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ABILITY

ABILITY ENTERPRISE CO., LTD.
2023 Annual Report

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Date of publication: May 10th, 2024

**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

Tel: +886-2-85229788

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DEPUTY SPOKESPERSON

Name: CHENG, KO-JEN

Title: Investor Relations Manager

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E-mail: KC.Cheng@abilitycorp.com.tw

COMPANY HEADQUARTERS

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COMMON SHARES TRANSFER AGENT

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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

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

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1. Letter to Shareholders

I. The business operation of 2023

a. The Business Operation

There were frequent wars in 2023, including the continuing Ukraine-Russia War, the Israel-Palestine Conflict, and the Red Sea crisis, and the international market was affected by geopolitics, resulting in an increase in the cost of enterprises. With the slowdown of inflation, the world is waiting for the interest rate reduction in the US to reduce the borrowing costs of enterprises. The frequent extreme weather events made countries require enterprises to accelerate their ESG actions. In the post-pandemic era of COVID-19, the changes in the consumption pattern accelerated the development and utilization of digital transformation.

Faced with the challenges of the external environment, Ability Enterprise actively faces the opportunities brought by changes. It adopts multiple practices concurrently for operations and continues to focus on three major fields for optical design, firmware, industrial design, hardware design, image processing, AI, and edge computing integration technology application, R&D and business operations for product R&D: I. Image application product (i.e., 360-degree commercial omnidirectional camera); II. Automotive camera, monitoring, and smart application products; III. Optical parts and components and image modules. In terms of business promotion, apart from strengthening self-marketing efforts (i.e., exhibition participation and increasing exposure through online advertisements), we also adopted the in-depth cooperation model with strategic partners to jointly promote our business (i.e., cooperation with the self-driving solution company in Japan for automotive cameras and the completion of smart city integration with customers in Europe and North America).

b. Revenue and Profit of 2023:

In 2023, Ability Enterprise's consolidated operating income throughout the year was NT\$4,933,155 thousand, the operating gain was NT\$122,298 thousand, net profit after tax attributable to the parent company was NT\$274,625 thousand, and earnings per share were NT\$0.96 per share.

II. The Business Operation and R&D of 2024:

In 2024, regional military conflicts will remain, covering a shade over the global economic recovery and putting the energy crisis in a critical spot. The environment of high interest rates resulting from inflation also stopped enterprises from taking action. The private consumption is conservative, putting out the economic recovery strength and imposing severe challenges on the supply and sales of consumer electronic products.

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 Enterprise applies the initial image processing

technologies, introduces sound technologies, combines AI and edge computing technologies, and is committed to the R&D and manufacturing of optical as well as audio and video products that align with the requirements of different lifestyles. To expand its international marketing, Ability Enterprise actively cooperates with different international partners and responds to the requirements in the customization field for designs and manufacturing to sell AI smart optical and audio and video products newly developed to Asia, America, and Europe.

Under the global carbon net zero trend, Ability Enterprise adheres to its corporate responsibility. In 2023, under the requirements and guidance of the Board, the ESG Committee and workforce were established, the ESG Report was completed, and the short-term, mid-term, and long-term crucial ESG issues and implementation targets of the Company were established. The Company organized comprehensive ESG advanced education courses in 2024 and concurrently continued carrying out internal energy conservation and carbon reduction. Facing the long-term ESG work requirements, the Company is adjusting its operation planning and implementation standards step by step and is concurrently complying with laws and regulations and global ESG evaluation standards to allow Ability Enterprise to become a company of sustainable operations.

The management team of Ability Enterprise flexibly and appropriately adjusts the organization for corporate governance based on the requirements, extensively recruits R&D personnel to improve the R&D width, supports the business team to increase operating income, strengthens the supply chain, reduces costs, and continues to maintain the relationship of mutual trust with suppliers. We hope to secure shareholders' support with favorable operating results. In general, duly fulfilling corporate social responsibility, protecting shareholders' rights and interests, sharing operating performance with shareholders, customers, and employees are the targets for efforts made for operations by 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

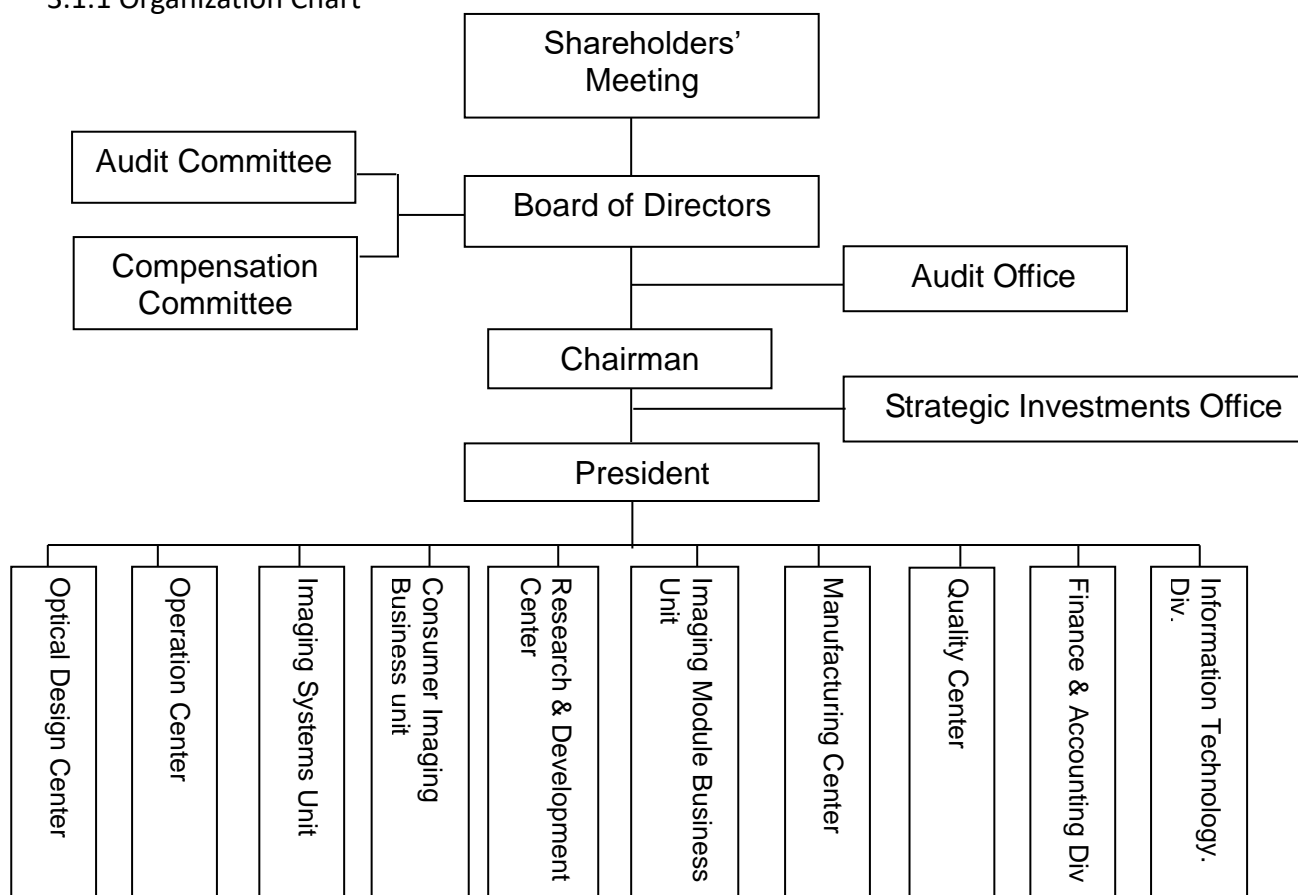
Ability's Chronicle of Events

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.
2024	Established a subsidiary in Vietnam.

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 04/22/2024

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	Other Supervisory or Director Roles Held by a Spouse or Second-Degree Relative		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Chairman VIEWQUEST Investment Co., Ltd. Rep. : Tseng, Ming-Jen	R.O.C.	8	06/21/2022	3	06/29/2016	1,650,000	0.57	2,100,000	0.73	0	0.00	0	0.00	None	None	-	-	-
		Male 61-70	06/21/2022	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. 、 Ability Tech. (Dongguan) Co., Ltd 、 .Director : 、 ABILITY TECHNOLOGIES CO., LTD. .Independent Director : Howteh Technology Co., Ltd.	-	-	-
Director ABICO AVY CO.,LTD.		30	06/21/2022	3	06/29/2016	24,378,000	8.48	28,821,000	10.02	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	Other Supervisory or Director Roles Held by a Spouse or Second-Degree Relative		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Rep. :Chan, Wen-Hsiung	R.O.C.	Male 51-60	06/21/2022	3	6/17/2010	0	0.00	0	0.00	0	0.00	0	0.00	. Director,PANJIT International Inc. .Director,E-Pin Optical INDUSTRY CO.Ltd. .MBA - National Taiwan University, .Department of Aeronautics and Astronautics , National Cheng Kung University	. Chairman : eChem Solutions Corp. . Director :SUNPLUS TECHNOLOGY CO.,LTD. 、 eChem Solutions Trading(Guang Zhou)Co ; Ltd. 、 iCatch Technology, Inc. 、 Fine Ace Asset Management CO.,LTD. 、 HIYES INTERNATIONAL CO., LTD. 、 SCIWIN Laboratories Co., Ltd. . Independent Director : BIOSTAR MICROTECH INTERNATIONAL CORP. 、 NIEN HSING TEXTILE CO., LTD. 、 CHAMPION MICROELECTRONIC CORP. ELITEGROUP COMPUTER SYSTEMS CO., LTD.	-	-	-
Director: ABICO AVY CO.,LTD. Rep. : Hu,	R.O.C.	30	06/21/2022	3	06/29/2016	24,378,000	8.48	28,821,000	10.02	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	Other Supervisory or Director Roles Held by a Spouse or Second-Degree Relative		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Shiang-Chi		Male 61-70	06/21/2022	3	06/14/2019	0	0.00	0	0.00	0	0.00	0	0.00	.Engineer,Nationa Chung-Shan Institute of Science & Technology .Business representative/Consulta nt,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 .MBA - National Taiwan University .EE Dept.,National Taiwan University	. Chairman : ABICO NetCom Co.,Ltd. 、 JABON INTERNATIONAL CO., LTD. 、 Empower Technology Corporation 、 IKKA HOLDING(CAYMAN) LIMITED . Director & 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.	-	-	-
Director: Chia-Mei Investment Co.,Ltd Rep. : TONG, CHUN-JEN	R.O.C.	25	06/21/2022	3	05/27/2002	2,254,974	0.78	2,254,974	0.78	0	0.00	0	0.00	None	None	-	-	-
		Male 51-60	06/21/2022	3	05/26/1998	548	0.00	548	0.00	32,841	0.01	0	0.00	. Chairman, ABILITY INT'L TENANCY CO., LTD. .CEO,ABILITY ENT. CO.,	. Chairman: ABICO AVY CO., LTD. 、 AVY Industrial Co., Ltd. 、 ABICO Plus	Director	Tong, Chun-Yi	Brothers

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	Other Supervisory or Director Roles Held by a Spouse or Second-Degree Relative		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation ship
																Director	CHANG, HSIAO-CHI	Brother-in-law
														LTD. . New Jersey Institute of Technology Master of Science in Computer Science	Entertainment Limited. 、 ARES OFFICE CO., LTD. Jiawang Capital CO., LTD. .Vice Chairman: ABICO NetCom Co., Ltd. . Directors: ABILITY INT'L TENANCY CO., LTD. 、 TAISHIBA INTERNATIONAL CO., LTD. 、 Taiwan Sanyo Electric Co.,Ltd. 、 JABON International Co., Ltd. 、 SEINOH OPTICAL CO., LTD. 、 Ability I Venture Capital Corporation 、 HONLNN CO., LTD. 、 SOL-PLUS 、 IKKA HOLDING(CAYMAN) LIMITED 、 DongGuan Cheng Guang Metal Products Co., Ltd. 、 Dongguan Chengguang Precision Industry Co., Ltd. 、 Dongguan Chengguang Trading Co., Ltd. E-Pin Optical INDUSTRY CO.Ltd. Jia Tech International Investment Co., Ltd.			
Director: Chia-Mei Investment Co., Ltd.Rep. : Tong, Chun-Yi	R.O.C.	25	06/21/2022	3	05/27/2002	2,254,974	0.78	2,254,974	0.78	-	-	-	-		-	-	-	-

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	Other Supervisory or Director Roles Held by a Spouse or Second-Degree Relative		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
		Male 51-60	06/21/2022	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. 、Dongguan Chengguang Trading Co., Ltd. 、Dongguan Chengguang Precision Industry Co., Ltd. Nengding Investment Co., Ltd. 、Ability I Venture Capital Corporation . Vice Chairman: ABICO AVY CO.,LTD. .Directors: AVY Industrial Co., Ltd. 、ABICO Plus Entertainment Limited. 、JBON International 、SEINOH OPTICAL CO., LTD. 、ABICO INVESTMENT DEVELOPMENT CO., LTD. HONLYNN CO., LTD. 、Jiawang Capital CO., LTD. Gold Market Investments Ltd. 、SOL-PLUS (HK) CO., LIMITED 、HIRAISEIMITSU (THAILAND) CO.,LTD. 、SOL-PLUS 、IKKA HOLDINGS (CAYMAN) LIMITED 、1 Production Film Co. Chairman,DAIICHI KASEI CO., LTD. 、 .Independent Director : SIRTEC INTERNATIONAL CO., LTD.	Director	TONG, CHUN-JEN	Brothers
																Director	CHANG, HSIAO-CHI	Brother-in-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	Other Supervisory or Director Roles Held by a Spouse or Second-Degree Relative		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Director: Chia-Mei Investment Co., Ltd.Rep. : CHANG, HSIAO-CHI	R.O.C.	25	06/21/2022	3	05/27/2002	2,254,974	0.78	2,254,974	0.78	-	-	-	-		-	-	-	-
		Male 61-70	06/21/2022	3	06/21/2022	0	0.00	0	0.00	0	0.00	0	0.00	. Chairman: GrandTech C.G. Systems Inc. .Independent Director : DATA IMAGE CORPORATION .Directors: CC&C TECHNOLOGIES, INC. 、 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. 、 ABILITY BIOTECH CO., LTD. 、 Ability Anchor Recycle Technology Services, Inc. 、 ABICO LIVING ROBOT CO., LTD. 、 ABILITY INTERNATIONAL GREEN ENERGY 、 ABILITY TECHNOLOGIES CO., LTD. .Directors: Jing Nen Co., Ltd. 、 TAIWAN IMAGING SYSTEMS INC. 、 EMPTECH Co., LTD. 、 Abico (H.K.) International Holding Co., Ltd. 、 ABICO NETCOM CO., LTD. 、 TAISHIBA INTERNATIONAL CO., LTD. Honyu Information Technology Co., Ltd.	Director	TONG, CHUN-JEN	Sibling in a law
																Director	Tong, Chun-Yi	Sibling in a 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	Other Supervisory or Director Roles Held by a Spouse or Second-Degree Relative		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Independent Director Chen, Chien-Hung	R.O.C.	Male 51-60	06/21/2022	3	06/14/2019	0	0.00	0	0.00	0	0.00	0	0.00	Lawyer, Cheefa United Office Attorney Lawyer, Far East Law Office Attorney Arbitrator, Chinese Arbitration Association .Taipei. Bachelor of Law, National Chung Hsing University Soochow University Law Master PhD, China University of Political Science and Law/Doctor, s Degree	. Director -Chen, Chien-Hung , Attorneys-at-Law .Independent Director, AMPACS CORPORATION.	-	-	-
Independent Director Huang, Chih-chen	R.O.C.	Male 51-60	06/21/2022	3	06/14/2019	0	0.00	0	0.00	0	0.00	0	0.00	.Audit Manger-KPMG, HK .Audit Manger-KPMG, Taiwan .Partnership accountant -DINKUM & CO., CPAS. .B.A. Department of Accounting- Feng Chia University	. Director -Guangyun CPAS & CO. . Chairman - Hundred matters International Co., Ltd . Independent Director - Auden Techno Corp . Director -JE Techno Corp. . Independent Director - Auden Techno Corp. 、 STARLUX AIRLINES CO., LTD.	-	-	-
Independent Director HUANG, KUO-LUN	R.O.C.	Male 41-50	06/21/2022	3	06/21/2022	0	0.00	0	0.00	0	0.00	0	0.00	Chairman, DATADOT TECHNOLOGY TAIWAN CO., LTD. Chairman, MARCO POLO TECHNOLOGY CO., LTD Master of The University of Sydney Department of University of New South Wales	. Chairman, DATADOT TECHNOLOGY TAIWAN CO., LTD. 、 MARCO POLO TECHNOLOGY CO., LTD. DATADOT TECHNOLOGY (ASIA) PTE LIMITED 、 CITA TECHNOLOGY DEVELOPMENT CO., LTD.	-	-	-

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

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders	(%)
VIEWQUEST Investment Co. Ltd.	ABICO AVY CO., LTD.	100.00
ABICO AVY CO., LTD.	Ability International co., Ltd.	13.08
	ABILITY ENTERPRISE CO., LTD.	10.22
	HENG NENG INVESTMENT CO., LTD.	4.67
	TAISHIBA INTERNATIONAL CO., LTD.	1.00
	SCUDERIA INTEGRATED MARKETING CO., LTD.	0.99
	LIN, LAI-CHENG	0.80
	LIN, XIU-YUN	0.71
	JP Morgan Chase Bank Taipei Branch is entrusted with the custody of the special investment account of JP Morgan Securities Co., Ltd.	0.67
	TSENG,WAN-TING	0.64
	YE, YONG-XIONG	0.63
CHIA MEI INVESTMENT CO., LTD.	DONG,YI-JUN	20.00
	DONG,JUN-REN	20.00
	DONG,JUN-YI	20.00
	CHISHIEN INVESTMENT CO., LTD.	8.35
	TRUMP ELEGANT INVESTMENT LIMITED	8.33
	SKY CENTURY CORP	8.33
	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 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.	Not Applicable	1
Chan, Wen-Hsiung			0
Hu, Shiang-Chi			1
Tong, Chun-Jen			0
Tong, Chun-Yi			4
Chang, Hsiao-Chi			2
Chen, Chien-Hung	None of the Directors has been in or is under any circumstances stated in Article 30 of the Company Law. (Note 1) °	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	1
Huang, Chih-Chen			2
Huang, Kuo-Lun			0

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

(1) Diversity of the board of directors: According to the company's "Corporate Governance Code of Practice", 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 literacy required to perform their duties. , providing a more diversified perspective for the company's sustainable operations. In the future, we will continue to promote gender equality policies in accordance with the development trend of gender equality, and it is expected to add one female director to achieve the goal.

The implementation of diversity among the current board of directors members is 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
Hu, Shiang-Chi	R.O.C.	Male	51-60	V	—	—	V	V	V	V	V
Tong, Chun-Jen	R.O.C.	Male	61-70	V	—	—	V	V	V	V	V
Tong, Chun-Yi	R.O.C.	Male	51-60	V	—	—	V	V	V	V	V
Chang, Hsiao-Chi	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
Huang, Kuo-Lun	R.O.C.	Male	41-50	V	—	—	V	V	V	V	V

(2) Independence of the board of directors: The company has 9 directors, including 3 independent directors.

The proportion of directors with employee status is 22%; the term of two independent directors is not more than six years, and the term of one independent director is less than three 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 04/22/2024

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	0	0.00	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	Refer to Introduction of Board of Directors
Vice President Adams Chen	R.O.C.	Male	2015.06	120,354	0.04	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.
Vice President Vincent Lu	R.O.C.	Male	2019.04	132,303	0.05	0	0.00	0	0.00	Assistant Vice President/IP Div. Ability Ent. Co., Ltd Dept. of PME, National Tsinghua University	None
Assistant Vice President Jackie Lee	ROC	Male	2023.08	24,000	0.01	2,000	0.00	0	0.00	.COO, Ability Ent. Co., Ltd 、 .National Taiwan University of Technology EMBA / Taipei Polytechnic College: Electronic Engineering	None
Chief Financial Officer Lin, Hung-Tien	R.O.C.	Male	2008.10	119,487	0.03	0	0.00	0	0.00	.CFO, Ability Ent. Co., Ltd 、 .Assistant manager of Deloitte Audit Servcies Dept. of Accounting, CYUT	Supervisor : ABILITY INTERNATIONAL INVESTMENT CO., LTD. 、 Ability Tech. (Dongguan) Co., Ltd. 、 ABILITY TECHNOLOGIES CO., LTD.

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	%		
Accounting Supervisor Lin, Hsin-Chun	R.O.C.	Female	2021.03	23,884	0.01	0	0.00	0	0.00	. Accounting Supervisor, Ability Ent. Co., Ltd . Senior Auditor of Deloitte Audit Servcies .Dept. of Accounting, FCU	None
Corporate Governance officer Huang, Mei-Ling	R.O.C.	Female	2021.05	4,997	0.00	0	0.00	0	0.00	.Assistant manager / 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 12/31/2023; Unit: NT\$ thousands

	Remuneration of Directors								Total remuneration (A+B+C+D)and % of net income		Compensation Earned by a Director Who is an Employee of Ability 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
Title Name	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					
													Cash	Stock	Cash	Stock					
Chairman: VIEWQUEST Investment Co. Ltd. Rep.:Tseng, Ming-Jen																					
Director: Chia-Mei Investment Co., Ltd. Rep. : Tong, Chun-Jen																					
Director: Chia-Mei Investment Co., Ltd. Rep. : Tong, Chun-Yi																					
Director: Chia-Mei Investment Co., Ltd. Rep. : Chang, Hsiao-Chi																					
Director: ABICO AVY CO.,LTD. Rep. : Hu, Shiang-Chi																					
Director: ABICO AVY CO.,LTD. Rep. : Chan,Wen-Hsiung																					
Independent Director Huang, Chih-chen																					
Independent Director Chen, Chien-Hung																					
Independent Director Huang, Kuo-Lun																					
Total	1,190	1,190	-	-	4,708	4708	1,090	1,114	6.988	7.012	4,465	4,465	108	108	-	-	-	-	4.21%	4.22%	-

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 Tong, Chun-Yi, Hu, Shiang-Chi, Tong, Chun-Jen Chan, Wen-Hsiung, Huang, Kuo-Lun Chen, Chien-Hung Huang, Chih-chen Chang, Hsiao-Chi	Tseng, Ming-Jen Tong, Chun-Yi, Hu, Shiang-Chi, Tong, Chun-Jen Chan, Wen-Hsiung, Huang, Kuo-Lun Chen, Chien-Hung Huang, Chih-chen Chang, Hsiao-Chi	Tseng, Ming-Jen Tong, Chun-Yi, Hu, Shiang-Chi, Tong, Chun-Jen Chan, Wen-Hsiung, Huang, Kuo-Lun Chen, Chien-Hung Huang, Chih-chen	Tseng, Ming-Jen Tong, Chun-Yi, Hu, Shiang-Chi, Tong, Chun-Jen Chan, Wen-Hsiung, Huang, Kuo-Lun 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)	—	—	Chang, Hsiao-Chi	Chang, Hsiao-Chi
NT\$5,000,000 (Included)~ NT\$10,000,000(Excluded)	—	—	—	—
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\$108 thousand.

Note 3. The amount of directors' remuneration and employee's remuneration of the Company in 2023 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 \$1,090 thousand for travelling expenses, and \$1,114 thousand for all consolidated entities.

3.2.3.2 Compensation Paid to President and Vice President

As of 12/31/2023; 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	Chang, Hsiao-Chi	7,416	7,416	324	324	4,624	4,624	1.150	—	1.150	—	4.92%	4.92%	None
Vice President	Adams Chen													
Vice President	Vincent Lu													

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)	Chang, Hsiao-Chi 、 Adams Chen 、 Vincent Lu	Chang, Hsiao-Chi 、 Adams Chen 、 Vincent Lu
NT\$5,000,000 (Included)~ NT\$10,000,000(Excluded)	—	—
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	3	3

Note 1: Actual payments of pensions for the most recent years: Nil; appropriated amounts of pensions expense for the most recent years: NT\$324 thousand.

Note 2. The amount of employee's remuneration of the Company in 2023 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 12/31/2023; 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	Chang, Hsiao-Chi	0	2,420	2,420	0.89%
Vice President	Adams Chen				
Vice President	Vincent Lu				
Assistant Vice President	Jackie Lee				
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 2022 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	2023		2022	
	Amount	Ratio of Total Amount to Net Profits After Tax (%)	Amount	Ratio of Total Amount to Net Profits After Tax (%)
directors	4,708	1.71	2,174	1.61
presidents and vice presidents	13,514	4.92	4,509	3.33

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

(1) Policy, standard and combination of remuneration payment:

The company's directors' remuneration: According to Article 28-1 of the company's articles of association, if there is a profit in the annual final accounts, the director's remuneration shall not exceed 1.5%. The aforementioned profit refers to the pre-tax profit before deducting the

distribution of employee remuneration and director's remuneration. Independent directors do not participate in the distribution of directors' remuneration. It also regularly evaluates directors' remuneration in accordance with the company's "Board of Directors Performance Evaluation Methods" and uses the performance evaluation results of individual directors as a reference for setting their individual salaries and remuneration.

The company's managers' remuneration: In addition to taking the company's financial and actual operating conditions, future risks and development trends as the main considerations, it is evaluated regularly in June and December every year in accordance with the "Performance Management Measures", and 70% of the assessment content is clearly specified. Remuneration is awarded based on comprehensive evaluation based on the assessment of work objectives, 30% on performance of functional behaviors, and taking into account individual, departmental performance, special contribution and other factors.

If the company makes a profit in its annual final accounts, in accordance with Article 28-1 of the company's articles of association, no less than 8% and no more than 15% of employee remuneration should be appropriated. The recipients of employee remuneration in cash or stocks may include employees of controlling or affiliated companies who meet certain conditions, and the certain conditions are authorized to be set by the board of directors.

Combination of remuneration: According to the organizational regulations of the Salary and Remuneration Committee, it includes cash remuneration, stock options, dividends, retirement benefits or severance benefits, various allowances and other measures with substantial incentives; its scope should be consistent with the matters that should be recorded in the annual report of a publicly listed company. The remuneration of directors and managers is consistent in the standards.

(2) Procedure for determining remuneration:

The remuneration of the company's directors and managers, in addition to referring to the normal payment situation of peers, is regularly submitted to the Salary and Remuneration Committee for review every year based on the evaluation results of the "Board of Directors Performance Evaluation Methods" and the "Performance Management Methods" applicable to managers. Discuss with the board of directors.

The self-evaluation results of the performance of the board of directors, directors and functional committee members in 2023 are excellent, and the managers' performance has also reached the predetermined goals. Individual performance and contribution to the company will be taken into consideration, as well as the company's future risks, development trends and overall operating performance. Provide reasonable remuneration.

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors

A total of 5 (A) meetings of the Board of Directors were held in 2023. 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	5	0	100%	06/21/2022 Re-elected
Director	Chia-Mei Investment Co., Ltd. Rep. : Tong, Chun-Jen	5	0	100%	06/21/2022 Newly elected
Director	Chia-Mei Investment Co., Ltd. Rep. : Tong, Chun-Yi	4	0	80%	06/21/2022 Newly elected
Director	Chia-Mei Investment Co., Ltd. Rep. : Chang, Hsiao-Chi	5	0	100%	06/21/2022 Newly elected
Director	ABICO AVY CO., LTD. Rep. : Hu, Shiang-Chi	5	0	100%	06/21/2022 Re-elected
Director	ABICO AVY CO., LTD. Rep. : Chan,Wen-Hsiung	5	0	100%	06/21/2022 Newly elected
Independent Director	Huang, Chih-chen	5	0	100%	06/21/2022 Re-elected
Independent Director	Huang, Kuo-Lun	5	0	100%	06/21/2022 Newly elected
Independent Director	Chen, Chien-Hung	5	0	100%	06/21/2022 Re-elected

Other remarks:

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

(1) 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 2023.

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
2023.8.11	1. The company's 2023 annual salary for managers. 2. The bonus distribution plan for managers and employees of the company in 2022.	Chang, Hsiao-Chi	Not participating in the discussion and avoiding voting
2023.11.11	1. The year-end bonus distribution plan for managers of the company in 2022.	Chang, Hsiao-Chi	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: 2023.01.01~2023.12.31

(4) Evaluation methods: Internal self-evaluation of the board of directors, self-evaluation of director members, self-evaluation of the remuneration committee, and self-evaluation of the audit committee.

(5) Assessment scope and content:

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

Individual Board 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	
1. Audit committee 2. Compensation 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	

(6) Evaluation level 1: Extremely poor (strongly disagree); 2: Poor (disagree); 3: Medium (average); 4: Excellent (agree); 5: Excellent (strongly agree).

2023 Evaluation Result: The individual performance of all directors, the overall performance of the board of directors, the evaluation results of the remuneration committee, and the audit committee are all excellent, showing that the directors have a positive evaluation of the efficiency and operation of the board of directors, and will continue to improve the functions of the board of directors. The evaluation results are submitted to the board of directors in a report, as a basis for review and improvement.

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) In addition to the audit committee established in 2016, the company also established a remuneration committee, which is composed of 3 independent directors and is responsible for performing the functions and powers stipulated by relevant laws and regulations.
- (2) In order to strengthen the relevant functions of the board of directors, according to the "Performance Evaluation Method of the Board of Directors", the performance evaluation operation is regularly carried out every year and the report of the board of directors is made in the first quarter of the next year.
- (3) In order to improve the company's sustainable governance, the company established a sustainable development promotion committee in November 2022, responsible for formulating sustainable development directions and strategies, and regularly reporting to the board of directors.
- (4) The company will set up a corporate governance supervisor in 2021, who will be responsible for providing the directors with the information required to perform their duties and comply with laws and regulations, and arrange for continuing education to assist the board of directors in fulfilling their duties.

3.3.2 Audit Committee

A total of 5 (A) meetings of the audit committee were held in 2023. The independent directors' attendance status is as follows:

Title	Name	Attendance in person (B)	By Proxy	Attendance rate (%) 【 B / A 】	Remarks
Independent Director	Chen, Chien-Hung	5	0	100%	06/21/2022 Re-elected
Independent Director	Huang, Chih-chen	5	0	100%	06/21/2022 Re-elected
Independent Director	Huang, Kuo-Lun	5	0	100%	06/21/2022 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
2023.3.10 1st in 2023.	1. The Company's 2022 financial statement. 2. The Company's Business Reports and Financial Statements of 2022, submitted for Recognition. 3. "2022 Management's Reports on Internal Control System" 4. Amendments to the Corporate Governance Code of Practice. 5. Evaluation of the CPA's independence of the Company. 6. It is proposed to pre-approval the visa accounting firm and its affiliated companies to provide non-assurance services to the company and its subsidiaries.	Approved	Passed unanimously by members in attendance.

2023.5.12 2nd in 2023.	1.The Company's consolidated financial statements for the first quarter of 2023 2.Accountant appointment proposal. 3.The company's 2022 profit distribution proposal. 4.Release the prohibition on the Company's Directors from participation in competitive business. 5.Amendment to the Company's "Related Party Transaction Management Measures".Amendments to the Company's "Code of Practice for Sustainable Development". 6.Plan to purchase land in Jintai section of Zhongshan District	Approved	Passed unanimously by members in attendance.
2023.8.11 3rd in 2023.	1.The Company's consolidated financial statements for the second quarter of 2023	Approved	Passed unanimously by members in attendance.
2023.9.8 4th in 2023.	Established Vietnamese subsidiary Ability Electronics Technology (Vietnam) Co., Ltd.	Approved	Passed unanimously by members in attendance.
2023.11.11 5th in 2023.	1.The Company's consolidated financial statements for the third quarter of 2023 2.The Company's "2024 internal audit plan".	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.

1.Communication between independent directors, the chief audit executive and accountants:
The communication between independent directors and audit supervisors is mainly held in the form of emails and meetings. Emails are used once a month, and meetings are held quarterly, and the suggestions put forward by independent directors in meetings are included in the scope of subsequent inspections.

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

Date	Attendees	Items	Results
2023.3.10 Before Board meeting	independent Directors: Chen, Chien-Hung Huang, Chih-chen Huang, Kuo-Lun Audit Supervisor: Hu, Shen-Gqi	1.Field performance report of audit operations in the fourth quarter of 2022. 2.Field performance report of audit operations in the first quarter of 2023. 3."2022 Management's Reports on Internal Control system" resolution.	No material issues that required rectification.
2023.3.10 regular	independent Directors: Chen, Chien-Hung Huang, Chih-chen	1. Corporate governance evaluation discussion. 2. Discussion on on-site implementation of	This communication has been disclosed

meeting	Huang, Kuo-Lun Audit Supervisor: Hu, Shen-Gqi	audit operations.	on the company's website.
2023.5.12 regular meeting	independent Directors: Chen, Chien-Hung Huang, Chih-chen Huang, Kuo-Lun Audit Supervisor: Hu, Shen-Gqi	Field performance report of audit operations in the first quarter of 2023.	No material issues that required rectification.
2023.8.11 regular meeting	independent Directors: Chen, Chien-Hung Huang, Chih-chen Huang, Kuo-Lun Audit Supervisor: Hu, Shen-Gqi	1.Field performance report of audit operations in the second quarter of 2023.	No material issues that required rectification.
2023.8.11 Before Board meeting	independent Directors: Chen, Chien-Hung Huang, Chih-chen Huang, Kuo-Lun Audit Supervisor: Hu, Shen-Gqi	1. Corporate governance evaluation discussion. 2. ESG discussion 3. Discussion on on-site implementation of audit operations.	No material issues that required rectification.
2023.9.8 regular meeting	independent Directors: Chen, Chien-Hung Huang, Chih-chen Huang, Kuo-Lun Audit Supervisor: Hu, Shen-Gqi	Discuss the investment proposal in Vietnam.	No material issues that required rectification.
2023.11.10 regular meeting	independent Directors: Chen, Chien-Hung Huang, Chih-chen Huang, Kuo-Lun Audit Supervisor: Hu, Shen-Gqi	1.Field performance report of audit operations in the second quarter of 2023. 2.Discussion plan for the 2024 annual audit plan.	No material issues that required rectification.

(2) Communication between independent directors and accountants:

Independent directors and accountants hold a communication meeting at least once a year, and conduct communication meetings on topics such as the company's and subsidiaries' financial situation, materiality, scope of inspection, and recent regulatory amendments.

Summary of previous communications between independent directors and accountants:

Date	Attendees	Items	Results
2023.3.10 Before Board meeting	independent Directors: Huang, Kuo-Lun Chen, Chien-Hung Huang, Chih-chen PWC CPA	Conclusion of the annual audit - Check scope and significance - Draft of the auditing reports and key audit matters - Impact of COV-19 - The independence of the CPA - Audit Quality Index (AQI) Information	No material issues that required rectification.
2023.8.11 Before Board meeting	independent Directors: Huang, Kuo-Lun Chen, Chien-Hung Huang, Chih-chen PWC CPA	Annual audit plan - Check scope and significance - financial statements and the communication matters - The independence of the CPA - Information sharing	No material issues that required rectification.

