# ABILITY ENTERPRISE CO., LTD.

**PARENT COMPANY ONLY FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT**

**DECEMBER 31, 2022 AND 2021**

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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, 2022 AND 2021 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.

PWCR22000559

***Opinion***

We have audited the accompanying balance sheets of Ability Enterprise Co., Ltd. (the "Company") as at December 31, 2022 and 2021, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (refer to *Other Matter* section), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

***Basis for opinion***

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and 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 2022 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(14) for accounting policies on inventory valuation, Note 6(5) for account details on investments accounted for using equity method and Tables 7 and 8 for further information on investees accounted for using equity method.

As of December 31, 2022, inventories and allowance for inventory valuation loss amounted to NT$221,734 thousand and NT$130,701 thousand, respectively, while the investments accounted for using equity method amounted to NT$1,891,434 thousand. The Company's direct and indirect wholly-owned subsidiary, Ability Technology (Dongguan) Co., Ltd., is the main operating entity and is primarily engaged in manufacturing and sales of digital cameras, optical devices as well as related parts and components. Due to rapid technological innovations, short life cycles of electronic products and fluctuations in market prices, there is higher risk in inventory valuation losses and obsolescence. The subsidiary recognises inventories at the lower of cost and net realisable value and assesses excess inventories and those separately identified as obsolete.

Since the net realisable value used in the evaluation of obsolete inventories involves significant judgments and high estimation uncertainty, the inventories of Ability Technology (Dongguan) Co., Ltd. has a significant impact on the individual financial statements. Therefore, we considered the assessment of the allowance for inventory valuation loss a key audit matter.

How our audit addressed the matter

We performed the following audit procedures with respect to excess inventories and those separately identified as obsolete or damaged:

A. Ascertained whether the policies on allowance for inventory valuation losses are consistently applied in all the periods.

B. Understood the method used by management in determining the net realisable value, and 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(16) and (18) 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, 2022, property, plant and equipment and investment property amounted to NT$2,325,791 thousand.

The Company's property, plant and equipment and investment property primarily consist of land, buildings and structures, constituting 31% of total assets. Asset valuation is subject to factors such as equilibrium in real estate market, natural disasters, government policies and economic situation. Risk of asset impairment exists given the uncertainty of real estate valuation. Hence, we considered the impairment assessment of property, plant and equipment and investment property a key audit matter.

How our audit addressed the matter

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

A. Reviewed external information (or the most recent transaction price for similar property) to identify any potential impairment indicators for property, plant and equipment and investment property.

B. Assessed the reasonableness of the recoverable amounts of property, plant and equipment and investment property, and evaluated the impairment assessment based on the most recent transaction price for similar property.

## *Other matter – Reference to the audits of other auditors*

We did not audit the financial statements of certain subsidiaries and investments accounted for under the equity method which were audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in respect of these subsidiaries and associates, is based solely on the reports of the other auditors. The balance of these investments accounted for under the equity method amounted to NT$26,939 thousand and NT$23,686 thousand, constituting 0.36% and 0.28% of the total assets as at December 31, 2022 and 2021, respectively, and the share of profit recognised from investees accounted for under the equity method amounted to NT$7,754 thousand and NT$5,730 thousand, constituting 4.30% and 0.70% 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 10, 2023

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ABILITY ENTERPRISE CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

| | Assets | Notes | December 31, 2022 AMOUNT | % | December 31, 2021 AMOUNT | % |
|---|---|---|---|---|---|---|
| | **Current assets** | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | $ 2,221,114 | 30 | $ 1,165,739 | 14 |
| 1170 | Accounts receivable, net | 6(3) and 7 | 280,538 | 4 | 425,427 | 5 |
| 130X | Inventories | 6(4) | 91,033 | 1 | 59,791 | - |
| 1470 | Other current assets | | 28,309 | - | 77,350 | 1 |
| 11XX | **Total current assets** | | 2,620,994 | 35 | 1,728,307 | 20 |
| | **Non-current assets** | | | | | |
| 1517 | Non-current financial assets at fair value through profit or loss | 6(2) | 578,344 | 8 | 719,898 | 9 |
| 1550 | Investments accounted for using equity method | 6(5) | 1,891,435 | 25 | 3,515,266 | 42 |
| 1600 | Property, plant and equipment | 6(6), 7 and 8 | 2,254,379 | 30 | 2,310,812 | 27 |
| 1755 | Right-of-use assets | 6(7) | - | - | 1,573 | - |
| 1760 | Investment property, net | 6(8) | 71,412 | 1 | 73,785 | 1 |
| 1780 | Intangible assets | | 6,600 | - | 9,368 | - |
| 1840 | Deferred tax assets | 6(21) | 95,638 | 1 | 86,715 | 1 |
| 1900 | Other non-current assets | | 25,747 | - | 23,809 | - |
| 15XX | **Total non-current assets** | | 4,923,555 | 65 | 6,741,226 | 80 |
| 1XXX | **Total assets** | | $ 7,544,549 | 100 | $ 8,469,533 | 100 |

(Continued)

ABILITY ENTERPRISE CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

| | Liabilities and Equity | Notes | December 31, 2022 AMOUNT | % | December 31, 2021 AMOUNT | % |
|---|---|---|---|---|---|---|
| | **Current liabilities** | | | | | |
| 2150 | Notes payable | | $ - | - | $ 604 | - |
| 2170 | Accounts payable | 7 | 623,913 | 8 | 1,403,791 | 16 |
| 2200 | Other payables | 6(9) | 456,867 | 6 | 495,499 | 6 |
| 2230 | Income tax liabilities | | 4,715 | - | - | - |
| 2250 | Provisions for liabilities - current | 6(12) | 45,756 | 1 | 55,000 | 1 |
| 2280 | Current lease liabilities | | - | - | 1,621 | - |
| 2300 | Other current liabilities | 6(16) | 153,976 | 2 | 165,465 | 2 |
| 21XX | **Total current liabilities** | | 1,285,227 | 17 | 2,121,980 | 25 |
| | **Non-current liabilities** | | | | | |
| 2600 | Other non-current liabilities | 6(10) | 21,423 | - | 32,490 | - |
| 25XX | **Total non-current liabilities** | | 21,423 | - | 32,490 | - |
| 2XXX | **Total liabilities** | | 1,306,650 | 17 | 2,154,470 | 25 |
| | **Equity** | | | | | |
| | Share capital | 6(13) | | | | |
| 3110 | Common stock | | 2,875,823 | 38 | 2,877,213 | 34 |
| | Capital surplus | 6(14) | | | | |
| 3200 | Capital surplus | | 1,343,134 | 18 | 1,339,848 | 16 |
| | Retained earnings | 6(15) | | | | |
| 3310 | Legal reserve | | 1,724,576 | 23 | 1,655,947 | 20 |
| 3320 | Special reserve | | 855,579 | 11 | 654,447 | 8 |
| 3350 | Unappropriated retained earnings | | 9,989 | - | 686,297 | 8 |
| | Other equity interest | | | | | |
| 3400 | Other equity interest | | ( 570,842) | ( 7) | ( 898,689) | ( 11) |
| 3500 | Treasury shares | 6(11) | ( 360) | - | - | - |
| 3XXX | **Total equity** | | 6,237,899 | 83 | 6,315,063 | 75 |
| 3X2X | **Total liabilities and equity** | | $ 7,544,549 | 100 | $ 8,469,533 | 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, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

