730 | - |
| ABILITY ENTERPRISE CO., LTD. | BESTMOMENT HOLDINGS PTE. LTD. | Singapore | Holding company | 36,671 | 36,671 | 1,723,110 | 25.00 | 37,873 | 3,418 | 855 | - |

| Investor | Investee (Notes 1 and 2) | Location | Main business activities | Initial investment amount | | Shares held as at December 31, 2021 | | | Net profit (loss) of the investee for the year ended December 31, 2021 (Note 2(2) and 3) | Investment income (loss) recognised by the Company for the year ended December 31, 2021 (Note 2(3)) | Footnote |
|------------------------------------|------------------------------------|--------------------|--|---------------------------------|---------------------------------|-------------------------------------|---------------|------------|--|---|------------------------|
| | | | | Balance as at December 31, 2021 | Balance as at December 31, 2020 | 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 | 195,275 | 1,353 | - | Second-tier subsidiary |
| E-PIN OPTICAL INDUSTRY CO., LTD. | E-PIN OPTICAL INDUSTRY CO., LTD. | Malaysia | Manufacturing of precision lens | 45,700 | 45,700 | 5,000,000 | 100.00 | 1,275 | (211) | - | 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 | 8,383 | (1,739) | - | Second-tier subsidiary |
| E-PIN OPTICAL INDUSTRY CO., LTD. | JIAPIN INVESTMENT CO., LTD. | Taiwan | Investing compny | 66,000 | 6,000 | 6,600,000 | 100.00 | 65,495 | 773 | - | Second-tier subsidiary |
| JIAPIN INVESTMENT CO., LTD. | CHIA PING LIMITED | Samoa | Holding company | 37,713 | 4,497 | 1,350,000 | 100.00 | 38,442 | 953 | - | Second-tier subsidiary |
| ALL VISION HOLDING LTD. | EVERLIGHT DEVELOPMENT CORPORATION | Panama | Holding company | 192,006 | 192,006 | 58,494 | 100.00 | 261,779 | 41,110 | - | Second-tier subsidiary |
| ALL VISION HOLDING LTD. | E-SKY HOLDING LTD. | Mauritius | Holding company | 396,901 | 343,772 | 14,338,918 | 100.00 | (62,524) | (39,757) | - | 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, 2021’ 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, 2021’ 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, 2021’ 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 27.9904 for the year ended December 31, 2021.

Note 4: ANDROVIDEO INC. applied to the court for the approval of dissolution and liquidation and pending for the approval.

Ability Enterprise Co., Ltd. and subsidiaries
Information on investments in Mainland China
For the year ended December 31, 2021

Table 9

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, 2021 | Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2021 | | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021 | Net income of investee for the year ended December 31, 2021 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognised by the Company for the year ended December 31, 2021 (Note 2) | Book value of investments in Mainland China as of December 31, 2021 | Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021 | Footnote |
|---|---|-----------------|----------------------------|--|---|-------------------------|--|---|--|--|---|---|-----------------|
| | | | | | Remitted to Mainland China | Remitted back to Taiwan | | | | | | | |
| ABILITY TECHNOLOGY (DONGGUAN) CO., LTD. | Sales of digital still cameras | \$ 1,805,688 | 2 | \$ 1,190,084 | - | - | \$ 1,546,206 | \$ 160,290 | 100.00 | \$ 160,290 | \$ 1,456,364 | - | (2)B and Note 6 |
| JIUJIANG VIEWQUEST ELECTRONICS INC. | Sales of digital still cameras | - | 2 | 356,122 | - | - | - | (20,537) | - | (20,537) | - | - | (2)B, Note 6 |
| NANJING EVERLIGHT PHOTONICS TECHNOLOGY CO., LTD. | Development and manufacture of optical components | 333,358 | 2 | 130,881 | - | - | 130,881 | 73,815 | 30.28 | 22,352 | 261,685 | - | (2)B and Note 7 |
| WEIHAY E-SKY OPTICAL-ELECTRICAL CO., LTD. | Development and manufacture of precision optical lens | 42,980 | 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 | 327,970 | 2 | 211,836 | - | - | 211,836 | (34,671) | 54.61 | (18,934) | (62,715) | - | (2)B and Note 8 |
| NANJING E-PIN OPTICAL CO., LTD. | Development and manufacture of precision optical lens | 230,809 | 2 | 52,761 | - | - | 52,761 | (44) | 39.44 | (24) | 185 | - | (2)B and Note 8 |
| CHIA PING (SHENZHEN) OPTICAL TECHNOLOGY CO., LTD. | Trading of optical lens and components | 38,234 | 2 | 4,497 | 33,420 | - | 37,917 | 953 | 54.61 | 520 | 38,442 | - | (2)C and Note 9 |

| Company name | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021 | Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 10) | Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA |
|---|--|--|---|
| The Company and E-PIN OPTICAL INDUSTRY CO., | \$ 2,017,549 | \$ 2,235,383 | \$ 3,936,509 |