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 deviation
2. Shareholding Structure & Shareholders’ Rights				
(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.	No deviation
(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 keeps in touch with major shareholders, and keeps abreast of the actual shareholding status of directors, managers and major shareholders holding more than 10% of the shares.	
(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”, “Administration Measures on the Related Party Transactions”, “Procedures for the Acquisition and Disposal of Assets” and other internal management measures to regulate the financial transactions between the company and related companies, so as to establish a good 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 the company's directors, managers and employees, and regularly conduct publicity and education and training on relevant laws and regulations to establish codes of conduct and risk control.	

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
<p>3. Structure of Board of Directors and its responsibility</p> <p>(1) If the Board develop diversified policies, concrete management goal, and execute?</p>	V		<p>1. According to the third chapter of the company's "Corporate Governance Code of Practice", strengthening the functions of the board of directors is to formulate a policy of diversification. The company attaches great importance to the professional knowledge and skills of the members of the board of directors and the diversity of composition, and pays attention to gender equality. The professional knowledge and skills of directors, including financial accounting, legal expertise, operational judgment ability, management ability, crisis handling ability, industry knowledge, international market outlook, leadership decision-making ability, etc., help to improve the decision-making of the board of directors and strengthen the internal supervision mechanism .</p> <p>2. The diversity policy of the board of directors is disclosed on the company website and the public information observation station.</p> <p>3. The company's directors with employee status account for 22%; the term of two independent directors does not exceed six years, and the term of one independent director does not exceed three years.</p>	No deviation

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
			<p>4.The company's directors have implemented a diversified policy regarding their academic experience, professional knowledge and related fields. In the future, we will promote gender equality in accordance with the development trend of international gender equality. It is expected to increase the number of female directors to achieve the goal and provide the company with more diverse perspectives..</p> <p>(Ref. to Note 1)</p>	

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
(2) If the Company established any other functional committee in addition to Compensation Committee, Audit Committee as required by law?		√	(2) The company has set up a Compensation Committee and an audit committee in accordance with the law.	No deviation
(3) If the company formulate board performance evaluation Rules and evaluation methods, conduct annual and regular performance evaluations, and report the results of performance evaluations to the board of directors, and use them as a reference for the remuneration of individual directors and the nomination for renewal?	√		(3)The company's board of directors approved the "Board Performance Evaluation Regulations" on May 6, 2020. The Chairman's Office is the execution unit for performance evaluation, which is conducted in the form of a questionnaire. The scope of the evaluation includes the entire board of directors, individual director members, the remuneration committee and the audit committee; the evaluation methods are internal self-evaluation of the board of directors, self-evaluation of director members, self-evaluation of the remuneration committee and the audit committee. Self-evaluation, the above performance evaluation results will be used as a reference when selecting or nominating directors; the performance evaluation results of individual directors will be used as a reference for setting their individual salaries and remuneration. (Ref. to Note 2)	No 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). In addition, with reference to Article 47 of the Accountants Law and the No. 10 Professional Ethics Bulletin, the independent assessment item table was formulated and the audit quality indicators (AQIs) were referred to. After evaluation, Lin Yahui and Wu Hanqi of Zicheng United Accounting Firm were in compliance with the requirements of the company. Evaluation criteria for independence and competence; the resolution was considered and passed by the audit committee and the Board of Directors of the company on March 8, 2024. (Ref. to Note 3)	No 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	√		<p>The chairman's office of the company coordinates and promotes matters related to corporate governance. Huang Meiling serves as the director of corporate governance, responsible for executing and assisting the board of directors in fulfilling its duties and strengthening the board of directors' operating mechanism.</p> <p>The business execution situation in 2023 is as follows:</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 <p>The training status of Corporate Governance officer in 2023 is as follows: Ref to Note 5 .</p>	No deviation
5. If the Company established communication channel with stakeholders (including but not limited to shareholders, employee, customers, suppliers, etc.) and disclosed key corporate social responsibility issues frequently enquired by stakeholders on the designated area of the corporate website?	√		<p>The company's website has set up a special area for interested parties to provide good communication channels, and has investor relations, stock affairs and legal departments responsible for handling and communicating related issues, and continuously understands and responds to the needs of stakeholders.</p>	No deviation

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
6. If the Company engaged professional transfer agent to host annual general shareholders' meeting?	V		The Company engaged the registrar agency department of CTBC Bank Co., Ltd. to handle shareholder meeting affairs	No deviation
7 Information Disclosure				
(1) If the Company set up a corporate website to disclose information regarding the Company's finance, business and corporate governance?	V		(1) The Company promptly discloses relevant information on its corporate website (http://www.abilitycorp.com.tw).	No 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)?	V		(2) The company sets up Chinese and English websites, and specialized units collect and disclose relevant information in accordance with regulations. There is a spokesperson system in which the spokesperson or acting spokesperson is responsible for speaking to the outside world. The official website provides live broadcast and replay of the corporate briefing.	No 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?	V		(3) The company announces and declares its annual financial report within three months after the end of the fiscal year in accordance with laws and regulations, and completes the announcement and declares the first, second, and third quarter financial reports and operating conditions of each month before the prescribed deadline.	No 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		<p>(1)The company has established an employee welfare committee to provide various employee benefits and group insurance, hold regular labor-management meetings, and provide a labor-management negotiation mechanism. The company adopts the Employee Assistance Program (EAP) to provide free professional consulting channels based on employee needs, encourage employees to support and participate in social care activities, and give back to the society with practical actions.</p> <p>(2)The company regularly evaluates customer satisfaction and properly handles matters related to customer complaints to improve customer service.The company regularly evaluates customer satisfaction and properly handles customer complaints to improve customer service.</p> <p>(3)The company has established a Chinese and English website to provide investors with open and transparent information.</p>	No deviation

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
			<p>(4)The company conducts risk assessment and audit for new suppliers, and regular evaluation and audit for existing suppliers. Formulate supplier relationship measures and codes of conduct for foreign-related personnel to maintain fair transactions with suppliers.</p> <p>(5)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.</p> <p>(6)The company has taken out liability insurance for directors, independent directors and important staff.</p> <p>(7)The training status of all directors in 2023 is as follows: Ref to Note 4 .</p>	
9. Any improvement made in accordance with the result of the most recent corporate governance evaluation conducted by TWSE? Any measures to be taken on the outstanding items?	V		The Company conducts self-assessment in accordance with corporate governance evaluation items and considers viability for evaluated items that does not meet the criteria based on actual operation of the Company.	No deviation

Note 1:

Name	Gender	Diversification							
		Business Management	Finance	Law	Operational udgment	Risk Management	Industrial Knowledge	Global Market View	Leadership& Decision -making
Tseng, Ming-Jen	Male	V	—	—	V	V	V	V	V
Chan, Wen-Hsiung	Male	V	—	—	V	V	V	V	V
Hu, Shiang-Chi	Male	V	—	—	V	V	V	V	V
Tong, Chun-Jen	Male	V	—	—	V	V	V	V	V
Tong, Chun-Yi	Male	V	—	—	V	V	V	V	V
Chang, Hsiao-Chi	Male	V	—	—	V	V	V	V	V
Chen, Chien-Hung	Male	V	—	V	V	V	V	V	V
Huang, Chih-Chen	Male	V	V	—	V	V	V	V	V
Huang, Kuo-Lun	Male	V	—	—	V	V	V	V	V

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),	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,	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

Evaluation Scale	Evaluation Content
	4. Management and communication of internal relationship 5. The director's profession and continuing educations 6. Internal control
Functional committee (Compensation and committee 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

2023 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 8th, 2024 Report of the board of directors.

Note3: The Company evaluates the independence of CPA based on items are as below:

Items Evaluated
1. Does the CPA have direct or material indirect financial interest in the Company?
2. Does the CPA have loans or guarantees with the Company or directors of the Company?
3. Does the CPA have a close business relationship or a potential employment relationship with the Company?
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?
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?
6. Does the CPA promote or broker shares for the Company or other securities issued by the company.
7. Does the CPA serve as an advocate or representative for the company with third parties in the event of conflict.
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.
9. Is the CPA capable of performing its duties with its educational background and relevant experience.

Note 4 :All directors of the company meet the required training hours. The training status of all directors in 2023 is as follows:

Title	Date	Host by	Training	Duration
Independent Director Huang, Chih-chen	2023/05/16	Securities and Futures Institute (SFI Taiwan)	Global future risks and opportunities for sustainable transformation	3
	2023/05/09	Taiwan Corporate Governance Association	Macroscopic vision of sustainable development of global enterprises - from vision 2050 to action 2021	3
Independent Director Huang, Kuo-Lun	2023/12/22	Taiwan Investor Relations Institute	Practical analysis of the new version of corporate governance and board performance evaluation in 2023	3
	2023/07/21		How companies can respond to ESG challenges and create transformation opportunities	3
Independent Director Chen, Chien-Hung	2023/10/31	Taiwan Corporate Governance Association	Board governance under ESG	3
	2023/07/21	Taiwan Investor Relations Institute	How companies can respond to ESG challenges and create transformation opportunities	3
Director Tseng, Ming-Jen	2023/11/09	Taiwan Investor Relations Institute	Practical Analysis of the 2023 New Edition of Corporate Governance and Board of Directors Performance Evaluation	3
	2023/11/03	Securities and Futures Institute (SFI Taiwan)	Listed OTC Companies-Insight into the Derivative Financial Market and Move towards Corporate Sustainability Seminar	3
	2023/07/21	Taiwan Investor Relations Institute	How companies can respond to ESG challenges and create transformation opportunities	3
Director Tong, Chun-Jen	2023/07/21	Taiwan Investor Relations Institute	How companies can respond to ESG challenges and create transformation opportunities	3
	2023/06/30		Business management and news crisis management strategies	3
Director Tong, Chun-Yi	2023/10/20	Taiwan Investor Relations Institute	How to use intellectual property rights management system to improve corporate governance	3
	2023/07/21		How companies can respond to ESG challenges and create transformation opportunities	3
Director Chang,Hsiao-Chi	2023/07/21	Taiwan Investor Relations Institute	How companies can respond to ESG challenges and create transformation opportunities	3
	2023/06/30		Business management and news crisis management strategies	3
Director Hu, Shiang-Chi	2023/08/17	Taiwan Investor Relations Institute	Controlled Foreign Corporations (CFC) & Global Anti-Avoidance	3
	2023/07/31		In the era of digital economy, how can companies innovate and achieve breakthroughs in profitability?	3
	2023/07/21		How companies can respond to ESG challenges and create transformation opportunities	3
Director Chan,Wen-Hsiung	2023/11/24	Taiwan Investor Relations Institute	How to use Excel for business valuation and IR work management	3
	2023/04/27	Corporate Organization Association	Introduction to the newly released my country's Corporate Governance Blueprint 3.0	3

Note 5: The training status of Corporate Governance officer in 2023 is as follows:

Date	Host by	Training	Duration
2023..7.21	Taiwan Investor Relations Institute	How companies can create transformation opportunities in response to ESG challenges	3
2023.5.26		Business management and news crisis management strategies	3
2023.6.30		Looking at ESG development trends through shareholder activism	3
2023.5.18	Accounting Research and Development Foundation	How to correctly understand corporate governance evaluation indicators	3
2023.5.19		Analysis of the latest corporate governance policies and laws and common deficiencies	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

Title (Note1)	Name	Criteria	Professional Qualification and Experience(Note2)	Independent Directors Independence Status (Note3)	Number of Other Taiwanese Public Companies Concurrently Serving as a Compensation
Independent Director	(chairman) Huang, Chih-chen	For members professional qualification and experience, please refer to "3.2.1 Information Regarding Board Members" on page 12 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" .		2
Independent Director	Chen, Chien-Hung				1
Independent Director	Huang, Kuo-Lun				0

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 fifth session of Compensation committee is from 21th June 2022 to 21th June, 2025. A total of 3 (A) meetings of the Compensation Committee were held in 2023. The status of attendance is as follows:

Title	Name	Attendance in person (B)	By Proxy	Attendance rate (%) B/A	Remarks
Chairman	Huang, Chih-chen	3	0	100%	06/21/2022 Re-elected
Member	Chen, Chien-Hung	3	0	100%	06/21/2022 Re-elected
Member	Huang, Kuo-Lun	3	0	100%	06/21/2022 Newly elected

Other Information to be disclosed:

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

Period and Date	Contents of resolutions	Resolution result	Company's opinion on the Remuneration committee
2023.03.10 2 nd of the fifth	1.Directors' remuneration amounts for 2022. 2.Employee Compensation Amounts for 2022.	Passed unanimously by members in attendance	The board of directors passed a resolution better than the remuneration committee.
2023.8.11 3 th of the fifth	1.Revise the management measures for directors' remuneration. 2.2022 director remuneration distribution. 3.Salary structure and reward package for new managers. 4.The manager's 2022 employee compensation and 2023 performance annual salary.	Passed unanimously by members in attendance	The board of directors passed a resolution better than the remuneration committee.
2023.11.10 4 th of the fifth	1. Managers' 2023 year-end bonus and year-end performance bonus distribution.	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. In order to strengthen the corporate governance function of the company's sustainable operation management, the company has established the ESG Sustainable Development Promotion Committee. As the highest guiding organization for sustainable governance operations, it is responsible for formulating the company's sustainable development direction and strategy, and regularly reporting the implementation status to the board of directors. The Board of Directors oversees various projects. The ESG Sustainable Development Promotion Committee holds meetings at least twice a year and regularly reports implementation plans and results to the Board of Directors.</p> <p>The motion and date are as follows;</p> <p>1) Report to the board of directors once every quarter on March 10, 2023, May 12, August 11, and November 10: Greenhouse gas inventory implementation report.</p> <p>2) 2023/8/11 Board of Directors Report: 2023 Implementation Report of the ESG Sustainability Promotion Committee.</p> <p>3) 2023/11/10 Board of Directors Report: The company's implementation report on the implementation of integrity management.</p>	No major deviation
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 international environmental protection and occupational safety and health trends, in order to reduce and prevent impacts that are not conducive to environmental protection and occupational safety and health, the company has successively established ISO14001 environmental management system and ISO45001 occupational safety and health management system since 2004 and obtained third-party audit verification Approved; In terms of corporate governance, the company formulated</p>	No major deviation

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
			<p>the "Code of Practice for 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 environment, employee safety, customers, suppliers, and stakeholders can be grasped and responded to in real time.</p> <p>2. According to the "Risk Management Operational Procedures" as the highest guiding principle of risk management, the company consists of the "Risk Management Team" composed of the top managers of each department and functional unit.</p> <p>Based on the assessment of risk sources and risk items, the risk assessment team identifies major risks and opportunities that may be caused to operations, proposes relevant coping strategies, and compiles them into an enterprise risk management report. The risk assessment team reports to the board of directors at least once a year.</p> <p>According to the assessed risks, the risk response measures are formulated as follows: (Ref. note 1)</p>	
3. Environmentally Sustainable Development				
(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.</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</p>	No major deviation

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
(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>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> <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 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</p>	No major deviation

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
			<p>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 the good habit of turning off the lights and saving energy, in order to slow down global warming</p> <p>4. Response measures</p>	No major deviation

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
			<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 2022:106.368(Scope 1) mt CO2e: 1002.144 (Scope 2) mt CO2e; Total emissions (Scope 1 plus Scope 2): 1108.512 mt CO2e Greenhouse gas for 2023: 31.2299 (Scope 1) mt CO2e: 1011.9569 (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): 1043.1868 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 2023, the company-related benefits totaled NT\$12,857 thousand. Other benefits NT\$8,548 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 2023, the total hours of education and training were 3,461hours, and the total number of trainees was 1,326. The total cost of training was NT \$745 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 Sustainability Report with reference to the internationally accepted GRI report compilation standards, and discloses the "Sustainability Report" in accordance with the requirements of the competent authority according to the prescribed schedule. 2. Confirmation of third-party verification units is expected to be carried out in 2024.	No major deviation
<p>6. If the Company established any guideline of corporate sustainable development in accordance with "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies"?</p> <p>In December 2016, the company's board of directors approved the company's "Corporate Social Responsibility Code of Practice", and in May 2020, 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". In response to the new version of the "Operational Procedures for Preparing and Submitting Sustainability Reports for Listed Companies" released on January 26, 2024, the "Operational Procedures for Preparing and Verifying Sustainability Reports" were revised at the board meeting on May 10, 2024.</p> <p>The company regularly reviews the implementation of this code and makes improvements accordingly. So far, there has been no significant difference in implementation.</p>				

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.			
2022	1.The Mustard Seed Mission - Adoption of Taiwan Children's 45 people / month. 2.Mustard Seed Club "Send Warmth in the New Year~Red Envelopes Around the Fireplace" donated 126 people/time			
2023	1. The Mustard Seed Mission - Adoption of Taiwan Children's 42 people / month. 2. Christmas gift collection 149/piece 3. Mustard Seed Club "Send Warmth in the New Year~Red Envelopes Around the Fireplace" donated 34 people/time 4. A total of NT\$432 thousand was raised for 2023 Türkiye and Syria earthquake relief including company donations. 5. Ability Charity Sale Event Recruitment materials (including company donations) are NT\$100 thousand.			

Note 1:

Item	Issue	Risk response measures
operational risk	Expansion of production base – In response to customer demand, Ability will increase overseas production bases and diversify the risks of production in the mainland. Ability has planned to invest in a factory in Vietnam. The language and culture of the Vietnam factory are very different from Taiwan, which brings corresponding risks to the factory.	<ol style="list-style-type: none"> 1. Increase the operation of the Vietnam factory and maintain the operation of the mainland factory; 2. Deploy employees with foreign work experience to work in Vietnam factories. 3. Encourage employees to learn Vietnamese to avoid cultural differences.
	Risk of raw material interruption – The supply of key materials comes from a single source. If the supplier is delayed in delivery or lacks materials, Ability's production will be affected.	<ol style="list-style-type: none"> 1. Introduce second suppliers to spread the risk of material shortage; 2. Plan and control safety inventory of key materials.
	Sales concentration risk - Long-term and stable cooperation with customers can ensure Ability 's stable growth, but there is a risk of sales concentration.	<ol style="list-style-type: none"> 1. Strengthen information security publicity and regularly issue information security warning notices; 2. Conduct regular information security inspections every year.
	Information Security – Internet hackers and virus phishing letters appear frequently, and there are a large number of electronic processes and network communications. Information security control has an important impact on Ability.	<ol style="list-style-type: none"> 1. Strengthen information security publicity and regularly issue information security warning notices; 2. Conduct regular information security inspections every year.
economic risk	Interest rate risk – arises from bank borrowings, mainly for operational needs. The borrowing costs incurred by such borrowings to support operational needs and have cash outflows are not high.	<ol style="list-style-type: none"> 1. Target the bank borrowing interest rate and strive to obtain the most favorable borrowing interest rate.
	Exchange rate risk – Due to cross-border operations, the use of multiple currencies creates corresponding exchange rate risks. The main currencies are US dollars and RMB. Such risks mostly arise from future business transactions, recognized assets and liabilities, and net investments in foreign operating institutions.	<ol style="list-style-type: none"> 1. Adjust foreign exchange positions based on interest rate and exchange rate differences, and may use spot, forward foreign exchange, exchange and derivative or non-derivative financial product contracts to reduce exchange rate risks; 2. Plan and evaluate the amount of foreign currency storage; 3. Strengthen payment recovery.
	Credit risk – the risk of financial losses arising from the inability of a customer or counterparty of a financial instrument to perform its contractual obligations, mainly arising from the inability of the counterparty to repay accounts receivable that are paid according to the payment terms.	<ol style="list-style-type: none"> 1. Manage payment and shipping conditions and conduct credit risk analysis in accordance with Ability 's credit policy; 2. Implement internal credit risk control, including assessing customers' financial status, past experience and other factors. 3. Regularly monitor the use of credit limits.
environmental risks	Climate change risks - For the impact of climate change on the industrial chain and the impact on Ability under current trends, please see the "Climate Change Management" chapter of the ESG report for details.	<ol style="list-style-type: none"> 1. Ability implements climate change-related risk identification and management processes. For details, please see the "Climate Change Management" chapter of the ESG report.

3.3.6 Climate-Related Information of TWSE/TPEX Listed Company

1. Implementation of Climate-Related Information

Item	Implementation status
1. Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities.	<p>Ability Establishes ESG Sustainability Promotion Committee to Strengthen Corporate Governance. In order to strengthen the company's sustainable management and climate-related risk and management corporate governance functions, Ability has established an ESG Sustainability Promotion Committee. This committee serves as the highest guiding organization for Ability's sustainability governance activities. It is responsible for formulating the company's sustainability development direction and strategies, regularly reporting on the implementation progress to the Board of Directors, and the Board of Directors is responsible for overseeing all projects. The ESG Sustainability Promotion Committee convenes at least twice a year and regularly reports on its implementation plans and results to the Board of Directors.</p> <p>Three Subcommittees Established to Promote Sustainable Development. Under the Ability ESG Sustainability Promotion Committee, three subcommittees have been established in accordance with the three pillars of ESG: (E) Green Sustainability, (S) Social Responsibility, and (G) Corporate Governance. These subcommittees are responsible for enhancing environmental management performance, developing low-carbon products, and controlling environmental risks. They also regularly conduct surveys and analyses of climate-related risks and opportunities.</p>
2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).	<p>Climate Risk and Opportunity Assessment</p> <p>The climate risk and opportunity assessment is divided into short, medium, and long-term categories. Short-term is defined as within 3 years, medium-term is from 3 to 10 years, and long-term is over 10 years. The company has identified a total of 4 risks (represented by R) and 5 opportunities (represented by O).</p> <p>Risks</p> <p>R1: Increased severity of extreme weather events such as typhoons and floods (Short-term impact)</p> <p>R2: Increased pricing of greenhouse gas emissions (Long-term impact)</p> <p>R3: Requirements and regulations for existing products and services (Short-term impact)</p> <p>R4: Changes in customer behavior (Medium-term impact)</p> <p>Opportunities</p> <p>O1: Develop and/or increase low-carbon goods and services (Short-term impact)</p> <p>O2: Research and development and innovation of new products and services (Medium-term impact)</p> <p>O3: Develop new markets (Medium-term impact)</p> <p>O4: Changes in consumer preferences (Medium-term impact)</p> <p>O5: Resource utilization efficiency (Short-term impact)</p> <p>After identifying the risks and opportunities, the company is implementing corresponding strategies to reduce climate risks and increase business opportunities.</p>
3. Describe the financial impact of extreme weather events and transformative actions.	<p>Climate Risk Mitigation Strategies. Extreme weather events (such as typhoons, floods, and heavy rainfall) can lead to:</p> <ul style="list-style-type: none"> • Water shortages or flooding that force factories to shut down, causing damage to equipment and disrupting operations • Disruptions to raw material supply that make it impossible to produce products

	<ul style="list-style-type: none">• Road closures that prevent shipments from being delivered on time <p>These disruptions can increase operating costs, expenses, and reduce revenue. In the most severe cases, they can even lead to a complete shutdown of operations. In response to these risks, the company has developed emergency response measures to reduce the risk of disasters. The company's climate risk mitigation strategies include:</p> <ul style="list-style-type: none">• Reducing greenhouse gas emissions• Complying with product and service requirements and regulations• Managing low-carbon products• Product research and development• Accounting for the financial impact of increased raw material costs <p>By implementing these strategies, the company can reduce its exposure to climate-related risks and protect its business from financial losses.</p>																								
4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	<p>The process of identifying, assessing and managing climate risks is as follows:</p> <table><tr><th>Process responsible person↕</th><th>Input↕</th><th>Process description↕</th><th>Output↕</th></tr><tr><td>ESG Committee ↓ ESG promotion team↕</td><td>Industry trends and analysis↕</td><td>Risk identification: ↓ Assess risk sources and risk items↕</td><td>Climate risk/opportunity topics↕</td></tr><tr><td>ESG Committee ↓ ESG promotion team↕</td><td>Current status investigation for organizational operations↕</td><td>Risk assessment: ↓ Assess the level of risk of risk items↕</td><td>Results of climate risk/opportunity↕</td></tr><tr><td>ESG Committee ↓ Promoting member↕</td><td>Risk identification and level↕</td><td>Check the risk report: ↓ Formulate strategic reports for items of high risk as identified↕</td><td>Risk management report↕</td></tr><tr><td>ESG Committee ↓ Chairman of committee↕</td><td></td><td>Risk management report submission and disclosure: ↓ Submit to the Board↕</td><td>Minutes of Board meetings↕</td></tr><tr><td>ESG Committee ↓ ESG promotion team↕</td><td></td><td>Risk response: ↓ High-risk item relief project implementation and follow-up↕</td><td>Implementation records of plans↕</td></tr></table>	Process responsible person↕	Input↕	Process description↕	Output↕	ESG Committee ↓ ESG promotion team↕	Industry trends and analysis↕	Risk identification: ↓ Assess risk sources and risk items↕	Climate risk/opportunity topics↕	ESG Committee ↓ ESG promotion team↕	Current status investigation for organizational operations↕	Risk assessment: ↓ Assess the level of risk of risk items↕	Results of climate risk/opportunity↕	ESG Committee ↓ Promoting member↕	Risk identification and level↕	Check the risk report: ↓ Formulate strategic reports for items of high risk as identified↕	Risk management report↕	ESG Committee ↓ Chairman of committee↕		Risk management report submission and disclosure: ↓ Submit to the Board↕	Minutes of Board meetings↕	ESG Committee ↓ ESG promotion team↕		Risk response: ↓ High-risk item relief project implementation and follow-up↕	Implementation records of plans↕
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ESG Committee ↓ ESG promotion team↕		Risk response: ↓ High-risk item relief project implementation and follow-up↕	Implementation records of plans↕																						
5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major	<p>Climate Risk Identification, Assessment, and Management. In accordance with the TCFD guidelines, the company has conducted a risk and opportunity survey and analysis to identify and assess climate-related risks and opportunities. The company has identified risks and opportunities related to: Regulations, Supervision, Technology</p>																								

financial impacts used should be described.	Compliance, Market, Reputation, Short-term/long-term risks. After communicating with relevant departments to ensure the accuracy of the climate risk and opportunity survey, the company further analyzed the survey results and identified 4 risk and 5 opportunity themes. The company then identified 1 high-risk item and 4 opportunity items and will conduct scenario analysis and financial analysis in the future.
6. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.	<p>Climate Risk Identification, Assessment, and Management Process. The company's climate risk identification, assessment, and management process involves:</p> <ul style="list-style-type: none"> • Reviewing the development of climate-related initiatives within the company • Identifying physical and transition risks and opportunities, as well as potential future issues • Considering past performance in climate adaptation <p>To strengthen risk management, the company's ESG Sustainability Promotion Subcommittee assesses the potential financial impact of climate-related issues. The subcommittee also discusses the transition risks and opportunities associated with legal, technological, market, and reputational factors, as well as short, medium, and long-term opportunities. The subcommittee has identified the following transition risks and opportunities:</p> <ul style="list-style-type: none"> • Develop and/or increase low-carbon goods and services • Research and development and innovation of new products and services • Develop new markets • Products and services tailored to changing consumer preferences • Use more efficient production and distribution processes <p>To strengthen the company's greenhouse gas reduction goals, the subcommittee has set product goals to reduce greenhouse gas emissions from its own production and products.</p>
7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.	Internal carbon pricing is an issue that serves as a supplementary tool for climate risk management. In setting prices, the company uses carbon reduction initiatives as the basis for calculations, including investments in renewable energy/certificates and greenhouse gas emission reduction. To respond to the changes in the energy market following the introduction of new carbon reduction and carbon trading regulations and to reduce business risks, the internal carbon pricing policy is one of our long-term strategies to achieve our net-zero emissions target.
8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified.	We will use the SBTi approach to planning and set carbon reduction targets to achieve net zero by 2050.
9. Greenhouse gas inventory and assurance status (separately fill out in point 1-1 and 1-2 below).	Refer to Tables 1-1 and 1-2 below.

1-1 Company greenhouse gas inventory and confirmation status in the last two years

1-1-1 Greenhouse Gas Inventory and Assurance Status

Describe the greenhouse gas emissions in the last two years (metric tons CO₂ e), intensity (metric tons CO₂ e/ million yuan) and data coverage.

1. The company (parent company) should start disclosing inventory data since 2026.
2. Consolidated financial reporting subsidiaries should start disclosing inventory data from 2027.

The execution status of the company's greenhouse gas inventory in the past two years is as follows:

Year	2022		2023	
Ability Enterprise Co., Ltd.	Emissions (metric tons CO ₂ e)	Greenhouse gas intensity (metric tons of CO ₂ e /turnover in NT\$ million)	Emissions (metric tons CO ₂ e)	Greenhouse gas intensity (metric tons of CO ₂ e /turnover in NT\$ million)
Direct emissions (Scope 1)	106.368	0.03	31.2295	0.01
Energy indirect emissions (scope 2)	1002.144	0.29	995.0788	0.26

1. Scope 1 and Scope 2 information in this table shall be disclosed according to the schedule prescribed in the order issued under Article 10, paragraph 2 of the Regulations. Scope 3 information may be voluntarily disclosed by the business.
2. The company may conduct the greenhouse gas inventory in accordance with the following standards:
 - (1) The Greenhouse Gas Protocol (GHG Protocol).
 - (2) ISO 14064-1 issued by the International Organization for Standardization.
3. The assurance body shall meet the provisions regarding assurance of sustainability reports prescribed by the TWSE and the TPEX.
4. The information for subsidiaries may be reported individually, or in aggregate (e.g., by country or by region), or on a consolidated basis.
5. The intensity of greenhouse gas emissions may be calculated per unit of product/service or revenue, but at least the data calculated in terms of revenue (NT\$ 1 million) should be disclosed.
6. The proportion of total emissions from operating sites or subsidiaries not included in the inventory calculation shall not be more than 5%. "Total emissions" above means the quantity of emissions calculated according to the mandatory inventory scope referred to in point 1 of these Instructions for Completing the Table.
7. The description of assurance status shall summarize the content of the assurance report of the assurance body, and the complete assurance opinion shall be appended to the annual report.

1-1-2 Greenhouse Gas Confirmation Information

Describe the confidence situation in the last two years as of the publication date of the annual report, including the scope of the confidence, the organization of the confidence, the criteria for the confidence and the opinion of the confidence.

1. The company (parent company) shall implement third-party assurance starting from 2028.
2. Consolidated financial reporting subsidiaries should implement third-party assurance starting from 2029.

Complete information will be disclosed in the sustainability report.

Note 1: It should be handled in accordance with the timetable specified in the order stipulated in Article 10, Paragraph 2 of this Code. If the company fails to obtain a complete greenhouse gas assurance opinion by the publication date of the annual report, it should indicate that "the complete assurance information will be included in the sustainability report." "Disclosure". If the company does not prepare a sustainability report, it should indicate that "complete and confident information will be disclosed in the Public Information Observatory" and disclose complete and confident information in the next annual report.

Note2 : The assurance body shall meet the provisions regarding assurance of sustainability reports prescribed by the TWSE and the TPEX.

1-2 Greenhouse gas reduction goals, strategies and specific action plans

Greenhouse Gas Inventory and Reduction Targets

1. Greenhouse Gas Inventory

In accordance with the " Sustainable Development Roadmap. " released in March 2022, our company, with a paid-in capital of less than NT\$5 billion, is subject to the third phase of greenhouse gas inventory (i.e., inventory completion in 2026 and verification completion in 2028). Consolidated reporting subsidiaries are subject to the fourth phase of greenhouse gas inventory (i.e., inventory completion in 2027 and verification completion in 2029). Therefore, the base year for our company's greenhouse gas reduction is tentatively set as 2027. In the future, the base year will be adjusted if the greenhouse gas inventory of the consolidated financial statements is completed earlier.

2. Carbon Reduction Targets and Action Plans

We plan to disclose the carbon reduction targets, strategies, and specific action plans of the consolidated parent and subsidiary companies starting in 2027. The company is committed to reducing greenhouse gas emissions from its own production and products. The relevant reduction implementation results and target achievement status will be disclosed in the sustainability report.

Note 1: It should be handled in accordance with the timetable specified in the order stipulated in Article 10, Paragraph 2 of these Guidelines.

Note 2: The base year should be the year in which the consolidated financial report boundary is completed. For example, in accordance with the provisions of Article 10, Paragraph 2 of these Standards, companies with capital of more than 10 billion yuan should complete the 2024 consolidated financial report in 2025. For the inventory, the base year is 2024. If the company has completed the inventory of the consolidated financial report in advance, that earlier year can be used as the base year. In addition, the data in the base year can be calculated as the average of a single year or several years.

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

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures				No specific deviation
(1) Does the company have a Board approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?	V		(1) The company has formulated the "Code of Integrity Business", which has been approved by the board of directors and disclosed on the company's official website and public information observatory. It also formulates relevant internal operating procedures and internal control systems. The board of directors and senior management have implemented the policy of integrity management strategy.	
(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 has formulated management measures for the "Principles of Integrity Management" based on the "Code of Integrity Management" and has preventive plans and measures for various behaviors specified in Paragraph 2 of Article 7. Including the prohibition of giving and receiving bribes, the provision of illegal political donations, the provision of inappropriate charitable donations or sponsorships, the prohibition of unreasonable gifts, entertainment or other illegitimate benefits, the prohibition of infringement of intellectual property rights, the prohibition of unfair competition, and the prevention of products or services. harm to interested parties.	

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 has established management policies and laws such as "Integrity Business Principles and "Ethical Code of Conduct" to regulate what personnel should pay attention to when performing business. If there is a violation, appropriate sanctions will be taken depending on the severity of the case to prevent dishonest behavior. A complaint channel has been established and "reporting incident handling and confidentiality measures" have been formulated to protect complainants. The company's integrity management promotion team holds regular meetings to review and evaluate relevant operations.	
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) 1. The company has set up an integrity management promotion group in 2022 to be responsible for the implementation of integrity management and anti-corruption. It conducts annual propaganda on integrity management and anti-corruption, including business secrets, information security, insider trading, anti-competition, etc. For relevant courses, the annual implementation status shall be reported to the Board of Directors at least once a year. No illegal incidents related to honest management or corruption occurred in 2023. The implementation status has been reported to the board of directors on November 10, 2023.	

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		<p>2. The company implements the integrity management policy, and the implementation status in 2023:</p> <p>(a) Education and training: employee integrity management and anti-corruption publicity and education training.</p> <p>(b) Integrity promotion: broadcast through the company's public address system to promote matters that employees should pay attention to when performing business. Promote insider trading prevention to directors and managers.</p> <p>(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.</p>	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		<p>(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.</p>	No specific deviation

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
(5) Does the company provide internal and external ethical conduct training programs on a regular basis?	V		(5) The company conducts education and training on integrity management for new employees, integrity management and anti-corruption publicity and education for employees, and publicizes matters that should be paid attention to when executing business through the company's public broadcasting system, and conducts integrity management from time to time to directors and managers. and promotion of anti-corruption norms.	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
(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.	