| | | | Year ended December 31 | | | |
|---|---|---|---|---|---|---|
| | | | 2022 | | 2021 | |
| | Items | Notes | AMOUNT | % | AMOUNT | % |
| 4000 | Operating revenue | 6(16) and 7 | $ 3,355,316 | 100 | $ 2,230,373 | 100 |
| 5000 | Operating costs | 6(4)(20) and 7 | ( 2,696,307) | ( 80) | ( 1,831,415) | ( 82) |
| 5950 | Gross profit from operations | | 659,009 | 20 | 398,958 | 18 |
| | Operating expenses | 6(20) | | | | |
| 6100 | Selling expenses | | ( 81,522) | ( 3) | ( 68,720) | ( 3) |
| 6200 | Administrative expenses | | ( 263,851) | ( 8) | ( 308,989) | ( 14) |
| 6300 | Research and development expenses | | ( 464,858) | ( 14) | ( 501,574) | ( 22) |
| 6450 | Impairment loss determined in accordance with IFRS 9 | 12(2) | ( 14,394) | - | ( 5,379) | - |
| 6000 | Total operating expenses | | ( 824,625) | ( 25) | ( 884,662) | ( 39) |
| 6900 | Net operating loss | | ( 165,616) | ( 5) | ( 485,704) | ( 21) |
| | Non-operating income and expenses | | | | | |
| 7100 | Interest income | 6(17) | 19,303 | 1 | 1,706 | - |
| 7010 | Other income | 6(18) | 18,653 | 1 | 33,175 | 1 |
| 7020 | Other gains and losses | 6(19) | 116,492 | 3 | 1,159,312 | 52 |
| 7050 | Finance costs | | ( 23) | - | ( 5,718) | - |
| 7070 | Share of profit of associates and joint ventures accounted for using equity method, net | 6(5) | 142,328 | 4 | 152,786 | 7 |
| 7000 | Total non-operating income and expenses | | 296,753 | 9 | 1,341,261 | 60 |
| 7900 | **Profit before income tax** | | 131,137 | 4 | 855,557 | 39 |
| 7950 | Income tax benefit (expense) | 6(21) | 4,226 | - | ( 171,438) | ( 8) |
| 8200 | **Profit for the year** | | $ 135,363 | 4 | $ 684,119 | 31 |
| | **Other comprehensive income** | | | | | |
| | **Components of other comprehensive income that will not be reclassified to profit or loss** | | | | | |
| 8311 | Gains on remeasurements of defined benefit plan | 6(10) | $ 8,755 | - | $ 2,175 | - |
| 8316 | Unrealised (losses) gains from investments in equity instruments measured at fair value through other comprehensive income | 6(2) | ( 123,392) | ( 4) | 50,911 | 2 |
| 8330 | Share of other comprehensive income of associates and joint ventures accounted for using equity method | | 22,543 | 1 | 156,385 | 7 |
| 8349 | Income tax related to components of other comprehensive loss that will not be reclassified to profit or loss | 6(21) | ( 1,751) | - | ( 435) | - |
| 8310 | Other comprehensive (loss) income that will not be reclassified to profit or loss | | ( 93,845) | ( 3) | 209,036 | 9 |
| | **Components of other comprehensive income that will be reclassified to profit or loss** | | | | | |
| 8361 | Exchange differences on translation | | 138,754 | 4 | ( 72,094) | ( 3) |
| 8360 | Other comprehensive income (loss) that will be reclassified to profit or loss | | 138,754 | 4 | ( 72,094) | ( 3) |
| 8300 | **Total other comprehensive income** | | $ 44,909 | 1 | $ 136,942 | 6 |
| 8500 | **Total comprehensive income** | | $ 180,272 | 5 | $ 821,061 | 37 |
| | Earnings per share (in dollars) | 6(22) | | | | |
| 9750 | Basic earnings per share | | $ | 0.48 | $ | 2.42 |
| 9850 | Diluted earnings per share | | $ | 0.47 | $ | 2.40 |

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, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

| | | | | Retained Earnings | | | Other Equity Interest | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Notes | Share capital - common stock | Total capital surplus, additional paid-in capital | Legal reserve | Special reserve | Unappropriated retained earnings | Financial statements translation differences of foreign operations | Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income | Other equity, others | Treasury shares | Total equity |
| Year ended December 31, 2021 | | | | | | | | | | | |
| Balance at January 1, 2021 | | $ 2,823,628 | $ 1,563,494 | $ 1,655,947 | $ 654,447 | ($ 86,830 ) | ($ 271,768 ) | ($ 718,575 ) | $ - | $ - | $ 5,620,343 |
| Profit for 2021 | | - | - | - | - | 684,119 | - | - | - | - | 684,119 |
| Other comprehensive income (loss) for 2021 | | - | - | - | - | 2,178 | ( 72,094 ) | 206,858 | - | - | 136,942 |
| Total comprehensive income (loss) for 2021 | | - | - | - | - | 686,297 | ( 72,094 ) | 206,858 | - | - | 821,061 |
| Appropriation of 2020 earnings | 6(15) | | | | | | | | | | |
| Cash dividends | | - | ( 141,181 ) | - | - | - | - | - | - | - | ( 141,181 ) |
| Capital surplus used to offset accumulated deficit | 6(14) | - | ( 86,830 ) | - | - | 86,830 | - | - | - | - | - |
| Compensation cost of share-based payment | 6(11) | - | 199 | - | - | - | - | - | 14,641 | - | 14,840 |
| Issuance of employee restricted shares | | 53,585 | 4,166 | - | - | - | - | - | ( 57,751 ) | - | - |
| Balance at December 31, 2021 | | $ 2,877,213 | $ 1,339,848 | $ 1,655,947 | $ 654,447 | $ 686,297 | ($ 343,862 ) | ($ 511,717 ) | ($ 43,110 ) | $ - | $ 6,315,063 |
| Year ended December 31, 2022 | | | | | | | | | | | |
| 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 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 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 | | $ 2,875,823 | $ 1,343,134 | $ 1,724,576 | $ 855,579 | $ 9,989 | ($ 205,108 ) | ($ 350,956 ) | ($ 14,778 ) | ($ 360 ) | $ 6,237,899 |

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, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

| | Notes | Year ended December 31 2022 | 2021 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | $ 131,137 | $ 855,557 |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Depreciation | 6(20) | 76,239 | 81,116 |
| Amortisation | 6(20) | 7,816 | 5,383 |
| Expected credit loss | 12(2) | 14,394 | 5,379 |
| Compensation cost of share-based payment | 6(11) | 29,105 | 14,840 |
| Interest expense | | 23 | 5,718 |
| Interest income | 6(17) | ( 19,303 ) | ( 1,706 ) |
| Dividend income | 6(18) | ( 14,332 ) | ( 11,010 ) |
| Share of profit of associates and joint ventures | 6(5) | ( 142,328 ) | ( 152,786 ) |
| Gain on disposal of property, plant, equipment | 6(19) | ( 210 ) | ( 216 ) |
| Gain on disposal of non-current assets held for sale | 6(19) | - | ( 1,137,067 ) |
| Gain on disposal of investments | 6(19) | ( 20,840 ) | - |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Accounts receivable, net | | 130,495 | ( 271,893 ) |
| Inventories | | ( 31,242 ) | ( 24,058 ) |
| Other current assets | | 49,019 | ( 17,870 ) |
| Changes in operating liabilities | | | |
| Notes payable | | ( 604 ) | 604 |
| Accounts payable | | ( 779,878 ) | ( 17,845 ) |
| Other payables | | ( 37,591 ) | 32,739 |
| Provisions | | ( 9,244 ) | ( 17,106 ) |
| Other current liabilities | | ( 11,489 ) | 40,657 |
| Other non-current liabilities | | ( 2,312 ) | ( 2,139 ) |
| Cash outflow generated from operations | | ( 631,145 ) | ( 611,703 ) |
| Interest received | | 19,303 | 1,706 |
| Dividends received | | 829,199 | 14,738 |
| Interest paid | | ( 23 ) | ( 5,718 ) |
| Income tax paid | | ( 1,732 ) | ( 59,967 ) |
| Net cash flows from (used in) operating activities | | 215,602 | ( 660,944 ) |

(Continued)

ABILITY ENTERPRISE CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

| | Notes | Year ended December 31 2022 | 2021 |
|---|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of financial assets at fair value through other comprehensive income | 6(2) | ($ 19,750 ) | ($ 64,500 ) |
| Proceeds from capital reduction of financial assets at fair value through other comprehensive income | | 37,912 | 31,105 |
| Acquisition of investments accounted for using equity method | 6(5) | ( 30,000 ) | - |
| Proceeds from liquidation of financial assets at investments accounted for using equity method | 6(5) | 1,163,429 | - |
| Acquisition of property, plant and equipment | 6(6) | ( 16,103 ) | ( 18,977 ) |
| Proceeds from disposal of property, plant and equipment | | 356 | 216 |
| Proceeds from disposal of non-current assets held for sale | | - | 1,702,465 |
| Acquisition of intangible assets | | ( 5,048 ) | ( 6,115 ) |
| (Increase) decrease in other non-current assets | | ( 1,938 ) | 4,454 |
| Net cash flows from investing activities | | 1,128,858 | 1,648,648 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repayments of short-term loans | | - | ( 1,200,000 ) |
| Decrease in other non-current liabilities | | - | ( 6,237 ) |
| Payments of lease liabilities | | ( 1,503 ) | ( 1,629 ) |
| Payment of cash dividends | 6(15) | ( 287,582 ) | ( 141,181 ) |
| Net cash flows used in financing activities | | ( 289,085 ) | ( 1,349,047 ) |
| Net increase (decrease) in cash and cash equivalents | | 1,055,375 | ( 361,343 ) |
| Cash and cash equivalents at beginning of year | | 1,165,739 | 1,527,082 |
| Cash and cash equivalents at end of year | | $ 2,221,114 | $ 1,165,739 |

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, 2022 AND 2021

(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, 2022 and 2021, the Company had 502 and 530 employees, respectively.

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

These parent company only financial statements were authorised for issuance by the Board of Directors on March 10, 2023.

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") 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 2022 are as follows:

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board |
|---|---|
| Amendments to IFRS 3, 'Reference to the conceptual framework' | January 1, 2022 |
| Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use' | January 1, 2022 |
| Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract' | January 1, 2022 |
| Annual improvements to IFRS Standards 2018–2020 | January 1, 2022 |

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 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 |

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

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

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

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board |
|---|---|
| Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’ | To be determined by International Accounting Standards Board |
| Amendments to IFRS 16, ‘Lease liability in a sale and leaseback’ | January 1, 2024 |
| IFRS 17, ‘Insurance contracts’ | January 1, 2023 |
| Amendments to IFRS 17, 'Insurance contracts' | January 1, 2023 |
| Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information' | January 1, 2023 |
| Amendments to IAS 1, ‘Classification of liabilities as current or non-current’ | January 1, 2024 |
| Amendments to IAS 1, ‘Non-current liabilities with covenants’ | 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

(a) Financial assets at fair value though 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 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 rentures

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 Comany 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 Compamy 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) Income tax

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

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

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

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

(23) 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.