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, 2021' 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, 2021 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: Because the Company wanted to merge ABILITY TECHNOLOGY (DONGGUAN) CO., LTD. (former paid-in capital was US\$36.5 million) with VIEWQUEST TECHNOLOGIES (DONGGUAN) CO., LTD. (former paid-in capital was US\$22 million), and ABILITY TECHNOLOGY (DONGGUAN) CO., LTD. will be the surviving company while VIEWQUEST TECHNOLOGIES (DONGGUAN) CO., LTD. will be the dissolved company. After the merger, the paid-in capital was US\$58.5 million.
On March 16, 2021, the Investment Commission of the Ministry of Economic Affairs (MOEA) (Jing-Shen-II-Zi No. 11000025180) approved the total investment amount was US\$51,984,670.56 after recognising the investment in the dissolved company.

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, 2021

Table 10

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, 2021 | % | Balance at December 31, 2021 | Purpose | Maximum balance during the year ended December 31, 2021 | Balance at December 31, 2021 | Interest rate | Interest during the year ended December 31, 2021 | |
| NANJING EVERLIGHT PHOTONICS TECHNOLOGY CO., LTD. | (\$ 551,007) | (15) | - | - | (\$ 84,540) | (1) | - | - | - | - | - | - | - |

Ability Enterprise Co., Ltd.
Major shareholders information
December 31, 2021

Table 11

| Name of major shareholders | Shares | |
|----------------------------|-----------------------|---------------|
| | Number of shares held | Ownership (%) |
| PEGATRON CORPORATION | 33,135,300 | 11.51% |
| ABICO AVY CO., LTD. | 19,962,000 | 6.93% |

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.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2021

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

Statement 1

| Item | Description | Amount |
|-----------------------------------|---------------------------------------|---------------------|
| Cash on hand and petty cash - NTD | | \$ 230 |
| - RMB | RMB 10,000, exchange rate 4.3415 | 43 |
| - USD | USD 3,000, exchange rate 27.68 | 83 |
| | | <u>356</u> |
| Demand deposits - NTD | | 51,988 |
| - JPY | JPY 13,809,609, exchange rate 0.2405 | 3,321 |
| - USD | USD 40102,375.04, exchange rate 27.68 | 1,110,034 |
| - RMB | RMB 9,168.67, exchange rate 4.3415 | 40 |
| | | <u>1,165,383</u> |
| | | <u>\$ 1,165,739</u> |

ABILITY ENTERPRISE CO., LTD.
STATEMENT OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 2

| Name | Beginning balance | | Addition | | Decrease | | Ending balance | | Collateral | Note |
|--|-------------------|-------------------|----------|-------------------|----------|--------------------|----------------|-------------------|------------|--------|
| | Shares | Fair value | Shares | Amount | Shares | Amount | Shares | Fair value | | |
| <u>Listed company</u> | | | | | | | | | | |
| Abico AVY Co., Ltd. (Note 6) | 17,264 | \$ 430,742 | - | \$ 35,392 | - | \$ - | 17,264 | \$ 466,134 | None | Note 1 |
| <u>Unlisted companies</u> | | | | | | | | | | |
| Ability I Venture Capital | 8,186 | 77,687 | - | - | (3,111) | (32,692) | 5,075 | 44,995 | None | Note 2 |
| Abico Asia Capital Corporation | 10,000 | 112,219 | - | 5,249 | - | - | 10,000 | 117,468 | None | Note 3 |
| IH Biomedical Venture Fund I Co., Ltd. | 1,500 | 14,944 | 1,500 | 18,166 | - | - | 3,000 | 33,110 | None | Note 4 |
| Abico Asia Excelsior Partners L.P. | - | - | - | 58,191 | - | - | - | 58,191 | None | Note 5 |
| | | <u>\$ 635,592</u> | | <u>\$ 116,998</u> | | <u>(\$ 32,692)</u> | | <u>\$ 719,898</u> | | |

Note 1: It refers to gains on financial assets at fair value through profit or loss of \$35,392 which were recognised during the year.

Note 2: It refers to losses on financial assets at fair value through profit or loss of \$1,587 and proceeds from capital reduction of \$31,105 which were recognised during the year.