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
(3) Does the company adopt proper measures to prevent a complainant from retaliation for his/her filing a complaint?	V		(3) The complaint window shall be in strict compliance with the confidentiality principle. Any disclosure of complaint issues without the consent of the person who lodges the complaint shall undergo disciplinary action in accordance with the company's rules.	
4. Information Disclosure (1) Does the company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and Market Observation Post System ("MOPS")?	V		(1) The company has formulated the "Integrity Management Code" and discloses the relevant implementation status on the official website (http://www.ability corp.com.tw), including the implementation status of honest management, implementation status of intellectual property rights, important resolutions of the board of directors, independent directors and internal Important information on corporate governance such as communication between audit supervisors and accountants. The Public Information Observatory discloses information: Code of Integrity Management, Code of Ethical Conduct, Code of Practice for Sustainable Development, Code of Corporate Governance and other internal regulations.	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 has formulated the company's "Integrity Management Code" based on the "Integrity Management Code for Listed Over-the-Counter Companies" and announced it on the company's website (http://www.abilitycorp.com.tw). In 2023, no incidents related to honest operation or corruption occurred. Corruption-related illegal incidents.				
6. Other important information to facilitate better understanding of the company's corporate conduct and ethics compliance practices: The company has formulated a "Code of Integrity Business" and a code of ethical conduct, which have been approved by the board of directors. In order to implement honest management and anti-corruption, We has established an effective internal control system and set up electronic and physical complaint channels. In 2022, it will set up an honest management promotion group to be responsible for the implementation of honest management and anti-corruption, and report to the board of directors at least once a year. Execution status. The implementation status has been reported to the board of directors on November 10, 2023.				

3.3.8 Corporate Governance Guideline and Regulations:

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

3.3.9 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

3.3.10 Internal Control Systems:

ABILITY ENTERPRISE CO., LTD.
Statement of Internal Control System

Date: March 8, 2024

Based on the findings of self-assessment, ABILITY ENTERPRISE CO., LTD. (ABILITY) states the following with regard to its internal control system in 2023:

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 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, 2023, 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 2023 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 8, 2024 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

3.3.10.1 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

3.3.11 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

3.3.12 Major Resolutions of Shareholders' Meeting and Board Meetings

Date/ Decision Maker	Major resolutions (extracts)
2023.6.28 Shareholders' meeting	<ol style="list-style-type: none"> 1. Approved the company's 2022 annual business report and financial statements. 2. Approved the company's 2022 profit distribution proposal. Implementation status: July 25, 2023 is set as the base date for rights distribution. Cash dividend distribution date: August 15, 2023. (Cash dividend of NT\$0.45 per share) 3. Approved the revision of the "Articles of Association" of the company. 4. Approved the proposal to lift the restrictions on non-competition for the directors of the company.
2023.3.10 Board meeting	<ol style="list-style-type: none"> 1.The company's financial statements of 2022. 2.The company's 2022 annual business report. 3.The company's directors' remuneration amount for 2022 is proposed. 4.The company's 2022 annual employee remuneration amount is proposed and listed. 5.The company's "2022 Internal Control Statement". 6.Amendments to the Company's "Code of Practice on Corporate Governance". 7.Assess the independence of the company's accountants. 8.Amendment to the "Articles of Association" of the company. 9.Convene the date, time, and venue of the 2023 ordinary shareholders meeting and other related matters. 10.To formulate the acceptance period and location for acceptance of shareholder proposals at the 2023 general meeting of shareholders. 11.The company and bank credit related matters. 12. In the fourth quarter of 2022, the rights of employees will be restricted and new shares will be cancelled. And proposal for capital reduction and establishment of base date for capital reduction. 13.The company's 2023 annual operating plan.
2023.5.12 Board meeting	<ol style="list-style-type: none"> 1. The company's consolidated financial statements for the first quarter of 2023. 2. Appointment of accountants. 3. The company's 2022 profit distribution. 4. It is proposed to lift the restrictions on non-competition of the directors of the company. 5. The manager's non-compete case was lifted. 6. Additional matters related to the date, time, and venue of the 2023 regular meeting of shareholders will be added. 7. Amendments to the company's "Administrative Measures for Related Party Transactions". 8. The company and bank credit related matters. 9. It plans to purchase the land in Jintai section of Zhongshan District.

Date/ Decision Maker	Major resolutions (extracts)
2023.8.11 Board meeting	<ol style="list-style-type: none"> 1. The company's consolidated financial statements for the second quarter of 2023. 2. Matters related to credit extension between the company and banks. 3. Amendment to the Company's Directors' Remuneration Management Measures. 4. The company's remuneration distribution plan for directors in 2022. 5. Salary structure and rewards for new managers. 6. The company's employee remuneration for managers in 2022 and annual salary distribution in 2023.
2023.9.8 Board meeting	<ol style="list-style-type: none"> 1. Plan to invest and establish a Vietnamese subsidiary, Ability Electronics Technology (Vietnam) Co., Ltd.
2023.11.10 Board meeting	<ol style="list-style-type: none"> 1. The company's consolidated financial statements for the third quarter of 2023. 2. The company's "2024 Audit Plan" case. 3. Distribution of year-end bonuses and year-end performance bonuses for the company's managers in 2023. 4. Matters related to credit extension between the company and banks. 5. The Republic of China's proposal to restrict employee rights in the third quarter of 2023 on the cancellation of new shares and capital reduction and the establishment of a base date for capital reduction.
2024.3.8 Board meeting	<ol style="list-style-type: none"> 1. The company's 2023 financial statements. 2. The company's 2023 annual business report 3. The company's 2023 directors' remuneration amount is proposed 4. The company's employee remuneration amount for 2023 is proposed 5. The Company's Directors' Remuneration Distribution Plan for 2023 6. The Company's "2023 Internal Control Statement of the Republic of China". 7. Evaluate the independence of the company's accountants. 8. The proposed issuance of new shares restricting employee rights. 9. Convene the date, time, location and other related matters of the 2024 regular shareholders' meeting. 10. Formulate the acceptance period and location for accepting shareholder proposals at the 2024 regular shareholders' meeting. 11. Matters related to credit extension between the company and banks. 12. The company's subsidiary ABILITY Investment Co., Ltd. increased cash capital and issued new shares. 13. The company's 2024 operating plan.
2024.5.10 Board meeting	<ol style="list-style-type: none"> 1. Appointment of visa accountant. 2. Accountant appointment case. 3. The company's consolidated financial statements for the first quarter of 2024. 4. The company's 2023 earnings distribution plan. 5. Amendment to the Company's Articles of Association. 6. It is proposed to lift the non-competition restrictions imposed on the directors of the company. 7. Add the date, time, location and other related matters of the 2024 regular shareholders' meeting. 8. Matters related to credit extension between the company and banks. 9. Revision of the company's "Sustainability Report Preparation and Verification Operating Procedures". 10. Amendment to the Company's "Organizational Rules of the Audit Committee". 11. Amendment to the Company's "Standards of Procedures for Board of Directors".

3.3.13 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.

3.3.14 Resignation or Dismissal of Personnel Involved in the Company : None.

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	1/1/2023 ~ 12/31/2023	3,300	35	3,335	-
	Wu ,Han-Chi	1/1/2023~ 12/31/2023				

Note : Restricting employees' rights, cancellation of new shares, capital reduction.

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	2023		1/1/2024 ~ 4/22/2024	
		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	450,000	-	-	-
Director	ABICO AVY Co., Ltd. Rep.: Chan, Wen-Hsiung	230,000	-	-	-
Director	ABICO AVY Co., Ltd. Rep.: Hu, Shiang-Chi				
Director	Chia-Mei Investment Co., Ltd. Rep.: Tong, Chun-Jen	-	-	-	-
Director	Chia-Mei Investment Co., Ltd. Rep.: Tong, Chun-Yi	-	-	-	-
Director	Chia-Mei Investment Co., Ltd. Rep.: CHANG, HSIAO-CHI	-	-	-	-
Independent Director	Chen, Chien-Hung	-	-	-	-
Independent Director	Huang, Chih-chen	-	-	-	-
Independent Director	Huang, Kuo-Lun	-	-	-	-
President	CHANG, HSIAO-CHI	-	-	-	-
Vice President	Adams Chen	36,000 (9,000)	-	(5,000)	-
Vice President	Vincent Lu	45,000	-	-	-
Assistant Vice President	Jackie Lee				
Chief Financial Officer	Lin, Hung-Tien	25,500	-	-	-
Accounting Supervisor	Lin, HSIN-CHUN	9,000 -	-	-	-
Corporate Governance officer	Huang, Mei-Ling	-	-	-	-
major stockholder	Pegatron Corporation	-	-	-	-
major stockholder	ABICO AVY Co., Ltd.	230,000	-	-	-

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 04/22/2024

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	28,821,000	10.02	—	—	—	—	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	4,591,242	1.60	—	—	—	—	—	—	
	—	—	9,996	0.00	—	—	—	—	
JPMorgan Chase Bank N.A. , Taipei Branch in custody for Vanguard Total International Stock Index Fund , a series of Vanguard Star Funds	2,621,491	0.91	—	—	—	—	—	—	
Xu Yexuan	2,443,695	0.85	—	—	—	—	—	—	
Chia-Mei Investment Co., Ltd. Rep.: Dong, Yi-Jun	2,254,974	0.78	—	—	—	—	—	—	
	—	—	—	—	—	—	Tong, Chun-Jen	family	
Qunyi Jinding Securities Co., Ltd. is entrusted with the custody of the special investment account of Qunyi Securities (Hong Kong) Co., Ltd.	2,102,000	0.73	—	—	—	—	—	—	
JPMorgan Chase Bank Taipei Branch is entrusted with the custody of Advanced Starlight Fund Company's advanced aggregate international stock index fund investment account	2,100,904	0.73	—	—	—	—	—	—	
VIEWQUEST Investment Co., Ltd. Rep.: Tong, Chun-Jen	2,100,000	0.73	—	—	—	—	ABICO AVY Co., Ltd.	Parent company and subsidiaries	
	548	0.00	32,481	0.01	—	—	Dong, Yi-Jun	family	
Sun Wenjun	1,632,000	0.57	—	—	—	—	—	—	

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 12/31/2023

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
ABILITY INTERNATIONAL INVESTMENT CO., LTD	1,300,000	100	—	—	1,300,000	100
E-PIN OPTICAL INDUSTRY CO.,LTD.	12,888,334	54.61	—	—	12,888,334	54.61
ABILITY TECHNOLOGIES CO., LTD.	3,000,000	60	—	—	3,000,000	60
CHIA PING INVESTMENT CO., LTD.	—	—	6,600,000	100	6,600,000	100
ABILITY TECHNOLOGY (DONGGUAN)CO., LTD.	—	—	—	100	—	100
ABILITY TECHNOLOGY COMPANY LIMITED	—	—	—	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
2023.12	10	800,000,000	8,000,000,000	287,534,312	2,875,343,120	Cancellation of Issued RSA NT\$120,000	None	

As of 04/22/2024

Type of Share	Authorized Capital			Remark
	Issued Shares	Un-issued Shares	Total Shares	
Common shares	287,534,312	512,465,688	800,000,000	Listed stock

4.1.2 Status of Shareholders

As of 04/22/2024 Units: share

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign nstitutions & Natural Persons	Domestic Natural Persons	Treasury stocks	Total
Shares							
Number of Shareholders	0	5	223	147	63,295	0	63,670
Shareholding (shares)	0	3,084,699	79,739,324	14,446,458	190,275,831	0	287,546,312
Percentage	0.00%	1.07%	27.73%	5.02%	66.18%	0.00%	100.00%

4.1.3 Shareholding Distribution Status Common Share

(The par value for each share is NT\$10) ; As of 04/22/2024

Class of Shareholding (Unit : Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1-999	36,517	4,380,967	1.52%
1,000-5,000	21,096	42,160,023	14.66%
5,001-10,000	3,171	24,932,860	8.67%
10,001-15,000	893	11,416,844	3.97%
15,001-20,000	572	10,639,615	3.70%
20,001-30,000	502	13,173,535	4.58%
30,001-40,000	204	7,392,603	2.57%
40,001-50,000	190	8,901,039	3.10%
50,001-100,000	292	21,193,207	7.37%
100,001-200,000	133	18,493,511	6.43%
200,001-400,000	53	13,936,116	4.85%
400,001-600,000	15	7,178,414	2.50%
600,001-800,000	9	6,382,299	2.22%
800,001-1,000,000	4	3,534,875	1.23%
Over 1,000,001~	19	93,818,404	32.63%
Total	63,670	287,534,312	100.00%

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

As of 04/22/2024

Shareholder's Name	Shareholding (Shares)	%
Pegatron Corporation	33,135,300	11.52%
ABICO AVY CO., LTD.	28,821,000	10.02%

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			2022 (Note 5)	2023 (Note 5)	01/01/2024~ 5/10/2024	
Market Price per Share	Highest		31.15	27.25	26.90	
	Lowest		19.35	19.55	23.95	
	Average		23.92	21.95	25.47	
Net Worth per Share	Before Distribution		21.69	22.42	23.03	Note 1
	After Distribution		-	-	-	
Earnings per Share	Weighted Average Shares (thousand shares)		283,143	285,070	286,018	Note 1
	EPS	Before adjustment (Note 6)	0.48	0.96	0.53	Note 1
		After adjustment (Note 6)	0.48	0.96	0.53	Note 1
Dividends per Share	Cash Dividends		0.45	0.90(Note 6)	-	
	Stock Dividend	Dividends from Retained Earnings	-	-	-	
		Dividends from Capital Surplus	-	-	-	
	Accumulated Undistributed Dividends		-	-	-	
Return on Investment	Price / Earnings Ratio		49.83	22.86	48.06	Note 2
	Price / Dividend Ratio		53.16	24.39(Note 6)	-	Note 3
	Cash Dividend Yield Rate		1.88	4.10(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 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 2022 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 2024 Shareholders' Meeting proposed to distribute cash of NT\$0.9 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.

1.1.8.3 The employees' and directors' remuneration distribution passed by the Board of Directors for the year of 2023:

a. Employees' remuneration: NT\$ 25,109,093.

b. Directors' remuneration: NT\$ 4,707,955.

4.1.8.4 The actual remuneration distribution for employees and directors for 2022 and the discrepancy between which and the recognized amount as well as exact amount of difference, causes and responses:

(1) The 2022 employees' and directors' remuneration distribution:

a. Employees' remuneration: NT\$ 11,592,179.

b. Directors' remuneration: NT\$ 2,173,534.

(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 04/22/2024

Type of Restricted Shares	Grant of 2021
Approval Date by the Authority and Total shares	2021/4/22; 6,000,000 shares
Grant Date	2021/8/22
Number of Employee Restricted Stock Granted	5,358,500 shares
It's still possible to issue Employee Restricted Stock	0 share
Price of Issuance	NT\$ 0
Percentage of Employee Restricted Stocks to Outstanding Common Shares	1.87%
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	187,000
Number of Employee Restricted Stocks Free from Custody	3,662,350
Number of Employee Restricted Stocks under Custody	1,509,150
Number of Employee Restricted Stocks under Custody to Outstanding Common Shares (%)	0.52%
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.

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 from Custody	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 Outstanding Common Shares (%)
Management Team	Vice President	Vincent Lu	385,000	0.13%	269,500	0	0	0.09%	115,500	0	0	0.04%
	Vice President	Adams Chen										
	Chief Financial Officer	Lin, Hung-Tien										
	Accounting Supervisor	Lin, Xing-Jun										
Employee	Senior Director	Jonny Wu	865,000	0.30%	605,500	0	0	0.21%	259,500	0	0	0.09%
	Senior Director	Roger Chiang										
	Assistant Vice President	Jackie Lee										
	Senior Director	Darrell Lin										
	Senior Director	Casper Wu										
	Director	Sean Chao										
	Special Assistant	Alan Chang										
	Deputy Director	Tony Tseng										
	Special Assistant	Nicol Lee										
	Director	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 High-end digital cameras and video cameras.
- (2) Design, production and sale of other digital image capture devices.
- (3) Undertake professional imaging product design and professional OEM manufacturing business from major international brands.
- (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

2023		
Major Products	amount	%
Optic products	4,933,155	100%

3. Current Company Products (Services)

The manufacturing and sale of DSC(High-end 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) Products that combine wearable cameras with mobile application platforms, e-sports or live broadcasts, etc.
- (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) >10m waterproof, shockproof and weatherproof camera.
- (10) Auto-assisted driving system camera module.
- (11) Image software with added value.
- (12) Surrounding image module outside the car.
- (13) In-vehicle image module.
- (14) In-car imaging system.
- (15) Vehicle license plate and vehicle identification smart camera.
- (16) Smart transportation solutions camera vehicles.
- (17) Smart security camera vehicles.
- (18) Smart camera carriers for site safety protection.
- (19) Smart retail camera vehicles.
- (20) Wisdom learning education application camera vehicle.
- (21) 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, 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 for handheld digital imaging products has been sluggish, with new technologies and applications still unclear. Sports video cameras, which have flourished in the past few years, have also begun to decline in overall sales momentum 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 penetrating from the consumer personal market to the professional application market of manufacturers. In addition to the consumer market that tends to be stable without explosive demand, 360-degree panoramic cameras are trying to extend their reach to 2B applications, such as construction site management, real estate sales, travel guides, etc., in order to create new business models and value . In addition, as the epidemic passes, the demand for conference video cameras has slowed down.

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.

The number of vehicles that use driver assistance systems to improve driving safety, increase vehicle comfort, service, and entertainment continues to grow. The overall vehicle market is booming with the use of Internet of Vehicles and AIoT; in addition, what vehicles can bring to consumers With the evolution of experience, more and more new car models are entering the market with the most advanced products. For example, new Japanese car models have been equipped with electronic rear-view mirror systems to replace traditional rear-view mirrors. The car market is already another development. .

In recent years, the market has actively combined the two major industries of technology and automobiles to develop applications such as safety assistance and autonomous driving, moving towards improving vehicle driving safety and reducing accident rates. It has become a trend for vehicles to be equipped with automatic driving assistance systems (Advanced Driver Assistance Syetems). In addition to passenger cars, commercial vehicles have increased demand for automotive lenses and camera modules, gradually forming rigid demand. Not only that, the market demand for modules for industrial vehicles such as agricultural machinery has also begun to rise; its functions can not only monitor, but with software detection, it can also improve the safety of operations.

After the epidemic, distance and non-contact have become the new normal, and the demand for image recognition, analysis, and support has slowed down, but there is still a certain degree of demand, and the benefits can still be expected. The booming demand for Edge-based AI solutions reflects the market's need for more flexible solutions. If you use the existing cloud service model, you will face the problem of excessive computing costs. As Edge AI becomes more and more diversified in image recognition applications, the company, as a provider of Edge AI Camera vehicles, is deeply focused on applications such as license plate recognition, parking management, electronic fencing, and construction site safety control, solving problems for customers and system integrators. Two major topics: First, the provision of hardware system system carriers. Second, it provides a development platform (Intel OpenVino) for rapid development of core AI algorithm modules and industry-leading firmware development accumulated over many years. According to estimates by market research firm IDC, the market's demand for edge computing will grow rapidly at a compound annual growth rate of 12.5% by 2024.

5.1.2.2 The correlation among industry upstream, midstream and downstream sectors

Automotive camera modules combine years of experience and technology accumulation, and work with upstream major parts partners to discuss, develop, and then adjust in the early design stage to optimize product performance and provide customers with more competitive products and services.

In the AI Camera artificial intelligence IoT solution vehicle part, it has in-depth cooperation with Intel. Using its high-performance VPU platform, it can efficiently balance the image and edge artificial intelligence workloads with high computing requirements, and realize a unique architecture that minimizes material movement. . Applications with deep neural networks and computer vision are implemented in smart image recognition in the fields of transportation, retail, security and safety, and industrial automation.

5.1.2.3 Various product development trends

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

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

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

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

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

In addition, with the rise of dual-lens mobile phone cameras, 3D cameras are also a possible development direction for the market. Using components equipped with

ranging functions will make images no longer just 2D. Such products are also expected to be in demand in the mobile phone market.

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.

Automotive module camera pixel specifications include VGA, one million, three million, and even five million or eight million pixels. In addition to matching from different angles, the company continues to move toward product miniaturization, enhanced performance, and challenges to technological potential. , to provide clients with broader and more flexible product applications and services.

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	2023	1/1/2024 ~ 3/31/2024 (Note 1)
R&D Expense (A)	625,073	147,434
Net Revenue (B)	4,993,155	1,259,786
(A)/(B)	12.67%	11.70%

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's research and development field has expanded from early CCD VGA

computer cameras to CMOS and CCD digital camera products, video, smart security, car camera modules, car DVR, etc. Smart products, continuing from the cooperation with well-known international manufacturers In the process, we have learned and accumulated experience, combined with excellent production management and cost advantages, and spared no effort in thick planting 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 Integration.

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.

Automotive module cameras currently develop Sensing automotive module camera modules, ADAS automotive module camera modules, surround view automotive camera modules and other products. Continue to expand the breadth and depth of product lines.

The company is rapidly improving its visual application technology. The AI development process includes "AI artificial intelligence recognition", the establishment of AI Frame work architecture, AIOT, 3D TOF "multi-person dynamic measurement", millimeter wave radar detection system and "vehicle application". "As R&D evolves to AI2.0, R&D technology has been fully applied in multiple scenarios, such as smart homes, smart retail, smart cities and smart factories, providing high-resolution image quality and optimizing edge vision AI processing capabilities required for various applications. , so that products can have high-quality edge computing results in various fields. As AI technology becomes increasingly mature, its application areas have shifted from cameras and videos emphasizing high frame rates to current AI intelligent transformations that are applied to imaging and visual products in smart homes, personal safety, driving safety, and the Internet of Things, big data, and other aspects.

When the COVID-19 epidemic broke out around the world in 2019, many companies adopted remote working methods in order to avoid the risk of infection. The company has therefore developed a series of video conferencing products designed for remote work. However, after the epidemic, demand showed a slowdown trend.

The company's smart products, in the fields of security and car tracking, propose products with standard interfaces such as Ethernet / USB, and provide customized AI function services, so that customers can realize the required AI product functions on the edge without going through the cloud. Service can enjoy value-added products. The software and hardware engineers of the company also develop the unique AI Frame work structure at the same time, establish a standard hardware and software interface (provide a complete software SDK, interface description, image pre-processing) so that AI developers can use. The rapid development of software and hardware belongs to its own unique AI function, and there is no need to develop software and hardware from scratch to accelerate the time for mass production of products.

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 existing cooperation with traditional camera brand manufacturers, we are actively exploring the possibility of cooperation with leading imaging product companies in different industries, and developing non-consumer electronics customer groups. In addition, we will also actively cooperate with mobile phone and Internet companies in Europe, the United States, and mainland China in order to improve the current customer structure, which is mainly Japanese customers, and create long-term stable operations 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, JDMs and OEMs as our core business.

5.2.1.2 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.

As for non-handheld action cameras, which are gradually replacing digital video recorders, their growth rate is expected to slow down and their gross profit will be affected by falling prices. In addition, with the rise of 360 panoramic cameras in conjunction with VR, demand for consumer live broadcasts is brewing. There are also many companies investing in professional 3D 360 cameras for various industry applications, but it remains to be seen whether they can drive a large amount of market demand.

According to analysis by research firm GlobalData and Fuji Economic Data - global passenger car shipments in 2021 will be approximately 80 million units, and global passenger car shipments are expected to reach 84 million units in 2022. In-car cameras are predicted to be in 2024 The module market can reach US\$6 billion. As consumer safety awareness increases and government requirements continue to upgrade vehicle active safety, the demand for vehicle lens modules is expected to continue to increase.

The demand for AI smart image monitors is in the ascendant. According to the market research firm IDC's forecast, the market demand for edge computing equipment will be as high as 80.7 billion US 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 360-degree panoramic camera that is gradually emerging is the focus of imaging products worthy of attention in the future. Our company has also invested resources in this product project, and many mobile phone manufacturers other than traditional Japanese camera companies have begun to cooperate with European and American consumer brands to produce products. The products include consumer and professional panoramic cameras. It is expected that the company will have the opportunity to occupy a place in this market.

In 2019, the European Union adopted the revised UNECE General Safety Regulation. All car manufacturers are required to equip new cars with multiple active safety systems – including the automatic emergency braking (AEB) function that will be required for new cars leaving the factory in July 2024, and the driving behavior detection system that will be required for new cars leaving the factory starting from July 2026. Measurement System (DMS). China has also legislated in 2020 that large vehicles must be equipped with driving vision assist systems to improve driving safety. In addition, the European Union has listed the blind spot warning system (BSIS) as standard equipment for new commercial large vehicles in 2022. In the future,

imaging modules will be installed to confirm the safety detection of people, vehicles, and objects, thereby exerting a warning effect. From this trend, it is foreseeable that the demand for automotive imaging products will continue to grow.

The company's current vehicle module products have experience in being used in unmanned transport vehicles, fixed-route intelligent commercial vehicles such as buses, trucks, etc. In the future, we will continue to promote the breadth of product application; and continue to cooperate with Europe, the United States, and Japan. Several Korean and Chinese car manufacturers and first-tier suppliers have discussed cooperation. In addition to meeting customer needs, they are also committed to technological breakthroughs, extending design capabilities and providing 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 of major raw materials is expected to increase in cost pressure due to factors such as inflation, geopolitical conflicts, and manufacturing outside China. Rapidly build a Southeast Asian supply chain to cope with the company's operational plan to increase its manufacturing base in Vietnam, and to coordinate with energy conservation and carbon reduction and ESG/TCFD Implement sustainable supply chain management goals in other directions to establish a supply chain that is resilient, timely and consistent with corporate social responsibility.

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	2022				2023				As of 2024 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 E	188,589	4.58%	None	Supplier E	226,337	8.16%	None	Supplier E	78,125	10.18%	None
2	Others	3,925,769	95.42%	—	Others	2,547,845	91.84%	—	Others	689,089	89.82%	None
3	—	—	—	—	—	—	—	—	—	—	—	None
4	—	—	—	—	—	—	—	—	—	—	—	—
	Net Total Purchases	4,114,358	100.00%	—	Net Total Purchases	2,774,182	100.00%	—	Net Total Purchases	767,214	100.00%	—

Note 1: Consolidated base with IFRS

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

5.2.4.2 Major Customers of the Last Two Fiscal Years

NT\$ thousands

Item	2022				2023				As of 2024 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	1,403,793	26.56 %	None	AA	2,008,341	40.71 %	None	AA	504,489	40.05%	None
2	KK	648,504	12.27%	None	KK	606,030	12.29%	None	KK	160,076	12.71%	None
3	Others	3,233,660	61.17%	None	LL	565,476	11.46%	None	LL	129,404	10.27%	None
4	—	—	—	—	Others	1,753,308	35.54%	None	Others	465,817	36.97%	None
	Net Total Sales	5,285,957	100%	—	Net Total Sales	4,933,155	100.00%	—	Net Total Sales	1,259,786	100.00%	—

Note 1: Consolidated base with IFRS

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

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

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

Unit: thousands; NT\$ thousands

output Major Products	Year	2023		2022	
		Quantity	Amount	Quantity	Amount
Optic products		164,310	3,046,296	5,101	3,180,735
Optic parts		47,607	578,816	61,277	931,989

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	2023				2022			
		Domestic		Export		Domestic		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Optic products		191	151,283	164,961	4,042,872	265	96,489	5,324	3,925,227
Optic parts		1,563	43,307	46,043	695,693	1,966	6,880	59,312	1,257,360

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		2022	2023	As of 2024.5.10
Number of Employees	Others	202	218	224
	R&D	237	227	235
	Operator	56	84	96
	Total	495	529	555
Average Age		40.11	40.41	40.62
Average Years of Service		9.97	10.22	10.03
Education	Ph.D.	0.40%	0.19%	0.18%
	Masters	30.71%	27.79%	27.03%
	Bachelor's Degree	59.60%	60.49%	61.08%
	Senior High School	7.88%	9.83%	10.09%
	Below Senior High School	1.41%	1.70%	1.62%

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 installed
 - g. Fire Prevention/Disaster Prevention Team
 - h. Nursery Room
 - i. Once every one month doctor visit service
 - j. Set up sports and leisure facilities
 - k. Smoke prevention and prevention
 - l. Maternal health protection in the workplace, prevention of diseases caused by overload, prevention of human-related hazards, and prevention of illegal infringement due to work
 - m. Fire marshaling drill
 - n. All colleagues participate in emergency escape drills
 - o. Regular occupational safety meeting
 - p. During the health check-up, cooperate with the HPA for free health screening, such as smear and mouth sieve
 - q. Unscheduledly send relevant press releases from the UNDCP to remind colleagues to know and protect themselves
- (3)In terms of tourism: the staff welfare committee of the company provides each employee with travel allowance every year.
- (4)In terms of company association: the company encourages colleagues to organize various types of social and physical health associations, and provides grant-in-aid for each employee's participation in up to two different associations. Each year, the company allocates budgets for associations to organize various types of sports activities to enhance interaction among colleagues and achieve physical and mental relaxation, as well as to foster teamwork spirit and build consensus.

- (5) In terms of leave: the company provides annual leave in accordance with the requirements of the Labor Standards Act to assist colleagues in achieving a balance between work and life.
- (6) Employee assistance: In addition to the cooperation with professional psychological consultancy companies, the company also provides scholarships to low-income households with children who are still in school; and according to individual conditions, the company provides emergency relief funds and emergency concessional loans.
- (7) Birthdays, weddings and funerals: Birthday holidays allow colleagues to temporarily put down their work, arrange time, celebrate your birthday, and feel the company's birthday congratulations to you. Company-wide birthday celebrations are held regularly every quarter, and gift certificates are given to birthday guests; when colleagues have weddings and funerals, or major injuries occur, subsidies of varying amounts are given.
- (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 2023 amounted to NT\$12,857 thousand. Other benefits includes company travel, community activities, subsidization, birthdays and other employee benefits of the company, with a total amount of NT\$8,548 thousand.

Unit: NT\$ thousands

Item	Amount
Health Checkup Fee	2,277
Group Insurance	1,819
Lifeline Consulting Fee	166
Networking Fee	47
Other Benefits	8,548
Total Amount	12,857

5.5.1.2. Employee Advanced Study and Training:

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

Ability Enterprises upholds the concept that talents are the foundation of our enterprise, providing employees with diverse and flexible learning channels and information, and assists employee development and enhance employee competitiveness through on-job, off-job, e-Learning education and training systems, library reading rooms, and e-book/magazine resources. Under the concept of "continuous learning" and "pursuit of excellence", integrate internal and external

resources to provide employees with the best quality and most effective learning and growth opportunities, with a view to enabling mutual growth of the employees and the companies.

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

(1) Education and Training System:

- a. Orientation Training: The company organizes progressive curriculum to assist new employees in understanding the company history, management systems, products, technology and human resources development issues, supplemented by the "New Employee Stability Program," where senior employees in various departments provide assistance to new employees in order for them to adapt to the company culture and work content as soon as possible.
- b. Managerial Training: Planning of practical management courses based on the managerial functions required by supervisors at all levels. Divided into junior/first-time supervisor training, middle-level manager training and senior manager training.
- c. Professional Training: The lineup of lecturers made up of senior executives, external experts, and professional suppliers, in conjunction with the department initiated seminars or through the training courses of industrial management companies, so that the professional learning of various departments will continue to move forward to prevent stagnation. Including new technologies, new materials, case studies, new processes, information, regulations, quality, etc. In addition to internal training, colleagues may apply for professionally related courses organized by external training institutions according to their job requirements. The company will also provide appropriate subsidization.
- d. Labor Health and Safety Training: It is important to provide employees with a safe and secure workplace. We regularly conduct fire drills, first-aid skill courses, etc.

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

Access security

- 1. The company has a "Physical Environmental Safety Management Measures", which clearly stipulates that personnel entering the site need to register and change certificates to maintain workplace and personnel safety.
- 2. The company has a 24-hour control and access control for all external access control and internal important entry barriers.
- 3. The company has security personnel to assist in maintaining the safety of the site and patrolling regularly.

Maintenance of various equipment

- 1. According to the public safety inspection and reporting procedures of the building, professional companies are commissioned to conduct public safety inspections every two years.
- 2. According to the provisions of the Fire Protection Law, fire inspections are carried out outside the year, and various fire-fighting appliances are also regularly maintained and

<p>inspected.</p> <p>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>
<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 prevention and management of human hazards, prevention of diseases caused by labor overload, maternal health protection, and prevention and management of illegal infringement due to work.</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 2023 reached 3,461 hours. The total training attendance reached 1,326 persons. The total training cost was NT\$745 thousand.