(24) Revenue recognition

A. Sales of goods

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

B. Sales of services

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

C. Incremental costs of obtaining a contract

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

(25) Government grants

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

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

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

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

None.

(2) Critical accounting estimates and assumptions

A. Impairment assessment of tangible assets

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

As of December 31, 2022, 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, 2022, the carrying amount of inventories is described in Note 6(4).

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Cash on hand and revolving funds | $ 356 | $ 356 |
| Demand deposits | 1,975,078 | 1,165,383 |
| Time deposits | 245,680 | - |
| | $ 2,221,114 | $ 1,165,739 |

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

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

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

| Items | December 31, 2022 | December 31, 2021 |
| --- | --- | --- |
| Non-current items: | | |
| Equity instruments | | |
| Listed stocks | $ 636,816 | $ 636,816 |
| Unlisted stocks | 212,088 | 230,250 |
| | 848,904 | 867,066 |
| Valuation adjustment | ( 270,560) | ( 147,168) |
| | $ 578,344 | $ 719,898 |

A. On August 13, 2019, the Board of Directors of the Company resolved to invest in IH Biomedical Venture Fund I Co., Ltd. in the amount of $30 million. In July 2021, the Company invested $15,000 according to the joint ventures agreement. As of December 31, 2022, the investment amounted to $30,000 for a shareholding ratio of 4.848%.

B. On March 29, 2021, the Board of Directors of the Company resolved to invest in ABICO ASIA EXCELSIOR PARTNERS L.P. with a limit of $150 million. As of December 31, 2022, the investment amount was $48,708 for a shareholding ratio of 5.92%.

C. 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, 2022, the investment amounted to $19,750 for a shareholding ratio of 0.98%.

D. On October 15, 2021, the Board of Directors of the Company resolved to support that 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 $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.

E. 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 $578,344 and $719,898 as at December 31, 2022 and 2021, respectively.

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

| | For the years ended December 31, | |
|---|---|---|
| Equity instruments at fair value through other comprehensive income | 2022 | 2021 |
| Fair value change recognised in other comprehensive (loss) income | ($ 123,392) | $ 50,911 |
| Cumulative losses reclassified to retained earnings due to derecognition | $ 261,773 | $ - |
| Dividend income recognised in profit or loss | | |
| Held at end of year | $ 14,332 | $ 11,010 |

G. As at December 31, 2022 and 2021, 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 $578,344 and $719,898, respectively.

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

(3) Accounts receivable

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Accounts receivable | $ 264,343 | $ 410,931 |
| Less: Allowance for bad debts | ( 19,893) | ( 5,499) |
| Accounts receivable, related parties | 36,088 | 19,995 |
| Accounts receivable, net | $ 280,538 | $ 425,427 |

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Not past due | $ 281,935 | $ 419,315 |
| 1 to 90 days | 771 | 991 |
| 91 to 180 days | 1,241 | 48 |
| Over 180 days | 16,484 | 572 |
| | $ 300,431 | $ 420,926 |

The above ageing analysis was based on past due date.

A. As of December 31, 2022 and 2021, accounts receivable were all from contracts with customers. As of January 1, 2021, the balance of accounts receivable from contracts with customers amounted to $320,368.

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

C. As at December 31, 2022 and 2021, 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 $280,538 and $425,427, respectively.

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

(4) Inventories

| | 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 |
| | $ 221,734 | ($ 130,701) | $ 91,033 |

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

The cost of inventories recognised as expense for the year:

| | For the years ended December 31, | |
|---|---|---|
| | 2022 | 2021 |
| Cost of goods sold | $ 2,600,365 | $ 1,803,408 |
| Loss on decline in market value | 55,647 | 9,938 |
| Other operating costs | 40,295 | 18,069 |
| | $ 2,696,307 | $ 1,831,415 |

(5) Investments accounted for using equity method

| Associates | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Subsidiaries: | | |
| ABILITY ENTERPRISE (BVI) CO., LTD. | $ 1,617,605 | $ 1,936,712 |
| VIEWQUEST TECHNOLOGIES (BVI) INC. | - | 1,358,228 |
| VIEWQUEST TECHNOLOGIES INTERNATIONAL LTD. | - | 447 |
| Ability International Investment Co., Ltd. | 16,348 | 16,302 |
| E-PIN OPTICAL INDUSTRY CO., LTD. | 161,375 | 136,259 |
| ABILITY TECHNOLOGIES CO., LTD. | 22,453 | - |
| AndroVideo INC. | 5,882 | 5,759 |
| Associates: | | |
| Altasec Technology Corporation | 26,939 | 23,686 |
| BESTMOMENT HOLDINGS PTE. LTD. | 40,833 | 37,873 |
| | $ 1,891,435 | $ 3,515,266 |

A. The above investments were accounted for using equity method as of December 31, 2022 and 2021 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, 2022 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, 2022 and 2021, the carrying amount of the Company's individually immaterial associates amounted to $67,772 and $61,559, respectively.

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Profit for the year/Total comprehensive income | $ 35,370 | $ 22,519 |

D. The Company's share in profit (loss) recognised under the equity method for the years ended December 31, 2022 and 2021 was $142,328 and $152,786, 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.

(6) Property, plant and equipment

| | Land | Buildings and structures | Machinery | Mold equipment | Other equipment and construction in progress | Total |
|---|---|---|---|---|---|---|
| January 1, 2022 | | | | | | |
| 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) |
| | $ 1,304,043 | $ 935,898 | $ 10,071 | $ 8,295 | $ 52,505 | $ 2,310,812 |
| 2022 | | | | | | |
| 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 | $ 1,304,043 | $ 895,475 | $ 7,202 | $ 369 | $ 47,290 | $ 2,254,379 |
| At December 31, 2022 | | | | | | |
| 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) |
| | $ 1,304,043 | $ 895,475 | $ 7,202 | $ 369 | $ 47,290 | $ 2,254,379 |

| | Land | Buildings and structures | Machinery | Mold equipment | Other equipment and construction in progress | Total |
|---|---|---|---|---|---|---|
| January 1, 2021 | | | | | | |
| Cost | $ 1,304,043 | $ 1,126,948 | $ 118,740 | $ 939,787 | $ 134,621 | $ 3,624,139 |
| Accumulated depreciation and impairment | - | ( 150,627) | ( 102,103) | ( 935,208) | ( 69,806) | ( 1,257,744) |
| | $ 1,304,043 | $ 976,321 | $ 16,637 | $ 4,579 | $ 64,815 | $ 2,366,395 |
| 2021 | | | | | | |
| Opening net book amount | $ 1,304,043 | $ 976,321 | $ 16,637 | $ 4,579 | $ 64,815 | $ 2,366,395 |
| Additions | - | - | 2,092 | 15,649 | 1,236 | 18,977 |
| Depreciation | - | ( 40,423) | ( 8,658) | ( 11,933) | ( 13,546) | ( 74,560) |
| Closing net book amount | $ 1,304,043 | $ 935,898 | $ 10,071 | $ 8,295 | $ 52,505 | $ 2,310,812 |
| At December 31, 2021 | | | | | | |
| 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) |
| | $ 1,304,043 | $ 935,898 | $ 10,071 | $ 8,295 | $ 52,505 | $ 2,310,812 |

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:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| | Carrying amount | Carrying amount |
| Office equipment | $ - | $ 1,573 |

| | For the years ended December 31, | |
|---|---|---|
| | 2022 | 2021 |
| | Depreciation charge | Depreciation charge |
| Office equipment | $ 1,476 | $ 1,628 |

C. For the years ended December 31, 2022 and 2021, 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, | |
|---|---|---|
| | 2022 | 2021 |
| Items affecting profit or loss | | |
| Interest expense on lease liabilities | $ 15 | $ 45 |
| Expense on short-term lease contracts | 1,367 | 1,356 |
| Expense on leases of low-value assets | 53 | 52 |

E. For the years ended December 31, 2022 and 2021, the Company's total cash outflow for leases was $2,938 and $3,082, respectively.

