



ZERO ONE TECHNOLOGY CO., LTD.

2021 Annual Report

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Notice to readers.

THIS IS A TRANSLATION OF THE 2020 ANNUAL REPORT (THE "ANNUAL REPORT") OF ZERO ONE TECHNOLOGY CO., LTD. (THE "COMPANY"). THIS TRANSLATION IS INTENDED FOR REFERENCE ONLY AND NOTHING ELSE, THE COMPANY HEREBY DISCLAIMS ANY AND ALL LIABILITIES WHATSOEVER FOR THE TRANSLATION. THE CHINESE TEXT OF THE ANNUAL REPORT SHALL GOVERN ANY AND ALL MATTERS RELATED TO THE INTERPRETATION OF THE SUBJECT MATTER STATED HEREIN.

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Website: <http://www.masterlink.com.tw>

4. Contact Information of the Certified Public Accountants for the Latest Financial Report:

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CPA Firm: Deloitte & Touche Accounting Firm

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Tel:(02)2545-9988

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5. Overseas Trade Places and related information for Listed Negotiable Securities: None.

6. Company Website: <http://www.zerone.com.tw>

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I. Letter to Shareholders

Dear Shareholders,

The results of our operating performance in 2021, business plan for 2022, are illustrated as follows:

A. 2021 Operating Results

(A) Implementation Results of Business Plans

In FY 2021, the Company's total revenue stood at NT\$ 12,878,177 thousand, on the increase of NT\$ 3,043,859 thousand compared to the preceding year, 30.95% in year-over-year growth. The net profit after tax was NT\$ 536,122 thousand, on the increase of NT\$ 95,724 thousand compared to the preceding year, a 21.74% year-over-year growth. Basic earnings per share were NT\$ 4.24.

(B) Financial Status and Profitability Analysis

1. Financial Status :

In FY 2021, the Company's net profit was NT\$ 536,122 thousand. Cash generated by operating and financing activities were NT\$ 345,972 thousand and NT\$ 652,526 thousand, respectively. Cash used in investing activities were NT\$ 616,271 thousand. Cash and cash equivalents increase NT\$ 378,180 thousand during the period. Cash and cash equivalents at the end period were NT\$ 1,016,070 thousand.

2. Profitability Analysis :

Items	2021 (%)	2020 (%)
Ratio of return on total assets	8.18	8.27
Ratio of return on shareholders' equity	16.21	17.29
Ratio of operating income to capital stock	41.20	40.17
Ratio of profit before income tax to capital stock	44.30	44.09
Profit ratio	4.16	4.48
Earnings per share (NT\$)	4.24	3.55

(C) Research and the development status of the Company and its subsidiaries

Research and the development status of the Company and its subsidiaries in 2021:

1. Print server optimization: continuous cost control, firmware efficiency improvement, new system functions, etc.
2. AI related products: including AIoT (Sub-G) intelligent networking and MagicBox AI Edge product development and mass production.

B. Summary of 2022 Business Plan

(A) Business Plan

The business scope includes four dimensions, namely, IT infrastructure, network and information security, cloud platform and integration applications, big data and AI applications, of which the software and hardware upgrade of enterprise data center, hybrid of cloud platform and high end information security solutions form the main demands. Looking forward to the trend of Taiwan's information services market this year, under the continuous catalyst of the digital transformation needs of enterprises and the transformation of business and consumption patterns after the epidemic, the investment in expanding IT infrastructure in various industries will continue consistently!

Therefore, we will focus more on strengthening investment in the field of cloud and IT infrastructure, creating a more comprehensive IT automation service platform to empower the upstream and downstream, and accelerating business development through a strong distribution system, continuing to improve operational efficiency and reduce costs, in order to maintain the dual growth trend of existing revenue and profit.