Unit: NT\$ thousands

Projects in 2023	Person-Time	Training hours	Training cost
Professional Skills Training	208	717	745
Managerial Training	68	68	
General Skills Training	613	486	
Labor Health and Safety Training	106	321	
Quality Management Training	142	271	
Language Training	40	1,407	
Orientation Training	149	191	
Total Amount	1326	3461	

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, 2023 were NT\$1,599 and NT\$15,917 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	2023.11.01~2024.10.31	Short-term credit	None
Loan Agreement	Taishin bank	2023.07.01~2024.06.30	Short-term credit	None
Loan Agreement	CTBC bank	2024.05.01~2025.04.30	Short-term credit	None
Loan Agreement	Mega bank	2023.12.06~2024.12.05	Short-term credit	None
Loan Agreement	E.SUN bank	2024.02.20~2025.02.20	Short-term credit	None
Loan Agreement	DBS bank	2023.06.10~2024.06.10	Short-term credit	None
Loan Agreement	Shin Kong Bank	2023.05.31~2024.05.31	Short-term credit	None
Loan Agreement	Yuanta Bank	2023.09.06~2024.09.05	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		2019	2020	2021	2022	2023	2024.3.31 (Note 2)
Item							
Current assets		5,050,839	4,168,539	4,593,172	4,683,079	4,685,717	4,455,532
Property, plant and equipment		3,282,607	3,248,040	3,192,847	3,099,452	3,147,001	3,299,058
Intangible assets		82,198	9,446	10,169	7,068	7,285	9,041
Other assets		1,735,539	1,705,158	1,169,009	1,004,752	1,222,543	1,458,267
Total assets		10,151,183	9,131,183	8,965,197	8,794,351	9,062,546	9,221,898
Current liabilities	Before Distribution	3,310,058	3,149,299	2,286,649	2,135,015	2,221,733	2,213,072
	After Distribution	3,394,767	3,290,480	2,574,231	2,264,411	(Note 3)	(Note 3)
Non-current liabilities		82,424	85,426	61,895	65,454	86,471	78,142
Total liabilities	Before Distribution	3,392,482	3,234,725	2,348,544	2,200,469	2,308,204	2,291,214
	After Distribution	3,477,191	3,290,480	2,636,126	2,329,865	(Note 3)	(Note 3)
Equity Attributable to owners of the Parent		6,493,198	5,620,343	6,315,063	6,237,899	6,447,536	6,622,031
Share capital		2,823,628	2,823,628	2,877,213	2,875,463	2,875,343	2,875,343
Capital surplus		1,563,494	1,563,494	1,339,848	1,343,134	1,342,757	1,342,757
Retained earnings	Before Distribution	2,760,523	2,223,564	2,996,691	2,590,144	2,734,684	2,887,171
	After Distribution	2,675,814	2,082,383	2,709,109	2,460,748	(Note 3)	(Note 3)
Other equity interest		(654,447)	(990,343)	(898,689)	(570,842)	(505,248)	(482,970)
Treasury stock		0	0	0	(360)	0	0
Non-controlling interests		265,503	276,115	310,590	355,983	306,806	308,383
Total Equity	Before Distribution	6,758,701	5,896,458	6,616,653	6,593,882	6,754,342	6,930,684
	After Distribution	6,673,992	5,755,277	6,329,071	6,464,486	(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	2019	2020	2021	2022	2023	2024.3.31 (Note 2)
Sales revenues	6,591,161	3,442,017	3,575,369	5,285,957	4,933,155	1,259,786
Net operating margin	878,393	586,903	875,868	1,173,233	1,308,043	348,511
Net Operating Income (Loss)	(424,984)	(616,298)	(331,358)	(23,379)	122,297	47,816
Non-operating Income and Expense	77,725	155,515	1,253,367	229,255	179,738	128,808
Income (Loss) before Tax	(347,259)	(460,783)	922,009	205,876	302,035	176,624
Income (Loss) for Continued Operations	(379,262)	(444,902)	720,512	173,175	242,589	147,506
Income (Loss) from Discontinued Operations	—	—	—	—	—	—
Net Income (Loss)	(379,262)	(444,902)	720,512	173,175	242,589	147,506
Other Comprehensive Income (Loss)	(243,674)	(332,632)	126,024	41,490	39,608	27,421
Total Comprehensive Income (Loss)	(622,936)	(777,534)	846,536	214,665	282,197	174,927
Net Income Attributable to Owners of the Parent	(399,264)	(459,802)	684,119	135,363	274,625	152,487
Net Income (Loss) Attributable to Non-controlling Interests	20,002	14,900	36,393	37,812	(32,036)	(4,981)
Comprehensive Income (Loss) Attributable to Owners of the Parent	(627,566)	(788,146)	821,061	180,272	328,161	173,350
Comprehensive Income (Loss) Attributable to Non-controlling Interests	4,630	10,612	25,475	34,393	(45,964)	1,577
Earnings(Loss) per Share (Note3)	(1.41)	(1.63)	2.42	0.48	0.96	0.53

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		2019	2020	2021	2022	2023
Item						
Current assets		2,333,897	1,968,055	1,728,307	2,620,994	2,883,801
Property, plant and equipment		2,417,874	2,366,395	2,310,812	2,254,379	2,218,679
Intangible assets		6,853	8,636	9,368	6,600	4,756
Other assets		5,455,230	4,768,284	4,421,046	2,662,576	2,902,278
Total assets		10,213,854	9,111,370	8,469,533	7,544,549	8,009,514
Current liabilities	Before Distribution	3,661,523	3,282,939	2,121,980	1,285,227	1,545,184
	After Distribution	3,746,232	3,424,120	2,409,562	1,414,623	(Note 2)
Non-current liabilities		59,133	208,088	32,490	21,423	16,794
Total liabilities	Before Distribution	3,720,656	3,491,027	2,154,470	1,306,650	1,561,978
	After Distribution	3,805,365	3,632,208	2,442,052	1,436,046	(Note 2)
Share Capital		2,823,628	2,823,628	2,877,213	2,875,823	2,875,343
Capital surplus		1,563,494	1,563,494	1,339,848	1,343,134	1,342,757
Retained earnings	Before Distribution	2,760,523	2,223,564	2,996,691	2,590,144	2,734,684
	After Distribution	2,675,814	2,082,383	2,709,109	2,460,748	(Note 2)
Other equity interest		(654,447)	(990,343)	(898,689)	(570,842)	(505,248)
Treasury stock		—	—	—	(360)	—
Total Equity	Before Distribution	6,493,198	5,620,343	6,315,063	6,237,899	6,447,536
	After Distribution	6,408,489	5,479,162	6,027,481	6,108,503	(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	2019	2020	2021	2022	2023
Sales revenues	4,009,775	2,064,103	2,230,373	3,355,316	3,781,091
Net operating margin	950,739	429,816	398,958	659,009	897,295
Net Operating Income (Loss)	7,870	(392,026)	(485,704)	(165,616)	86,837
Non-operating Income and Expense	(391,620)	(104,729)	1,341,261	296,753	197,209
Income (Loss) before Tax	(383,750)	(496,755)	855,557	131,137	284,046
Income (Loss) for Continued Operations	(399,264)	(459,802)	684,119	135,363	274,625
Income (Loss) from Discontinued Operations	—	—	—	—	—
Net Income (Loss)	(399,264)	(459,802)	684,119	135,363	274,625
Other Comprehensive Income (Loss)	(228,302)	(328,344)	136,942	44,909	53,536
Total Comprehensive Income (Loss)	(627,566)	(788,146)	821,061	180,272	328,161
Earnings(Loss) per Share (Note 2)	(1.41)	(1.63)	2.42	0.48	0.96

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
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
2022	PWC	Ya-Hui Lin Han-Chi Wu	Unqualified
2023	PWC	Ya-Hui Lin Han-Chi Wu	Unqualified

6.2 Five-Year Financial Analysis

6.2.1 Consolidated Financial Analysis

Year		2019	2020	2021	2022	2023	2024.3.31 (Note 2)	Remake
Item (Note 4)								
Capital structure (%)	Debt ratio	33.42	35.43	26.20	25.20	25.47	24.85	
	Ratio of long-term capital to property, plant and equipment	205.89	181.54	207.23	212.74	214.63	210.08	
Solvency	Current ratio (%)	152.59	132.36	200.87	219.35	210.90	201.33	
	Quick ratio (%)	131.90	113.82	153.69	175.83	173.83	159.35	
	Times interest earned (Times)	(43.75)	(34.97)	94.41	38.27	32.84	64.86	
Operating ability	Accounts receivable turnover (Times)	6.32	4.65	4.72	6.46	6.87	7.60	
	Average collection period	57.75	78.49	77.33	56.50	53.12	48.02	
	Inventory turnover (Times)	4.42	3.14	2.43	3.23	2.97	3.06	
	Accounts payable turnover (Times)	4.12	3.46	3.28	4.82	4.53	4.93	
	Average days in sales	82.57	116.24	150.20	113.00	122.89	119.28	
	Property, plant, and equipment turnover (Times)	1.93	1.05	1.11	1.68	1.58	1.56	
	Total assets turnover (Times)	0.62	0.36	0.40	0.60	0.55	0.55	
Profitability	Return on total assets (%)	(3.52)	(4.51)	8.05	2.00	2.80	1.64	(1)
	Return on stockholders' equity (%)	(5.31)	(7.03)	11.52	2.62	3.63	2.16	(1)
	Pretax profit to paid-in capital (%)	(12.30)	(16.32)	32.05	7.16	10.50	6.14	(1)
	Net profit margin (%)	(5.75)	(12.93)	20.15	3.28	4.92	11.71	(1)
	Basic earnings(Loss) per share (\$) (Note 3)	(1.41)	(1.63)	2.42	0.48	0.96	0.53	(1)
Cash flow	Cash flow ratio (%)	17.15	(8.53)	(27.36)	14.35	36.95	(3.75)	(1)
	Cash flow adequacy ratio (%)	75.13	26.49	(12.02)	(14.59)	39.50	7.56	(1)
	Cash reinvestment ratio (%)	3.78	(3.46)	(7.08)	0.18	6.48	(0.83)	(1)
Leverage	Operating leverage	(2.14)	(0.98)	(2.61)	(49.09)	10.16	7.00	(1)
	Financial leverage	0.98	0.98	0.97	0.81	1.08	1.06	
Analysis of financial ratio change in the last two years :								
(1). Mainly due to the adjustment of product mix and the increase in gross profit, the operating profit of this period increased compared with last year.								

6.2.2 Individual Financial Analysis

Year		2019	2020	2021	2022	2023	Remake
Item (Note 4)							
Capital structure (%)	Debt ratio	36.43	38.32	25.44	17.32	19.50	
	Ratio of long-term capital to property, plant and equipment	268.55	237.51	273.28	276.70	290.60	
Solvency	Current ratio (%)	63.74	59.95	81.45	203.93	186.63	
	Quick ratio (%)	61.50	58.84	78.57	196.79	180.19	
	Times interest earned (Times)	(80.44)	(47.63)	150.63	5,702.61	20,290.00	(1)
Operating ability	Accounts receivable turnover (Times)	7.72	5.73	5.94	9.18	10.71	
	Average collection period	47.28	63.69	61.44	39.76	34.08	
	Inventory turnover (Times)	76.09	14.62	13.15	15.12	14.00	
	Accounts payable turnover (Times)	1.43	0.97	1.30	2.66	3.89	(1)
	Average days in sales	4.80	24.97	27.76	24.13	26.07	
	Property, plant, and equipment turnover (Times)	1.62	0.86	0.95	1.47	1.69	
	Total assets turnover (Times)	0.39	0.21	0.25	0.42	0.49	
Profitability	Return on total assets (%)	(3.81)	(4.67)	7.83	1.69	3.53	(1)
	Return on stockholders' equity (%)	(5.81)	(7.59)	11.46	2.16	4.33	(1)
	Pretax profit to paid-in capital (%)	(13.59)	(17.59)	29.74	4.56	9.88	(1)
	Net profit margin (%)	(9.96)	(22.28)	30.67	4.03	7.26	(1)
	Basic earnings(Loss) per share (\$) (Note 3)	(1.41)	(1.63)	2.42	0.48	0.96	(1)
Cash flow	Cash flow ratio (%)	8.92	0.00	0.00	16.78	23.26	(1)
	Cash flow adequacy ratio (%)	53.25	1.36	0.00	0.00	6.67	(1)
	Cash reinvestment ratio (%)	1.50	0.00	0.00	0.00	3.08	(1)
Leverage	Operating leverage	115.61	(1.03)	(0.74)	(3.66)	21.21	(1)
	Financial leverage	2.49	0.97	0.99	1.00	1.00	
Analysis of financial ratio change in the last two years :							
		(1). Mainly due to the adjustment of product mix and the increase in gross profit, the operating profit of this period increased compared with last year.					

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)" 2023 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: Huang, Ching-Chuan
May.10, 2024

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	2023	2022	Difference	
			Amount	%
Current Asset	4,685,717	4,683,079	2,638	0.06
Property, plant and equipment	3,147,001	3,099,452	47,549	1.53
Intangible Assets	7,285	7,068	217	3.07
Other Assets	1,222,543	1,004,752	217,791	21.68
Total Assets	9,062,546	8,794,351	268,195	3.05
Current Liabilities	2,221,733	2,135,015	86,718	4.06
Non-current liabilities	86,471	65,454	21,017	32.11
Total Liabilities	2,308,204	2,200,469	107,735	4.90
Equity Attributable to owners of the Parent	6,447,536	6,237,899	209,637	3.36
Share capital	2,875,343	2,875,823	(480)	(0.02)
Capital surplus	1,342,757	1,343,134	(377)	(0.03)
Retained earnings	2,734,684	2,590,144	144,540	5.58
Other equity interest	(505,248)	(570,842)	65,594	(11.49)
Non-controlling interests	306,806	355,983	(49,177)	(13.81)
Total Equity	6,754,342	6,593,882	160,460	2.43
Analysis of changes in financial ratios:				
(1) The increase in other assets was mainly due to the acquisition of financial assets and right-of-use assets measured at fair value through other comprehensive gains and losses.				
(2) The increase in non-current liabilities was mainly due to the increase in lease liabilities.				

7.2 Analysis of Operating Results - Consolidated

7.2.1 Analysis of Operating Results

Unit: NT\$ thousands

Item \ Year	2023	2022	Difference amount	Difference %
Net Sales	4,933,155	5,285,957	(352,802)	(6.67)
Cost of Sales	3,625,112	4,112,724	(487,612)	(11.86)
Gross Profit	1,308,043	1,173,233	134,810	11.49
Operating Expense	1,185,746	1,196,612	(10,866)	(0.91)
Net Operating Income (Loss)	122,297	(23,379)	145,676	623.11
Non-operating Income and Expenses	179,738	229,255	(49,517)	(21.60)
Profit (Loss) Before Tax	302,035	205,876	96,159	46.71
Income Tax Expense	(59,446)	(32,701)	(26,745)	81.79
Profit (Loss) After Tax	242,589	173,175	69,414	40.08
Analysis of changes in financial ratios over 20%:				
(1) The increase in operating profit (loss) was mainly due to the adjustment of product mix and the increase in gross profit.				
(2) The decrease in non-operating income and expenses was mainly due to the decrease in foreign currency exchange benefits.				

7.2.2 Analysis of changes in the operating profit margin: mainly due to adjustments in product mix.

7.3 Analysis of Cash Flow

7.3.1 Cash Flow Analysis for the Current Year – Consolidated

Unit: NT\$ thousand

Cash Balance 1/1/2023	Net Cash Provided by Operating Activities in 2023	Net Cash Used in Investing and Financing Activities in 2023	Cash Balance 12/31/2023	Supplement measures for insufficient cash	
				Investment planning	Financial planning
2,839,617	820,946	(568,360)	3,092,203	None	None

- Cash flows from in operating activities 820,946 : Mainly due to the collection of accounts receivable and inventory reduction.
- Cash flows from in investing activities 372,686 : It mainly involves the acquisition of financial assets measured at fair value through other comprehensive profit or loss and the purchase of real estate, plant and equipment.
- Cash flows used in financing activities 195,674 : Mainly due to cash dividends and exchange rate effects.

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 2023 are NT\$9,940 thousand, NT\$10,135 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 Consumer Price Index annual growth rate of 2.49% in 2023 from the Accounting and Accountancy Office of the Executive Yuan, given that the downward trend of domestic inflation remains unchanged in 2024, the current annual growth rate forecasts for full-year CPI and core CPI are 2.16% and 2.03% respectively. , but there is still uncertainty. In addition, the increase in electricity prices in 2024 may lead to higher inflation expectations. The central bank stated that it will continue to pay attention to the subsequent impact of electricity price adjustments, net-zero transition, etc. on domestic inflation development. Major economies Monetary policy trends, mainland China's economic downturn risks, as well as the impact of changes in international raw material prices, geopolitical risks, extreme weather, etc. on the domestic economy and finance, timely adjustments to monetary policy to maintain price stability and financial stability, and within the above target range Legal duties to assist economic development. Overall, there is no significant impact on the company's operations and profits.

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

The company's research and development direction continues to focus on the research and development of high sensitivity, high sensitivity, color saturation balance, high color saturation balance, and low signal-to-noise ratio technology. In the direction of product development, we focus on improving product image quality and developing electronic image stabilization, adding EIS functions, facial recognition, 4K animation photography, wearable cameras, high-speed image sensor applications, large image sensor related technologies, and video recording. HDR, low-light related technologies and high-speed (WiFi6, WiFi6E) wireless communications include image format support to 4K and 8K high-definition image decoding capabilities.

We are actively engaged in research and development and competing in the product specification competition, hoping to make significant leaps in specifications. And through the development of key components through the company's light electromechanical integrated imaging, it is becoming more and more complete. At the same time, we pay attention to the related development of the IoT and VR industries, investing in related human resources development, and corresponding lens modules and hardware products. We also invest in relevant human resources development in the application APP to make the products more unique AI network cameras, Car AI DVR, AI , video products, AI cameras and AI instant cameras are developing.

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. 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 addition, in the research and development of automotive camera modules, in response to the trend of increasing the introduction of various automotive camera devices by major car manufacturers around the world, as well as the widely used ADAS advanced driver assistance system, the company also continues to invest in research and development manpower and resources. In addition to cooperating with the Tier 1 system supplier (Tier 1) of the car factory, and through the joint development experience of joining the ADAS/DMS/OMS platform ecosystem, it can grasp more market demands for multi-sensing modules. The internally developed ADAS system will also be introduced into mass production in 2024 after years of investment.

The company continues to develop and integrate the energy of R&D with technological advantages, and strives for excellence in product technology; leads the core technology, and pays attention to product development capabilities; strives to enhance the added value of product development. The company continues to strengthen market-leading and unique (audio) product development, provide product applications in related professional fields, and provide various functions and services. From the basic development of key software and hardware systems and devices to the application of software and firmware capabilities in servers, network equipment, smart phones, vehicles, robots, etc. In addition to maintaining indicators and updating technologies, we also actively respond to risk changes and threats, do the most efficient risk management.

The process of innovation is environmentally friendly, R&D uses energy optimization, from R&D to the consumption of natural resources. For example: efficient energy management, which automatically adjusts equipment power to ensure optimal performance. Integrate resources from research and development, minimize materials and parts in the manufacturing and production process to avoid relative waste.

In terms of production and manufacturing strategies, R&D actively expands global manufacturing layout, stabilizes manufacturing bases and supply chain expansion in various regions, actively introduces automated testing, improves production capacity, maintains high standards of yield and quality, and achieves cost competitiveness to improve overall production. More competitive.

The technological development of automotive products focuses on 2CH/3CH/4CH DVR DMS and high-end 2CH Dash CAM + DMS, and has begun to inject related products into fleet management products, and cooperates with the internally developed ADAS system, allowing customers to use basic Enjoy products with high CP value under the hardware architecture. In the future, the application of 3D imaging-related products in response to 3D imaging products will be a major trend in the future, and technology research and development will focus on the technical development of ToF-related products. 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 in-depth data to make up for the defects of the 2D algorithm, and make the overall AI algorithm more accurate).

2. Estimated R&D Expenditure

The R&D expenditure in 2023 that the company has invested in is NT\$625,073 thousand, accounting for 13% of the revenue. In 2024, an additional amount of NT\$652,530 thousand is esimated to be invested in R&D.

7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales: The Company monitors material changes in governing regulations and laws and be fully aware of the changes in the markets. In 2023 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.

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

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

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

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

2. Risks faced in central sales management:

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

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

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

7.6.12 Litigation or Non-litigation Matters :

In 2023 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.

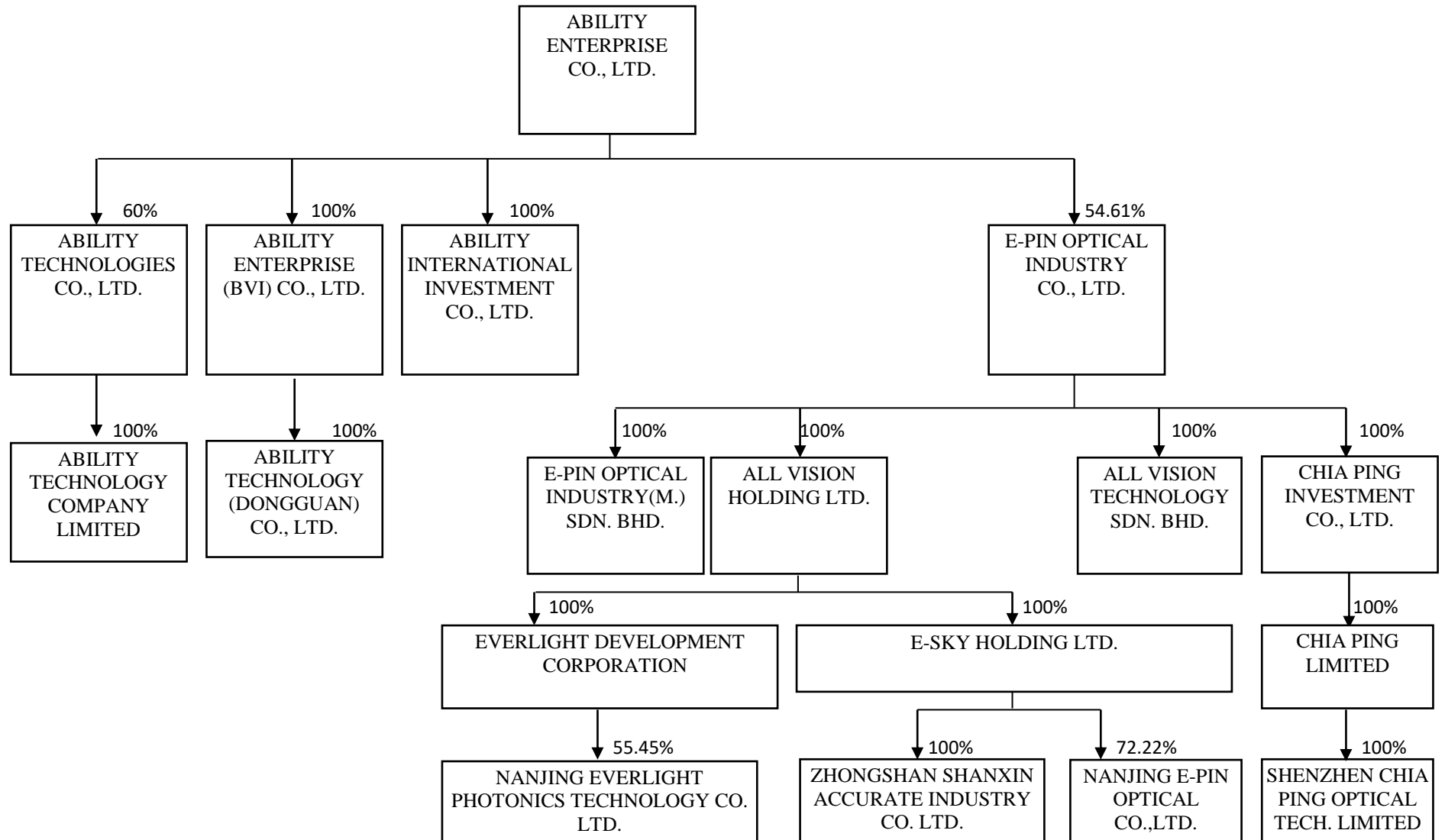
7.6.13. Other significant risk and mitigation measures being or to be taken: No other significant risks.

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 12/31/2023; 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
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 TECHNOLOGIES CO., LTD.	2022.05.13	New Taipei City, Taiwan (R.O.C.)	NTD50,000	Manufacturing and trading of computer peripheral equipment, Photography equipment and electronic
ABILITY TECHNOLOGY (DONGGUAN)CO., LTD.	2003.12.29	Dongguan , China	RMB415,913,406	Sales of digital still cameras
ABILITY TECHNOLOGY COMPANY LIMITED	2022.08.02	Vietnam	VND23,050,000	Manufacturing of computers, Computer peripheral equipment, home electronics,communication equipment and optical instrument and equipment
ALL VISION HOLDING LTD.	1991.01.19	Independent State of Samoa	USD15,236,910	Holding company
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 of optical lens and components
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
E-PIN OPTICAL INDUSTRY CO.,LTD.	Sales of optical products and electronic components	None
ABILITY TECHNOLOGIES CO., LTD	Manufacturing and trading of computer peripheral equipment,Photography equipment and electronic	Investment activities in Vietnam
CHIA PING INVESTMENT CO., LTD.	Investments	None
ABILITY TECHNOLOGY (DONGGUAN)CO., LTD.	Sales of digital still cameras	None
ABILITY TECHNOLOGY COMPANY LIMITED	Manufacturing of computers,Computer peripheral equipment,home electronics,communication equipment and optical instrument and equipment	None
ALL VISION HOLDING LTD.	Holding company	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 of optical lens and components	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	21,700,000	100.00
ABILITY ENTERPRISE (BVI) CO., LTD.	Chairman	ABILITY ENTERPRISE-Tseng, Ming-Jen	—	100.00
E-PIN OPTICAL INDUSTRY CO., LTD.	Chairman	ABILITY ENTERPRISE-Tseng, Ming-Jen	12,888,334	54.61
	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	ABILITY ENTERPRISE-Tong, Chun-Jen	12,888,334	54.61
	Director	HSU, SAN-WEI	415,653	1.76
	Director	Wu, Han-Zong	227,434	0.96
	Supervisor	Susie Wang	129,599	0.55
	Supervisor	Ruixin Investment- Zhuang Baoqin	481,603	2.04
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 TECHNOLOGIES CO., LTD	Chairman	ABILITY ENTERPRISE- CHANG, HSIAO-CHI	3,000,000	60.00
	Director	ABILITY ENTERPRISE- Adams Chen	3,000,000	60.00
	Director	ABILITY ENTERPRISE- Tseng, Ming-Jen	3,000,000	60.00
	Director	AMPACS- HUANG, CHANG-CHING	2,000,000	40.00
	Director	AMPACS- James Hsu	2,000,000	40.00
	Supervisor	Folin Lin	—	—
	Supervisor	Lin, Hung-Tien	—	—
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
ABILITY TECHNOLOGY COMPANY LIMITED	Chairman	ABILITY TECHNOLOGIES : Renn Chang	—	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		
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	—	

Company	Title	Name or Representative	Shareholding	
			Number of Shares	Shareholding Ratio
NANJING EVERLIGHT PHOTONICS TECHNOLOGY CO. LTD.	Chairman	EVERLIGHT DEVELOPMENT CORP. -Pan, Ching-Hsiang	—	55.45
	Director	EVERLIGHT DEVELOPMENT CORP. -Zhong, Pei-Yi	—	55.45
	Director	EVERLIGHT DEVELOPMENT CORP. -Wang, Shang-Li	—	55.45
	Director	EVERLIGHT DEVELOPMENT CORP. - Lin, Yong-Shan	—	55.45
	Vice Chairman	NANJING NEW INDUSTRY INVESTMENT GROUP CO.,LTD -Shin, Chien-Hua	—	38.74
	Director	NANJING NEW INDUSTRY INVESTMENT GROUP CO.,LTD -MA-YING	—	38.74
	Director	-Shih-Hua	—	5.81
	Supervisor	NANJING NEW INDUSTRY INVESTMENT GROUP CO.,LTD -Huang, Wei-Min	—	38.74
ZHONGSHAN SHANXIN ACCURATE INDUSTRY CO. LTD.	Chairman	E-SKY HOLDING LTD.-Pan, Ching-Hsiang	—	100.00
	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 12/31/2023 ; Unit: NT\$ thousands

Company	Capital Stock	Assets	Liabilities	Net Worth
ABILITY ENTERPRISE CO., LTD.	2,875,823	7,544,549	1,306,650	6,237,899
ABILITY ENTERPRISE (BVI) CO., LTD.	787,251	1,623,424	380	1,623,044
ABILITY INTERNATIONAL INVESTMENT CO., LTD.	13,000	16,348	0	16,348
E-PIN OPTICAL INDUSTRY CO.,LTD.	236,000	872,360	580,586	291,774
CHIA PING INVESTMENT CO., LTD.	66,000	63,407	42	63,365
ABILITY TECHNOLOGIES CO., LTD	50,000	37,601	180	37,421
ABILITY TECHNOLOGY (DONGGUAN)CO., LTD.	1,796,535	2,282,458	685,686	1,596,772
ABILITY TECHNOLOGY COMPANY LIMITED	31,313	41,919	20,806	21,113
ALL VISION HOLDING LTD.	516,528	224,605	0	224,605
E-PIN OPTICAL INDUSTRY(M.) SDN. BHD.	45,700	199	46	153
ALL VISION TECHNOLOGY SDN. BHD.	659,334	10,432	498	9,934
EVERLIGHT DEVELOPMENT CORPORATION	179,635	284,772	0	284,772
E-SKY HOLDING LTD.	440,348	(60,174)	0	(60,174)
CHIA PING LIMITED	38,255	36,230	0	36,230
SHENZHEN CHIA PING OPTICAL TECHNOLOGY LIMITED	41,459	172,724	136,494	36,230
NANJING EVERLIGHT PHOTONICS TECHNOLOGY CO. LTD.	314,778	654,359	140,794	513,565
ZHONGSHAN SHANXIN ACCURATE INDUSTRY CO. LTD.	267,177	179,356	239,711	(60,355)
NANJING E-PIN OPTICAL CO.,LTD.	234,418	174	0	174

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, 2023, 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 8, 2024

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, 2023 AND 2022**

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, 2023 AND 2022 CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
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INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR23000547

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, 2023 and 2022, 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 material accounting policies.

In our opinion, based on our audits and the report 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, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors’ responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of

China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's 2023 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, 2023, the balances of the Group's inventory and allowance for inventory valuation loss were NT\$1,152,735 thousand and NT\$408,818 thousand, respectively.

The Group is primarily engaged in the manufacture and sales of 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 based on the 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, selected samples of inventory items 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, 2023, the balance of property, plant and equipment and investment property totaled to NT\$3,216,040 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 – Reference to the audits of other auditors

We did not audit the financial statements of an investment accounted for using equity method, The balance of this investment accounted for using equity method amounted to NT\$31,127 thousand and NT\$26,939 thousand, constituting 0.34% and 0.31% of consolidated total assets as of December 31, 2023 and 2022, respectively, and the related share of profit of associates and joint ventures accounted for under equity method amounted to NT\$8,988 thousand and NT\$7,754 thousand, constituting 3.19% and 3.61% of consolidated total comprehensive income (loss) for the years then ended, respectively. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein relative to the investee, is based solely on the audit report 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, 2023 and 2022.

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 that came into effect 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 Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and 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 8, 2024

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, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2023		December 31, 2022	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 3,092,203	34	\$ 2,839,617	32
1110	Financial assets at fair value through profit or loss - current	6(2)	16,168	-	16,175	-
1136	Current financial assets at amortised cost	6(4)	86,540	1	66,141	1
1170	Accounts receivable, net	6(5) and 7	617,666	7	792,727	9
130X	Inventory	6(6)	743,917	8	847,754	10
1470	Other current assets	6(7)	129,223	2	120,665	1
11XX	Total current assets		4,685,717	52	4,683,079	53
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	753,768	8	597,030	7
1550	Investments accounted for under equity method	6(8)	72,138	1	67,772	1
1600	Property, plant and equipment	6(9) and 8	3,147,001	35	3,099,452	35
1755	Right-of-use assets	6(10) and 8	117,070	1	84,707	1
1760	Investment property - net	6(11)	69,039	1	71,412	1
1780	Intangible assets	6(12)	7,285	-	7,068	-
1840	Deferred income tax assets	6(28)	106,796	1	106,587	1
1900	Other non-current assets		103,732	1	77,244	1
15XX	Total non-current assets		4,376,829	48	4,111,272	47
1XXX	Total assets		\$ 9,062,546	100	\$ 8,794,351	100

(Continued)

ABILITY ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			Notes	December 31, 2023		December 31, 2022		
				AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term borrowings	6(13)	\$	349,008	4	\$	353,866	4
2170	Accounts payable	7		813,716	9		786,670	9
2200	Other payables	6(14)		731,156	8		699,505	8
2230	Current income tax liabilities			18,251	-		24,331	-
2250	Current provisions	6(17)		45,756	-		45,756	1
2280	Current lease liabilities			18,289	-		7,749	-
2300	Other current liabilities	6(22)		245,557	3		217,138	2
21XX	Total current liabilities			2,221,733	24		2,135,015	24
Non-current liabilities								
2580	Non-current lease liabilities			37,656	-		11,683	-
2600	Other non-current liabilities	6(15)		48,815	1		53,771	1
25XX	Total non-current liabilities			86,471	1		65,454	1
2XXX	Total liabilities			2,308,204	25		2,200,469	25
Equity								
Equity attributable to owners of parent								
	Share capital	6(18)						
3110	Common stock			2,875,343	32		2,875,823	33
	Capital surplus	6(19)						
3200	Capital surplus			1,342,757	15		1,343,134	14
	Retained earnings	6(20)						
3310	Legal reserve			1,724,576	19		1,724,576	20
3320	Special reserve			556,064	6		855,579	10
3350	Unappropriated retained earnings			454,044	5		9,989	-
	Other equity interest	6(21)						
3400	Other equity interest		(	505,248)	(6)	(	570,842)	(6)
3500	Treasury shares	6(16)		-	-	(	360)	-
31XX	Equity attributable to owners of the parent			6,447,536	71		6,237,899	71
36XX	Non-controlling interest			306,806	4		355,983	4
3XXX	Total equity			6,754,342	75		6,593,882	75
	Significant contingent liabilities and unrecognised contract commitments	9						
	Significant events after the balance sheet date	11						
3X2X	Total liabilities and equity		\$	9,062,546	100	\$	8,794,351	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, 2023 AND 2022

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

			Year ended December 31			
			2023		2022	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(22) and 7	\$	4,933,155	100	\$ 5,285,957	100
5000 Operating costs	6(6)(27) and 7	(	3,625,112)	(74)	(4,112,724)	(78)
5950 Net operating margin			1,308,043	26	1,173,233	22
Operating expenses	6(27)					
6100 Selling expenses		(	146,161)	(3)	(116,955)	(2)
6200 General and administrative expenses		(	433,081)	(9)	(471,218)	(9)
6300 Research and development expenses		(	625,073)	(13)	(593,903)	(11)
6450 Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9	12(2)		18,569	1	(14,536)	-
6000 Total operating expenses		(	1,185,746)	(24)	(1,196,612)	(22)
6900 Operating profit (loss)			122,297	2	(23,379)	-
Non-operating income and expenses						
7100 Interest income	6(23)		98,764	2	24,110	-
7010 Other income	6(24)		65,636	2	39,865	1
7020 Other gains and losses	6(25)		14,884	-	160,669	3
7050 Finance costs	6(26)	(	9,486)	-	(5,524)	-
7060 Share of profit of associates and joint ventures accounted for under equity method	6(8)		9,940	-	10,135	-
7000 Total non-operating income and expenses			179,738	4	229,255	4
7900 Profit before income tax			302,035	6	205,876	4
7950 Income tax expense	6(28)	(	59,446)	(1)	(32,701)	(1)
8200 Profit for the year		\$	242,589	5	\$ 173,175	3

(Continued)