(8) Investment property

| | Land | Buildings and structures | Total |
|---|---|---|---|
| At January 1, 2022 | | | |
| Cost | $ 15,257 | $ 63,867 | $ 79,124 |
| Accumulated depreciation and impairment | - | ( 5,339) | ( 5,339) |
| | $ 15,257 | $ 58,528 | $ 73,785 |
| 2022 | | | |
| Opening net book amount | $ 15,257 | $ 58,528 | $ 73,785 |
| Depreciation | - | ( 2,373) | ( 2,373) |
| Closing net book amount | $ 15,257 | $ 56,155 | $ 71,412 |
| At December 31, 2022 | | | |
| Cost | $ 15,257 | $ 63,867 | $ 79,124 |
| Accumulated depreciation and impairment | - | ( 7,712) | ( 7,712) |
| | $ 15,257 | $ 56,155 | $ 71,412 |

| | Land | | Buildings and structures | | Total | |
|---|---|---|---|---|---|---|
| **At January 1, 2021** | | | | | | |
| Cost | $ | 272,430 | $ | 584,920 | $ | 857,350 |
| Accumulated depreciation and impairment | | - | ( | 213,239) | ( | 213,239) |
| | $ | 272,430 | $ | 371,681 | $ | 644,111 |
| **2021** | | | | | | |
| Opening net book amount | $ | 272,430 | $ | 371,681 | $ | 644,111 |
| Reclassification | ( | 257,173) | ( | 308,225) | ( | 565,398) |
| Depreciation | | - | ( | 4,928) | ( | 4,928) |
| Closing net book amount | $ | 15,257 | $ | 58,528 | $ | 73,785 |
| **At December 31, 2021** | | | | | | |
| Cost | $ | 15,257 | $ | 63,867 | $ | 79,124 |
| Accumulated depreciation and impairment | | - | ( | 5,339) | ( | 5,339) |
| | $ | 15,257 | $ | 58,528 | $ | 73,785 |

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

| | For the years ended December 31, | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| Rental income from the lease of the investment property | $ | 3,082 | $ | 22,165 |
| Direct operating expenses arising from the investment property that generated rental income during the year | $ | 2,373 | $ | 4,928 |

B. The fair value of the investment property held by the Company as at December 31, 2022 and 2021 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.

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

(9) Other payables

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Employees' salary and compensation payable | $ 306,922 | $ 253,027 |
| Pensions payable | 100,563 | 117,131 |
| Employee compensation payable and compensation due to directors | 13,766 | 89,810 |
| Labour and health insurance fees payable | 7,998 | 8,206 |
| Service fees payable | 1,472 | 1,384 |
| Other payables | 26,146 | 25,941 |
| | $ 456,867 | $ 495,499 |

(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:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Present value of defined benefit obligations | $ 25,261 | $ 70,890 |
| Fair value of plan assets | ( 4,715) | ( 39,278) |
| Net defined benefit liability (shown as other non-current liabilities) | $ 20,546 | $ 31,612 |

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

| | Present value of defined benefit obligations | Fair value of plan assets | Net defined benefit liability |
|---|---|---|---|
| Year ended December 31, 2022 | | | |
| Balance at January 1 | $ 70,890 | ($ 39,278) | $ 31,612 |
| Interest expense (income) | 546 | ( 302) | 244 |
| | 71,436 | ( 39,580) | 31,856 |
| 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) |
| | ( 5,891) | ( 2,864) | ( 8,755) |
| Pension fund contribution | - | ( 2,555) | ( 2,555) |
| Paid pension | ( 40,283) | 40,283 | - |
| Balance at December 31 | $ 25,262 | ($ 4,716) | $ 20,546 |

| | Present value of defined benefit obligations | Fair value of plan assets | Net defined benefit liability |
|---|---|---|---|
| Year ended December 31, 2021 | | | |
| Balance at January 1 | $ 72,957 | ($ 37,031) | $ 35,926 |
| Current service cost | - | - | - |
| Interest expense (income) | 313 | ( 159) | 154 |
| | 73,270 | ( 37,190) | 36,080 |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | $ - | ($ 495) | ($ 495) |
| Change in demographic assumptions | 715 | - | 715 |
| Change in financial assumptions | ( 3,654) | - | ( 3,654) |
| Experience adjustments | 1,259 | - | 1,259 |
| | ( 1,680) | ( 495) | ( 2,175) |
| Pension fund contribution | - | ( 2,293) | ( 2,293) |
| Paid pension | ( 700) | 700 | - |
| Balance at December 31 | $ 70,890 | ($ 39,278) | $ 31,612 |

(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, 2022 and 2021 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, | |
|---|---|---|
| | 2022 | 2021 |
| Discount rate | 1.48% | 0.77% |
| Future salary increases | 2.00% | 2.00% |
| Expected returns on plan assets | 1.48% | 0.77% |

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% |
| December 31, 2022 | | | | |
| Effect on present value of defined benefit obligation | ($ 2,136) | $ 2,348 | $ 2,324 | ($ 2,136) |
| December 31, 2021 | | | | |
| Effect on present value of defined benefit obligation | ($ 5,050) | $ 5,501 | $ 5,405 | ($ 5,015) |

(f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2023 amount to $1,411.

(g) As of December 31, 2022, 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 | $ | 545 |
| 1-2 year(s) | | 6,141 |
| 2-5 years | | 9,777 |
| Over 5 years | | 10,167 |
| | $ | 26,630 |

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, 2022 and 2021 were $23,336 and $23,668, respectively.

(11) Share-based payment

A. For the years ended December 31, 2021 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 | $ - | 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 | $ - | 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 | $ - | 32.58% | - | 0.2079% | $ 11.64 |

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

| | For the years ended December 31, | |
|---|---|---|
| | 2022 | 2021 |
| Equity-settled | $ 29,105 | $ 14,840 |

D. For the year ended December 31, 2022, the Company repurchased 175 thousand shares 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.

(12) Provisions - current

| | For the years ended December 31, | |
|---|---|---|
| Warranty | 2022 | 2021 |
| At January 1 | $ 55,000 | $ 72,106 |
| Used during the year | ( 854) | - |
| Unused amounts reversed | ( 8,390) | ( 17,106) |
| At December 31 | $ 45,756 | $ 55,000 |

(13) Share capital

A. As of December 31, 2022, the Company's authorised capital was $8,000,000, consisting of 800 million shares of ordinary stock, and the paid-in capital was $2,875,823 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, | |
|---|---|---|
| | 2022 | 2021 |
| At January 1 | 287,721 | 282,363 |
| Employee restricted shares | ( 139) | 5,358 |
| Balance at December 31 | 287,582 | 287,721 |

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

(14) Capital surplus

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

| | Share premium | Treasury share transactions | Capital reserve from gain on disposal of assets | Employee stock options | Employee restricted shares |
|---|---|---|---|---|---|
| At January 1, 2022 | $ 1,105,860 | $ 132,432 | $ - | $ 97,738 | $ 3,818 |
| Employee restricted shares | 3,036 | - | - | - | 250 |
| At December 31, 2022 | $ 1,108,896 | $ 132,432 | $ - | $ 97,738 | $ 4,068 |

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

(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 August 12, 2021, the shareholders resolved the distribution of dividends from capital surplus in the amount of $141,181. On June 21, 2022, the shareholders resolved the distribution of dividends from 2021 earnings in the amount of $287,582 at $1 (in dollars) per share.

F. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(20).

(16) Operating revenue

| | For the years ended December 31, | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| Sales revenue | $ | 3,091,150 | $ | 2,032,392 |
| Service revenue | | 264,166 | | 197,981 |
| | $ | 3,355,316 | $ | 2,230,373 |

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, | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| Timing of revenue | $ | 3,091,150 | $ | 2,032,392 |
| At a point in time | | 264,166 | | 197,981 |
| Over time | $ | 3,355,316 | $ | 2,230,373 |

B. Contract liabilities

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

| | December 31, 2022 | December 31, 2021 | January 1, 2021 |
|---|---|---|---|
| Contract liabilities - advance sales receipts (shown as Other current liabilities) | $ 153,593 | $ 160,451 | $ 120,368 |

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

| | For the years ended December 31, | |
|---|---|---|
| | 2022 | 2021 |
| Revenue recognised that was included in the contract liability balance at the beginning of the year | | |
| Advance sales receipts | $ 138,679 | $ 105,130 |

(17) Interest income

| | For the years ended December 31, | |
|---|---|---|
| | 2022 | 2021 |
| Interest income from bank deposits | $ 19,303 | $ 1,706 |

(18) Other income

| | For the years ended December 31, | |
|---|---|---|
| | 2022 | 2021 |
| Rental revenue | $ 4,321 | $ 22,165 |
| Dividend income | 14,332 | 11,010 |
| | $ 18,653 | $ 33,175 |

(19) Other gains and losses

| | For the years ended December 31, | |
|---|---|---|
| | 2022 | 2021 |
| Gains on disposal of property, plant and equipment | $ 210 | $ 216 |
| Gain on disposal of non-current assets held for sale | - | 1,137,067 |
| Gains on disposals of investments | 20,840 | - |
| Depreciation on investment property | ( 2,373) | ( 4,928) |
| Net currency exchange gain | 78,746 | 4,946 |
| Other gains | 19,069 | 22,011 |
| | $ 116,492 | $ 1,159,312 |

(20) Employee benefit, depreciation and amortisation expenses

| Nature \ Function | For the years ended December 31, 2022 Classified as operating costs | | 2022 Classified as operating expenses | | 2021 Classified as operating costs | | 2021 Classified as operating expenses | |
|---|---|---|---|---|---|---|---|---|
| Employee benefit expenses | | | | | | | | |
| Wages and salaries | $ | 29,715 | $ | 520,914 | $ | 24,691 | $ | 582,059 |
| Labor and health insurance fees | | 2,782 | | 40,497 | | 2,383 | | 41,844 |
| Pension costs | | 1,330 | | 22,250 | | 1,176 | | 22,646 |
| Other personnel expenses | | 2,427 | | 24,093 | | 2,186 | | 25,200 |
| Depreciation (Note) | | 26,244 | | 47,622 | | 27,860 | | 48,328 |
| Amortisation | | 95 | | 7,721 | | 95 | | 5,288 |

Note: For the years ended December 31, 2022 and 2021, depreciation on investment property amounted to $2,373 and $4,928, respectively, and was shown as other gains and losses.