In the existing operational field, we will continue to enhance the strength of the team to strengthen the depth of the agency brand, and will also start from the pain points of customers' self-built clouds and the use of multi-cloud, focusing on various scenarios such as information security, disaster backup, multi-cloud management, big data analysis, etc., to incubate services and full-process solutions such as consulting, relocation, expansion, operation and maintenance and development, to help customers digital transformation. In addition, this year, we will continue to work hard to establish a platform ecosystem and create greater value with our original manufactures and distribution partners.

(B) Sales forecast and its reference

Each product and expected sales forecasts in 2022 are as follows:

Product category	Sales forecast (Set)
IT infrastructure	1,036,000
Network & information security	1,269,333
Cloud platform & application	4,704,000
Big data & application	1,568,000
Others	112,000
Total	8,689,333

The company will continue to focus on IT infrastructure, cloud platform and application, network and security, AI big data and application and value-added service sales in the agent product part, as the expansion of the proportion of project sales and value-added services increases, product unit price is also higher than in previous years, therefore it is expected that the sales volume this year will be adjusted with previous years.

(C) Important policy of production and sales.

1. We help our vendors and partners expand markets from three divisions, namely, the enhanced integration of different brands, maximized brand potentials through the visibility of the value-added brands, and provide new business models.
2. Apart from providing solutions for the digital transformation of industries, the deployment of value-added consulting services for pre-sale and after-sale is also a direction worth going into.
3. To further expand new markets for enhancing the distribution of products.
4. To put efforts in the improvement of operational efficiency and reduce unnecessary expenditures.

- C. Development strategies for the Company in the future
- Due to the fierce competition of transformation among IT industries, the trend of AI, big data, cloud, virtual and mobile devices and 5G will affect the development of IT industries in the future. In addition to strengthening the current business of major products, the Company not only enhances the business of professional value-added services to elevate the positioning of distributed products to help customers in the process of digital transformation, but also strives to seize the opportunities for new business more fruitfully. Through doing so, we are confident that the annual operating targets will be reached and continue to see future growth.
- D. Impacts from external competition, regulatory, and overall management environments.
- (A) Under the influence of the epidemic and the international political and economic struggle, the long-term market trend has begun to move from cost considerations to reliability as the primary goal of the strategy, which is the only way for Taiwanese enterprises in the middle of the two major economic circles in China and the West. There is an acceleration of digital transformation to cope with this volatile market environment!
- (B) Based on the development of technology markets, internet security, hyper-converged IT, intelligence video analytics, 5G, and IoT/Cloud platform are the application industries and products for the future, and the Company has been putting lots of efforts in these regards.
- (C) Changes in major local and international policies and laws do not have any material impacts on the Company's financial and business performance. In terms of macroeconomic environmental impacts which might influence the direction as to which the Company expands its market and business, timely and proper measures will be taken to proactively manage the challenges.