ABILITY ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022

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

Items	Notes	Year ended December 31			
		2023		2022	
		AMOUNT	%	AMOUNT	%
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
8311 (Losses) gains on remeasurements of defined benefit plans	6(15)	(\$ 992)	-	\$ 9,129	-
8316 Unrealised gains (losses) on financial assets measured at fair value through other comprehensive income	6(3)	90,776	2	(101,012)	(2)
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(28)	198	-	(1,826)	-
8310 Other comprehensive income (loss) that will not be reclassified to profit or loss		89,982	2	(93,709)	(2)
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Financial statements translation differences of foreign operations		(50,374)	(1)	135,199	3
8360 Other comprehensive (loss) income that will be reclassified to profit or loss		(50,374)	(1)	135,199	3
8300 Other comprehensive income for the year		<u>\$ 39,608</u>	<u>1</u>	<u>\$ 41,490</u>	<u>1</u>
8500 Total comprehensive income for the year		<u>\$ 282,197</u>	<u>6</u>	<u>\$ 214,665</u>	<u>4</u>
Profit (loss) attributable to:					
8610 Owners of the parent		\$ 274,625	6	\$ 135,363	2
8620 Non-controlling interest		(32,036)	(1)	37,812	1
		<u>\$ 242,589</u>	<u>5</u>	<u>\$ 173,175</u>	<u>3</u>
Comprehensive income (loss) attributable to:					
8710 Owners of the parent		\$ 328,161	7	\$ 180,272	3
8720 Non-controlling interest		(45,964)	(1)	34,393	1
		<u>\$ 282,197</u>	<u>6</u>	<u>\$ 214,665</u>	<u>4</u>
Earnings per share (in dollars)	6(29)				
9750 Basic earnings per share		<u>\$ 0.96</u>		<u>\$ 0.48</u>	
9850 Diluted earnings per share		<u>\$ 0.96</u>		<u>\$ 0.47</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, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent									
		Retained Earnings					Financial statements translation differences of foreign operations	Treasury shares	Total	Non-controlling interest	Total equity
Notes	Share capital - common stock	Total capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings						
<u>Year ended December 31, 2022</u>											
Balance at January 1, 2022		\$ 2,877,213	\$ 1,339,848	\$ 1,655,947	\$ 654,447	\$ 686,297	(\$ 898,689)	\$ -	\$ 6,315,063	\$ 301,590	\$ 6,616,653
Profit for 2022		-	-	-	-	135,363	-	-	135,363	37,812	173,175
Other comprehensive income (loss) for 2022		-	-	-	-	7,167	37,742	-	44,909	(3,419)	41,490
Total comprehensive income		-	-	-	-	142,530	37,742	-	180,272	34,393	214,665
Appropriations and distribution of 2021 retained earnings	6(20)										
Legal reserve		-	-	68,629	-	(68,629)	-	-	-	-	-
Special reserve		-	-	-	201,132	(201,132)	-	-	-	-	-
Cash dividends		-	-	-	-	(287,582)	-	-	(287,582)	-	(287,582)
Redemption of employee restricted stock	6(16)	(1,390)	1,750	-	-	-	-	(360)	-	-	-
Compensation cost of share-based payment	6(16)	-	-	-	-	-	29,105	-	29,105	-	29,105
Adjustments to changes in vested number of restricted stock		-	1,536	-	-	278	(773)	-	1,041	-	1,041
Disposal of investments in equity instruments designated at fair value through other comprehensive income	6(3)	-	-	-	-	(261,773)	261,773	-	-	-	-
Changes in non-controlling interests		-	-	-	-	-	-	-	-	20,000	20,000
Balance at December 31, 2022		<u>\$ 2,875,823</u>	<u>\$ 1,343,134</u>	<u>\$ 1,724,576</u>	<u>\$ 855,579</u>	<u>\$ 9,989</u>	<u>(\$ 570,842)</u>	<u>(\$ 360)</u>	<u>\$ 6,237,899</u>	<u>\$ 355,983</u>	<u>\$ 6,593,882</u>
<u>Year ended December 31, 2023</u>											
Balance at January 1, 2023		\$ 2,875,823	\$ 1,343,134	\$ 1,724,576	\$ 855,579	\$ 9,989	(\$ 570,842)	(\$ 360)	\$ 6,237,899	\$ 355,983	\$ 6,593,882
Profit for 2023		-	-	-	-	274,625	-	-	274,625	(32,036)	242,589
Other comprehensive income (loss) for 2023		-	-	-	-	(761)	54,297	-	53,536	(13,928)	39,608
Total comprehensive income (loss)		-	-	-	-	273,864	54,297	-	328,161	(45,964)	282,197
Appropriations and distribution of 2022 retained earnings	6(20)										
Cash dividends		-	-	-	-	(129,396)	-	-	(129,396)	-	(129,396)
Reversal of special reserve		-	-	-	(299,515)	299,515	-	-	-	-	-
Redemption of employee restricted stock	6(16)	(480)	120	-	-	-	-	360	-	-	-
Compensation cost of share-based payment	6(16)	-	-	-	-	-	11,179	-	11,179	-	11,179
Adjustments to changes in vested number of restricted stock		-	(497)	-	-	72	118	-	(307)	-	(307)
Changes in non-controlling interests		-	-	-	-	-	-	-	-	(3,213)	(3,213)
Balance at December 31, 2023		<u>\$ 2,875,343</u>	<u>\$ 1,342,757</u>	<u>\$ 1,724,576</u>	<u>\$ 556,064</u>	<u>\$ 454,044</u>	<u>(\$ 505,248)</u>	<u>\$ -</u>	<u>\$ 6,447,536</u>	<u>\$ 306,806</u>	<u>\$ 6,754,342</u>

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, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 302,035	\$ 205,876
Adjustments			
Income and expenses having no effect on cash flows			
Depreciation	6(27)	209,707	205,945
Amortisation	6(27)	6,913	8,374
Gain on disposal of investments	6(25)	(270)	(20,840)
Expected credit (gain) loss	12(2)	(18,569)	14,536
Net gain on financial assets or liabilities at fair value through profit or loss		(193)	(74)
Compensation cost of share-based payment	6(16)	11,179	29,105
Interest expense	6(26)	9,486	5,524
Interest income	6(23)	(98,764)	(24,110)
Dividend income	6(24)	(20,811)	(14,332)
Share of profit of associates and joint ventures accounted for under equity method	6(8)	(9,940)	(10,135)
Loss on disposal of property, plant, and equipment	6(25)	6,417	12,664
Changes in assets/liabilities relating to operating activities			
Changes in operating assets			
Accounts receivable, net		194,063	(7,660)
Inventories		107,262	222,080
Other current assets		(619)	35,717
Net changes in liabilities relating to operating activities			
Accounts payable		26,052	(203,570)
Other payables		32,066	(166,028)
Other current liabilities		28,161	(1,642)
Other non-current liabilities		(5,621)	(1,771)
Cash inflow generated from operations		778,554	289,659
Interest received		98,764	24,110
Dividends received		25,611	18,832
Interest paid		(9,486)	(5,524)
Income tax paid		(72,497)	(20,809)
Net cash flows from operating activities		820,946	306,268

(Continued)

ABILITY ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2023	2022
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at fair value through other comprehensive income	6(3)	(\$ 80,974)	(\$ 19,750)
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	12(3)	-	37,912
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(3)	15,000	525,078
Acquisition of financial assets at amortised cost		(86,540)	-
Proceeds from disposal of financial assets at amortised cost		66,141	-
Proceeds from disposal of financial assets at fair value through profit or loss		204	-
Acquisition of property, plant and equipment	6(9)	(226,844)	(63,747)
Proceeds from disposal of property, plant and equipment		2,215	1,265
Acquisition of intangible assets	6(12)	(7,130)	(5,273)
Increase in other non-current assets		(54,758)	(43,649)
Net cash flows (used in) from investing activities		(372,686)	431,836
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
(Decrease) increase in short-term loans		(4,858)	86,887
Payments of lease liabilities		(16,858)	(14,307)
Payment of cash dividends	6(20)	(129,396)	(287,582)
(Decrease) increase in other non-current liabilities		(139)	3,868
Change in non-controlling interests	4(3)	-	20,000
Cash dividends paid by subsidiaries to non-controlling interest		(3,213)	-
Net cash flows used in financing activities		(154,464)	(191,134)
Net effect of changes in foreign currency exchange rates		(41,210)	155,481
Net increase in cash and cash equivalents		252,586	702,451
Cash and cash equivalents at beginning of year		2,839,617	2,137,166
Cash and cash equivalents at end of year		<u>\$ 3,092,203</u>	<u>\$ 2,839,617</u>

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, 2023 AND 2022

(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 8, 2024.

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[®]”) Accounting Standards that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments as endorsed by the FSC and became effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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
Amendments to IAS 12, ‘International tax reform - pillar two model rules’	May 23, 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.

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

New standards, interpretations and amendments as endorsed by the FSC effective from 2024 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024
Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements'	January 1, 2024

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) IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRS Accounting Standards 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 21, 'Lack of exchangeability'	January 1, 2025

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 MATERIAL 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, 2023	December 31, 2022	
The Company	ABILITY ENTERPRISE (BVI) CO., LTD. (ABILITY (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. (ANDRO VIDEO)	Development, manufacturing and trading of digital	-	100.00	Note 1
The Company	ABILITY TECHNOLOGIES CO., LTD. (ABILITY TECHNOLOGIES)	Manufacturing and trading of computer peripheral equipment, photography equipment	60.00	60.00	
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	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2023	December 31, 2022	
ABILITY TECHNOLOGIES	ABILITY TECHNOLOGY COMPANY LIMITED (ABILITY Vietnam)	Manufacturing of computers, computer peripheral equipment, home electronics, communication equipment and optical instrument and equipment	100.00	100.00	
E-PIN	E-PIN OPTICAL INDUSTRY (M.) SDN. BHD. (E-PIN (M.))	Manufacturing of precision lens	100.00	100.00	
E-PIN	ALL VISION TECHNOLOGY SDN. BHD. (AVT)	Manufacturing of precision lens	100.00	100.00	
E-PIN	ALL VISION HOLDING LTD. (ALL VISION)	Holding company	100.00	100.00	
E-PIN	JIAPIN INVESTMENT CO., LTD. (JIAPIN INVESTMENT)	Investments	100.00	100.00	
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	100.00	
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 ANDRO VIDEO was completed on September 6, 2023. Proceeds from liquidation has been collected.

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, 2023 and 2022, the non-controlling interest amounted to \$293,787 and \$341,015, respectively. The information on non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest			
		December 31, 2023		December 31, 2022	
		Amount	Ownership (%)	Amount	Ownership (%)
E-PIN OPTICAL INDUSTRY CO., LTD. (E-PIN)	Taiwan	<u>\$ 293,787</u>	45.39%	<u>\$ 341,015</u>	45.39%

Summarised financial information of the subsidiaries:

Balance Sheets

	E-PIN OPTICAL INDUSTRY CO., LTD. (E-PIN)	
	December 31, 2023	December 31, 2022
Current assets	\$ 746,589	\$ 944,520
Non-current assets	271,239	259,471
Current liabilities	(574,410)	(682,466)
Non-current liabilities	(32,280)	(955)
Total net assets	<u>\$ 411,138</u>	<u>\$ 520,570</u>

Consolidated Income Statement

	E-PIN OPTICAL INDUSTRY CO., LTD. (E-PIN)	
	Year ended December 31, 2023	Year ended December 31, 2022
Revenue	\$ 739,000	\$ 1,264,240
(Loss) profit before income tax	(72,889)	86,507
Income tax expense	(10,877)	(20,956)
(Loss) profit for the year	<u>(83,766)</u>	<u>65,551</u>
Other comprehensive (loss) income, net of tax	(7,661)	3,031
Total comprehensive (loss) income for the year	<u>(\$ 91,427)</u>	<u>\$ 68,582</u>
Comprehensive (loss) income attributable to non-controlling interest	<u>(\$ 44,014)</u>	<u>\$ 39,425</u>
Dividends paid to non-controlling interest	<u>\$ 3,213</u>	<u>\$ -</u>

Statement of Cash Flows

	E-PIN OPTICAL INDUSTRY CO., LTD. (E-PIN)	
	<u>Year ended December 31, 2023</u>	<u>Year ended December 31, 2022</u>
Net cash provided by operating activities	\$ 109,769	\$ 157,740
Net cash used in investing activities	(65,960)	(39,924)
Net cash (used in) provided by financing activities	(17,118)	98,824
Effect of exchange rates on cash and cash equivalents	(7,661)	3,031
Increase in cash and cash equivalents	19,030	219,671
Cash and cash equivalents, beginning of year	409,756	190,085
Cash and cash equivalents, end of year	<u>\$ 428,786</u>	<u>\$ 409,756</u>

(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	2 ~ 20 years
Mold equipment	2 years
Other equipment	2 ~ 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 2 to 5 years.
- B. Goodwill arises in a business combination accounted for by applying the acquisition method.
- C. Other intangible assets are mainly customer relationships and technology and amortised using the straight-line method over 0.5~7 years.

(20) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for 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.
- 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 government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.
- 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 and does not give rise to equal taxable and deductible temporary differences. 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) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(29) 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.

(30) Revenue recognition

A. Sales of goods

The Group manufactures and sells 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.

(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, 2023, the Group recognised property, plant and equipment, net of impairment loss. 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, 2023, the carrying amount of inventories is described in Note 6(6).

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and revolving funds	\$ 3,331	\$ 3,082
Checking accounts and demand deposits	1,704,076	2,590,855
Time deposits	1,384,796	245,680
	<u>\$ 3,092,203</u>	<u>\$ 2,839,617</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, 2023</u>	<u>December 31, 2022</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	\$ 15,800	\$ 16,000
Valuation adjustment	368	175
	<u>\$ 16,168</u>	<u>\$ 16,175</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, 2023</u>	<u>December 31, 2022</u>
Non-current items:		
Equity instruments		
Listed stocks	\$ 687,481	\$ 636,816
Unlisted stocks	326,469	311,172
	1,013,950	947,988
Valuation adjustment	(260,182)	(350,958)
	<u>\$ 753,768</u>	<u>\$ 597,030</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 \$753,768 and \$597,030 as at December 31, 2023 and 2022, 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, 2023</u>	<u>For the year ended December 31, 2022</u>
Fair value change recognised in other comprehensive income (loss)	\$ <u>90,776</u>	(\$ <u>101,012</u>)
Cumulative losses reclassified to retained earnings due to derecognition	\$ <u>-</u>	\$ <u>261,773</u>
Dividend income recognised in profit or loss		
Held at end of year	\$ <u>20,811</u>	\$ <u>14,332</u>

- C. As at December 31, 2023 and 2022, 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 \$753,768 and \$597,030, respectively.
- D. The Group has no financial assets at fair value through other comprehensive income pledged to others as collateral.
- E. On August 11, 2022, the Board of Directors of the Group resolved to invest in JET OPTOELECTRONICS CO., LTD. (“JET OPTOELECTRONICS”), with a limit of \$39,500. As of December 31, 2023, the investment amounted to \$19,750 for a shareholding ratio of 0.98%.
- F. On October 15, 2021, the Board of Directors of the Group resolved to support the largest shareholder, Asia Optical International Ltd. (“Asia Optical”), of YORKEY OPTICAL INTERNATIONAL (CAYMAN) LTD. (“YORKEY”), which proposed a delisting agreement to repurchase YORKEY’s outstanding shares. On February 24, 2022, the aforementioned agreement was resolved and approved by the Hong Kong court and during the special meeting of the shareholders, it was resolved to repurchase the shares in the amount of HKD 0.999 (in dollars). The Company’s subsidiary, ABILITY ENTERPRISE (BVI) CO., LTD., disposed its equity interest in YORKEY for a consideration of NT\$525,078. The difference between the disposal amount and carrying amount of \$261,773 was adjusted in retained earnings, and the related payment has been collected.
- G. On March 29, 2021, the Board of Directors of the Group resolved to invest in ABICO ASIA EXCELSIOR PARTNERS L.P. (“ABICO ASIA II”), with a limit of \$150,000. In September 2021 and July 2023, the Group invested in ABICO ASIA II in the amount of \$49,500 and \$15,000, respectively. ABICO ASIA II reduced its capital and returned the share capital of \$792 during November 2022. As of December 31, 2023, the investment amount was \$63,708 for a shareholding ratio of 5.92%.
- H. To develop market clients, in August 2023, the Group invested in AEVISO DEPRO SOLUTION CO., LTD. (“AEVISO”) in the amount of \$354 for a shareholding ratio of 2.00%.

I. For strategic investments, in August 2023, the Group invested in Valens Semiconductor Ltd. (“VLN”). As of December 31, 2023, the investment amounted to US\$1,592,317.69 (in dollars), approximately NT\$50,665, for a shareholding ratio of 0.619%.

J. On August 25, 2022, the Board of Directors of the Group resolved to invest in Oomii Inc. (“Oomii”) In August 2023, the Group invested the amount of \$14,955, for a shareholding ratio of 1.54% according to the investment agreement.

(4) Financial assets at amortised cost - current

Items	December 31, 2023	December 31, 2022
Current items:		
Time deposits with initial maturity over three months	\$ 86,540	\$ 66,141

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

	For the year ended December 31, 2023	For the year ended December 31, 2022
Interest income	\$ 176	\$ 1,681

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). The counterparties of the Group’s investments in certificates of deposits are financial institutions with high credit quality, so the Group expects that the probability of counterparty default is remote.

(5) Accounts receivable

	December 31, 2023	December 31, 2022
Accounts receivable	\$ 613,314	\$ 787,671
Less: Allowance for bad debts	(4,071)	(22,645)
Accounts receivable, related parties	8,423	27,701
Accounts receivable, net	\$ 617,666	\$ 792,727

	December 31, 2023	December 31, 2022
Not past due	\$ 614,253	\$ 791,912
1 to 90 days	7,452	4,752
91 to 180 days	-	2,224
Over 180 days	32	16,484
	\$ 621,737	\$ 815,372

The above ageing analysis was based on past due date.

A. As of December 31, 2023 and 2022, accounts receivable were all from contracts with customers.

As of January 1, 2022, the balance of accounts receivable from contracts with customers amounted to \$821,908.

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

C. As at December 31, 2023 and 2022, 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 \$617,666 and \$792,727, respectively.

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

(6) Inventories

December 31, 2023			
	Cost	Allowance for valuation loss	Book value
Merchandise	\$ 100,036	(\$ 9,750)	\$ 90,286
Finished goods	243,179	(67,180)	175,999
Work in process	164,782	(19,627)	145,155
Raw materials	603,803	(312,261)	291,542
Inventory in transit	40,935	-	40,935
	<u>\$ 1,152,735</u>	<u>(\$ 408,818)</u>	<u>\$ 743,917</u>

December 31, 2022			
	Cost	Allowance for valuation loss	Book value
Merchandise	\$ 113,410	(\$ 1,278)	\$ 112,132
Finished goods	258,936	(77,302)	181,634
Work in process	142,994	(12,526)	130,468
Raw materials	733,564	(348,008)	385,556
Inventory in transit	37,964	-	37,964
	<u>\$ 1,286,868</u>	<u>(\$ 439,114)</u>	<u>\$ 847,754</u>

The cost of inventories recognised as expense for the year:

For the years ended December 31,		
	2023	2022
Cost of goods sold	\$ 3,576,286	\$ 3,880,636
(Gain on reversal of) loss on decline in market value	(24,172)	178,559
Loss on scrapping inventory	20,894	13,234
Other operating costs	52,104	40,295
	<u>\$ 3,625,112</u>	<u>\$ 4,112,724</u>

For the year ended December 31, 2023, the Group recognised a gain on reversal of decline in market value as certain inventories which were previously provided with allowance were subsequently sold or used.

(7) Other current assets

	December 31, 2023	December 31, 2022
Advance payment	\$ 23,312	\$ 28,881
Other receivables	32,637	29,993
Others	73,274	61,791
	<u>\$ 129,223</u>	<u>\$ 120,665</u>

(8) Investments accounted for using equity method

Associates	December 31, 2023	December 31, 2022
Altasec Technology Corporation (Altasec Technology)	\$ 31,127	\$ 26,939
BESTMOMENT HOLDINGS PTE. LTD.	41,011	40,833
EVER PINE INTERNATIONAL. (BVI) (EVER PINE)	-	-
	<u>\$ 72,138</u>	<u>\$ 67,772</u>

- A. The above investments were accounted for using equity method as of December 31, 2023 and 2022 based on the investees' 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, 2023 and 2022, the carrying amount of the Group's individually immaterial associates amounted to \$72,138 and \$67,772, respectively.

	For the year ended December 31, 2023	For the year ended December 31, 2022
Profit for the year/Total comprehensive income	<u>\$ 33,770</u>	<u>\$ 35,370</u>

- C. The Group's share in profit recognised under the equity method for the years ended December 31, 2023 and 2022 was \$9,940 and \$10,135, respectively.

(9) Property, plant and equipment

					Other equipment and Construction	
	Land	Buildings and structures	Machinery	Mold equipment	in progress	Total
<u>January 1, 2023</u>						
Cost	\$ 1,304,043	\$ 2,318,426	\$ 1,426,939	\$ 646,396	\$ 366,071	\$ 6,061,875
Accumulated depreciation and impairment	-	(869,391)	(1,157,779)	(633,379)	(301,874)	(2,962,423)
	<u>\$ 1,304,043</u>	<u>\$ 1,449,035</u>	<u>\$ 269,160</u>	<u>\$ 13,017</u>	<u>\$ 64,197</u>	<u>\$ 3,099,452</u>
<u>2023</u>						
Opening net book amount	\$ 1,304,043	\$ 1,449,035	\$ 269,160	\$ 13,017	\$ 64,197	\$ 3,099,452
Additions	-	889	156,680	36,663	32,612	226,844
Reclassification	-	-	21,149	7,121	-	28,270
Disposals	-	-	(7,418)	-	(1,214)	(8,632)
Depreciation	-	(73,489)	(58,708)	(37,561)	(17,643)	(187,401)
Net exchange differences	-	(9,811)	(5,569)	1,231	2,617	(11,532)
Closing net book amount	<u>\$ 1,304,043</u>	<u>\$ 1,366,624</u>	<u>\$ 375,294</u>	<u>\$ 20,471</u>	<u>\$ 80,569</u>	<u>\$ 3,147,001</u>
<u>At December 31, 2023</u>						
Cost	\$ 1,304,043	\$ 2,297,049	\$ 1,498,191	\$ 674,518	\$ 384,073	\$ 6,157,874
Accumulated depreciation and impairment	-	(930,425)	(1,122,897)	(654,047)	(303,504)	(3,010,873)
	<u>\$ 1,304,043</u>	<u>\$ 1,366,624</u>	<u>\$ 375,294</u>	<u>\$ 20,471</u>	<u>\$ 80,569</u>	<u>\$ 3,147,001</u>

	Land	Buildings and structures	Machinery	Mold equipment	Other equipment and Construction in progress	Total
<u>January 1, 2022</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>
<u>2022</u>						
Opening net book amount	\$ 1,304,043	\$ 1,515,307	\$ 274,060	\$ 23,908	\$ 75,529	\$ 3,192,847
Additions	-	370	36,877	14,964	11,536	63,747
Reclassification	-	-	22,868	2,878	-	25,746
Disposals	-	(1,158)	(11,970)	-	(801)	(13,929)
Depreciation	-	(74,635)	(61,410)	(28,739)	(22,328)	(187,112)
Net exchange differences	-	9,151	8,735	6	261	18,153
Closing net book amount	<u>\$ 1,304,043</u>	<u>\$ 1,449,035</u>	<u>\$ 269,160</u>	<u>\$ 13,017</u>	<u>\$ 64,197</u>	<u>\$ 3,099,452</u>
<u>At December 31, 2022</u>						
Cost	\$ 1,304,043	\$ 2,318,426	\$ 1,426,939	\$ 646,396	\$ 366,071	\$ 6,061,875
Accumulated depreciation and impairment	-	(869,391)	(1,157,779)	(633,379)	(301,874)	(2,962,423)
	<u>\$ 1,304,043</u>	<u>\$ 1,449,035</u>	<u>\$ 269,160</u>	<u>\$ 13,017</u>	<u>\$ 64,197</u>	<u>\$ 3,099,452</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, 2023</u>	<u>December 31, 2022</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 62,195	\$ 65,552
Buildings	54,875	19,155
	<u>\$ 117,070</u>	<u>\$ 84,707</u>
	<u>For the year ended</u>	<u>For the year ended</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 2,167	\$ 2,178
Buildings	177,766	12,805
Transportation equipment	-	1,401
Office equipment	-	76
	<u>\$ 179,933</u>	<u>\$ 16,460</u>

C. For the years ended December 31, 2023 and 2022, the additions to right-of-use assets were \$53,553 and \$15,252, respectively.

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

	<u>For the year ended</u>	<u>For the year ended</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 2,284	\$ 572
Expense on short-term lease contracts	3,382	1,814
Expense on leases of low-value assets	196	207

E. For the years ended December 31, 2023 and 2022, the Group's total cash outflow for leases were \$22,720 and \$16,900, 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, 2023</u>			
Cost	\$ 15,257	\$ 63,867	\$ 79,124
Accumulated depreciation and impairment	-	(7,712)	(7,712)
	<u>\$ 15,257</u>	<u>\$ 56,155</u>	<u>\$ 71,412</u>
<u>2023</u>			
Opening net book amount	\$ 15,257	\$ 56,155	\$ 71,412
Depreciation	-	(2,373)	(2,373)
Closing net book amount	<u>\$ 15,257</u>	<u>\$ 53,782</u>	<u>\$ 69,039</u>
<u>At December 31, 2023</u>			
Cost	\$ 15,257	\$ 63,867	\$ 79,124
Accumulated depreciation and impairment	-	(10,085)	(10,085)
	<u>\$ 15,257</u>	<u>\$ 53,782</u>	<u>\$ 69,039</u>
	Land	Buildings and structures	Total
<u>At January 1, 2022</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>
<u>2022</u>			
Opening net book amount	\$ 15,257	\$ 58,528	\$ 73,785
Depreciation	-	(2,373)	(2,373)
Closing net book amount	<u>\$ 15,257</u>	<u>\$ 56,155</u>	<u>\$ 71,412</u>
<u>At December 31, 2022</u>			
Cost	\$ 15,257	\$ 63,867	\$ 79,124
Accumulated depreciation and impairment	-	(7,712)	(7,712)
	<u>\$ 15,257</u>	<u>\$ 56,155</u>	<u>\$ 71,412</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, 2023	For the year ended December 31, 2022
Rental income from the lease of the investment property	\$ 3,191	\$ 3,082
Direct operating expenses arising from the investment property that generated rental income during the year	\$ 2,373	\$ 2,373

B. The fair value of the investment property held by the Group as at December 31, 2023 and 2022 was \$117,595 and \$117,598, respectively, which was based on the valuations of the market prices of property sold in similar districts and was classified as Level 3 fair value.

(12) Intangible assets

	Software	Goodwill	Others	Total
<u>At January 1, 2023</u>				
Cost	\$ 91,044	\$ 115,084	\$ 37,600	\$ 243,728
Accumulated amortisation and impairment	(83,976)	(115,084)	(37,600)	(236,660)
	<u>\$ 7,068</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,068</u>
<u>2023</u>				
Opening net book amount	\$ 7,068	\$ -	\$ -	\$ 7,068
Additions — acquired separately	7,130	-	-	7,130
Amortisation charge	(6,913)	-	-	(6,913)
Closing net book amount	<u>\$ 7,285</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,285</u>
<u>At December 31, 2023</u>				
Cost	\$ 98,174	\$ -	\$ -	\$ 98,174
Accumulated amortisation and impairment	(90,889)	-	-	(90,889)
	<u>\$ 7,285</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,285</u>

	Software	Goodwill	Others	Total
<u>At January 1, 2022</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>
<u>2022</u>				
Opening net book amount	\$ 10,169	\$ -	\$ -	\$ 10,169
Additions — acquired separately	5,273	-	-	5,273
Amortisation charge	(8,374)	-	-	(8,374)
Closing net book amount	<u>\$ 7,068</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,068</u>
<u>At December 31, 2022</u>				
Cost	\$ 91,044	\$ 115,084	\$ 37,600	\$ 243,728
Accumulated amortisation and impairment	(83,976)	(115,084)	(37,600)	(236,660)
	<u>\$ 7,068</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,068</u>

(13) Short-term borrowings

Type of borrowings	December 31, 2023	Interest rate range	Collateral
Secured bank borrowings	\$ 24,008	3.45%~4.85%	Note 8
Unsecured bank borrowings	325,000	1.85%~2.32%	-
	<u>\$ 349,008</u>		
Type of borrowings	December 31, 2022	Interest rate range	Collateral
Secured bank borrowings	\$ 48,866	3.65%~4.85%	Note 8
Unsecured bank borrowings	305,000	1.43%~1.98%	-
	<u>\$ 353,866</u>		

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

(14) Other payables

	December 31, 2023	December 31, 2022
Employees' salary and compensation payable	\$ 416,173	\$ 416,262
Labour payable	113,443	104,620
Accrued employees' compensation and directors' and supervisors' remuneration	29,817	13,766
Tax payable	26,490	17,090
Other payables	145,233	147,767
	<u>\$ 731,156</u>	<u>\$ 699,505</u>

(15) 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, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligations	\$ 33,235	\$ 40,531
Fair value of plan assets	(22,487)	(24,757)
Net defined benefit liability		
(shown as other non-current liabilities)	<u>\$ 10,748</u>	<u>\$ 15,774</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<u>Year ended December 31, 2023</u>			
Balance at January 1	\$ 40,531	(\$ 24,757)	\$ 15,774
Interest expense (income)	<u>587</u>	<u>(353)</u>	<u>234</u>
	<u>41,118</u>	<u>(25,110)</u>	<u>16,008</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(160)	(160)
Change in demographic assumptions	224	-	224
Change in financial assumptions	489	-	489
Experience adjustments	<u>439</u>	<u>-</u>	<u>439</u>
	<u>1,152</u>	<u>(160)</u>	<u>992</u>
Pension fund contribution	-	(6,252)	(6,252)
Paid pension	<u>(9,035)</u>	<u>9,035</u>	<u>-</u>
Balance at December 31	<u>\$ 33,235</u>	<u>(\$ 22,487)</u>	<u>\$ 10,748</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2022</u>			
Balance at January 1	\$ 85,868	(\$ 58,205)	\$ 27,663
Interest expense (income)	658	(446)	212
	<u>86,526</u>	<u>(58,651)</u>	<u>27,875</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(4,382)	(4,382)
Change in demographic assumptions	253	-	253
Change in financial assumptions	(4,375)	-	(4,375)
Experience adjustments	(625)	-	(625)
	<u>(4,747)</u>	<u>(4,382)</u>	<u>(9,129)</u>
Pension fund contribution	-	(2,972)	(2,972)
Paid pension	(41,248)	41,248	-
Balance at December 31	<u>\$ 40,531</u>	<u>(\$ 24,757)</u>	<u>\$ 15,774</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, 2023 and 2022 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, 2023	For the year ended December 31, 2022
Discount rate	<u>1.30%~1.37%</u>	<u>1.40%~1.48%</u>
Future salary increases	<u>1.75%~2.00%</u>	<u>1.75%~2.00%</u>
Expected return on project assets	<u>1.30%~1.37%</u>	<u>1.40%~1.48%</u>

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, 2023</u>				
Effect on present value of defined benefit obligation	(\$ 1,073)	\$ 1,219	\$ 1,214	(\$ 1,081)
<u>December 31, 2022</u>				
Effect on present value of defined benefit obligation	(\$ 1,746)	\$ 1,942	\$ 1,931	(\$ 1,756)

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, 2024 amount to \$5,177.

(g) As of December 31, 2023, the weighted average duration of that retirement plan is 18 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	10,794
1-2 year(s)		2,805
2-5 years		12,582
Over 5 years		9,813
	\$	<u>35,994</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, 2023 and 2022 were \$36,942 and \$36,076, respectively.

(16) Share-based payment

A. For the years ended December 31, 2023 and 2022, 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	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	Vesting conditions	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	After 1 year of service	\$ 14.55	\$ -	33.22%	-	0.1134%	\$ 11.64
Restricted stocks to employees	After 2 years of service	14.55	-	32.52%	-	0.1720%	11.64
Restricted stocks to employees	After 3 years of service	14.55	-	32.58%	-	0.2079%	11.64

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

	Year ended December 31, 2023	Year ended December 31, 2022
Equity-settled	\$ 11,179	\$ 29,105

D. For the year ended December 31, 2022, the Company received a total of 175 thousand shares which were returned since the employees resigned during the vesting period. As of December 31, 2022, the number and amount of restricted stocks to employees that have not been retired were 36 thousand shares and \$360, respectively, which were recognised as treasury shares ; For the year ended December 31, 2023, the Company received a total of 12 thousand shares which were returned since the employees resigned during the vesting period. For the year ended December 31, 2023, the number and amount of restricted stocks to employees that have been retired were 48 thousand shares and \$480, respectively. As of December 31, 2023, the retirement of employee restricted stocks returned had been completed.

(17) Provisions

<u>Warranty</u>	<u>2023</u>	<u>2022</u>
At January 1	\$ 45,756	\$ 55,000
Additional provisions	36,383	-
Used during the year	(36,383)	(854)
Unused amounts reversed	-	(8,390)
At December 31	<u>\$ 45,756</u>	<u>\$ 45,756</u>

(18) Share capital

A. As of December 31, 2023, the Company's authorised capital was \$8,000,000, consisting of 800 million shares of ordinary stock, and the paid-in capital was \$2,875,343 with a par value of \$10 (in dollars) per share.

Movements in the number of the Company's ordinary shares (shares in thousands) outstanding are as follows:

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
At January 1	287,582	287,721
Employee restricted shares	(48)	(139)
Balance at December 31	<u>287,534</u>	<u>287,582</u>

B. On June 17, 2020, the 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.

(19) Capital surplus

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

	Share premium	Treasury share transactions	Employee stock options	Employee restricted shares
At January 1, 2023	\$ 1,108,896	\$ 132,432	\$ 97,738	\$ 4,068
Employee restricted shares	2,526	-	-	(2,903)
At December 31, 2023	<u>\$ 1,111,422</u>	<u>\$ 132,432</u>	<u>\$ 97,738</u>	<u>\$ 1,165</u>

	Share premium	Treasury share transactions	Employee stock options	Employee restricted shares
At January 1, 2022	\$ 1,105,860	\$ 132,432	\$ 97,738	\$ 3,818
Employee restricted shares	3,036	-	-	250
At December 31, 2022	<u>\$ 1,108,896</u>	<u>\$ 132,432</u>	<u>\$ 97,738</u>	<u>\$ 4,068</u>

(20) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses. Then, 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the total capital stock balance and the Company shall appropriate or reverse special reserve when necessary. The appropriation of the remainder along with beginning unappropriated earnings is the accumulated distributable earnings for shareholders. When distributing by issuing new shares, the distribution shall be proposed by the Board of Directors and resolved by the shareholders.
- 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. On June 21, 2022, the shareholders resolved the distribution of dividends from 2021 earnings in the amount of \$287,582. On June 28, 2023, the shareholders resolved the distribution of dividends from 2022 earnings in the amount of \$129,396 at \$0.45 (in dollars) per share.
- F. For the information relating to employees' compensation and directors' and supervisors' remuneration, refer to Note 6(27).
- G. For the year ended December 31, 2022, the Group disposed equity instruments at fair value through other comprehensive income, thus adjusting retained earnings amounting to \$261,773. Relevant information is provided in Note 6(3).