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

B. For the year ended December 31, 2022 and 2021, employees' compensation was accrued at $11,592 and $75,629, respectively; while directors' and supervisors' remuneration was accrued at $2,174 and $14,181, 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 amounting to $75,629 for 2021 as resolved by the Board of Directors was in agreement with the amount recognised in the 2021 financial statements. For 2021, the directors' remuneration resolved by the Board of Directors amounted to $14,181. The difference of $3,545 between the amounts resolved by the Board of Directors and the amounts recognised in the 2021 financial statements, mainly resulting from reduction in distribution, had been adjusted in the profit or loss for 2022. The employees' compensation and directors' remuneration will be distributed in the form of cash.

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

(21) Income tax

A. Income tax (benefit) expense

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

| | For the years ended December 31, 2022 | For the years ended December 31, 2021 |
|---|---|---|
| Current tax on profits for the year | $ - | $ - |
| Tax on undistributed surplus earnings | 6,448 | - |
| Origination and reversal of temporary differences | ( 10,674) | 111,625 |
| Land value increment tax | - | 59,813 |
| Income tax (benefit) expense | ($ 4,226) | $ 171,438 |

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

| | For the years ended December 31, 2022 | For the years ended December 31, 2021 |
|---|---|---|
| Remeasurement of defined benefit obligations | $ 1,751 | $ 435 |

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

| | For the years ended December 31, 2022 | For the years ended December 31, 2021 |
|---|---|---|
| Tax calculated based on profit before tax and statutory tax rate | $ 26,227 | $ 171,111 |
| Tax effect of permanent differences | 121,757 | ( 278,754) |
| Temporary differences not recognised as deferred tax assets | ( 671) | 40,843 |
| Taxable loss not recognised as deferred tax assets | ( 157,987) | 178,425 |
| Land value increment tax | - | 59,813 |
| Tax on undistributed earnings | 6,448 | - |
| Income tax (benefit) expense | ($ 4,226) | $ 171,438 |

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

| | For the year ended December 31, 2022 | | | |
|---|---|---|---|---|
| | January 1 | Recognised in profit or loss | Recognised in 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 |
| | $ 86,715 | $ 10,674 | ($ 1,751) | $ 95,638 |

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

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

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

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

E. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2022 and 2021, the amounts of temporary differences unrecognised as deferred tax liabilities were $153,090 and $216,911, 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, 2022 | | |
|---|---|---|---|
| | Amount after tax | Weighted average number of ordinary shares outstanding (shares in thousands) | Earnings per share (in dollars) |
| Basic earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 135,363 | 283,143 | $ 0.48 |
| Diluted earnings per share | | | |
| 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 |

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

(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, 2022 and 2021. Refer to statements of cash flows for the details.

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

| Names of related parties | Relationship with the Company |
|---|---|
| VIEWQUEST TECHNOLOGIES (BVI) INC. (VQ) (NOTE 2) | 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) | 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) (NOTE 1) | 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 |
| AMPACS CORPORATION (AMPACS) | Other related party |
| AMPCS INTERNATIONAL COMPANY LIMITED (AMPCS INTERNATIONAL) | Other related party |

Note 1: Formerly AVY Precision Technology Inc.

Note 2: The liquidation of VQ was completed on August 25, 2021.

(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, | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| Sales of goods: | | | | |
| -Associates | $ | 77,304 | $ | 83,460 |
| -Other related parties | | 7,133 | | - |
| -Subsidiaries | | 44,870 | | 86,727 |
| | $ | 129,307 | $ | 170,187 |

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, | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| Purchases of goods: | | | | |
| - Subsidiaries | | | | |
| ABILITY (DONGGUAN) | $ | 2,412,630 | $ | 1,536,385 |
| Others | | - | | 563 |
| -Associates | | 3,286 | | 4,381 |
| -Other related parties | | 457 | | 191 |
| | $ | 2,416,373 | $ | 1,541,520 |

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, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| Accounts receivable: | | | | |
| -Subsidiaries | $ | 8,387 | $ | 565 |
| -Other related parties | | 7,335 | | - |
| -Associates | | 20,366 | | 19,430 |
| | $ | 36,088 | $ | 19,995 |

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

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Accounts payable | | |
| - Subsidiaries | | |
| VQ | $ - | $ 926,563 |
| ABILITY (DONGGUAN) | 511,398 | 340,821 |
| -Associates | 36 | 381 |
| -Other related parties | 2,588 | 900 |
| | $ 514,022 | $ 1,268,665 |

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

E. Property transactions:

Acquisition of property, plant and equipment:

| | For the years ended December 31, | |
|---|---|---|
| | 2022 | 2021 |
| -Subsidiaries | $ - | $ 562 |
| -Other related parties | 1,385 | 2,091 |
| | $ 1,385 | $ 2,653 |

(3) Key management compensation

| | For the years ended December 31, | |
|---|---|---|
| | 2022 | 2021 |
| Salaries and other short-term employee benefits | $ 20,689 | $ 31,335 |
| Post-employment benefits | 534 | 586 |
| Share-based payments | 2,162 | 1,066 |
| | $ 23,385 | $ 32,987 |

8. PLEDGED ASSETS

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

| | Book value | | |
|---|---|---|---|
| Pledged asset | December 31, 2022 | December 31, 2021 | Purpose |
| Land | $ - | $ 1,256,394 | Bank borrowings |

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Financial instruments by category

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Financial assets | | |
| Financial assets at amortised cost | $ 2,517,095 | $ 1,654,127 |
| Guarantee deposits paid | 11,006 | 14,806 |
| | $ 2,528,101 | $ 1,668,933 |
| Financial liabilities | | |
| Financial liabilities at amortised cost | $ 1,080,780 | $ 1,899,894 |
| Guarantee deposits received | 876 | 876 |
| | $ 1,081,656 | $ 1,900,770 |
| Lease liability | $ - | $ 1,621 |

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, 2022 | | | | |
|---|---|---|---|---|---|
| | | | | Sensitivity analysis | |
| | Foreign currency amount (in thousands) | Exchange rate | Book value (NTD) | Degree of variation | Effect on profit or loss |
| (Foreign currency: functional currency) | | | | | |
| Financial assets | | | | | |
| Monetary items | | | | | |
| USD:NTD | $ 67,467 | 30.71 | $ 2,071,912 | 1% | $ 20,719 |
| Investments accounted for under equity method | | | | | |
| USD:NTD | $ 52,674 | 30.71 | $ 1,617,604 | | |
| Financial liabilities | | | | | |
| Monetary items | | | | | |
| USD:NTD | $ 19,999 | 30.71 | $ 614,169 | 1% | $ 6,142 |

| | December 31, 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | Sensitivity analysis | | |
| | Foreign currency amount (in thousands) | | Exchange rate | Book value (NTD) | | Degree of variation | Effect on profit or loss |
| (Foreign currency: functional currency) | | | | | | | |
| Financial assets | | | | | | | |
| Monetary items | | | | | | | |
| USD:NTD | $ | 40,105 | 27.68 | $ | 1,110,106 | 1% | $ 11,101 |
| Investments accounted for under equity method | | | | | | | |
| USD:NTD | $ | 119,053 | 27.68 | $ | 3,295,387 | | |
| Financial liabilities | | | | | | | |
| Monetary items | | | | | | | |
| USD:NTD | $ | 52,391 | 27.68 | $ | 1,450,183 | 1% | $ 14,502 |

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, 2022 and 2021 amounted to $78,746 and $4,946, 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, 2022 and 2021 would have increased/decreased by $57,834 and $71,990, respectively, as a result of other comprehensive income classified as available-for-sale equity investment and equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

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

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

iii. If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, profit, net of tax for the years ended December 31, 2022 and 2021, would have both decreased/increased by $0. The main factor is that changes in interest expense result from floating rate borrowings.

(b) Credit risk

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

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

iii. The Company adopts 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 wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights. On December 31, 2022 and 2021, the Company's written-off financial assets that are still under recourse procedures amounted to $161,335 and $161,335, respectively.

vii. 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.

| | Not past due | Up to 90 days past due | 91~180 days past due | Over 180 days past due | Total |
|---|---|---|---|---|---|
| December 31, 2022 | | | | | |
| 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 |
| | | | | | |
| December 31, 2021 | | | | | |
| Expected loss rate | 3.84% | 66.20% | 100.00% | 100.00% | |
| Total book value | $ 107,195 | $ 991 | $ 48 | $ 572 | $108,806 |
| Loss allowance | $ 4,118 | $ 656 | $ 48 | $ 572 | $ 5,394 |

In addition, as of December 31, 2022 and 2021, accounts receivable were $256,569 and $322,120, and loss allowance for accounts receivable recognised through individual assessment was $78 and $105, respectively.