Sincerely yours,

Chairman Chia Hsin Lin

II. Company introduction

A. Date of Incorporation: June 27, 1980

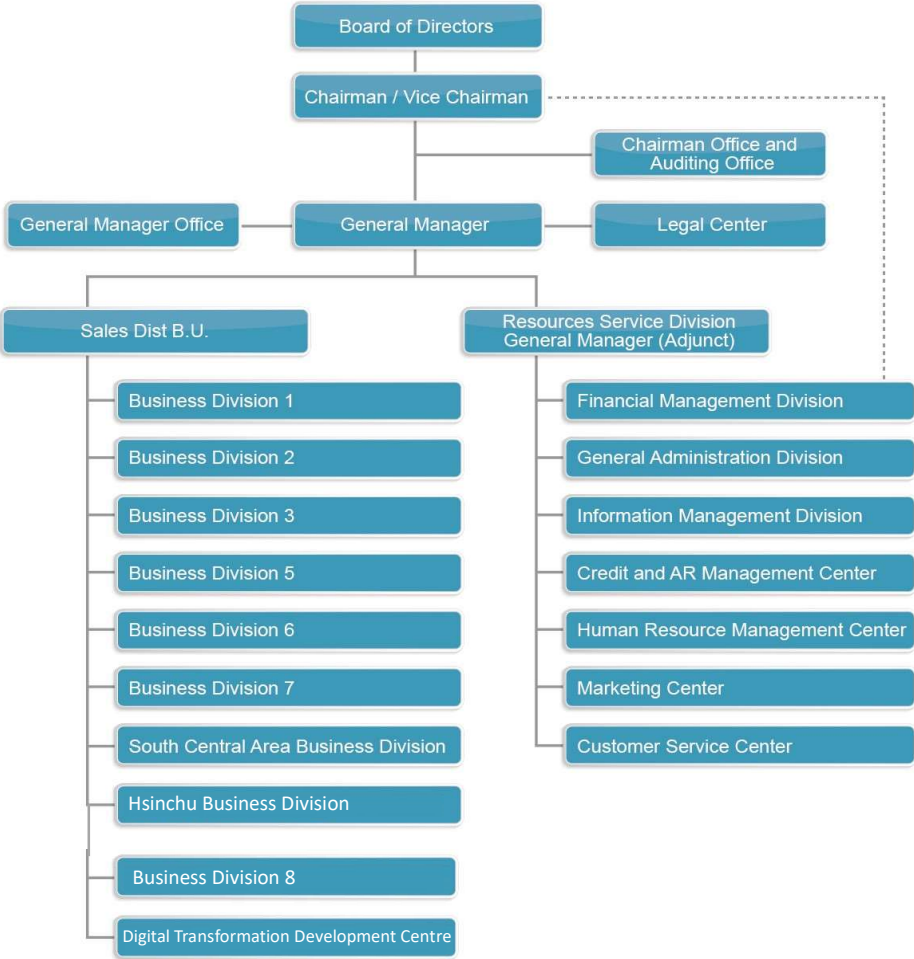
B. Formation History

Year	Milestones
1980	.The Company Founded, with NT\$500,000 capital.
	.Invented Cangjie input method and ideographic description sequences method
	.Launched Chinese system of Zero one.
1990	.Distributed network products of Novell.
1993	.Distributed products of Microsoft.
1994	.Launched the print server.
1996	.Distributed products of Cisco.
1998	.Zero One Technology Co., Ltd. went listed by approval of by Securities & Future Institute.
2000	.The stock is listed in OTC, NT\$ 275,000,000 capital, in January 2000.
2001	.Distributed products of Cisco.
2002	.Zero One Technology Co., Ltd. went listed by approval of by Securities & Future Institute.
	.Listed on Taiwan Stock Exchange on August 2002. Increased capital to NT\$ 600,000,000.
2003	.Issued 1 st domestic secured convertible bond, worth an amount of NT\$ 250,000,000.
2008	.Increased paid-in capital to NT\$ 1,020,342,130, as convertible bonds are converted into new shares.
	.Decreased paid-in capital to NT\$ 989,962,130 for cancellation of treasury stock.
2011	.Decreased paid-in capital to NT\$ 947,442,130 for cancellation and transfer of treasury stock.
2014	.Issued 2 nd domestic convertible bonds with an amount of NT\$ 500,000,000.
2015	.Issued 1 st employee stock option.
2017	.Increased paid-in capital to NT\$ 1,224,803,750, as employee stock options and convertible bonds are converted into new shares.
2018	.Increased paid-in capital to NT\$ 1,228,964,660, as employee stock options and convertible bonds are converted into new shares.
2019	.As for de-listing of convertible bonds due to maturity, the issuance and cancellation of restricted stock awards, and employee stock options converted into new shares, paid-in capital had increased to NT\$ 1,246,232,120.
2020	The cancellation of employee restricted stock awards and the continuing of employee stock options converted into new shares, the paid-in capital increased to NT\$ 1,256,402,120.
2021	With the cash-raising of capital by issuing new shares and the continuing of employee stock options converted into new shares, the paid-in capital increased to NT\$ 1,524,007,120.