Note 3: It refers to gains on financial assets at fair value through profit or loss of \$5,249 which were recognised during the year.

Note 4: It refers to proceeds from capital increase of \$15,000 and gains on financial assets at fair value through profit or loss of \$3,166 which were recognised during the year.

Note 5: It refers to new investment of \$49,500 and gains on financial assets at fair value through profit or loss of \$8,691 which were recognised during the year.

Note 6: Formerly known as AVY Precision Technology Inc.

ABILITY ENTERPRISE CO., LTD.
STATEMENT OF TRADE RECEIVABLES
DECEMBER 31, 2021

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

Statement 3

| Client Name | Description | Amount | Note |
|--|-------------|-------------------|------------------------|
| AA company | Operating | \$ 107,822 | |
| EE company | " | 73,298 | |
| R company | " | 30,489 | |
| Others | " | | Balance of each client |
| | | 219,317 | has not exceeded 5% of |
| | | 430,926 | total account balance. |
| Less: Allowance for uncollectible accounts | | (5,499) | |
| | | <u>\$ 425,427</u> | |

ABILITY ENTERPRISE CO., LTD.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 4

| Name | Beginning Balance | | Addition | | Decrease | | Ending Balance | | | Market Value or Net | | | |
|---|-------------------|---------------------|------------------|-------------------|------------------|---------------------|------------------|------------------|---------------------|---------------------|---------------------|------------|------|
| | Shares (Note) | Book Value | Shares (Note) | Amount | Shares (Note) | Amount | Shares (Note) | Ownership (%) | Book value | Unit Price | Total Amount | Collateral | Note |
| ABILITY ENTERPRISE (BVI) CO., LTD. | - | \$ 1,651,911 | - | \$ 315,512 | - | (\$ 30,711) | - | 100 | \$ 1,936,712 | \$ - | \$ 1,936,712 | None | - |
| VIEWQUEST TECHNOLOGIES (BVI) | - | 1,397,522 | - | - | - | (39,294) | - | 100 | 1,358,228 | - | 1,358,228 | None | - |
| VIEWQUEST TECHNOLOGIES INTERNATIONAL INC. | - | 191 | - | 264 | - | (8) | - | 100 | 447 | - | 447 | None | - |
| ABILITY INTERNATIONAL INVESTMENT CO., LTD. | 1,300 | 16,726 | - | 5 | - | (429) | 1,300 | 100 | 16,302 | - | 16,302 | None | - |
| ANDROVIDEO INC. | 7,000 | (163,426) | - | 187,000 | - | (17,815) | 7,000 | 100 | 5,759 | - | 5,759 | None | - |
| E-PIN OPTICAL INDUSTRY CO., LTD. | 12,888 | 133,516 | - | 4,659 | - | (1,916) | 12,888 | 54.61 | 136,259 | - | 136,259 | None | - |
| ALTASEC TECHNOLOGY CORPORATION | 1,500 | 21,255 | - | 5,730 | - | (3,300) | 1,500 | 30 | 23,686 | - | 23,686 | None | - |
| BESTMOMENT HOLDINGS PTE. LTD. | - | 37,221 | - | 855 | - | (203) | - | 25 | 37,873 | - | 37,873 | None | - |
| Add: Long-term equity investments with credit balance (shown as other non-current liabilities) | | 163,426 | | - | | (163,426) | | | - | | - | | |
| Total | | <u>\$ 3,258,342</u> | | <u>\$ 514,025</u> | | <u>(\$ 257,102)</u> | | | <u>\$ 3,515,266</u> | | <u>\$ 3,515,266</u> | | |

Note: Shares in thousands

ABILITY ENTERPRISE CO., LTD.
STATEMENT OF TRADE PAYABLES
DECEMBER 31, 2021

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

Statement 5

| Supplier Name | Description | Amount | Note |
|--|-------------|---------------------|---|
| VIEWQUEST TECHNOLOGIES (BVI) | Operating | \$ 926,563 | |
| ABILITY TECHNOLOGY (DONGGUAN) CO., LTD. | " | 340,821 | |
| Others | " | 136,407 | Balance of each supplier has not exceeded 5% of total account balance. |
| | | <u>\$ 1,403,791</u> | |

ABILITY ENTERPRISE CO., LTD.
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2021

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

Statement 6

| Item | Volume (per unit) | Net amount | Note |
|-------------------|-------------------|---------------------|------|
| Optical products: | | | |
| Domestic sales | 370,514 | \$ 91,675 | |
| Export sales | 3,390,007 | 1,940,717 | |
| | | 2,032,392 | |
| Service revenue | | 197,981 | |
| | | <u>\$ 2,230,373</u> | |