(21) Other equity items

	2023			
	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	(\$ 205,108)	(\$ 350,956)	(\$ 14,778)	(\$ 570,842)
Currency translation differences:				
-Group	(36,479)	-	-	(36,479)
Revaluation	-	90,776	-	90,776
Employee restricted shares:				
-Compensation cost	-	-	11,179	11,179
-Adjustments to changes in vested number of restricted stock	-	-	118	118
At December 31	<u>(\$ 241,587)</u>	<u>(\$ 260,180)</u>	<u>(\$ 3,481)</u>	<u>(\$ 505,248)</u>

2022

	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	(\$ 343,862)	(\$ 511,717)	(\$ 43,110)	(\$ 898,689)
Currency translation differences:				
-Group	138,754	-	-	138,754
Revaluation	- (	101,012)	- (	101,012)
Revaluation transferred to retained earnings	-	261,773	-	261,773
Employee restricted shares:				
-Compensation cost	-	-	29,105	29,105
-Adjustments to changes in vested number of restricted stock	-	- (	773)	(773)
At December 31	(\$ 205,108)	(\$ 350,956)	(\$ 14,778)	(\$ 570,842)

(22) Operating revenue

	For the years ended December 31,	
	2023	2022
Sales revenue	\$ 4,578,091	\$ 4,987,602
Service revenue	355,064	298,355
	<u>\$ 4,933,155</u>	<u>\$ 5,285,957</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:

	Optical manufacturing segment	Strategic investing segment	Total
2023			
Total segment revenue	\$ 7,034,637	\$ 1,183,440	\$ 8,218,077
Inter-segment revenue	(2,840,482)	(444,440)	(3,284,922)
Revenue from external customer contracts	<u>\$ 4,194,155</u>	<u>\$ 739,000</u>	<u>\$ 4,933,155</u>
Timing of revenue			
At a point in time	\$ 3,839,091	\$ 739,000	\$ 4,578,091
Over time	<u>355,064</u>	<u>-</u>	<u>355,064</u>
	<u>\$ 4,194,155</u>	<u>\$ 739,000</u>	<u>\$ 4,933,155</u>

2022	Optical manufacturing segment	Strategic investing segment	Total
Total segment revenue	\$ 6,476,153	\$ 2,165,082	\$ 8,641,235
Inter-segment revenue	(2,454,436)	(900,842)	(3,355,278)
Revenue from external customer contracts	<u>\$ 4,021,717</u>	<u>\$ 1,264,240</u>	<u>\$ 5,285,957</u>
Timing of revenue			
At a point in time	\$ 3,723,362	\$ 1,264,240	\$ 4,987,602
Over time	<u>298,355</u>	<u>-</u>	<u>298,355</u>
	<u>\$ 4,021,717</u>	<u>\$ 1,264,240</u>	<u>\$ 5,285,957</u>

B. Contract liabilities

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

	December 31, 2023	December 31, 2022	January 1, 2022
Contract liabilities - advance sales receipts (shown as Other current liabilities)	<u>\$ 237,219</u>	<u>\$ 217,004</u>	<u>\$ 201,891</u>

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

	2023	2022
Advance sales receipts	<u>\$ 131,312</u>	<u>\$ 148,748</u>

(23) Interest income

	For the years ended December 31,	
	2023	2022
Interest income from bank deposits	<u>\$ 98,764</u>	<u>\$ 24,110</u>

(24) Other income

	For the years ended December 31,	
	2023	2022
Rent income	\$ 44,825	\$ 25,533
Dividend income	<u>20,811</u>	<u>14,332</u>
	<u>\$ 65,636</u>	<u>\$ 39,865</u>

(25) Other gains and losses

	For the years ended December 31,	
	2023	2022
Losses on disposal of property, plant and equipment	(\$ 6,417)	(\$ 12,664)
Net currency exchange gain	7,419	121,637
Depreciation on investment property	(2,373)	(2,373)
Gains on disposals of investments	270	20,840
Other gains and losses	15,985	33,229
	<u>\$ 14,884</u>	<u>\$ 160,669</u>

(26) Finance costs

	For the years ended December 31,	
	2023	2022
Bank borrowings	\$ 7,202	\$ 4,952
Lease transactions	2,284	572
	<u>\$ 9,486</u>	<u>\$ 5,524</u>

(27) Employee benefit, depreciation and amortisation expenses

	For the years ended December 31,	
	2023	2022
Employee benefit expenses		
Wages and salaries	\$ 1,371,165	\$ 1,317,539
Labor and health insurance fees	89,300	72,406
Pension costs	37,176	36,288
Other personnel expenses	70,761	63,014
Depreciation (Note)	207,334	203,572
Amortisation	6,913	8,374

Note: For the years ended December 31, 2023 and 2022, depreciation on investment property amounted to \$2,373 and \$2,373, respectively, which was shown as other gains and losses.

- A. According to the Articles of Incorporation of the Company, when distributing earnings, the Company shall distribute bonus to the employees and pay remuneration. The ratio shall not be lower than 8% and shall not be higher than 15% for employees' compensation and shall not be higher than 1.5% for directors' and supervisors' remuneration.
- B. For the years ended December 31, 2023 and 2022, employees' compensation was accrued at \$25,109 and \$11,592, respectively; while directors' and supervisors' remuneration was accrued to \$4,708 and \$2,174, respectively. 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.

Employees' compensation and directors' and supervisors' remuneration for 2022 amounting to \$11,592 and \$2,174, respectively, as resolved at the shareholders' meeting were in agreement with those amounts recognised in the 2022 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.

(28) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the years ended December 31,	
	2023	2022
Current tax on profits for the year	\$ 49,363	\$ 34,042
Tax on undistributed surplus earnings	-	6,448
Prior year income tax underestimation	9,321	-
Origination and reversal of temporary differences	(11)	(8,701)
Income tax paid in and for income derived from Mainland China	773	912
Income tax expense	<u>\$ 59,446</u>	<u>\$ 32,701</u>

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

	For the years ended December 31,	
	2023	2022
Remeasurement of defined benefit obligations	(\$ 189)	\$ 1,826

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2023	2022
Tax calculated based on profit before tax and statutory tax rate	\$ 29,713	\$ 32,346
Tax effect of permanent differences	6,356	(1,162)
Prior year income tax underestimation	9,321	-
Change in assessment of realisation of deferred tax assets	13,283	(5,843)
Income tax paid in and for income derived from Mainland China	773	912
Tax on undistributed earnings	-	6,448
Income tax expense	<u>\$ 59,446</u>	<u>\$ 32,701</u>

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

For the year ended December 31, 2023				
		Recognised in		
	January 1	profit or loss	other comprehensive income	December 31
Deferred tax assets:				
Fees for after sales service	\$ 9,151	\$ -	\$ -	\$ 9,151
Adjustment of bad debts				
for tax purposes	4,978	(3,926)	-	1,052
Employee benefits	8,640	-	198	8,838
Taxable loss	40,000	-	-	40,000
Royalties	10,035	(1,028)	-	9,007
Others	33,783	4,965	-	38,748
	<u>\$ 106,587</u>	<u>\$ 11</u>	<u>\$ 198</u>	<u>\$ 106,796</u>
For the year ended December 31, 2022				
		Recognised in		
	January 1	profit or loss	other comprehensive income	December 31
Deferred tax assets:				
Fees for after sales service	\$ 11,000	(\$ 1,849)	\$ -	\$ 9,151
Adjustment of bad debts				
for tax purposes	1,838	3,140	-	4,978
Employee benefits	10,466	-	(1,826)	8,640
Taxable loss	56,394	(16,394)	-	40,000
Royalties	12,739	(2,704)	-	10,035
Others	7,275	26,508	-	33,783
	<u>\$ 99,712</u>	<u>\$ 8,701</u>	<u>(\$ 1,826)</u>	<u>\$ 106,587</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, 2023				
Year incurred	Amount filed/assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2021	<u>\$ 668,971</u>	<u>\$ 285,097</u>	<u>\$ 85,097</u>	2031
December 31, 2022				
Year incurred	Amount filed/assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2021	<u>\$ 668,971</u>	<u>\$ 329,036</u>	<u>\$ 129,036</u>	2031

- (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, 2023 and 2022, the unused loss carryforward amounted to \$473,577 and \$493,944, respectively.
- E. The amounts of deductible temporary differences that were not recognised as deferred tax assets are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Deductible temporary differences	<u>\$ 1,141,166</u>	<u>\$ 1,109,365</u>

- F. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2023 and 2022, the amounts of temporary differences unrecognised as deferred tax liabilities were \$175,261 and \$153,090, respectively.
- G. The Company's income tax returns through 2021 have been assessed and approved by the Tax Authority.

(29) Earnings per share

	<u>For the year ended December 31, 2023</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 274,625</u>	285,070	<u>\$ 0.96</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employee compensation		951	
Employee restricted shares		<u>717</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 274,625</u>	<u>286,738</u>	<u>\$ 0.96</u>

	For the year ended December 31, 2022		
	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	\$ 135,363	283,143	\$ 0.48
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employee compensation		571	
Employee restricted shares		1,607	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 135,363	285,321	\$ 0.47

(30) Changes in liabilities from financing activities

	2023				
	Short-term borrowings	Payments of lease liabilities	Other non- current liabilities	Non- controlling interest	Liabilities from financing activities-gross
At January 1	\$ 353,866	\$ 19,432	\$ 53,771	\$ 355,983	\$ 783,052
Changes in cash flow from financing activities	(4,858)	(16,858)	(139)	(3,213)	(25,068)
Changes in other non- cash items	-	53,371	(4,817)	(45,964)	2,590
At December 31	\$ 349,008	\$ 55,945	\$ 48,815	\$ 306,806	\$ 760,574
	2022				
	Short-term borrowings	Payments of lease liabilities	Other non- current liabilities	Non- controlling interest	Liabilities from financing activities-gross
At January 1	\$ 266,979	\$ 18,598	\$ 56,854	\$ 301,590	\$ 644,021
Changes in cash flow from financing activities	86,887	(14,307)	3,868	20,000	96,448
Changes in other non- cash items	-	15,141	(6,951)	34,393	42,583
At December 31	\$ 353,866	\$ 19,432	\$ 53,771	\$ 355,983	\$ 783,052

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)	Other related party
AVY Co., Ltd. (AVY)	Other related party
Shine Trade International Ltd. (Shine Trade)	Other related party
Taishiba International Ltd. (Taishiba)	Other related party
Dongguan Gheng Guang Hardward Products Co., Ltd. (Dongguan Gheng Guang)	Other related party
Dongguan Yaxin Precision Plastics Co., Ltd. (Dongguan Yaxin)	Other related party
Ability Int'l Tenancy Co., Ltd. (Ability Int'l)	Other related party
Quan Neng Investment Co., Ltd. (Quan Neng)	Other related party

(2) Significant related party transactions

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

A. Operating revenue:

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Sales of goods:		
-Associates	\$ 80,593	\$ 77,305
-Other related parties	124	7,132
	<u>\$ 80,717</u>	<u>\$ 84,437</u>

Goods and services are sold to associates and other related parties on normal commercial terms and conditions.

B. Purchases:

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Purchases of goods:		
-Associates	\$ 3,380	\$ 3,286
-Other related parties	20,226	20,612
	<u>\$ 23,606</u>	<u>\$ 23,898</u>

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

C. Receivables from related parties:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivable:		
-Associates	\$ 8,295	\$ 20,366
-Other related parties	128	7,335
	<u>\$ 8,423</u>	<u>\$ 27,701</u>

The receivables from related parties arise mainly from sales transactions and the credit term is based on normal commercial terms and conditions. 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, 2023</u>	<u>December 31, 2022</u>
Accounts payable		
-Associates	\$ 1,757	\$ 37
-Other related parties	10,071	7,836
	<u>\$ 11,828</u>	<u>\$ 7,873</u>

The payables to associates and other related parties arise mainly from purchase transactions and payment term is based on normal commercial terms and conditions.

(3) Key management compensation

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Salaries and other short-term employee benefits	\$ 22,686	\$ 20,689
Post-employment benefits	639	534
Share-based payments	832	2,162
	<u>\$ 24,157</u>	<u>\$ 23,385</u>

8. PLEDGED ASSETS

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

	<u>Book value</u>		
<u>Pledged asset</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>Purpose</u>
Buildings and structures	\$ 18,393	\$ 19,811	Bank borrowings
Right-of-use assets, land	2,349	2,532	Bank borrowings
	<u>\$ 20,742</u>	<u>\$ 22,343</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. As of December 31, 2023, for the purchase of right-of-use assets and property, plant and equipment, the Group contracted for at the balance sheet date but not yet paid the amount of approximately \$133,519.

B. In December 2023, the Group signed a share purchase agreement with AMPACS CORPORATION. Upon completion of the agreement, the Group will acquire 100% shares of ABILITY TECHNOLOGIES CO., LTD.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

A. On March 8, 2024, the Board of Directors of the Group resolved to increase capital in its subsidiary, ABILITY INTERNATIONAL INVESTMENT CO., LTD., and invest \$220 million (in dollars) to JIA WANG CAPITAL CO., LTD. with an estimated shareholding ratio of 36.37%.

B. On March 8, 2024, the Board of Directors of the Group resolved to issue 3.8 million employee restricted shares, with a par value of \$10 (in dollars) per share. The issuance is free with \$0 (in dollars) per share.

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, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Financial assets at amortised cost	\$ 3,796,409	\$ 3,698,485
Guarantee deposits paid	12,107	12,937
	<u>\$ 3,808,516</u>	<u>\$ 3,711,422</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost	\$ 1,893,880	\$ 1,840,041
Guarantee deposits received	8,244	8,384
	<u>\$ 1,902,124</u>	<u>\$ 1,848,425</u>
Lease liability	<u>\$ 55,945</u>	<u>\$ 19,432</u>

Financial assets at amortised cost included cash and cash equivalents, current financial assets at amortised cost, accounts receivable and guarantee deposits paid. 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 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. 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, 2023					
	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	\$ 92,713	30.705	\$ 2,846,753	1%	\$ 28,468
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	\$ 11,792	30.705	\$ 362,073	1%	\$ 3,621
USD:RMB	7,233	7.096	222,087	1%	2,221
December 31, 2022					
	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	\$ 91,936	30.71	\$ 2,823,355	1%	\$ 28,234
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	\$ 14,929	30.71	\$ 458,470	1%	\$ 4,585
USD:RMB	6,993	6.9647	214,769	1%	2,148

- vi. Total exchange gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2023 and 2022 amounted to \$7,419 and \$121,637, 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, 2023 and 2022 would have increased/decreased by \$1,617 and \$1,618, 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 \$75,377 and \$59,703, 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 before tax for the years ended December 31, 2023 and 2022, would have decreased/increased by \$3,490 and \$3,539, 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 assumptions that if the contract payments were past due over 30 days based on the terms, whether there has been a significant increase in credit risk on that instrument since initial recognition.
 - iv. Based on the Group's past experience, the default occurs when the contract payments are past due over 180 days.

- v. 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.
- 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.

	Not past due	Up to 90 days past due	91~180 days past due	Over 180 days past due	Total
<u>December 31, 2023</u>					
Expected loss rate	0.38%	0.24%	0.00%	100.00%	
Total book value	\$ 339,091	\$ 7,452	\$ -	\$ 32	\$ 346,575
Loss allowance	\$ 1,296	\$ 18	\$ -	\$ 32	\$ 1,346
<u>December 31, 2022</u>					
Expected loss rate	0.40%	5.20%	100.00%	100.00%	
Total book value	\$ 468,331	\$ 4,752	\$ 2,224	\$ 16,484	\$ 491,791
Loss allowance	\$ 1,877	\$ 247	\$ 2,224	\$ 16,484	\$ 20,832

In addition, on December 31, 2023 and 2022, accounts receivable were \$275,162 and \$323,581, and loss allowance for accounts receivable recognised through individual assessment was \$2,725 and \$1,813, respectively.

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	<u>Accounts receivable</u>	
At January 1	\$ 22,645	\$ 8,108
Impairment loss	-	14,536
Reversal of impairment loss	(18,569)	-
Exchange rate effects	(5)	1
At December 31	<u>\$ 4,071</u>	<u>\$ 22,645</u>

- ix. 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, 2023 and 2022, the Group has the following undrawn borrowing facilities:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Fixed rate:</u>		
Expiring within one year	<u>\$ 3,357,438</u>	<u>\$ 3,088,336</u>

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

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

<u>Non-derivative financial liabilities:</u>	<u>December 31, 2023</u>	
	<u>Less than 1 year</u>	<u>Over 1 year</u>
Lease liability	<u>\$ 20,556</u>	<u>\$ 40,148</u>

<u>Non-derivative financial liabilities:</u>	<u>December 31, 2022</u>	
	<u>Less than 1 year</u>	<u>Over 1 year</u>
Lease liability	<u>\$ 8,619</u>	<u>\$ 13,031</u>

(3) Fair value information

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

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

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

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(11).

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

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

<u>December 31, 2023</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	\$ 16,168	\$ -	\$ -	\$ 16,168
Financial assets at fair value through other comprehensive income				
Equity securities	<u>463,461</u>	<u>-</u>	<u>290,307</u>	<u>753,768</u>
	<u>\$ 479,629</u>	<u>\$ -</u>	<u>\$ 290,307</u>	<u>\$ 769,936</u>
<u>December 31, 2022</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	\$ 16,175	\$ -	\$ -	\$ 16,175
Financial assets at fair value through other comprehensive income				
Equity securities	<u>352,190</u>	<u>-</u>	<u>244,840</u>	<u>597,030</u>
	<u>\$ 368,365</u>	<u>\$ -</u>	<u>\$ 244,840</u>	<u>\$ 613,205</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, 2023 and 2022, 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, 2023 and 2022:

	2023	2022
At January 1	\$ 244,840	\$ 327,446
Recorded as unrealised gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income	30,172 (	72,741)
Acquired during the year	30,309	19,750
Sold during the period	(15,000)	-
Capital reduction during the year	- (	37,912)
Effect of exchange rate changes	(14)	8,297
At December 31	<u>\$ 290,307</u>	<u>\$ 244,840</u>

J. For the years ended December 31, 2023 and 2022, there was no transfer into or out from Level 3.

K. Finance and accounting segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

L. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2023	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instruments:					
Unlisted shares	\$ 244,134	Net asset value	Not applicable	-	Not applicable
Unlisted shares	46,173	Market price method	Discount for lack of marketability	-	The higher the discount for lack of marketability, the lower the fair value

	<u>Fair value at December 31, 2022</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	\$ 206,515	Net asset value	Not applicable	-	Not applicable
Unlisted shares	38,325	Market price method	Discount for lack of marketability	-	The higher the discount for lack of marketability, the lower 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:

		<u>December 31, 2023</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%	\$ -	\$ -	\$ 2,441	(\$ 2,441)	
Equity instrument	Market price method	±1%	\$ -	\$ -	\$ 462	(\$ 462)	

		<u>December 31, 2022</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%	\$ -	\$ -	\$ 2,065	(\$ 2,065)	
Equity instrument	Market price method	±1%	\$ -	\$ -	\$ 383	(\$ 383)	

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

Disclosures of investees that are based on investees' audited financial statements on December 31, 2023 and inter-company transactions between companies were eliminated. The following disclosures are for reference only.

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: Refer to table 1.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Refer to table 2.

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

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

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

G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Refer to table 3.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Refer to table 4.

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

J. Significant inter-company transactions during the reporting periods: Refer to table 5.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Refer to table 6.

(3) Information on investments in Mainland China

A. Basic information: Refer to table 7.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Refer to table 8.

(4) Major shareholders information:

Major shareholders information: Refer to table 9.

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.

(3) Information about segment profit or loss, assets and liabilities

	2023			
	Optical manufacturing segment	Strategic investing segment	Reconciliations and offsets	Total
<u>Revenue</u>				
Revenue from external customers	\$ 4,194,155	\$ 739,000	\$ -	\$ 4,933,155
Revenue from internal customers	2,840,482	444,440	(3,284,922)	-
Total segment revenue	<u>\$ 7,034,637</u>	<u>\$ 1,183,440</u>	<u>(\$ 3,284,922)</u>	<u>\$ 4,933,155</u>
Inter-segment profit (loss)	<u>\$ 215,520</u>	<u>(\$ 94,966)</u>	<u>\$ 1,743</u>	<u>\$ 122,297</u>
Segment income (loss):				
Depreciation and amortisation	<u>\$ 121,862</u>	<u>\$ 94,758</u>	<u>\$ -</u>	<u>\$ 216,620</u>
<u>Segment assets</u>				
Identifiable assets	<u>\$ 7,138,050</u>	<u>\$ 991,794</u>	<u>\$ -</u>	<u>\$ 8,129,844</u>
Financial assets at fair value through other comprehensive income				753,768
Investment accounted for under the equity method				72,138
General assets				106,796
Total assets				<u>\$ 9,062,546</u>
Capital expenditures	<u>\$ 163,323</u>	<u>\$ 63,521</u>	<u>\$ -</u>	<u>\$ 226,844</u>

	2022			
	Optical manufacturing segment	Strategic investing segment	Reconciliations and offsets	Total
<u>Revenue</u>				
Revenue from external customers	\$ 4,021,717	\$ 1,264,240	\$ -	\$ 5,285,957
Revenue from internal customers	2,454,436	900,842	(3,355,278)	-
Total segment revenue	<u>\$ 6,476,153</u>	<u>\$ 2,165,082</u>	<u>(\$ 3,355,278)</u>	<u>\$ 5,285,957</u>
Inter-segment profit (loss)	<u>(\$ 77,060)</u>	<u>\$ 49,522</u>	<u>\$ 4,159</u>	<u>(\$ 23,379)</u>
Segment income (loss):				
Depreciation and amortisation	<u>\$ 132,181</u>	<u>\$ 82,138</u>	<u>\$ -</u>	<u>\$ 214,319</u>
<u>Segment assets</u>				
Identifiable assets	<u>\$ 6,844,920</u>	<u>\$ 1,178,042</u>	<u>\$ -</u>	<u>\$ 8,022,962</u>
Financial assets at fair value through other comprehensive income				597,030
Investment accounted for under the equity method				67,772
General assets				106,587
Total assets				<u>\$ 8,794,351</u>
Capital expenditures	<u>\$ 29,983</u>	<u>\$ 33,764</u>	<u>\$ -</u>	<u>\$ 63,747</u>

(4) Reconciliation for segment income (loss)

A reconciliation of adjusted consolidated net profit before tax and the reportable operating segments' net profit for 2023 and 2022 is provided as follows:

	For the years ended December 31,	
	2023	2022
Reportable segments profit and loss	\$ 122,297	(\$ 23,379)
Share of profit of associates and joint ventures accounted for using the equity method	9,940	10,135
Finance costs - net	(9,486)	(5,524)
Others	179,284	224,644
Profit before tax and continued operations	<u>\$ 302,035</u>	<u>\$ 205,876</u>

(5) Information on product and service

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

(6) Geographical information

Geographical information for the years ended December 31, 2023 and 2022 is as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2023	For the year ended December 31, 2022	For the year ended December 31, 2022
	Revenue	Non-current assets	Revenue	Non-current assets
Japan	\$ 2,918,140	\$ -	\$ 2,670,983	\$ -
China	985,119	944,725	1,685,402	846,143
Taiwan	194,590	2,448,477	103,369	2,483,195
Others	835,306	50,925	826,203	10,545
	<u>\$ 4,933,155</u>	<u>\$ 3,444,127</u>	<u>\$ 5,285,957</u>	<u>\$ 3,339,883</u>

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2023 and 2022 is as follows:

For the years ended December 31,				
2023			2022	
	Revenue	Segment	Revenue	Segment
AA Company	\$ 2,008,341	Optical segment	\$ 1,403,793	Optical segment
KK Company	606,030	Optical segment	648,504	Optical segment
LL Company	565,476	Optical segment	360,656	Optical segment

Ability Enterprise Co., Ltd. and subsidiaries
Provision of endorsements and guarantees to others
For the year ended December 31, 2023

Table 1

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, 2023 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2023 (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)											
1	E-PIN OPTICAL INDUSTRY CO., LTD.	ZHONGSHAN SHANXIN ACCURATE INDUSTRY CO., LTD.	2	\$ 88,935	\$ 22,360	\$ 21,635	\$ 5,229	\$ -	12.16	\$ 88,935	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, 2023. The spot exchange rates at December 31, 2023 were USD/NTD 30.705 and RMB/TWD 4.327.

- 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, 2023

Table 2

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, 2023				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
ABILITY ENTERPRISE CO., LTD.	STOCKS OF ABICO AVY CO., LTD.	The investee is the corporate director of the Company	Note 5	17,264,223	\$ 416,068	10.22	\$ 416,068	-
ABILITY ENTERPRISE CO., LTD.	STOCKS OF ABILITY I VENTURE CAPITAL CORPORATION	The Company is the corporate supervisor of the investee	Note 5	3,031,757	22,528	10.70	22,528	-
ABILITY ENTERPRISE CO., LTD.	STOCKS OF ABICO ASIA CAPITAL CORPORATION	-	Note 5	8,000,000	80,324	5.189	80,324	-
ABILITY ENTERPRISE CO., LTD.	ABICO ASIA EXCELSIOR PARTNERS L.P.	-	Note 5	-	79,023	5.92	79,023	-
ABILITY ENTERPRISE CO., LTD.	STOCKS OF IH BIOMEDICAL VENTURE FUND I CO., LTD.	-	Note 5	3,000,000	58,221	4.848	58,221	-
ABILITY ENTERPRISE CO., LTD.	JET OPTOELECTRONICS CO., LTD.	-	Note 5	588,352	31,218	0.98	31,218	-
ABILITY ENTERPRISE CO., LTD.	STOCKS OF AEVISO DEPRO SOLUTION CO.,LTD.	The Company is the corporate director of the investee	Note 5	20,000	354	2.00	354	-
ABILITY ENTERPRISE CO., LTD.	STOCKS OF VALENS SEMICONDUCTOR LTD	-	Note 5	630,000	47,393	0.611	47,393	-
ABILITY INTERNATIONAL INVESTMENT CO., LTD.	CTBC HWA-WIN MONEY MARKET FUND	-	Note 6	1,428,919.9	16,169	-	16,169	-
ABILITY ENTERPRISE (BVI) CO., LTD.	REVL INC.	-	Note 5	367,726	-	-	-	-
ABILITY ENTERPRISE (BVI) CO., LTD.	ATTONICS SYSTEMS PTE. LTD.	-	Note 5	11,678	3,685	13.21	3,685	-
E-PIN OPTICAL INDUSTRY CO., LTD.	Oomii Inc.	-	Note 5	636,044	14,955	1.45	14,955	-

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 profit or loss

Ability Enterprise Co., Ltd. and subsidiaries

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

For the year ended December 31, 2023

Table 3

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	\$ 1,863,371	68.75	Based on mutual agreement	-	-	(\$ 563,534)	(65.67)	-
ABILITY TECHNOLOGY (DONGGUAN) CO., LTD.	ABILITY ENTERPRISE CO., LTD.	Affiliated company	(Sales)	(1,863,371)	71.07	Based on mutual agreement	-	-	563,534	73.22	-
ABILITY ENTERPRISE CO., LTD.	ABILITY TECHNOLOGIES CO., LTD.	Affiliated company	Purchases	313,760	11.58	Based on mutual agreement	-	-	(37,453)	(4.36)	-
ABILITY TECHNOLOGIES CO., LTD.	ABILITY ENTERPRISE CO., LTD.	Affiliated company	(Sales)	(313,760)	100.00	Based on mutual agreement	-	-	37,453	100.00	-
ABILITY TECHNOLOGIES CO., LTD.	ABILITY TECHNOLOGY COMPANY LIMITED	Affiliated company	Purchases	309,807	95.01	Based on mutual agreement	-	-	(37,453)	(100.00)	-
ABILITY TECHNOLOGY COMPANY LIMITED	ABILITY TECHNOLOGIES CO., LTD.	Affiliated company	(Sales)	(309,807)	99.92	Based on mutual agreement	-	-	37,453	99.63	-
ABILITY TECHNOLOGY COMPANY LIMITED	ABILITY ENTERPRISE CO., LTD.	Affiliated company	Purchases	335,800	96.13	Based on mutual agreement	-	-	(153,895)	(93.48)	-
ABILITY ENTERPRISE CO., LTD.	ABILITY TECHNOLOGY COMPANY LIMITED	Affiliated company	(Sales)	(335,800)	8.88	Based on mutual agreement	-	-	153,895	38.06	-
E-PIN OPTICAL INDUSTRY CO., LTD.	NANJING EVERLIGHT PHOTONICS TECHNOLOGY CO., LTD.	Affiliated company	Purchases	345,994	65.92	90~120 days after monthly billings	-	-	(51,392)	69.24	-
NANJING EVERLIGHT PHOTONICS TECHNOLOGY CO., LTD.	E-PIN OPTICAL INDUSTRY CO., LTD.	Affiliated company	(Sales)	(345,994)	61.33	90~120 days after monthly billings	-	-	51,392	31.20	-

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, 2023

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2023 (Note 1)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
ABILITY TECHNOLOGY (DONGGUAN) CO., LTD.	ABILITY ENTERPRISE CO., LTD.	Affiliated company	\$ 563,534	3.47	-	-	\$ 294,347	-
ABILITY ENTERPRISE CO., LTD.	ABILITY TECHNOLOGY COMPANY LIMITED	Affiliated company	153,895	4.26	-	-	44,296	-

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.

Ability Enterprise Co., Ltd. and subsidiaries
Significant inter-company transactions during the reporting period
For the year ended December 31, 2023

Table 5

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	ABILITY TECHNOLOGY (DONGGUAN) CO., LTD.	1	Purchases	\$ 1,863,371	-	38
0	The Company	ABILITY TECHNOLOGY (DONGGUAN) CO., LTD.	1	Accounts payable	563,534	-	6
0	The Company	ABILITY TECHNOLOGY COMPANY LIMITED	1	Sales	335,800	-	7
0	The Company	ABILITY TECHNOLOGY COMPANY LIMITED	1	Accounts receivable	153,895	-	2
0	The Company	ABILITY TECHNOLOGIES CO., LTD.	1	Purchases	313,760	-	6
0	The Company	ABILITY TECHNOLOGIES CO., LTD.	1	Accounts payable	37,453	-	0
1	ABILITY TECHNOLOGIES CO., LTD.	ABILITY TECHNOLOGY COMPANY LIMITED	3	Purchases	309,807	-	6
1	ABILITY TECHNOLOGIES CO., LTD.	ABILITY TECHNOLOGY COMPANY LIMITED	3	Accounts payable	37,453	-	0
2	E-PIN OPTICAL INDUSTRY CO., LTD.	NANJING EVERLIGHT	3	Purchases	345,994	-	7
2	E-PIN OPTICAL INDUSTRY CO., LTD.	NANJING EVERLIGHT	3	Accounts payable	51,392	-	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, 2023

Table 6

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, 2023			Net profit (loss) of the investee for the year ended December 31, 2023 (Note 2(2) and 3)	Investment income (loss) recognised by the Company for the year ended December 31, 2023 (Note 2(3))	Footnote
				Balance as at December 31, 2023	Balance as at December 31, 2022	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	\$ 1,728,460	\$ 143,017	\$ 143,017	Subsidiary
ABILITY ENTERPRISE CO., LTD.	ABILITY INTERNATIONAL INVESTMENT CO., LTD.	Taiwan	Investments	13,000	13,000	1,300,000	100.00	16,477	174	174	Subsidiary
ABILITY ENTERPRISE CO., LTD.	ANDRO VIDEO INC.	Taiwan	Development of digital surveillance	-	140,000	-	-	-	76	76	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	99,171	(99,091)	(54,113)	Subsidiary
ABILITY ENTERPRISE CO., LTD.	ABILITY TECHNOLOGIES CO., LTD.	Taiwan	Manufacturing and trading of computer peripheral equipment, photography equipment and electronic components	30,000	30,000	3,000,000	60.00	19,529	(5,959)	(3,575)	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	31,127	29,961	8,988	-

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2023			Net profit (loss) of the investee for the year ended December 31, 2023 (Note 2(2) and 3)	Investment income (loss) recognised by the Company for the year ended December 31, 2023 (Note 2(3))	Footnote
				Balance as at December 31, 2023	Balance as at December 31, 2022	Number of shares	Ownership (%)	Book value			
ABILITY ENTERPRISE CO., LTD.	BESTMOMENT HOLDINGS PTE. LTD.	Singapore	Holding company	\$ 36,671	\$ 36,671	1,723,110	25.00	\$ 41,011	\$ 3,809	952	-
ABILITY TECHNOLOGIES CO., LTD.	ABILITY TECHNOLOGY COMPANY LIMITED	Vietnam	Manufacturing of computers, computer peripheral equipment, home electronics, communication equipment and optical instrument and equipment	31,313	31,313	-	100.00	16,777	(5,421)	-	Second-tier subsidiary
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	-	27.02	-	-	-	-
E-PIN OPTICAL INDUSTRY CO., LTD.	ALL VISION HOLDING LTD.	Samoa	Holding company	516,527	516,527	15,236,910	100.00	215,038	(24,449)	-	Second-tier subsidiary
E-PIN OPTICAL INDUSTRY CO., LTD.	E-PIN OPTICAL INDUSTRY(M.)SDN BHD	Malaysia	Manufacturing of precision lens	45,700	45,700	5,000,000	100.00	122	(25)	-	Second-tier subsidiary
E-PIN OPTICAL INDUSTRY CO., LTD.	ALL VISION TECHNOLOGY SDN. BHD.	Malaysia	Manufacturing of precision lens	659,334	659,334	72,243,894	100.00	9,378	(172)	-	Second-tier subsidiary
E-PIN OPTICAL INDUSTRY CO., LTD.	JIAPIN INVESTMENT CO., LTD.	Taiwan	Investing compny	66,000	66,000	6,600,000	100.00	61,465	(1,252)	-	Second-tier subsidiary
JIAPIN INVESTMENT CO., LTD.	CHIA PING LIMITED	Samoa	Holding company	37,713	37,713	1,350,000	100.00	33,815	(1,766)	-	Second-tier subsidiary
ALL VISION HOLDING LTD.	EVERLIGHT DEVELOPMENT CORPORATION	Panama	Holding company	192,006	192,006	58,494	100.00	290,349	19,076	-	Second-tier subsidiary
ALL VISION HOLDING LTD.	E-SKY HOLDING LTD.	Mauritius	Holding company	396,901	396,901	14,338,918	100.00	(72,484)	(43,525)	-	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, 2023’ 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, 2023’ 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, 2023’ 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 31.1277 for the year ended December 31, 2023.

Note 4: The liquidation of ANDROVIDEO INC. was completed on September 6, 2023. Proceeds from liquidation has been collected.

Ability Enterprise Co., Ltd. and subsidiaries
Information on investments in Mainland China
For the year ended December 31, 2023

Table 7

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, 2023	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2023		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Net income of investee for the year ended December 31, 2023	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2023 (Note 2)	Book value of investments in Mainland China as of December 31, 2023	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2023	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
ABILITY TECHNOLOGY (DONGGUAN) CO., LTD.	Sales of digital still cameras	\$ 1,799,657	2	\$ 1,546,206	-	-	\$ 1,546,206	\$ 146,303	100.00	\$ 146,303	\$ 1,707,566	-	(2)B and Note 6
NANJING EVERLIGHT PHOTONICS TECHNOLOGY CO., LTD.	Development and manufacture of optical components	332,245	2	130,881	-	-	130,881	34,398	30.28	10,416	290,346	-	(2)B and Note 7
WEIHAY E-SKY OPTICAL-ELECTRICAL CO., LTD.	Development and manufacture of precision optical lens	42,836	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	326,874	2	211,836	-	-	211,836	(43,524)	54.61	(23,768)	(72,661)	-	(2)B and Note 8
NANJING E-PIN OPTICAL CO., LTD.	Development and manufacture of precision optical lens	230,039	2	52,761	-	-	52,761	(1)	39.44	(1)	170	-	(2)B and Note 8
CHIA PING (SHENZHEN) OPTICAL TECHNOLOGY CO., LTD.	Trading of optical lens and components	38,107	2	37,917	-	-	37,917	(1,766)	54.61	(964)	33,815	-	(2)B and Note 9

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
The Company and E-PIN OPTICAL INDUSTRY CO., LTD.	\$ 2,017,549	\$ 2,254,455	\$ 3,975,244

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, 2023' 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 2,633 thousand.

Note 5: VIEWQUEST TECHNOLOGIES (DONGGUAN) CO., LTD.'s accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023 was NTD 1,546,206 thousand (USD 51,985 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

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, 2023

Table 8

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, 2023	%	Balance at December 31, 2023	Purpose	Maximum balance during the year ended December 31, 2023	Balance at December 31, 2023	Interest rate	Interest during the year ended December 31, 2023	
NANJING EVERLIGHT PHOTONICS TECHNOLOGY CO., LTD.	(\$ 345,994) (	7)	-	-	(\$ 51,392) (	1)	-	-	-	-	-	-	-

Ability Enterprise Co., Ltd.
Major shareholders information
December 31, 2023

Table 9

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
PEGATRON CORPORATION	33,135,300	11.52%
ABICO AVY CO., LTD.	28,821,000	10.02%

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 a 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, 2023 AND 2022

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, 2023 AND 2022 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.