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

| | 2022 | 2021 |
|---|---|---|
| At January 1 | $ 5,499 | $ 161,455 |
| Impairment loss | 14,394 | 5,379 |
| Write-offs | - | ( 161,335) |
| At December 31 | $ 19,893 | $ 5,499 |

(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, 2022 and 2021, the Company has the following undrawn borrowing facilities:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Fixed rate: | | |
| Expiring within one year | $ 3,059,880 | $ 2,975,040 |

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

| | December 31, 2022 | |
|---|---|---|
| Non-derivative financial liabilities: | Less than 1 year | Over 1 year |
| Lease liability | $ - | $ - |

| | December 31, 2022 | |
|---|---|---|
| Non-derivative financial liabilities: | Less than 1 year | Over 1 year |
| Lease liability | $ 1,637 | $ - |

(3) Fair value information

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

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

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

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

B. Fair value information of investment property at cost is provided in Note 6(8).

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

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

| December 31, 2022 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets: | | | | |
| Recurring fair value measurements | | | | |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | $ 352,190 | $ - | $ 226,154 | $ 578,344 |

| December 31, 2021 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets: | | | | |
| Recurring fair value measurements | | | | |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | $ 466,134 | $ - | $ 253,764 | $ 719,898 |

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:

| | Listed shares |
|---|---|
| Market quoted price | Closing price |

(b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the 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, 2022 and 2021, 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, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| At January 1 | $ 253,764 | $ 204,850 |
| Recorded as unrealised (losses) gains on valuation of investments in equity instruments measured at fair value through other comprehensive income | ( 9,448) | 15,519 |
| Acquired during the year | 19,750 | 64,500 |
| Capital reduction during the year | ( 37,912) | ( 31,105) |
| At December 31 | $ 226,154 | $ 253,764 |

J. For the years ended December 31, 2022 and 2021, 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, 2022 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
|---|---|---|---|---|---|
| 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 |

| | Fair value at December 31, 2021 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
|---|---|---|---|---|---|
| Non-derivative equity instruments: | | | | | |
| Unlisted shares | $ 253,764 | Net asset value | Not applicable | - | Not applicable |

M. The Company has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect on profit or loss or on other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

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

| | | | December 31, 2021 | | | |
|---|---|---|---|---|---|---|
| | | | Recognised in profit or loss | | Recognised in other comprehensive income | |
| | Input | Change | Favourable change | Unfavourable change | Favourable change | Unfavourable change |
| Financial assets | | | | | | |
| Equity instrument | Net asset value | ±1% | $ - | $ - | $ 2,538 | ($ 2,538) |

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, 2022 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: Refer to table 3.

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 4.

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

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

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

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Refer to table 8.

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

(4) Major shareholders information

Major shareholders information: Refer to table 10.

14. SEGMENT INFORMATION

None.

Ability Enterprise Co., Ltd. and subsidiaries

Provision of endorsements and guarantees to others

For the year ended December 31, 2022

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, 2022 (Note 4) | Outstanding endorsement/ guarantee amount at December 31, 2022 (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 | $ 145,887 | $ 45,092 | $ 22,047 | $ 21,748 | - | 7.56 | $ 145,887 | 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, 2022. The spot exchange rates at December 31, 2022 were USD/NTD 30.71 and RMB/TWD 4.4094.

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, 2022

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, 2022 | | | | 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 Comppany | Note 5 | 17,264,223 | $ 352,190 | 10.16 | $ 352,190 | - |
| ABILITY ENTERPRISE CO., LTD. | STOCKS OF ABILITY I VENTURE CAPITAL CORPORATION | The Company is the corporate director of the investee | Note 5 | 3,363,010 | 21,233 | 10.70 | 21,233 | - |
| ABILITY ENTERPRISE CO., LTD. | STOCKS OF ABICO ASIA CAPITAL CORPORATION | - | Note 5 | 8,000,000 | 89,810 | 5.189 | 89,810 | - |
| ABILITY ENTERPRISE CO., LTD. | ABICO ASIA EXCELSIOR PARTNERS L.P. | - | Note 5 | - | 54,728 | 5.92 | 54,728 | - |
| ABILITY ENTERPRISE CO., LTD. | STOCKS OF IH BIOMEDICAL VENTURE FUND I CO., LTD. | - | Note 5 | 3,000,000 | 37,058 | 4.848 | 37,058 | - |
| ABILITY ENTERPRISE CO., LTD. | JET OPTOELECTRONICS CO., LTD. | | Note 5 | 500,000 | 23,325 | 0.980 | 23,325 | |
| ABILITY INTERNATIONAL INVESTMENT CO., LTD. | CTBC HWA-WIN MONEY MARKET FUND | - | Note 6 | 1,447,007.9 | 16,175 | - | 16,175 | - |
| ABILITY ENTERPRISE (BVI) CO., LTD. | REVL INC. | - | Note 5 | 367,726 | - | - | - | - |
| ABILITY ENTERPRISE (BVI) CO., LTD. | ATTONICS SYSTEMS PTE. LTD. | - | Note 5 | 11,678 | 3,686 | 13.21 | 3,686 | - |
| E-PIN OPTICAL INDUSTRY CO.,LTD | STOCKS OF HORUSEYE TECHNOLOGY CO., LTD. | - | Note 5 | 636,044 | 15,000 | 1.67 | 15,000 | - |

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

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

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

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

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

Note 6: Current financial assets at fair value through profit or loss

Ability Enterprise Co., Ltd. and subsidiaries

Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital

For the year ended December 31, 2022

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

| Investor | Marketable securities （Note 1） | General ledger account | Counterparty （Note 2） | Relationship with the investor （Note 2） | Balance as at January 1, 2022 Number of shares | Balance as at January 1, 2022 Amount | Addition （Note 3） Number of shares | Addition （Note 3） Amount | Disposal （Note 3） Number of shares | Disposal （Note 3） Selling price | Disposal （Note 3） Book value | Disposal （Note 3） Gain (loss) on disposal （Note 5） | Balance as at December 31, 2022 Number of shares | Balance as at December 31, 2022 Amount |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ABILITY ENTERPRISE (BVI) CO., LTD. | YORKEY OPTICAL INTERNATIONAL (CAYMAN) LTD. | Current financial assets at fair value through other comprehensive income | - | - | 143,817,000 | $ 413,429 | - | - | 143,817,000 | $ 525,078 | $ 786,851 | ($ 261,773) | - | $ - |

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

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT$300 million or 20% of paid-in capital or more.

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 5: The securities investment was recognised as financial assets at fair value through other comprehensive income. The total sales amount was equivalent to NT$525,078 thousand. The accumulated losses amounting to $261,773 were transferred to retained earnings due to disposal of.

Note 6: The delisting process of YORKEY OPTICAL INTERNATIONAL (CAYMAN) LTD. was resolved and approved by the Hong Kong court and its special meeting of the shareholders on February 24, 2022, and the process was completed at the end of March 2022.

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, 2022

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

| Purchaser/seller | Counterparty | Relationship with the counterparty | Transaction | | | | Compared to third party transactions (Note 1) | | Notes/accounts receivable (payable) | | Footnote (Note 2) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchases (sales) | Amount | Percentage of total purchases (sales) | Credit term | Unit price | Credit term | Balance | Percentage of total notes/accounts receivable (payable) | |
| ABILITY ENTERPRISE CO., LTD. | ABILITY TECHNOLOGY (DONGGUAN) CO., LTD. | Affiliated company | Purchases | $ 2,412,630 | 91.41 | Based on mutual agreement | - | - | ($ 511,398) | 81.97 | - |
| ABILITY TECHNOLOGY (DONGGUAN) CO., LTD. | ABILITY ENTERPRISE CO., LTD. | Affiliated company | (sales) | ( 2,412,630) | 77.54 | Based on mutual agreement | - | - | 511,398 | 82.17 | - |
| E-PIN OPTICAL INDUSTRY CO., LTD. | NANJING EVERLIGHT PHOTONICS TECHNOLOGY CO., LTD. | Affiliated company | Purchases | 678,335 | 64.25 | 90~120 days after monthly billings | - | - | ( 93,207) | 67.32 | - |
| NANJING EVERLIGHT PHOTONICS TECHNOLOGY CO., LTD. | E-PIN OPTICAL INDUSTRY CO., LTD. | Affiliated company | (sales) | ( 678,335) | 77.41 | 90~120 days after monthly billings | - | - | 93,207 | 41.92 | - |

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, 2022

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

| Creditor | Counterparty | Relationship with the counterparty | Balance as at December 31, 2022 (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 | $ 511,398 | 5.66 | - | - | $ 334,509 | - |

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, 2022

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

| Number (Note 1) | Company name | Counterparty | Relationship (Note 2) | Transaction | | | |
|---|---|---|---|---|---|---|---|
| | | | | General ledger account | Amount | Transaction terms | Percentage of consolidated total operating revenues or total assets (Note 3) |
| 0 | The Company | ABILITY (DONGGUAN) | 1 | Purchases | $ 2,412,630 | - | 46 |
| 0 | The Company | ABILITY (DONGGUAN) | 1 | Accounts payable | 511,398 | - | 6 |
| 2 | E-PIN OPTICAL INDUSTRY CO., LTD. | NANJING EVERLIGHT | 3 | Purchases | 678,335 | - | 13 |
| 2 | E-PIN OPTICAL INDUSTRY CO., LTD. | NANJING EVERLIGHT | 3 | Accounts payable | 93,207 | - | 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, 2022