III. Corporate Governance Report

A. Organization

(A) Organizational Chart



(B)Major Corporate Functions

Department		Functions
Chairman Office		<ol style="list-style-type: none"> 1.Enaction of important regulations and rules, and the development of project plan (such as the business plan). 2.Accessment and management of foreign investment. 3.Planning and execution of stock affairs.
Auditing Office		<ol style="list-style-type: none"> 1.To audit the operations of different departments for ensuring effective of the Company's internal procedures. 2.To propose and analyze the improvement strategies and measures of business management. 3.Research and application of the policy of financial accounting and securities.
General Manager Office		<ol style="list-style-type: none"> 1. To lay the short-, medium-, and long-term business plans, and to draw up and help execute strategies and management approaches of the Company. 2.Management of and cooperate with the work of each work and business of each division. 3.To review and draw up the management regulations of the Company. 4.The development and planning of the Company's organization. 5.Execution of resolutions of the Board of Directors. 6.Responsible for supervising the business performance of each division.
Legal Center		<ol style="list-style-type: none"> 1. Responsible for reviewing and setting business-relevant contracts, dealing with suits and proceedings by laws and providing professional opinions for the Company, etc.
Business Division		<ol style="list-style-type: none"> 1.Distributing domestic and foreign network product of hardware and software and achieving objectives of increasing operating revenues and earning profits from sales business of Taiwan market. 2.Customer Relationship Management and the development. 3.Execution and planning of activities of promotion.
Resources Service Division	General Administration Division	<ol style="list-style-type: none"> 1.Control and execution of procedures of administration & the purchase. 2.Management of purchases, sales, and inventories of the warehouse.
	Credit and AR Management Center	<ol style="list-style-type: none"> 1.To control the credit risk of the Company for collectability of trade receivables. 2.To maintain the credit management relationship with the industries. 3. To implement the Company's credit management policy.
	Human Resource Management Center	<ol style="list-style-type: none"> 1. To coordinate with strategies, planning, drawing up, management methods, SOP of corporate human resources, including planning of human resources, organizational design and planning, recruitment and appointment, educational training and the development, salaries and compensations, performance management, employee relations and the development of the corporate culture.
	Information Management Division	<ol style="list-style-type: none"> 1.To provide automation of internal information network, implementation and maintenance of systematic statements. 2.Implementation, management and maintenance of ERP system. 3.Design and maintenance of the Company website and contents of web pages. 4.Accessment and introduction of New IT structure for effectively integration of business procedures and resources.
	Financial Management Division	<ol style="list-style-type: none"> 1.Planning, allocation and use of funds of the Company. 2.Edition and execution of the accounting policy. 3.To Review and analysis of financial statements. 4.To Review and analysis of the accounting certificates of revenues and expenses, and the statements of management and budget. 5.Tax planning and operations. 6.Computation procedures of finance and accounting.
	Marketing Center	<ol style="list-style-type: none"> 1. Management of unity of enacting, design, planning and implementation of the Company's CIS (corporate image system). 2.To establish a company website for the Company introduction and product marketing. 3.Responsible for advertisement of distributing product marketing, issuance of product lists, and supporting the marketing activities of the business division. 4.Product marketing planning and integration of the marketing channel.
	Customer Service Center	<ol style="list-style-type: none"> 1.To connect with upstream suppliers, the Company, and downstream customers, enact and improve the relevant procedures of after-sales services, and provide customer services for relevant services.

B. Information on Directors and Management Team

(A) Directors (1)