PWCR23000548

Opinion

We have audited the accompanying balance sheets of Ability Enterprise Co., Ltd. (the “Company”) as at December 31, 2023 and 2022, 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 material 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, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's 2023 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 6 and 7 for further information on investees accounted for using equity method.

As of December 31, 2023, inventories and allowance for inventory valuation loss amounted to NT\$190,334 thousand and NT\$92,632 thousand, respectively, while the investments accounted for using equity method amounted to NT\$1,935,775 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 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 selected samples of inventory items 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, 2023, property, plant and equipment and investment property amounted to NT\$2,287,718 thousand.

The Company's property, plant and equipment and investment property primarily consist of land, buildings and structures, constituting 29% 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 an investment 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 this subsidiaries and associate, is based solely on the report of the other auditors. The balance of this investment accounted for under the equity method amounted to NT\$31,127 thousand and NT\$26,939 thousand, constituting 0.39% and 0.36% of the total assets as at December 31, 2023 and 2022, respectively, and the share of profit recognised from investees accounted for under the equity method amounted to NT\$8,988 thousand and NT\$7,754 thousand, constituting 2.74% and 4.30% of the total comprehensive income (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 Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and 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 8, 2024

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, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

Assets			December 31, 2023		December 31, 2022	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 2,322,991	29	\$ 2,221,114	30
1170	Accounts receivable, net	6(3) and 7	404,379	5	280,538	4
130X	Inventories	6(4)	97,702	1	91,033	1
1470	Other current assets		58,729	1	28,309	-
11XX	Total current assets		2,883,801	36	2,620,994	35
Non-current assets						
1517	Non-current financial assets at fair value through profit or loss	6(2)	735,129	9	578,344	8
1550	Investments accounted for using equity method	6(5)	1,935,775	24	1,891,435	25
1600	Property, plant and equipment	6(6) and 7	2,218,679	28	2,254,379	30
1760	Investment property, net	6(8)	69,039	1	71,412	1
1780	Intangible assets		4,756	-	6,600	-
1840	Deferred tax assets	6(21)	95,717	1	95,638	1
1900	Other non-current assets		66,618	1	25,747	-
15XX	Total non-current assets		5,125,713	64	4,923,555	65
1XXX	Total assets		\$ 8,009,514	100	\$ 7,544,549	100

(Continued)

ABILITY ENTERPRISE CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2023		December 31, 2022					
			Notes	AMOUNT	%	AMOUNT	%			
Current liabilities										
2170	Accounts payable	7	\$	858,144	11	\$	623,913	8		
2200	Other payables	6(9)		463,521	6		456,867	6		
2230	Income tax liabilities			-	-		4,715	-		
2250	Provisions for liabilities - current	6(12)		45,756	-		45,756	1		
2300	Other current liabilities	6(16)		177,763	2		153,976	2		
21XX	Total current liabilities			1,545,184	19		1,285,227	17		
Non-current liabilities										
2600	Other non-current liabilities	6(10)		16,794	-		21,423	-		
25XX	Total non-current liabilities			16,794	-		21,423	-		
2XXX	Total liabilities			1,561,978	19		1,306,650	17		
Equity										
	Share capital	6(13)								
3110	Common stock			2,875,343	36		2,875,823	38		
	Capital surplus	6(14)								
3200	Capital surplus			1,342,757	17		1,343,134	18		
	Retained earnings	6(15)								
3310	Legal reserve			1,724,576	21		1,724,576	23		
3320	Special reserve			556,064	7		855,579	11		
3350	Unappropriated retained earnings			454,044	6		9,989	-		
	Other equity interest									
3400	Other equity interest		(505,248)	(6)	(570,842)	(7)
3500	Treasury shares	6(11)		-	-	(	360)	-	
3XXX	Total equity			6,447,536	81		6,237,899	83		
	Significant contingent liabilities and unrecognised contract commitments	9								
	Significant events after the balance sheet date	11								
3X2X	Total liabilities and equity		\$	8,009,514	100	\$	7,544,549	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, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

			Year ended December 31			
			2023		2022	
Items	Notes		AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(16) and 7	\$ 3,781,091	100	\$ 3,355,316	100
5000	Operating costs	6(4)(20) and 7	(2,883,796)	(76)	(2,696,307)	(80)
5950	Net operating margin		897,295	24	659,009	20
	Operating expenses	6(20)				
6100	Selling expenses		(122,207)	(3)	(81,522)	(3)
6200	Administrative expenses		(229,768)	(6)	(263,851)	(8)
6300	Research and development expenses		(477,061)	(13)	(464,858)	(14)
6450	Impairment gain and reversal of impairment loss (Impairment loss) determined in accordance with IFRS 9	12(2)	18,578	-	(14,394)	-
6000	Total operating expenses		(810,458)	(22)	(824,625)	(25)
6900	Operating profit (loss)		86,837	2	(165,616)	(5)
	Non-operating income and expenses					
7100	Interest income	6(17)	84,476	2	19,303	1
7010	Other income	6(18)	25,409	1	18,653	1
7020	Other gains and losses	6(19)	(8,181)	-	116,492	3
7050	Finance costs		(14)	-	(23)	-
7070	Share of profit of associates and joint ventures accounted for using equity method, net	6(5)	95,519	2	142,328	4
7000	Total non-operating income and expenses		197,209	5	296,753	9
7900	Profit before income tax		284,046	7	131,137	4
7950	Income tax expense	6(21)	(9,421)	-	4,226	-
8200	Profit for the year		\$ 274,625	7	\$ 135,363	4
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	(Losses) gains on remeasurements of defined benefit plan	6(10)	(\$ 900)	-	\$ 8,755	-
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(2)	90,776	3	(123,392)	(4)
8330	Share of other comprehensive (loss) income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		(40)	-	22,543	1
8349	Income tax related to components of other comprehensive income (loss) that will not be reclassified to profit or loss	6(21)	179	-	(1,751)	-
8310	Other comprehensive income (loss) that will not be reclassified to profit or loss		90,015	3	(93,845)	(3)
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Exchange differences on translation		(36,479)	(1)	138,754	4
8360	Other comprehensive (loss) income that will be reclassified to profit or loss		(36,479)	(1)	138,754	4
8300	Other comprehensive income		\$ 53,536	2	\$ 44,909	1
8500	Total comprehensive income		\$ 328,161	9	\$ 180,272	5
	Earnings per share (in dollars)	6(22)				
9750	Basic earnings per share		\$ 0.96		\$ 0.48	
9850	Diluted earnings per share		\$ 0.96		\$ 0.47	

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, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Notes	Share capital - common stock	Total capital surplus, additional paid-in capital	Retained Earnings			Other Equity Interest			Treasury shares	Total equity
				Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Other equity, others		
<u>Year ended December 31, 2022</u>											
Balance at January 1, 2022		\$ 2,877,213	\$ 1,339,848	\$ 1,655,947	\$ 654,447	\$ 686,297	(\$ 343,862)	(\$ 511,717)	(\$ 43,110)	\$ -	\$ 6,315,063
Profit for 2022		-	-	-	-	135,363	-	-	-	-	135,363
Other comprehensive income (loss) for 2022		-	-	-	-	7,167	138,754	(101,012)	-	-	44,909
Total comprehensive income (loss) for 2022		-	-	-	-	142,530	138,754	(101,012)	-	-	180,272
Appropriations and distribution of 2021 retained earnings	6(15)										
Legal reserve		-	-	68,629	-	(68,629)	-	-	-	-	-
Special reserve		-	-	-	201,132	(201,132)	-	-	-	-	-
Cash dividends		-	-	-	-	(287,582)	-	-	-	-	(287,582)
Redemption of employee restricted stock	6(11)	(1,390)	1,750	-	-	-	-	-	-	(360)	-
Compensation cost of share-based payment	6(11)	-	-	-	-	-	-	-	29,105	-	29,105
Adjustments due to changes in vested number of restricted stock		-	1,536	-	-	278	-	-	(773)	-	1,041
Disposal of investments in equity instruments designated at fair value through other comprehensive income	6(2)	-	-	-	-	(261,773)	-	261,773	-	-	-
Balance at December 31, 2022		<u>\$ 2,875,823</u>	<u>\$ 1,343,134</u>	<u>\$ 1,724,576</u>	<u>\$ 855,579</u>	<u>\$ 9,989</u>	<u>(\$ 205,108)</u>	<u>(\$ 350,956)</u>	<u>(\$ 14,778)</u>	<u>(\$ 360)</u>	<u>\$ 6,237,899</u>
<u>Year ended December 31, 2023</u>											
Balance at January 1, 2023		<u>\$ 2,875,823</u>	<u>\$ 1,343,134</u>	<u>\$ 1,724,576</u>	<u>\$ 855,579</u>	<u>\$ 9,989</u>	<u>(\$ 205,108)</u>	<u>(\$ 350,956)</u>	<u>(\$ 14,778)</u>	<u>(\$ 360)</u>	<u>\$ 6,237,899</u>
Profit for 2023		-	-	-	-	274,625	-	-	-	-	274,625
Other comprehensive income (loss) for 2023		-	-	-	-	(761)	(36,479)	90,776	-	-	53,536
Total comprehensive income (loss) for 2023		-	-	-	-	273,864	(36,479)	90,776	-	-	328,161
Appropriations and distribution of 2022 retained earnings	6(15)										
Cash dividends		-	-	-	-	(129,396)	-	-	-	-	(129,396)
Reversal of special reserve		-	-	-	(299,515)	299,515	-	-	-	-	-
Redemption of employee restricted stock	6(11)	(480)	120	-	-	-	-	-	-	360	-
Compensation cost of share-based payment	6(11)	-	-	-	-	-	-	-	11,179	-	11,179
Adjustments due to changes in vested number of restricted stock		-	(497)	-	-	72	-	-	118	-	(307)
Balance at December 31, 2023		<u>\$ 2,875,343</u>	<u>\$ 1,342,757</u>	<u>\$ 1,724,576</u>	<u>\$ 556,064</u>	<u>\$ 454,044</u>	<u>(\$ 241,587)</u>	<u>(\$ 260,180)</u>	<u>(\$ 3,481)</u>	<u>\$ -</u>	<u>\$ 6,447,536</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, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2023	2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 284,046	\$ 131,137
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(20)	61,422	76,239
Amortisation	6(20)	5,978	7,816
Expected credit (gain) loss	12(2)	(18,578)	14,394
Compensation cost of share-based payment	6(11)	11,179	29,105
Interest expense		14	23
Interest income	6(17)	(84,476)	(19,303)
Dividend income	6(18)	(20,811)	(14,332)
Share of profit of associates and joint ventures	6(5)	(95,519)	(142,328)
Gain on disposal of property, plant, equipment	6(19)	-	(210)
Gain on disposal of investments	6(19)	(266)	(20,840)
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable, net		(105,263)	130,495
Inventories		(6,669)	(31,242)
Other current assets		(22,952)	49,019
Changes in operating liabilities			
Notes payable		-	(604)
Accounts payable		234,231	(779,878)
Other payables		6,347	(37,591)
Provisions		-	(9,244)
Other current liabilities		23,787	(11,489)
Other non-current liabilities		(5,529)	(2,312)
Cash inflow (outflow) generated from operations		266,941	(631,145)
Interest received		84,476	19,303
Dividends received		29,523	829,199
Interest paid		(14)	(23)
Income tax paid		(21,504)	(1,732)
Net cash flows from operating activities		<u>359,422</u>	<u>215,602</u>

(Continued)

ABILITY ENTERPRISE CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2023	2022
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at fair value through other comprehensive income	6(2)	(\$ 66,019)	(\$ 19,750)
Proceeds from capital reduction of financial assets at fair value through other comprehensive income		-	37,912
Acquisition of investments accounted for using equity method	6(5)	-	(30,000)
Proceeds from liquidation of investments accounted for using equity method	6(5)	6,224	1,163,429
Acquisition of property, plant and equipment	6(6)	(23,349)	(16,103)
Proceeds from disposal of property, plant and equipment		-	356
Acquisition of intangible assets		(4,134)	(5,048)
Increase in other non-current assets		(40,871)	(1,938)
Net cash flows (used in) from investing activities		(128,149)	1,128,858
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Payments of lease liabilities		-	(1,503)
Payment of cash dividends	6(15)	(129,396)	(287,582)
Net cash flows used in financing activities		(129,396)	(289,085)
Net increase in cash and cash equivalents		101,877	1,055,375
Cash and cash equivalents at beginning of year		2,221,114	1,165,739
Cash and cash equivalents at end of year		\$ 2,322,991	\$ 2,221,114

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, 2023 AND 2022

(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, 2023 and 2022, the Company had 539 and 502 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 8, 2024.

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[®]”) Accounting Standards that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments as endorsed by the FSC and became effective from 2023 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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
Amendments to IAS 12, ‘International tax reform - pillar two model rules’	May 23, 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.

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

New standards, interpretations and amendments as endorsed by the FSC and will become effective from 2024 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024
Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements'	January 1, 2024

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) IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRS Accounting Standards 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 21, 'Lack of exchangeability'	January 1, 2025

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 MATERIAL 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 that came into effect 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	2 ~ 9 years
Mold equipment	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 2 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) 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.

(19) 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.

(20) 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.

(21) 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 government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.
- 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.

(22) 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.

(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 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 and does not give rise to equal taxable and deductible temporary differences. 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.

(24) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(25) 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.

(26) Revenue recognition

A. Sales of goods

The Company manufactures and sells 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.

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, 2023, the Company recognised property, plant and equipment and investment property. 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, 2023, the carrying amount of inventories is described in Note 6(4).

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and revolving funds	\$ 691	\$ 356
Demand deposits	937,504	1,975,078
Time deposits	1,384,796	245,680
	<u>\$ 2,322,991</u>	<u>\$ 2,221,114</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

<u>Items</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Non-current items:		
Equity instruments		
Listed stocks	\$ 687,481	\$ 636,816
Unlisted stocks	227,442	212,088
	914,923	848,904
Valuation adjustment	(179,794)	(270,560)
	<u>\$ 735,129</u>	<u>\$ 578,344</u>

A. 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 \$735,129 and \$578,344 as at December 31, 2023 and 2022, 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>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income (loss)	<u>\$ 90,766</u>	<u>(\$ 123,392)</u>
Cumulative losses reclassified to retained earnings due to derecognition	<u>\$ -</u>	<u>\$ 261,773</u>
Dividend income recognised in profit or loss		
Held at end of year	<u>\$ 20,811</u>	<u>\$ 14,332</u>

- C. As at December 31, 2023 and 2022, 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 \$735,129 and \$578,344, respectively.
- D. The Company has no financial assets at fair value through other comprehensive income pledged to others as collateral.
- E. On August 11, 2022, the Board of Directors of the Company resolved to invest in JET OPTOELECTRONICS CO., LTD. (“JET OPTOELECTRONICS”), with a limit of \$39,500. As of December 31, 2023, the investment amounted to \$19,750 for a shareholding ratio of 0.98%.
- F. On October 15, 2021, the Board of Directors of the Company resolved to support the largest shareholder, Asia Optical International Ltd. (“Asia Optical”), of YORKEY OPTICAL INTERNATIONAL (CAYMAN) LTD. (“YORKEY”) which proposed a delisting agreement to repurchase YORKEY’s outstanding shares. On February 24, 2022, the aforementioned agreement was resolved and approved by the Hong Kong court and during the special meeting of the shareholders, it was resolved to repurchase the shares in the amount of HKD 0.999 (in dollars). The Company’s subsidiary, ABILITY ENTERPRISE (BVI) CO., LTD., disposed its equity interest in YORKEY for a consideration of NT\$525,078. The difference between the disposal amount and carrying amount of \$261,773 was adjusted in retained earnings, and the related payment has been collected.
- G. On March 29, 2021, the Board of Directors of the Company resolved to invest in ABICO ASIA EXCELSIOR PARTNERS L.P. (“ABICO ASIA II”), with a limit of \$150,000. In September 2021 and July 2023, the Company invested in ABICO ASIA II in the amount \$49,500 and \$15,000, respectively. ABICO ASIA II reduced its capital and returned the share capital of \$792 during November 2022. As of December 31, 2023, the investment amount was \$63,708 for a shareholding ratio of 5.92%.
- H. To develop market clients, in August 2023, the Company invested in AEVISO DEPRO SOLUTION CO., LTD. (“AEVISO”) in the amount \$354 for a shareholding ratio of 2.00%.
- I. For strategic investments, in August 2023, the Company invested in Valens Semiconductor Ltd. (“VLN”). As of December 31, 2023, the investment amounted to US\$1,592,317.69 (in dollars), approximately NT\$50,665, for a shareholding ratio of 0.619%.

(3) Accounts receivable

	December 31, 2023	December 31, 2022
Accounts receivable	\$ 243,077	\$ 264,343
Less: Allowance for bad debts	(1,315)	(19,893)
Accounts receivable, related parties	162,617	36,088
Accounts receivable, net	<u>\$ 404,379</u>	<u>\$ 280,538</u>

	December 31, 2023	December 31, 2022
Not past due	\$ 405,694	\$ 281,935
1 to 90 days	-	771
91 to 180 days	-	1,241
Over 180 days	-	16,484
	<u>\$ 405,694</u>	<u>\$ 300,431</u>

The above ageing analysis was based on past due date.

A. As of December 31, 2023 and 2022, accounts receivable were all from contracts with customers.

As of January 1, 2022, the balance of accounts receivable from contracts with customers amounted to \$420,926.

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

C. As at December 31, 2023 and 2022, 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 \$404,379 and \$280,538, respectively.

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

(4) Inventories

	December 31, 2023		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 142,795	(\$ 86,094)	\$ 56,701
Work in process	21,929	-	21,929
Finished goods	13,996	(4,748)	9,248
Inventory in transit	11,614	(1,790)	9,824
	<u>\$ 190,334</u>	<u>(\$ 92,632)</u>	<u>\$ 97,702</u>

	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 182,030	(\$ 124,184)	\$ 57,846
Work in process	16,926	(19)	16,907
Finished goods	11,500	(5,757)	5,743
Inventory in transit	11,278	(741)	10,537
	<u>\$ 221,734</u>	<u>(\$ 130,701)</u>	<u>\$ 91,033</u>

The cost of inventories recognised as expense for the year:

	For the years ended December 31,	
	2023	2022
Cost of goods sold	\$ 2,836,174	\$ 2,600,365
(Gain on reversal of) loss on decline in market value	(38,069)	55,647
Other operating costs	85,691	40,295
	<u>\$ 2,883,796</u>	<u>\$ 2,696,307</u>

For the year ended December 31, 2023, the Company recognised a gain on reversal of decline in market value as certain inventories which were previously provided with allowance were subsequently sold or used.

(5) Investments accounted for using equity method

Associates	December 31, 2023	December 31, 2022
Subsidiaries:		
ABILITY ENTERPRISE (BVI) CO., LTD.	\$ 1,728,460	\$ 1,617,605
ABILITY INTERNATIONAL INVESTMENT CO., LTD.	16,477	16,348
E-PIN OPTICAL INDUSTRY CO., LTD.	99,171	161,375
ABILITY TECHNOLOGIES CO., LTD.	19,529	22,453
ANDRO VIDEO INC.	-	5,882
Associates:		
ALTASEC TECHNOLOGY CORPORATION	31,127	26,939
BESTMOMENT HOLDINGS PTE. LTD.	41,011	40,833
	<u>\$ 1,935,775</u>	<u>\$ 1,891,435</u>

A. The above investments were accounted for using equity method as of December 31, 2023 and 2022 based on the investees' audited financial statements.

B. Subsidiaries

Refer to Note 4(3) in the consolidated financial statements for the year ended December 31, 2023 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, 2023 and 2022, the carrying amount of the Company's individually immaterial associates amounted to \$72,138 and \$67,772, respectively.

	December 31, 2023	December 31, 2022
Profit for the year/Total comprehensive income	<u>\$ 33,770</u>	<u>\$ 35,370</u>

- D. The Company's share in profit recognised under the equity method for the years ended December 31, 2023 and 2022 was \$95,519 and \$142,328, respectively.
- E. The liquidation of the Company's subsidiaries, VIEWQUEST TECHNOLOGIES (BVI) INC. and VIEWQUEST TECHNOLOGIES INTERNATIONAL INC., was completed in August 2022 and April 2022, respectively. Proceeds from liquidation has been collected, and gain on disposals of investment amounting to \$20,840 was recognised.
- F. On April 28, 2022, the Board of Directors of the Company resolved to increase overseas production bases in response to the customer needs to enhance the Company's competitiveness in the international market. The Company and AMPACS CORPORATION jointly established ABILITY TECHNOLOGIES CO., LTD. to establish a Vietnam plant with a capital amounting to \$50,000. The Company has invested \$30,000 for a 60% equity interest in ABILITY TECHNOLOGIES CO., LTD.
- G. The liquidation of the Company's subsidiary, ANDRO VIDEO, was completed on September 6, 2023. Proceeds from liquidation has been collected, and the gain on disposal of investment amounting to \$266 was recognised.

(6) Property, plant and equipment

	Land	Buildings and structures	Machinery	Mold equipment	Other equipment	Total
<u>At January 1, 2023</u>						
Cost	\$ 1,304,043	\$ 1,126,948	\$ 121,955	\$ 615,076	\$ 139,084	\$ 3,307,106
Accumulated depreciation and impairment	-	(231,473)	(114,753)	(614,707)	(91,794)	(1,052,727)
	<u>\$ 1,304,043</u>	<u>\$ 895,475</u>	<u>\$ 7,202</u>	<u>\$ 369</u>	<u>\$ 47,290</u>	<u>\$ 2,254,379</u>
<u>2023</u>						
Opening net book amount	\$ 1,304,043	\$ 895,475	\$ 7,202	\$ 369	\$ 47,290	\$ 2,254,379
Additions	-	-	9,034	7,171	7,144	23,349
Depreciation	-	(40,423)	(3,535)	(3,331)	(11,760)	(59,049)
Closing net book amount	<u>\$ 1,304,043</u>	<u>\$ 855,052</u>	<u>\$ 12,701</u>	<u>\$ 4,209</u>	<u>\$ 42,674</u>	<u>\$ 2,218,679</u>
<u>At December 31, 2023</u>						
Cost	\$ 1,304,043	\$ 1,126,948	\$ 129,003	\$ 622,247	\$ 146,228	\$ 3,328,469
Accumulated depreciation and impairment	-	(271,896)	(116,302)	(618,038)	(103,554)	(1,109,790)
	<u>\$ 1,304,043</u>	<u>\$ 855,052</u>	<u>\$ 12,701</u>	<u>\$ 4,209</u>	<u>\$ 42,674</u>	<u>\$ 2,218,679</u>

	Land	Buildings and structures	Machinery	Mold equipment	Other equipment	Total
<u>At January 1, 2022</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>
<u>2022</u>						
Opening net book amount	\$ 1,304,043	\$ 935,898	\$ 10,071	\$ 8,295	\$ 52,505	\$ 2,310,812
Additions	-	-	4,670	3,087	8,346	16,103
Disposals	-	-	-	-	(146)	(146)
Depreciation	-	(40,423)	(7,539)	(11,013)	(13,415)	(72,390)
Closing net book amount	<u>\$ 1,304,043</u>	<u>\$ 895,475</u>	<u>\$ 7,202</u>	<u>\$ 369</u>	<u>\$ 47,290</u>	<u>\$ 2,254,379</u>
<u>At December 31, 2022</u>						
Cost	\$ 1,304,043	\$ 1,126,948	\$ 121,955	\$ 615,076	\$ 139,084	\$ 3,307,106
Accumulated depreciation and impairment	-	(231,473)	(114,753)	(614,707)	(91,794)	(1,052,727)
	<u>\$ 1,304,043</u>	<u>\$ 895,475</u>	<u>\$ 7,202</u>	<u>\$ 369</u>	<u>\$ 47,290</u>	<u>\$ 2,254,379</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. The Company had no property, plant and equipment pledged to others as collateral.

(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, 2023</u>	<u>December 31, 2022</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Office equipment	<u>\$ -</u>	<u>\$ -</u>
	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Office equipment	<u>\$ -</u>	<u>\$ 1,476</u>

C. For the years ended December 31, 2023 and 2022, the Company had no additions to right-of-use assets.

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

	For the years ended December 31,	
	2023	2022
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ -	\$ 15
Expense on short-term lease contracts	2,377	1,367
Expense on leases of low-value assets	329	53

E. For the years ended December 31, 2023 and 2022, the Company's total cash outflow for leases was \$2,706 and \$2,938, respectively.

(8) Investment property

	Land	Buildings and structures	Total
<u>At January 1, 2023</u>			
Cost	\$ 15,257	\$ 63,867	\$ 79,124
Accumulated depreciation and impairment	-	(7,712)	(7,712)
	<u>\$ 15,257</u>	<u>\$ 56,155</u>	<u>\$ 71,412</u>
<u>2023</u>			
Opening net book amount	\$ 15,257	\$ 56,155	\$ 71,412
Depreciation	-	(2,373)	(2,373)
Closing net book amount	<u>\$ 15,257</u>	<u>\$ 53,782</u>	<u>\$ 69,039</u>
<u>At December 31, 2023</u>			
Cost	\$ 15,257	\$ 63,867	\$ 79,124
Accumulated depreciation and impairment	-	(10,085)	(10,085)
	<u>\$ 15,257</u>	<u>\$ 53,782</u>	<u>\$ 69,039</u>

	Land	Buildings and structures	Total
<u>At January 1, 2022</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>
<u>2022</u>			
Opening net book amount	\$ 15,257	\$ 58,528	\$ 73,785
Depreciation	-	(2,373)	(2,373)
Closing net book amount	<u>\$ 15,257</u>	<u>\$ 56,155</u>	<u>\$ 71,412</u>
<u>At December 31, 2022</u>			
Cost	\$ 15,257	\$ 63,867	\$ 79,124
Accumulated depreciation and impairment	-	(7,712)	(7,712)
	<u>\$ 15,257</u>	<u>\$ 56,155</u>	<u>\$ 71,412</u>

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

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Rental income from the lease of the investment property	<u>\$ 3,191</u>	<u>\$ 3,082</u>
Direct operating expenses arising from the investment property that generated rental income during the year	<u>\$ 2,373</u>	<u>\$ 2,373</u>

B. The fair value of the investment property held by the Company as at December 31, 2023 and 2022 was \$117,598 and \$117,598, respectively, which was based on the valuations of the market prices of property sold in similar districts and was classified as Level 3 fair value.

(9) Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Employees' salary and compensation payable	\$ 296,656	\$ 306,922
Pensions payable	94,752	100,563
Employee compensation payable and compensation due to directors	29,817	13,766
Labour and health insurance fees payable	8,612	7,998
Service fees payable	1,465	1,472
Other payables	32,219	26,146
	<u>\$ 463,521</u>	<u>\$ 456,867</u>

(10) 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, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligations	\$ 17,515	\$ 25,261
Fair value of plan assets	(1,598)	(4,715)
Net defined benefit liability		
(shown as other non-current liabilities)	<u>\$ 15,917</u>	<u>\$ 20,546</u>

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

	<u>Present value of defined</u> <u>benefit obligations</u>	<u>Fair value of</u> <u>plan assets</u>	<u>Net defined</u> <u>benefit liability</u>
<u>Year ended December 31, 2023</u>			
Balance at January 1	\$ 25,262	(\$ 4,716)	\$ 20,546
Interest expense (income)	373	(69)	304
	<u>25,635</u>	<u>(4,785)</u>	<u>20,850</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(15)	(15)
Change in demographic assumptions	224	-	224
Change in financial assumptions	335	-	335
Experience adjustments	356	-	356
	<u>915</u>	<u>(15)</u>	<u>900</u>
Pension fund contribution	-	(5,833)	(5,833)
Paid pension	<u>(9,035)</u>	<u>9,035</u>	<u>-</u>
Balance at December 31	<u>\$ 17,515</u>	<u>(\$ 1,598)</u>	<u>\$ 15,917</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2022</u>			
Balance at January 1	\$ 70,890	(\$ 39,278)	\$ 31,612
Interest expense (income)	546	(302)	244
	<u>71,436</u>	<u>(39,580)</u>	<u>31,856</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(2,864)	(2,864)
Change in demographic assumptions	253	-	253
Change in financial assumptions	(3,372)	-	(3,372)
Experience adjustments	(2,772)	-	(2,772)
	<u>(5,891)</u>	<u>(2,864)</u>	<u>(8,755)</u>
Pension fund contribution	-	(2,555)	(2,555)
Paid pension	(40,283)	40,283	-
Balance at December 31	<u>\$ 25,262</u>	<u>(\$ 4,716)</u>	<u>\$ 20,546</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, 2023 and 2022 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 years ended December 31,	
	2023	2022
Discount rate	1.37%	1.48%
Future salary increases	2.00%	2.00%
Expected returns on plan assets	1.37%	1.48%

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, 2023</u>				
Effect on present value of defined benefit obligation	(\$ 1,462)	\$ 1,624	\$ 1,606	(\$ 1,460)
<u>December 31, 2022</u>				
Effect on present value of defined benefit obligation	(\$ 2,136)	\$ 2,348	\$ 2,324	(\$ 2,136)

(f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2024 amount to \$4,759.

(g) As of December 31, 2023, the weighted average duration of that retirement plan is 18 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$ 1,176
1-2 year(s)	652
2-5 years	10,430
Over 5 years	5,614
	<u>\$ 17,872</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, 2023 and 2022 were \$23,913 and \$23,336, respectively.

(11) Share-based payment

A. For the years ended December 31, 2023 and 2022, 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	Vesting conditions	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	After 1 year of service	\$ 14.55	\$ 0	33.22%	-	0.1134%	\$ 11.64

Type of arrangement	Vesting conditions	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	After 2 years of service	\$ 14.55	\$ 0	32.52%	-	0.1720%	\$ 11.64

Type of arrangement	Vesting conditions	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	After 3 years of service	\$ 14.55	\$ 0	32.58%	-	0.2079%	\$ 11.64

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

	For the years ended December 31,	
	2023	2022
Equity-settled	\$ 11,179	\$ 29,105

- D. For the year ended December 31, 2022, the Company received a total of 175 thousand shares which were returned by employees who resigned during the vesting period. As of December 31, 2022, the number and amount of restricted stocks to employees that have not been retired were 36 thousand shares and \$360, respectively, which were recognised as treasury shares ; For the year ended December 31, 2023, the Company received a total of 12 thousand shares which were returned since the employees resigned during the vesting period. For the year ended December 31, 2023, the number and amount of restricted stocks to employees that have been retired were 48 thousand shares and \$480, respectively. As of December 31, 2023, the retirement of employee restricted stocks returned had been completed.

(12) Provisions - current

Warranty	For the years ended December 31,	
	2023	2022
At January 1	\$ 45,756	\$ 55,000
Additional provision	36,383	-
Used during the year	(36,383)	(854)
Unused amounts reversed	-	(8,390)
At December 31	<u>\$ 45,756</u>	<u>\$ 45,756</u>

(13) Share capital

A. As of December 31, 2023, the Company's authorised capital was \$8,000,000, consisting of 800 million shares of ordinary stock, and the paid-in capital was \$2,875,343 with a par value of \$10 (in dollars) per share.

Movements in the number of the Company's ordinary shares (shares in thousands) outstanding are as follows:

	For the years ended December 31,	
	2023	2022
At January 1	287,582	287,721
Employee restricted shares	(48)	(139)
Balance at December 31	<u>287,534</u>	<u>287,582</u>

B. On June 17, 2020, the 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.

(14) Capital surplus

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

	Share premium	Treasury share transactions	Employee stock options	Employee restricted shares
At January 1, 2023	\$ 1,108,896	\$ 132,432	\$ 97,738	\$ 4,068
Employee restricted shares	<u>2,526</u>	<u>-</u>	<u>-</u>	(<u>2,903</u>)
At December 31, 2023	<u>\$ 1,111,422</u>	<u>\$ 132,432</u>	<u>\$ 97,738</u>	<u>\$ 1,165</u>

	Share premium	Treasury share transactions	Employee stock options	Employee restricted shares
At January 1, 2022	\$ 1,105,860	\$ 132,432	\$ 97,738	\$ 3,818
Employee restricted shares	3,036	-	-	250
At December 31, 2022	<u>\$ 1,108,896</u>	<u>\$ 132,432</u>	<u>\$ 97,738</u>	<u>\$ 4,068</u>

(15) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses. Then, 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the total capital stock balance and the Company shall appropriate or reverse special reserve when necessary. The appropriation of the remainder along with beginning unappropriated earnings is the accumulated distributable earnings for shareholders. When distributing by issuing new shares, the distribution shall be proposed by the Board of Directors and resolved by the shareholders.
- 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. On June 21, 2022, the shareholders resolved the distribution of dividends from 2021 earnings in the amount of \$287,582. On June 28, 2023, the shareholders resolved the distribution of dividends from 2022 earnings in the amount of \$129,396 at \$0.45 (in dollars) per share.
- F. For the information relating to employees' compensation and directors' and supervisors' remuneration, refer to Note 6(20).
- G. For the year ended December 31, 2022, the Group disposed equity instruments at fair value through other comprehensive income, thus adjusting retained earnings amounting to \$261,773. Relevant information is provided in Note 6(2).

(16) Operating revenue

	For the years ended December 31,	
	2023	2022
Sales revenue	\$ 3,439,501	\$ 3,091,150
Service revenue	341,590	264,166
	<u>\$ 3,781,091</u>	<u>\$ 3,355,316</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,	
	2023	2022
Timing of revenue	\$ 3,439,501	\$ 3,091,150
At a point in time	341,590	264,166
Over time	<u>\$ 3,781,091</u>	<u>\$ 3,355,316</u>

B. Contract liabilities

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Contract liabilities - advance sales receipts (shown as Other current liabilities)	<u>\$ 177,338</u>	<u>\$ 153,593</u>	<u>\$ 160,451</u>

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

	For the years ended December 31,	
	2023	2022
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Advance sales receipts	<u>\$ 107,722</u>	<u>\$ 138,679</u>

(17) Interest income

	For the years ended December 31,	
	2023	2022
Interest income from bank deposits	<u>\$ 84,476</u>	<u>\$ 19,303</u>

(18) Other income

	For the years ended December 31,	
	2023	2022
Rental revenue	\$ 4,598	\$ 4,321
Dividend income	20,811	14,332
	<u>\$ 25,409</u>	<u>\$ 18,653</u>

(19) Other gains and losses

	For the years ended December 31,	
	2023	2022
Gains on disposal of property, plant and equipment	\$ -	\$ 210
Gains on disposals of investments	266	20,840
Depreciation on investment property	(2,373)	(2,373)
Net currency exchange (losses)/gains	(7,704)	78,746
Other gains	1,630	19,069
	<u>(\$ 8,181)</u>	<u>\$ 116,492</u>

(20) Employee benefit, depreciation and amortisation expenses

		For the years ended December 31,			
		2023		2022	
Nature \ Function		Classified as operating costs	Classified as operating expenses	Classified as operating costs	Classified as operating expenses
Employee benefit expenses					
Wages and salaries	\$	39,025	\$ 521,754	\$ 29,715	\$ 520,914
Labor and health insurance fees		3,429	40,267	2,782	40,497
Pension costs		1,494	22,723	1,330	22,250
Other personnel expenses		2,684	24,105	2,427	24,093
Depreciation (Note)		11,591	47,458	26,244	47,622
Amortisation		95	5,883	95	7,721

Note: For the years ended December 31, 2023 and 2022, depreciation on investment property amounted to \$2,373 and \$2,373, 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 years ended December 31, 2023 and 2022, employees' compensation was accrued at \$25,109 and \$11,592, respectively; while directors' and supervisors' remuneration was accrued to \$4,708 and \$2,174, respectively. 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.