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

| Investor | Investee (Notes 1 and 2) | Location | Main business activities | Initial investment amount | | Shares held as at December 31, 2022 | | | Net profit (loss) of the investee for the year ended December 31, 2022 (Note 2(2) and 3) | Investment income (loss) recognised by the Company for the year ended December 31, 2022 (Note 2(3)) | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Balance as at December 31, 2022 | Balance as at December 31, 2021 | 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 | $ 1,617,605 | $ 114,895 | $ 114,895 | Subsidiary |
| ABILITY ENTERPRISE CO., LTD. | VIEWQUEST TECHNOLOGIES INTERNATIONAL INC. | U.S.A | Sales of computer accessories, photography equipment and electronic components | - | 50,729 | - | - | - | ( 44) | ( 44) | Subsidiary |
| ABILITY ENTERPRISE CO., LTD. | VIEWQUEST TECHNOLOGIES (BVI) INC. | British Virgin IS. | Holding Company | - | 1,628,586 | - | - | - | 535 | 535 | Subsidiary |
| ABILITY ENTERPRISE CO., LTD. | ABILITY INTERNATIONAL INVESTMENT CO., LTD. | Taiwan | Investments | 13,000 | 13,000 | 1,300,000 | 100.00 | 16,348 | 50 | 50 | Subsidiary |
| ABILITY ENTERPRISE CO., LTD. | ANDRO VIDEO INC. | Taiwan | Development of digital surveillance | 140,000 | 140,000 | 7,000,000 | 100.00 | 5,882 | 123 | 123 | 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 | 161,375 | 42,660 | 23,297 | Subsidiary |
| ABILITY ENTERPRISE CO., LTD. | ABILITY TECHNOLOGIES CO., LTD. | Taiwan | Manufacturing and trading of computer peripheral equipment, photography equipment and electronic components | 30,000 | - | 3,000,000 | 60.00 | 22,453 | ( 11,105) | ( 6,663) | 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 | 26,939 | 25,845 | 7,754 | - |

| Investor | Investee (Notes 1 and 2) | Location | Main business activities | Initial investment amount | | Shares held as at December 31, 2022 | | | Net profit (loss) of the investee for the year ended December 31, 2022 (Note 2(2) and 3) | Investment income (loss) recognised by the Company for the year ended December 31, 2022 (Note 2(3)) | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Balance as at December 31, 2022 | Balance as at December 31, 2021 | 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 | $ 40,833 | $ 9,525 | 2,381 | - |
| 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 | - | - | 100.00 | 21,113 | ( 8,725) | - | 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 | 213,654 | 10,508 | - | 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 | 153 | ( 1,152) | - | 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 | 9,934 | 1,101 | - | 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 | 63,365 | (2,739) | - | Second-tier subsidiary |
| JIAPIN INVESTMENT CO., LTD. | CHIA PING LIMITED | Samoa | Holding company | 37,713 | 37,713 | 1,350,000 | 100.00 | 36,230 | (2,820) | - | Second-tier subsidiary |
| ALL VISION HOLDING LTD. | EVERLIGHT DEVELOPMENT CORPORATION | Panama | Holding company | 192,006 | 192,006 | 58,494 | 100.00 | 284,772 | 28,390 | - | Second-tier subsidiary |
| ALL VISION HOLDING LTD. | E-SKY HOLDING LTD. | Mauritius | Holding company | 396,901 | 396,901 | 14,338,918 | 100.00 | ( 60,174) | ( 18,241) | - | 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, 2022' 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, 2022' 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, 2022' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

Note 3: The column was calculated based on the average exchange rate of USD/NTD 29.7617 for the year ended December 31, 2022.

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

Ability Enterprise Co., Ltd. and subsidiaries

Information on investments in Mainland China

For the year ended December 31, 2022

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

| Investee in Mainland China | Main business activities | Paid-in capital | Investment method (Note 1) | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022 | Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2022 | | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022 | Net income of investee for the year ended December 31, 2022 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognised by the Company for the year ended December 31, 2022 (Note 2) | Book value of investments in Mainland China as of December 31, 2022 | Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022 | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Remitted to Mainland China | Remitted back to Taiwan | | | | | | | |
| ABILITY TECHNOLOGY (DONGGUAN) CO., LTD. | Sales of digital still cameras | $ 1,833,929 | 2 | $ 1,546,206 | - | - | $ 1,546,206 | $ 117,929 | 100.00 | $ 117,929 | $ 1,596,772 | - | (2)B and Note 6 |
| NANJING EVERLIGHT PHOTONICS TECHNOLOGY CO., LTD. | Development and manufacture of optical components | 338,572 | 2 | 130,881 | - | - | 130,881 | 51,382 | 30.28 | 15,559 | 284,772 | - | (2)B and Note 7 |
| WEIHAY E-SKY OPTICAL-ELECTRICAL CO., LTD. | Development and manufacture of precision optical lens | 43,652 | 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 | 333,099 | 2 | 211,836 | - | - | 211,836 | ( 18,227) | 54.61 | ( 9,954) | ( 60,355) | - | (2)B and Note 8 |
| NANJING E-PIN OPTICAL CO., LTD. | Development and manufacture of precision optical lens | 234,419 | 2 | 52,761 | - | - | 52,761 | ( 14) | 39.44 | ( 8) | 174 | - | (2)B and Note 8 |
| CHIA PING (SHENZHEN) OPTICAL TECHNOLOGY CO., LTD. | Trading of optical lens and components | 38,832 | 2 | 37,917 | - | - | 37,917 | ( 2,820) | 54.61 | ( 1,540) | 36,230 | - | (2)B and Note 9 |

| Company name | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022 | 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., | $ 2,017,549 | $ 2,480,080 | $ 3,917,804 |

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, 2022' column:

(1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.

(2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:

A. The financial statements were audited by international accounting firm which has cooperative relationship with accounting firm in R.O.C.

B. The financial statements were audited by R.O.C. parent company's CPA.

C. Others.

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

Note 4: The accumulated amount of remittance from Taiwan to Mainland China did not include investees that have no control (DONGGUAN GUANG TONG BUSINESS MACHINES CO., LTD. and DONGGUAN YORKEY OPTICAL MACHINERY CO., LTD.). The total investment amount was USD 9,968 thousand.

Note 5: VIEWQUEST TECHNOLOGIES (DONGGUAN) CO., LTD.'s accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022 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, 2022

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

| Investee in Mainland China | Sale (purchase) | | Property transaction | | Accounts receivable (payable) | | Provision of endorsements/guarantees or collaterals | | Financing | | | | Others |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Amount | % | Amount | % | Balance at December 31, 2022 | % | Balance at December 31, 2022 | Purpose | Maximum balance during the year ended December 31, 2022 | Balance at December 31, 2022 | Interest rate | Interest during the year ended December 31, 2022 | |
| NANJING EVERLIGHT PHOTONICS TECHNOLOGY CO., LTD. | ($ 678,335) | ( 13) | - | - | ($ 93,207) | ( 1) | - | - | - | - | - | - | - |

Ability Enterprise Co., Ltd.

Major shareholders information

December 31, 2022

Table 10

| Name of major shareholders | Shares | |
| --- | --- | --- |
| | Number of shares held | Ownership (%) |
| PEGATRON CORPORATION | 33,135,300 | 11.52% |
| ABICO AVY CO., LTD. | 28,591,000 | 9.94% |

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 be 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.

ABILITY ENTERPRISE CO., LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 1

| Item | Description | Amount |
|---|---|---|
| Cash on hand and petty cash - NTD | | $ 220 |
| - RMB | RMB 10,000, exchange rate 4.4094 | 44 |
| - USD | USD 3,000, exchange rate 30.71 | 92 |
| | | 356 |
| Demand deposits - NTD | | 135,283 |
| - JPY | JPY 58,459,867, exchange rate 0.2324 | 13,586 |
| - USD | USD 59,464,294.03, exchange rate 30.71 | 1,826,148 |
| - RMB | RMB 13,945.35, exchange rate 4.4094 | 61 |
| | | 1,975,078 |
| Time deposits - USD | USD 8,000,000, exchange rate 30.71 | 245,680 |
| | | $ 2,221,114 |

ABILITY ENTERPRISE CO., LTD.

STATEMENT OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

DECEMBER 31, 2022

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

Statement 2

| Name | Beginning balance | | Addition | | Decrease | | Ending balance | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Listed company | Shares | Fair value | Shares | Amount | Shares | Amount | Shares | Fair value | Collateral | Note |
| AVY Precision Technology Inc. | 17,264 | $ 466,134 | - | $ - | - | ($ 113,944) | 17,264 | $ 352,190 | None | Note 1 |
| Unlisted companies | | | | | | | | | | |
| Ability I Venture Capital Corporation | 5,075 | 44,995 | - | - | ( 1,712) | ( 23,762) | 3,363 | 21,233 | None | Note 2 |
| Abico Asia Capital Corporation | 10,000 | 117,468 | - | - | ( 2,000) | ( 27,658) | 8,000 | 89,810 | None | Note 3 |
| IH Biomedical Venture Fund I Co., Ltd. | 3,000 | 33,110 | - | 3,948 | - | - | 3,000 | 37,058 | None | Note 4 |
| Abico Asia Capital II | - | 58,191 | - | - | - | ( 3,463) | - | 54,728 | None | Note 5 |
| Jet Optoelectronics Co., Ltd. | - | - | 500 | 23,325 | - | - | 500 | 23,325 | None | Note 6 |
| | | $ 719,898 | | $ 27,273 | | ($ 168,827) | | $ 578,344 | | |

Note 1: It refers to losses on financial assets at fair value through profit or loss of $113,944 which were recognised during the year.