March 31, 2022 ; Unit: Shares ; %

Title	Nationality/ Country of Origin	Name	Gender /Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected (Note 1)		Current Shareholding (Note 2)		Spouse & Minor Shareholding (Note 2)		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	R.O.C	Peter Lin	Male/ 70-80	2020.06.10	3	1989.12.15	9,523,292	7.64	5,193,292	3.41	2,954,714	1.94	0	0	Master of Electronics, NCTU Chairman of Chinese Foundation For Digitization Technology	Note 3	-	-	-
Director	R.O.C	Morris Jiang	Male/ 60-70	2020.06.10	3	1994.10.06	2,642,735	2.12	2,742,735	1.80	503,185	0.33	0	0	Chinese Culture University Deputy General Manager of Zero One Technology Co., Ltd.	Chairman of PETAcom, and DigiCosmos Tech. Co., Ltd.	-	-	-
Director	Judicial person	R.O.C	K Way Information Corporation	-	2020.06.10	3	2003.06.25	1,322,264	1.06	1,531,091	1.00	-	-	-	-	-	-	-	-
	Represen- tative	R.O.C	K Way Information Corporation Representative : Chang-Ze Tseng	Male/ 60-70	2020.06.10	3	2003.06.25 (2020.06.10 Transition to Director)	0	0	150,000	0.10	0	0	0	0	EMBA of National Cheng-Chi University Assistant Manager of Chia-Her Technology Co. Ltd.	Chairman of K WAY information Co.	-	-
Director	Judicial person	R.O.C	Prisma Commerce & Networks, Inc.	-	2020.06.10	3	2008.06.13	1,042,759	0.84	1,207,444	0.79	-	-	-	-	-	-	-	-
	Represen- tative	R.O.C	Prisma Commerce & Networks, Inc. Representative : Jih-Ji Zhou	Male/ 70-80	2020.06.10	3	2008.06.13	0	0	0	0	0	0	0	Taipei Computer Association Director Director of China Electric Mfg. Corp.	Chairman of Prisma Graphic Systems Inc.	-	-	-
Director	R.O.C	Jui Hsu Chen	Male/ 70-80	2020.06.10	3	2002.05.14	110,884	0.09	72,078	0.05	0	0	0	0	Electronic engineering, NTCU Graduate Institute of Management Science, NCTU Citibank-Taiwan Branch, AVP VP of Bank of Boston-Taiwan Branch General Manager and CFO of D-Link Corporation	Chairman of Chiu Kang Investment Co. Ltd. and Vxis Technology Corp., The Director of Lanner Electronics Inc.	-	-	-
Independent Director	R.O.C	Ming Hsiung Wu	Male/ 60-70	2020.06.10	3	2017.06.14	0	0	0	0	0	0	0	0	Department of Electronic Computer, NCTU Chairman of Promaster Technology Corp.	Chairman of Promaster Technology Corp., Heng Yang Investment Co. Ltd., and Prowine Co., Ltd.; The Director of Promaster(Brunei) Technology Corp.	-	-	-

Title	Nationality/ Country of Origin	Name	Gender /Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected (Note 1)		Current Shareholding (Note 2)		Spouse & Minor Shareholding (Note 2)		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Independent Director	R.O.C	Ming Yuan Lin	Male / 50-60	2020.06.10	3	2017.06.14	0	0	0	0	0	0	0	0	Department Finance and Taxation, National University of Political Science, George Washington University, USA GM and Founder, Catalyst Management inc. GM and Founder, Catalyst Capital group corp.	Director of Catalyst Management inc., Catalyst Capital group corp., Chung Tai Pottery & Porcelain co., ltd..	-	-	-
Independent Director	R.O.C	Chien Chen Lin	Male/ 60-70	2020.06.10	3	2017.06.14	0	0	0	0	0	0	0	0	Ph.D., Materials, University of Illinois Professor, Department of Materials Science and Engineering, NCTU	Professor of MSE of NCTU Member of Remuneration Committee of Weltrend Semiconductor Incorporated	-	-	-

Note 1: The “shareholding ratio” is based on the 124,846,212 shares of the issued ordinary shares in the period of election on June 10, 2020.

Note 2: The “shareholding ratio” is based on the number of 152,400,712 shares of the issued ordinary shares on April 30, 2022.