Employees' compensation and directors' and supervisors' remuneration for 2022 amounting to \$11,592 and \$2,174, respectively, as resolved at the shareholders' meeting were in agreement with those amounts recognised in the 2022 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.

(21) Income tax

A. Income tax expense (benefit)

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

	For the years ended December 31,	
	2023	2022
Current tax on profits for the year	\$ -	\$ -
Tax on undistributed surplus earnings	-	6,448
Prior year income tax underestimation	9,321	-
Origination and reversal of temporary differences	100	(10,674)
Income tax expense (benefit)	<u>\$ 9,421</u>	<u>(\$ 4,226)</u>

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

	For the years ended December 31,	
	2023	2022
Remeasurement of defined benefit obligations	<u>(\$ 179)</u>	<u>\$ 1,751</u>

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

	For the years ended December 31,	
	2023	2022
Tax calculated based on profit before tax and statutory tax rate	\$ 56,808	\$ 26,227
Tax effect of permanent differences	(50,148)	121,757
Temporary differences not recognised as deferred tax assets	-	(671)
Taxable loss not recognised as deferred tax assets	(6,560)	(157,987)
Land value increment tax	9,321	-
Tax on undistributed earnings	-	6,448
Income tax expense (benefit)	<u>\$ 9,421</u>	<u>(\$ 4,226)</u>

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

For the year ended December 31, 2023				
		Recognised in		
	January 1	Recognised in profit or loss	other comprehensive income	December 31
Deferred tax assets:				
Fees for after sales service	\$ 9,151	\$ -	\$ -	\$ 9,151
Adjustment of bad debts for tax purposes	4,978	(3,926)	-	1,052
Taxable loss	40,000	-	-	40,000
Royalties	10,035	(1,028)	-	9,007
Others	31,474	4,854	179	36,507
	<u>\$ 95,638</u>	<u>(\$ 100)</u>	<u>\$ 179</u>	<u>\$ 95,717</u>

For the year ended December 31, 2022				
		Recognised in		
	January 1	Recognised in profit or loss	other comprehensive income	December 31
Deferred tax assets:				
Fees for after sales service	\$ 11,000	(\$ 1,849)	\$ -	\$ 9,151
Adjustment of bad debts for tax purposes	1,838	3,140	-	4,978
Taxable loss	56,394	(16,394)	-	40,000
Royalties	12,739	(2,704)	-	10,035
Others	4,744	28,481	(1,751)	31,474
	<u>\$ 86,715</u>	<u>\$ 10,674</u>	<u>(\$ 1,751)</u>	<u>\$ 95,638</u>

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

December 31, 2023				
Year incurred	Amount filed/assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2021	\$ 668,971	\$ 285,097	\$ 85,097	2031

December 31, 2022				
Year incurred	Amount filed/assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2021	\$ 668,971	\$ 329,036	\$ 129,036	2031

E. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2023 and 2022, the amounts of

temporary differences unrecognised as deferred tax liabilities were \$175,261 and \$153,090, respectively.

F. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.

(22) Earnings per share

	For the year ended December 31, 2023		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 274,625</u>	285,070	<u>\$ 0.96</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employee compensation		951	
Employee restricted shares		<u>717</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 274,625</u>	<u>286,738</u>	<u>\$ 0.96</u>
	For the year ended December 31, 2022		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 135,363</u>	283,143	<u>\$ 0.48</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employee compensation		571	
Employee restricted shares		<u>1,607</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 135,363</u>	<u>285,321</u>	<u>\$ 0.47</u>

(23) Changes in liabilities from financing activities

Changes in liabilities from financing activities arose from changes in cash flow from financing activities for the years ended December 31, 2023 and 2022. 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) (NOTE 1)	Subsidiary
ABILITY INTERNATIONAL INVESTMENT CO., LTD. (ABILITY INTERNATIONAL INVESTMENT)	Subsidiary
ABILITY TECHNOLOGY (DONGGUAN) CO., LTD. (ABILITY (DONGGUAN))	Subsidiary
E-PIN OPTICAL INDUSTRY CO., LTD. (E-PIN)	Subsidiary
ANDROVIDEO INC. (ANDROVIDEO)(NOTE 2)	Subsidiary
ABILITY TECHNOLOGIES CO., LTD. (ABILITY TECHNOLOGIES)	Subsidiary
ABILITY TECHNOLOGY COMPANY LIMITED (ABILITY Vietnam)	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)	Other related party
SHINE TRADE INTERNATIONAL LTD. (SHINE TRADE)	Other related party
TAISHIBA INTERNATIONAL CO., LTD. (TAISHIBA)	Other related party
DONGGUAN CHENGGUANG HARDWARE PRODUCTS CO., LTD.(DONGGUAN CHENGGUANG)	Other related party
DONGGUAN YAXIN PRECISION PLASTIC CO., LTD. (DONGGUAN YAXIN)	Other related party
ABILITY INT'L TENANCY CO., LTD. (ABILITY INT'L)	Other related party
QUAN NENG INVESTMENT CO., LTD. (QUAN NENG)	Other related party

Note 1: The liquidation of VQ was completed on August 25, 2022.

Note 2: The liquidation of ANDROVIDEO INC. was completed on September 6, 2023.

(2) Significant related party transactions

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

A. Operating revenue:

	For the years ended December 31,	
	2023	2022
Sales of goods:		
-Subsidiaries		
ABILITY Vietnam	\$ 335,800	\$ 346
Others	6,557	44,524
-Associates	80,593	77,304
-Other related parties	124	7,133
	<u>\$ 423,074</u>	<u>\$ 129,307</u>

Goods and services are sold from conditions on normal commercial terms. Credit terms of sales to related parties were based on mutual agreements.

B. Purchases:

	For the years ended December 31,	
	2023	2022
Purchases of goods:		
- Subsidiaries		
ABILITY (DONGGUAN)	\$ 1,863,371	\$ 2,412,630
Others	313,769	-
-Associates	3,380	3,286
-Other related parties	2,896	457
	<u>\$ 2,183,416</u>	<u>\$ 2,416,373</u>

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

C. Receivables from related parties:

	December 31, 2023	December 31, 2022
Accounts receivable:		
-Subsidiaries		
ABILITY Vietnam	\$ 153,895	\$ 3,930
Others	299	4,457
-Associates	8,295	20,366
-Other related parties	128	7,335
	<u>\$ 162,617</u>	<u>\$ 36,088</u>

The receivables from related parties arise mainly from sale transactions and the credit term is based on normal commercial terms and conditions. The receivables are unsecured in nature and bear no interest. There are no provisions held against receivables from related parties.

D. Payables to related parties

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts payable		
- Subsidiaries		
ABILITY (DONGGUAN)	\$ 563,534	\$ 511,398
Others	37,578	-
-Associates	1,757	36
-Other related parties	4,707	2,588
	<u>\$ 607,576</u>	<u>\$ 514,022</u>

The payables to related parties arise mainly from purchase transactions and payment term is based on normal commercial terms and conditions.

(3) Key management compensation

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Salaries and other short-term employee benefits	\$ 22,686	\$ 20,689
Post-employment benefits	639	534
Share-based payments	832	2,162
	<u>\$ 24,157</u>	<u>\$ 23,385</u>

8. PLEGDED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. As of December 31, 2023, for the purchase of right-of-use assets and property, plant and equipment, the Company contracted for at the balance sheet date but not yet paid the amount of approximately \$133,519.

B. In December 2023, the Company signed a share purchase agreement with AMPACS CORPORATION. When completion of the agreement, The Company will acquire 100% shares of ABILITY TECHNOLOGIES CO., LTD.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

A. On March 8, 2024, the Board of Directors of the Company resolved to increase capital in its subsidiary ABILITY INTERNATIONAL INVESTMENT CO., LTD. and invest \$220 million (in dollars) to JIA WANG CAPITAL CO., LTD. with an estimated shareholding ratio of 36.37%.

B. On March 8, 2024, the Board of Directors of the Company resolved to issue 3.8 million employee restricted shares, with a par value of \$10 (in dollars) per share. The issuance is free with \$0 (in dollars) per share.

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, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Financial assets at amortised cost	\$ 2,760,007	\$ 2,517,095
Guarantee deposits paid	9,116	11,006
	<u>\$ 2,769,123</u>	<u>\$ 2,528,101</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost	\$ 1,321,665	\$ 1,080,780
Guarantee deposits received	876	876
	<u>\$ 1,322,541</u>	<u>\$ 1,081,656</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 notes payable, 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, 2023				
	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	\$ 84,677	30.705	\$ 2,600,007	1%	\$ 26,000
<u>Investments accounted for under equity method</u>					
USD:NTD	\$ 56,292	30.705	\$ 1,728,460		
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	\$ 28,472	30.705	\$ 874,233	1%	\$ 8,742

December 31, 2022						
	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	\$ 67,467	30.71	\$ 2,071,912	1%	\$	20,719
<u>Investments accounted for under equity method</u>						
USD:NTD	\$ 52,674	30.71	\$ 1,617,604			
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$ 19,999	30.71	\$ 614,169	1%	\$	6,142

- vi. Total exchange gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2023 and 2022 amounted to \$7,704 and \$78,746, 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, 2023 and 2022 would have increased/decreased by \$73,513 and \$57,834, 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.

(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 assumptions that if the contract payments were past due over 30 days based on the terms, whether there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. Based on the Company's past experience, the default occurs when the contract payments are past due over 180 days.
- v. 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.
- 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	past due	Total	
<u>December 31, 2023</u>							
Expected loss rate	2.96%	0%	0%	0%	0%		
Total book value	\$ 42,100	\$ -	\$ -	\$ -	\$ -	\$ 42,100	
Loss allowance	\$ 1,248	\$ -	\$ -	\$ -	\$ -	\$ 1,248	

<u>December 31, 2022</u>							
Expected loss rate	7.27%	32.04%	100.00%	100.00%			
Total book value	\$ 25,366	\$ 771	\$ 1,241	\$ 16,484	\$ 43,862		
Loss allowance	\$ 1,843	\$ 247	\$ 1,241	\$ 16,484	\$ 19,815		

In addition, as of December 31, 2023 and 2022, accounts receivable were \$363,594 and \$256,569, and loss allowance for accounts receivable recognised through individual assessment was \$67 and \$78, respectively.

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

	2023	2022
At January 1	\$ 19,893	\$ 5,499
Impairment loss	-	14,394
Write-offs	(18,578)	-
At December 31	\$ 1,315	\$ 19,893

(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, 2023 and 2022, the Company has the following undrawn borrowing facilities:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Fixed rate:</u>		
Expiring within one year	<u>\$ 3,259,740</u>	<u>\$ 3,059,880</u>

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

(3) Fair value information

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the 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, 2023</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	\$ 463,461	\$ -	\$ 271,668	\$ 735,129
<u>December 31, 2022</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	\$ 352,190	\$ -	\$ 226,154	\$ 578,344

- 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, 2023 and 2022, 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, 2023 and 2022:

	2023	2022
At January 1	\$ 226,154	\$ 253,764
Recorded as unrealised gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income	30,160 (	9,448)
Acquired during the year	15,354	19,750
Capital reduction during the year	- (	37,912)
At December 31	<u>\$ 271,668</u>	<u>\$ 226,154</u>

- J. For the years ended December 31, 2023 and 2022, 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, 2023</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	\$ 240,450	Net asset value	Not applicable	-	Not applicable
Unlisted shares	31,218	Market price method	Discount for lack of marketability	-	The higher the discount for lack of marketability, the lower the fair value
	<u>Fair value at December 31, 2022</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	\$ 202,829	Net asset value	Not applicable	-	Not applicable
Unlisted shares	23,325	Market price method	Discount for lack of marketability	-	The higher the discount for lack of marketability, the lower the fair value

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:

			December 31, 2023			
			Recognised in profit or loss		Recognised in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
	Input	Change				
Financial assets						
Equity instrument	Net asset value	±1%	\$ -	\$ -	\$ 2,405	(\$ 2,405)
Equity instrument	Market price method	±1%	\$ -	\$ -	\$ 312	(\$ 312)
			December 31, 2022			
			Recognised in profit or loss		Recognised in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
	Input	Change				
Financial assets						
Equity instrument	Net asset value	±1%	\$ -	\$ -	\$ 2,028	(\$ 2,028)
Equity instrument	Market price method	±1%	\$ -	\$ -	\$ 233	(\$ 233)

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, 2023 are as follows:

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: Refer to table 1.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Refer to table 3.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Refer to table 4.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Refer to table 5.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Refer to table 6.

(3) Information on investments in Mainland China

A. Basic information: Refer to table 7.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Refer to table 8.

(4) Major shareholders information

Major shareholders information: Refer to table 9.

14. SEGMENT INFORMATION

None.

Ability Enterprise Co., Ltd. and subsidiaries
Provision of endorsements and guarantees to others
For the year ended December 31, 2023

Table 1

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, 2023 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2023 (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)											
1	E-PIN OPTICAL INDUSTRY CO., LTD.	ZHONGSHAN SHANXIN ACCURATE INDUSTRY CO., LTD.	2	\$ 88,935	\$ 22,360	\$ 21,635	\$ 5,229	\$ -	12.16	\$ 88,935	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, 2023. The spot exchange rates at December 31, 2023 were USD/NTD 30.705 and RMB/TWD 4.327.

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, 2023

Table 2

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, 2023				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
ABILITY ENTERPRISE CO., LTD.	STOCKS OF ABICO AVY CO., LTD.	The investee is the corporate director of the Company	Note 5	17,264,223	\$ 416,068	10.22	\$ 416,068	-
ABILITY ENTERPRISE CO., LTD.	STOCKS OF ABILITY I VENTURE CAPITAL CORPORATION	The Company is the corporate supervisor of the investee	Note 5	3,031,757	22,528	10.70	22,528	-
ABILITY ENTERPRISE CO., LTD.	STOCKS OF ABICO ASIA CAPITAL CORPORATION	-	Note 5	8,000,000	80,324	5.189	80,324	-
ABILITY ENTERPRISE CO., LTD.	ABICO ASIA EXCELSIOR PARTNERS L.P.	-	Note 5	-	79,023	5.92	79,023	-
ABILITY ENTERPRISE CO., LTD.	STOCKS OF IH BIOMEDICAL VENTURE FUND I CO., LTD.	-	Note 5	3,000,000	58,221	4.848	58,221	-
ABILITY ENTERPRISE CO., LTD.	JET OPTOELECTRONICS CO., LTD.	-	Note 5	588,352	31,218	0.98	31,218	-
ABILITY ENTERPRISE CO., LTD.	STOCKS OF AEVISO DEPRO SOLUTION CO.,LTD.	The Company is the corporate director of the investee	Note 5	20,000	354	2.00	354	-
ABILITY ENTERPRISE CO., LTD.	STOCKS OF VALENS SEMICONDUCTOR LTD	-	Note 5	630,000	47,393	0.611	47,393	-
ABILITY INTERNATIONAL INVESTMENT CO., LTD.	CTBC HWA-WIN MONEY MARKET FUND	-	Note 6	1,428,919.9	16,169	-	16,169	-
ABILITY ENTERPRISE (BVI) CO., LTD.	REVL INC.	-	Note 5	367,726	-	-	-	-
ABILITY ENTERPRISE (BVI) CO., LTD.	ATTONICS SYSTEMS PTE. LTD.	-	Note 5	11,678	3,685	13.21	3,685	-
E-PIN OPTICAL INDUSTRY CO.,LTD	Oomii Inc.	-	Note 5	636,044	14,955	1.45	14,955	-

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 profit or loss

Ability Enterprise Co., Ltd. and subsidiaries

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

For the year ended December 31, 2023

Table 3

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	\$ 1,863,371	68.75	Based on mutual agreement	-	-	(\$ 563,534)	(65.67)	-
ABILITY TECHNOLOGY (DONGGUAN) CO., LTD.	ABILITY ENTERPRISE CO., LTD.	Affiliated company	(Sales)	(1,863,371)	71.07	Based on mutual agreement	-	-	563,534	73.22	-
ABILITY ENTERPRISE CO., LTD.	ABILITY TECHNOLOGIES CO., LTD.	Affiliated company	Purchases	313,760	11.58	Based on mutual agreement	-	-	(37,453)	(4.36)	-
ABILITY TECHNOLOGIES CO., LTD.	ABILITY ENTERPRISE CO., LTD.	Affiliated company	(Sales)	(313,760)	100.00	Based on mutual agreement	-	-	37,453	100.00	-
ABILITY TECHNOLOGIES CO., LTD.	ABILITY TECHNOLOGY COMPANY LIMITED	Affiliated company	Purchases	309,807	95.01	Based on mutual agreement	-	-	(37,453)	(100.00)	-
ABILITY TECHNOLOGY COMPANY LIMITED	ABILITY TECHNOLOGIES CO., LTD.	Affiliated company	(Sales)	(309,807)	99.92	Based on mutual agreement	-	-	37,453	99.63	-
ABILITY TECHNOLOGY COMPANY LIMITED	ABILITY ENTERPRISE CO., LTD.	Affiliated company	Purchases	335,800	96.13	Based on mutual agreement	-	-	(153,895)	(93.48)	-
ABILITY ENTERPRISE CO., LTD.	ABILITY TECHNOLOGY COMPANY LIMITED	Affiliated company	(Sales)	(335,800)	8.88	Based on mutual agreement	-	-	153,895	38.06	-
E-PIN OPTICAL INDUSTRY CO., LTD.	NANJING EVERLIGHT PHOTONICS TECHNOLOGY CO., LTD.	Affiliated company	Purchases	345,994	65.92	90~120 days after monthly billings	-	-	(51,392)	69.24	-
NANJING EVERLIGHT PHOTONICS TECHNOLOGY CO., LTD.	E-PIN OPTICAL INDUSTRY CO., LTD.	Affiliated company	(Sales)	(345,994)	61.33	90~120 days after monthly billings	-	-	51,392	31.20	-

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, 2023

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2023 (Note 1)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
ABILITY TECHNOLOGY (DONGGUAN) CO., LTD.	ABILITY ENTERPRISE CO., LTD.	Affiliated company	\$ 563,534	3.47	-	-	\$ 294,347	-
ABILITY ENTERPRISE CO., LTD.	ABILITY TECHNOLOGY COMPANY LIMITED	Affiliated company	153,895	4.26	-	-	44,296	-

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.

Ability Enterprise Co., Ltd. and subsidiaries
Significant inter-company transactions during the reporting period
For the year ended December 31, 2023

Table 5

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	ABILITY TECHNOLOGY (DONGGUAN) CO., LTD.	1	Purchases	\$ 1,863,371	-	38
0	The Company	ABILITY TECHNOLOGY (DONGGUAN) CO., LTD.	1	Accounts payable	563,534	-	6
0	The Company	ABILITY TECHNOLOGY COMPANY LIMITED	1	Sales	335,800	-	7
0	The Company	ABILITY TECHNOLOGY COMPANY LIMITED	1	Accounts receivable	153,895	-	2
0	The Company	ABILITY TECHNOLOGIES CO., LTD.	1	Purchases	313,760	-	6
0	The Company	ABILITY TECHNOLOGIES CO., LTD.	1	Accounts payable	37,453	-	0
1	ABILITY TECHNOLOGIES CO., LTD.	ABILITY TECHNOLOGY COMPANY LIMITED	3	Purchases	309,807	-	6
1	ABILITY TECHNOLOGIES CO., LTD.	ABILITY TECHNOLOGY COMPANY LIMITED	3	Accounts payable	37,453	-	0
2	E-PIN OPTICAL INDUSTRY CO., LTD.	NANJING EVERLIGHT	3	Purchases	345,994	-	7
2	E-PIN OPTICAL INDUSTRY CO., LTD.	NANJING EVERLIGHT	3	Accounts payable	51,392	-	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, 2023

Table 6

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, 2023			Net profit (loss) of the investee for the year ended December 31, 2023 (Note 2(2) and 3)	Investment income (loss) recognised by the Company for the year ended December 31, 2023 (Note 2(3))	Footnote
				Balance as at December 31, 2023	Balance as at December 31, 2022	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, 728, 460	\$ 143, 017	\$ 143, 017	Subsidiary
ABILITY ENTERPRISE CO., LTD.	ABILITY INTERNATIONAL INVESTMENT CO., LTD.	Taiwan	Investments	13, 000	13, 000	1, 300, 000	100. 00	16, 477	174	174	Subsidiary
ABILITY ENTERPRISE CO., LTD.	ANDRO VIDEO INC.	Taiwan	Development of digital surveillance	-	140, 000	-	-	-	76	76	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	99, 171	(99, 091)	(54, 113)	Subsidiary
ABILITY ENTERPRISE CO., LTD.	ABILITY TECHNOLOGIES CO., LTD.	Taiwan	Manufacturing and trading of computer peripheral equipment, photography equipment and electronic components	30, 000	30, 000	3, 000, 000	60. 00	19, 529	(5, 959)	(3, 575)	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	31, 127	29, 961	8, 988	-
ABILITY ENTERPRISE CO., LTD.	BESTMOMENT HOLDINGS PTE. LTD.	Singapore	Holding company	36, 671	36, 671	1, 723, 110	25. 00	41, 011	3, 809	952	-
ABILITY TECHNOLOGIES CO., LTD.	ABILITY TECHNOLOGY COMPANY LIMITED	Vietnam	Manufacturing of computers, computer peripheral equipment, home electronics, communication equipment and optical instrument and equipment	31, 313	31, 313	-	100. 00	16, 777	(5, 421)	-	Second-tier subsidiary

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2023			Net profit (loss) of the investee for the year ended December 31, 2023 (Note 2(2) and 3)	Investment income (loss) recognised by the Company for the year ended December 31, 2023 (Note 2(3))	Footnote
				Balance as at December 31, 2023	Balance as at December 31, 2022	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	-	27.02	-	-	-	-
E-PIN OPTICAL INDUSTRY CO., LTD.	ALL VISION HOLDING LTD.	Samoa	Holding company	516,527	516,527	15,236,910	100.00	215,038	(24,449)	-	Second-tier subsidiary
E-PIN OPTICAL INDUSTRY CO., LTD.	E-PIN OPTICAL INDUSTRY(M.)SDN BHD	Malaysia	Manufacturing of precision lens	45,700	45,700	5,000,000	100.00	122	(25)	-	Second-tier subsidiary
E-PIN OPTICAL INDUSTRY CO., LTD.	ALL VISION TECHNOLOGY SDN. BHD.	Malaysia	Manufacturing of precision lens	659,334	659,334	72,243,894	100.00	9,378	(172)	-	Second-tier subsidiary
E-PIN OPTICAL INDUSTRY CO., LTD.	JIAPIN INVESTMENT CO., LTD.	Taiwan	Investing compny	66,000	66,000	6,600,000	100.00	61,465	(1,252)	-	Second-tier subsidiary
JIAPIN INVESTMENT CO., LTD.	CHIA PING LIMITED	Samoa	Holding company	37,713	37,713	1,350,000	100.00	33,815	(1,766)	-	Second-tier subsidiary
ALL VISION HOLDING LTD.	EVERLIGHT DEVELOPMENT CORPORATION	Panama	Holding company	192,006	192,006	58,494	100.00	290,349	19,076	-	Second-tier subsidiary
ALL VISION HOLDING LTD.	E-SKY HOLDING LTD.	Mauritius	Holding company	396,901	396,901	14,338,918	100.00	(72,484)	(43,525)	-	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, 2023’ 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, 2023’ 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, 2023’ 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 31.1277 for the year ended December 31, 2023.

Note 4: The liquidation of ANDROVIDEO INC. was completed on September 6, 2023. Proceeds from liquidation has been collected.

Ability Enterprise Co., Ltd. and subsidiaries
Information on investments in Mainland China
For the year ended December 31, 2023

Table 7

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, 2023	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2023		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Net income of investee for the year ended December 31, 2023	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2023 (Note 2)	Book value of investments in Mainland China as of December 31, 2023	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2023	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
ABILITY TECHNOLOGY (DONGGUAN) CO., LTD.	Sales of digital still cameras	\$ 1,799,657	2	\$ 1,546,206	-	-	\$ 1,546,206	\$ 146,303	100.00	\$ 146,303	\$ 1,707,566	-	(2)B and Note 6
NANJING EVERLIGHT PHOTONICS TECHNOLOGY CO., LTD.	Development and manufacture of optical components	332,245	2	130,881	-	-	130,881	34,398	30.28	10,416	290,346	-	(2)B and Note 7
WEIHAY E-SKY OPTICAL-ELECTRICAL CO., LTD.	Development and manufacture of precision optical lens	42,836	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	326,874	2	211,836	-	-	211,836	(43,524)	54.61	(23,768)	(72,661)	-	(2)B and Note 8
NANJING E-PIN OPTICAL CO., LTD.	Development and manufacture of precision optical lens	230,039	2	52,761	-	-	52,761	(1)	39.44	(1)	170	-	(2)B and Note 8
CHIA PING (SHENZHEN) OPTICAL TECHNOLOGY CO., LTD.	Trading of optical lens and components	38,107	2	37,917	-	-	37,917	(1,766)	54.61	(964)	33,815	-	(2)B and Note 9

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
The Company and E-PIN OPTICAL INDUSTRY CO., LTD.	\$ 2,017,549	\$ 2,254,455	\$ 3,975,244

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, 2023’ 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 2,633 thousand.

Note 5: VIEWQUEST TECHNOLOGIES (DONGGUAN) CO., LTD.’s accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023 was NTD 1,546,206 thousand (USD 51,985 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

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, 2023

Table 8

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, 2023	%	Balance at December 31, 2023	Purpose	Maximum balance during the year ended December 31, 2023	Balance at December 31, 2023	Interest rate	Interest during the year ended December 31, 2023	
NANJING EVERLIGHT PHOTONICS TECHNOLOGY CO., LTD.	(\$ 345,994)	(7)	-	-	(\$ 51,392)	(1)	-	-	-	-	-	-	-

Ability Enterprise Co., Ltd.
Major shareholders information
December 31, 2023

Table 9

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
PEGATRON CORPORATION	33,135,300	11.52%
ABICO AVY CO., LTD.	28,821,000	10.02%

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, 2023

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

Statement 1

Item	Description	Amount
Cash on hand and petty cash - NTD		\$ 310
- RMB	RMB 10,000, exchange rate 4.3270	43
- USD	USD 11,000, exchange rate 30.705	338
		<u>691</u>
Demand deposits - NTD		123,171
- JPY	JPY 11,427,728, exchange rate 0.2172	2,481
- USD	USD 26,396,613.12, exchange rate 30.705	810,508
- EUR	EUR 37,275.96, exchange rate 33.98	1,266
- HKD	HKD 24.06, exchange rate 3.9290	-
- RMB	RMB 18,465.68, exchange rate 4.3270	78
		<u>937,504</u>
Time deposits - USD	USD 45,100,000, exchange rate 30.705	<u>1,384,796</u>
		<u>\$ 2,322,991</u>

ABILITY ENTERPRISE CO., LTD.
STATEMENT OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NONCURRENT
DECEMBER 31, 2023

(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>										
Avy Precision Technology Inc.	17,264	\$ 352,190	-	\$ 63,878	-	\$ -	17,264	\$ 416,068	None	Note 1
Valens Semiconductor Ltd	-	-	630	50,665	(	3,272)	630	47,393	None	Note 2
<u>Unlisted companies</u>										
Ability I Venture Capital Corporation	3,363	21,233	-	1,295	-	-	3,363	22,528	None	Note 3
Abico Asia Capital Corporation	8,000	89,810	-	-	-	(9,486)	8,000	80,324	None	Note 4
IH Biomedical Venture Fund I Co., Ltd.	3,000	37,058	-	21,163	-	-	3,000	58,221	None	Note 5
Abico Asia Excelsior Partners L.P.	-	54,728	-	24,295	-	-	-	79,023	None	Note 6
Jet Optoelectronics Co., Ltd.	500	23,325	88	7,893	-	-	588	31,218	None	Note 7
Aeviso Depro Solution Co.,Ltd.	-	-	20	354	-	-	20	354	None	Note 8
		<u>\$ 578,344</u>		<u>\$ 169,543</u>		<u>(\$ 12,758)</u>		<u>\$ 735,129</u>		

Note 1: It refers to gains on financial assets at fair value through other comprehensive income of \$63,878 which were recognised during the year.

Note 2: It refers to new investment of \$50,665 and losses on financial assets at fair value through other comprehensive income of \$3,272 which were recognised during the year.

Note 3: It refers to gains on financial assets at fair value through other comprehensive income of \$1,295 which were recognised during the year.

Note 4: It refers to losses on financial assets at fair value through other comprehensive income of \$9,486 which were recognised during the year.

Note 4: It refers to gains on financial assets at fair value through other comprehensive income of \$21,163 which were recognised during the year.

Note 6: It refers to new investment of \$15,000 and gains on financial assets at fair value through other comprehensive income \$9,295 which were recognised during the year.

Note 7: It refers to received stock dividends of 88 thousands shares and gains on financial assets at fair value through other comprehensive income \$7,893 which were recognised during the year.

Note 8: It refers to new investment of \$354.

ABILITY ENTERPRISE CO., LTD.
STATEMENT OF TRADE RECEIVABLES
DECEMBER 31, 2023

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

Statement 3

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
AA company	Operating	\$ 148,094	
Others	"		Balance of each client
		257,600	has not exceeded 5% of
		405,694	total account balance
Less: Allowance for uncollectible accounts		(1,315)	
		<u>\$ 404,379</u>	

ABILITY ENTERPRISE CO., LTD.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2023
(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.	-	\$ 1,617,605	-	\$ 143,017	-	(\$ 32,162)	-	100.00	\$ 1,728,460	\$ -	\$ 1,728,460	None	-
INTERNATIONAL INVESTMENT CO., LTD.	1,300	16,348	-	174	-	(45)	1,300	100.00	16,477	-	16,477		
ANDROVIDEO INC. E-PIN OPTICAL	7,000	5,882	-	76	-	(5,958)	-	-	-	-	-	None	-
INDUSTRY CO., LTD. ABILITY	12,888	161,375	-	-	-	(62,204)	12,888	54.61	99,171	-	99,171	None	-
TECHNOLOGIES CO., LTD. ALTASEC	3,000	22,453	-	651	-	(3,575)	3,000	60.00	19,529	-	19,529	None	-
TECHNOLOGY CORPORATION	1,500	26,939	-	8,988	-	(4,800)	1,500	30.00	31,127	-	31,127	None	-
BESTMOMENT HOLDINGS PTE. LTD.	-	40,833	-	1,009	-	(831)	-	25.00	41,011	-	41,011	None	-
Total		<u>\$ 1,891,435</u>		<u>\$ 153,915</u>		<u>(\$ 109,575)</u>			<u>\$ 1,935,775</u>		<u>\$ 1,935,775</u>		

Note: Shares in thousands

ABILITY ENTERPRISE CO., LTD.
STATEMENT OF TRADE PAYABLES
DECEMBER 31, 2023

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

Statement 5

Supplier Name	Description	Amount	Note
ABILITY TECHNOLOGY (DONGGUAN) CO., LTD.	Operating	\$ 563,534	
Others	"	294,610	Balance of each supplier has not exceeded 5% of total account balance
		<u>\$ 858,144</u>	

ABILITY ENTERPRISE CO., LTD.
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2023

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

Statement 6

Item	Volume (per unit)	Net amount	Note
Optical products:			
Domestic sales	191	\$ 151,283	
Export sales	163,183	3,288,218	
		3,439,501	
Service revenue		341,590	
		<u>\$ 3,781,091</u>	

ABILITY ENTERPRISE CO., LTD.
STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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

Statement 7

Item	Amount	
	Subtotal	Total
Raw materials		\$ 229,979
Beginning raw materials	\$ 182,030	
Add: Raw materials purchased	554,389	
Less: Ending raw materials	(142,795)	
Raw materials sold	(349,560)	
Transferred to expenses	(13,268)	
Others	(817)	
Direct labor		27,446
Manufacturing expense		39,827
Manufacturing cost		\$ 297,252
Add: Beginning work in progress		16,926
Less: Ending work in progress	(21,929)	
Transferred to expenses	(10,692)	
Cost of finished goods		\$ 281,557
Add: Beginning finished goods (including merchandise)		22,778
Net purchases for the year		2,180,337
Others		27,552
Less: Ending finished goods (including merchandise)	(25,610)	
Finished goods sold	(70,090)	
Cost of goods sold from manufacturing		2,416,524
Cost of raw materials sold		349,560
Cost of finished goods sold		70,090
Gain on reversal of decline in market value	(38,069)	
Other operating costs		85,691
Operating costs		\$ 2,883,796

ABILITY ENTERPRISE CO., LTD.
STATEMENT OF SELLING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

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

Statement 8

Item	Description	Amount	Note
Wages and salaries		\$ 84,711	
Travel expenses		7,281	
Insurance expenses		6,696	
Other expenses		23,519	Balance of each expense account has
		<u>\$ 122,207</u>	not exceeded 5% of total account

ABILITY ENTERPRISE CO., LTD.
STATEMENT OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

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

Statement 9

Item	Description	Amount	Note
Wages and salaries		\$ 146,022	
Depreciation expense		19,292	
Insurance expenses		12,107	
Other expenses		52,347	Balance of each expense account has not exceeded 5% of total account
		<u>\$ 229,768</u>	

ABILITY ENTERPRISE CO., LTD.
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 10

Item	Description	Amount	Note
Wages and salaries		\$ 291,008	
Contracted research expenses		32,628	
Depreciation expense		25,889	
Insurance expenses		24,755	
Other expenses		102,781	Balance of each expense account has not exceeded 5% of total account
		<u>\$ 477,061</u>	

ABILITY ENTERPRISE CO., LTD.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 11

Function Nature	Year ended December 31, 2023			Year ended December 31, 2022		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee Benefit Expense						
Wages and salaries	\$ 39,025	\$ 517,046	\$ 556,071	\$ 29,715	\$ 518,740	\$ 548,455
Labour and health insurance fees	3,429	40,267	43,696	2,782	40,497	43,279
Pension costs	1,494	22,723	24,217	1,330	22,250	23,580
Directors' remuneration	-	5,408	5,408	-	3,034	3,034
Other personnel expenses	2,684	23,405	26,089	2,427	23,233	25,660
Depreciation	11,591	47,458	59,049	26,244	47,622	73,866
Amortisation	95	5,883	5,978	95	7,721	7,816

Note:

- A. As at December 31, 2023 and 2022, the Company had 539 and 502 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 \$1,224 (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 \$1,298 (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 \$1,047 (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 \$1,110 (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, 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 11

- (c) Change on average employee salaries adjustment was (5.68%) ((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