Note 2: It refers to losses on financial assets at fair value through profit or loss of $6,642 and proceeds from capital reduction of $17,120 which were recognised during the year.

Note 3: It refers to losses on financial assets at fair value through profit or loss of $7,658 and proceeds from capital reduction of $20,000 which were recognised during the year.

Note 4: It refers to gains on financial assets at fair value through profit or loss of $3,948 which were recognised during the year.

Note 5: It refers to losses on financial assets at fair value through profit or loss of $2,671 and proceeds from capital reduction of $792 which were recognised during the year.

Note 6: It refers to new investment of $19,750 and gains on financial assets at fair value through profit or loss of $3,575 which were recognised during the year.

ABILITY ENTERPRISE CO., LTD.
STATEMENT OF TRADE RECEIVABLES
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 3

| Client Name | Description | Amount | Note |
|---|---|---|---|
| AA company | Operating | $ 98,884 | |
| TT company | " | 63,885 | |
| EE company | " | 36,336 | |
| KK company | " | 24,257 | |
| HH company | " | 19,592 | |
| RR company | " | 17,827 | |
| Others | " | 39,650 | Balance of each client has not exceeded 5% of total account balance |
| | | 300,431 | |
| Less: Allowance for uncollectible accounts | | ( 19,893) | |
| | | $ 280,538 | |

# ABILITY ENTERPRISE CO., LTD.
## STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
## FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 4

| | Beginning Balance | | Addition | | Decrease | | Ending Balance | | | Market Value or Net | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Name | 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. | - | $ 1,936,712 | - | $ 173,764 | - | ($ 492,871) | - | 100.00 | $ 1,617,605 | $ - | $ 1,617,605 | None | - |
| VIEWQUEST TECHNOLOGIES (BVI) INC. | - | 1,358,228 | - | - | - | ( 1,358,228) | - | - | - | - | - | None | - |
| VIEWQUEST TECHNOLOGIES INTERNATIONAL INC. | - | 447 | - | - | - | ( 447) | - | - | - | - | - | None | - |
| ABILITY INTERNATIONAL INVESTMENT CO., LTD. | 1,300 | 16,302 | - | 50 | - | ( 4) | 1,300 | 100.00 | 16,348 | - | 16,348 | None | - |
| ANDROVIDEO INC. | 7,000 | 5,759 | - | 123 | - | - | 7,000 | 100.00 | 5,882 | - | 5,882 | None | - |
| E-PIN OPTICAL INDUSTRY CO., LTD. | 12,888 | 136,259 | - | 25,116 | - | - | 12,888 | 54.61 | 161,375 | - | 161,375 | None | - |
| ABILITY TECHNOLOGIES CO., LTD. | - | - | 3,000 | 30,000 | - | ( 7,547) | 3,000 | 60.00 | 22,453 | - | 22,453 | None | - |
| ALTASEC TECHNOLOGY CORPORATION | 1,500 | 23,686 | - | 7,752 | - | ( 4,500) | 1,500 | 30.00 | 26,939 | - | 26,939 | None | - |
| BESTMOMENT HOLDINGS PTE. LTD. | - | 37,873 | - | 2,960 | - | - | - | 25.00 | 40,833 | - | 40,833 | None | - |
| Total | | $ 3,515,266 | | $ 239,765 | | ($ 1,863,597) | | | $ 1,891,435 | | $ 1,891,435 | | |

Note: Shares in thousands

ABILITY ENTERPRISE CO., LTD.
STATEMENT OF TRADE PAYABLES
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 5

| Client Name | Description | Amount | Note |
| --- | --- | --- | --- |
| ABILITY TECHNOLOGY (DONGGUAN) CO., LTD. | Operating | $ 511,398 | |
| Others | " | 112,515 | Balance of each client has not exceeded 5% of total account balance |
| | | $ 623,913 | |

# ABILITY ENTERPRISE CO., LTD.
## STATEMENT OF OPERATING REVENUE
## FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 6

| Item | Volume (per unit) | Net amount | Note |
|---|---|---|---|
| Optical products: | | | |
| Domestic sales | 265 | $ 96,489 | |
| Export sales | 4,075 | 2,994,661 | |
| | | 3,091,150 | |
| Service revenue | | 264,166 | |
| | | $ 3,355,316 | |

ABILITY ENTERPRISE CO., LTD.
STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 7

| Item | Amount Subtotal | Amount Total |
|---|---|---|
| Raw materials | | $ 126,712 |
| Beginning raw materials | $ 116,204 | |
| Add: Raw materials purchased | 237,449 | |
| Less: Ending raw materials | ( 182,030) | |
| Raw materials sold | ( 37,631) | |
| Transferred to expenses | ( 6,511) | |
| Others | ( 769) | |
| Direct labor | | 19,175 |
| Manufacturing expense | | 40,936 |
| Manufacturing cost | | $ 186,823 |
| Add: Beginning work in progress | | 8,398 |
| Less: Ending work in progress | | ( 16,926) |
| Transferred to expenses | | ( 5,092) |
| Cost of finished goods | | $ 173,203 |
| Add: Beginning finished goods | | 10,243 |
| Net purchases for the year (including merchandise) | | 2,406,407 |
| Less: Ending finished goods (including merchandise) | | ( 22,778) |
| Finished goods sold | | ( 60,619) |
| Others | | ( 4,341) |
| Cost of goods sold from manufacturing | | 2,502,115 |
| Cost of raw materials sold | | 37,631 |
| Cost of finished goods sold | | 60,619 |
| Loss from reversal of decline in market value | | 55,647 |
| Other operating costs | | 40,295 |
| Operating costs | | $ 2,696,307 |

ABILITY ENTERPRISE CO., LTD.
STATEMENT OF SELLING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 8

| Item | Description | Amount | Note |
|---|---|---|---|
| Wages and salaries | | $ 55,786 | |
| Insurance expenses | | 4,174 | |
| Other expenses | | 21,562 | Balance of each client has not exceeded 5% of total account balance |
| | | $ 81,522 | |

ABILITY ENTERPRISE CO., LTD.
STATEMENT OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 9

| Item | Description | Amount | | Note |
|---|---|---|---|---|
| Wages and salaries | | $ | 171,803 | |
| Depreciation expense | | | 23,101 | |
| Insurance expenses | | | 14,127 | |
| Other expenses | | | 54,820 | Balance of each client has not exceeded 5% of total account balance |
| | | $ | 263,851 | |

ABILITY ENTERPRISE CO., LTD.
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 10

| Item | Description | Amount | Note |
|---|---|---|---|
| Wages and salaries | | $ 293,325 | |
| Contracted research expense | | 41,679 | |
| Insurance expenses | | 25,077 | |
| Other expenses | | 104,777 | Balance of each client has not exceeded 5% of total account balance |
| | | $ 464,858 | |

ABILITY ENTERPRISE CO., LTD.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, AND AMORTIZATION EXPENSES BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 11

| Function / Nature | Year ended December 31, 2022 | | | Year ended December 31, 2021 | | |
|---|---|---|---|---|---|---|
| | Classified as Operating Costs | Classified as Operating Expenses | Total | Classified as Operating Costs | Classified as Operating Expenses | Total |
| Employee Benefit Expense | | | | | | |
| Wages and salaries | $ 29,715 | $ 518,740 | $ 548,455 | $ 24,691 | $ 567,879 | $ 592,570 |
| Labour and health insurance fees | 2,782 | 40,497 | 43,279 | 2,383 | 41,854 | 44,237 |
| Pension costs | 1,330 | 22,250 | 23,580 | 1,176 | 22,646 | 23,822 |
| Directors' remuneration | - | 3,034 | 3,034 | - | 15,620 | 15,620 |
| Other personnel expenses | 2,427 | 23,233 | 25,660 | 2,186 | 23,760 | 25,946 |
| Depreciation | 26,244 | 47,622 | 73,866 | 27,860 | 48,328 | 76,188 |
| Amortisation | 95 | 7,721 | 7,816 | 95 | 5,288 | 5,383 |

Note:

A. As at December 31, 2022 and 2021, the Company had 502 and 530 employees, including 8 and 8 non-employee directors, respectively.

B. A company whose stock is listed for trading on the stock exchange or over-the-counter securities exchange shall additionally disclose the following information:

(a) The average employee benefit expense of current year was $1,298 thousand ((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 $1,315 thousand ((Total employee benefit expense of prior year-Total directors' compensation of prioryear)/(Number of employees of prior year-Number of non-employee directors of prior year)).

(b) The average wages and salaries of current year were $1,110 thousand (Total wages and salaries of current year/(Number of employees of current year-Number employee of non- directors of current year)).
The average wages and salaries of prior year were $1,135 thousand (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, 2022

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

Statement 11

(c) Changes on average employee salaries adjustment was (2.20%). ((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.