ABILITY ENTERPRISE CO., LTD.
STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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

Statement 7

| Item | Amount | |
|---|------------|---------------------|
| | Subtotal | Total |
| Raw materials | | \$ 58,787 |
| Beginning raw materials | \$ 82,974 | |
| Add: Raw materials purchased | 153,739 | |
| Less: Ending raw materials | (116,204) | |
| Raw materials sold | (32,152) | |
| Transferred to expenses | (29,635) | |
| Others | 65 | |
| Direct labor | | 12,829 |
| Manufacturing expense | | 42,998 |
| Manufacturing cost | | \$ 114,614 |
| Add: Beginning work in progress | | 1,767 |
| Less: Ending work in progress | (8,398) | |
| Transferred to expenses | (4,693) | |
| Cost of finished goods | | \$ 103,290 |
| Add: Beginning finished goods | | 58,990 |
| Net purchases for the year (including merchandise) | | 1,620,677 |
| Less: Ending finished goods (including merchandise) | (10,243) | |
| Finished goods sold | (86,274) | |
| Others | (1,458) | |
| Cost of goods sold from manufacturing | | 1,684,982 |
| Cost of raw materials sold | | 32,152 |
| Cost of finished goods sold | | 86,274 |
| Loss from reversal of decline in market value | | 9,938 |
| Other operating costs | | 18,069 |
| Operating costs | | <u>\$ 1,831,415</u> |

ABILITY ENTERPRISE CO., LTD.
STATEMENT OF SELLING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

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

Statement 8

| Item | Description | Amount | Note |
|--------------------|-------------|------------------|---------------------------------------|
| Wages and salaries | | \$ 51,154 | |
| Insurance expenses | | 3,745 | |
| Other expenses | | 13,821 | Balance of each expense has not |
| | | <u>\$ 68,720</u> | exceeded 5% of total account balance. |

ABILITY ENTERPRISE CO., LTD.
STATEMENT OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

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

Statement 9

| Item | Description | Amount | Note |
|---------------------------|-------------|-------------------|---|
| Wages and salaries | | \$ 208,559 | |
| Depreciation | | 24,478 | |
| Professional service fees | | 18,687 | |
| Other expenses | | 57,265 | Balance of each expense has not exceeded 5% of total account balance. |
| | | <u>\$ 308,989</u> | |

ABILITY ENTERPRISE CO., LTD.
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 10

| Item | Description | Amount | Note |
|-----------------------------|-------------|-------------------|---|
| Wages and salaries | | \$ 322,346 | |
| Contracted research expense | | 45,180 | |
| Insurance expenses | | 25,912 | |
| Other expenses | | 108,136 | Balance of each expense has not exceeded 5% of total account balance. |
| | | <u>\$ 501,574</u> | |

ABILITY ENTERPRISE CO., LTD.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, AND AMORTIZATION EXPENSES BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 11

| Function Nature | Year ended December 31, 2021 | | | Year ended December 31, 2020 | | |
|----------------------------------|----------------------------------|--|------------|----------------------------------|--|------------|
| | Classified as Operating Costs | Classified as Operating Expenses | Total | Classified as Operating Costs | Classified as Operating Expenses | Total |
| Employee Benefit Expense | | | | | | |
| Wages and salaries | \$ 24,691 | \$ 567,879 | \$ 592,570 | \$ 18,801 | \$ 452,713 | \$ 471,514 |
| Labour and health insurance fees | 2,383 | 41,854 | 44,237 | 1,981 | 37,708 | 39,689 |
| Pension costs | 1,176 | 22,646 | 23,822 | 1,011 | 17,605 | 18,616 |
| Directors' remuneration | - | 15,620 | 15,620 | - | 1,260 | 1,260 |
| Other personnel expenses | 2,186 | 23,760 | 25,946 | 1,815 | 22,611 | 24,426 |
| Depreciation | 27,860 | 48,328 | 76,188 | 32,003 | 49,271 | 81,274 |
| Amortisation | 95 | 5,288 | 5,383 | 95 | 4,444 | 4,539 |

Note:

- A. As at December 31, 2021 and 2020, the Company had 530 and 530 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 \$1,315 (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 \$1,062 (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 was \$1,135 (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 was \$903 (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, 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 11

- (c) Changes on average employee salaries adjustment was 25.69% ((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.

Chairman: Tseng, Ming-Jen