Note 3: To serve concurrently as Chairman of Zerone Win Investment Co., Ltd. ; The independent director, remuneration committee and audit committee member of Abnova (Taiwan) Corporation ; The director of JackerCleaning Co., Ltd., Citpo Tech. Co., Ltd. Maverick Digital Co., Ltd. and JOIUP Technology Inc.; The supervisor of Iweecare Co., Ltd, Taiwan Insto Technologies Co., Ltd and IJOING, Inc..

Note 4 : The company’s Directors and Supervisors are major shareholders of the institutional shareholders:

March 31, 2022

Name of Institutional Shareholders	Major Shareholders
Prisma Commerce & Networks, Inc.	Greater China International Investment Co., ltd., British Virgin Islands (100%)
K WAY Information Co.	Chang-Ze Tseng (9.62%) 、 Chung Hsu Wang(6.52%) 、 Hua Hsuan Juan(5.25%) 、 Pao Chun Huang(4.51%) 、 Fu Yao Kung(5.41%) 、 Chuan Cheng Capital Co. Ltd. (3.75%) 、 Huon Ji Lin (3.19%) 、 Su Chiao Huang(2.89%) 、 Bing Huang (2.92%) 、 Jen Tsung Hsu(2.18%)

Note 5 : Major shareholders of the Company’s major institutional shareholders:

March 31, 2022

Name of Institutional Shareholders	Major Shareholders
Greater China International Investment Co., ltd., British Virgin Islands	Oriental Bio-Energy Corp. 100%

Directors (2)

Professional qualifications and independence analysis of directors and independent directors

March 31, 2022

Name & Title	Criteria	Professional Qualification & Experience	Independence Criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Chairman: Peter Lin		1. Please refer to - Director Information (1) for the professional qualifications and experience of directors in this Annual Report.	N.A.	1
Director: Morris Jiang				0
Director: The representative of Prisma Commerce & Networks, Inc. :Jih-Ji Zhou				0
Director: The representative of K Way information corporation:Chang-Ze Tseng				0
Director: Jui Hsu Chen				0
Independent Director: Ming Hsiung Wu		2. None of the Directors has any of the provisions of Article 30 of the Company Law.	All Independent Directors meet the following criteria : 1. In accordance with related provisions of Article 14-2 of Securities and Exchange Act issued by the Financial Supervisory Commission regarding the set-up and regulations to comply for Independent Directors for public offering companies (Note 1). 2. The person (or use the name of another person), the spouse and minor children do not hold shares in the Company. 3. In the past two years, there has been no remuneration received from the Company or its affiliates for providing any commercial, legal, financial, accounting, etc. services.	0
Independent Director: Chien Chen Lin				0
Independent Director: Ming Yuan Lin				0

Note:

1. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.
2. Not concurrently serve as an independent director of more than three other public companies.
3. During the two years before being elected and during the term of office, meet any of the following situations:
 - (1)Not an employee of the company or any of its affiliates;
 - (2)Not a director or supervisor of the company or any of its affiliates;
 - (3)Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders;
 - (4)Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding 1 subparagraph, or of any of the above persons in the preceding subparagraphs 2 and 3;
 - (5)Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, ranks as of its top five shareholders, or has representative director(s) serving on the company's board based on Article 27 of the Company Law.
 - (6)Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company;
 - (7)Not a director, supervisor, or employee of a company of which the chairman or CEO (or equivalent) themselves or their spouse also serve as the company's chairman or CEO (or equivalent);
 - (8)Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company;
 - (9)Other than serving as a compensation committee member of the company, not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, and the service provided is an "audit service" or a "non-audit service which total compensation within the recent two years exceeds NTD500,000".

Board Diversity (3)

The nomination of candidates for Directors of the company is based on the nomination system of candidates in accordance with the provisions of the company's Articles of Incorporation. The candidate's experience, professional and diverse backgrounds, integrity, or relevant professional qualifications are evaluated. After the resolution of the BoD is passed, it is submitted to the shareholders' meeting for election. The Board of Directors shall formulate diversity policy by taking into consideration on the company's business operations, operating dynamics and development needs, including but not limited to:

1. Basic requirements and values: gender, age, nationality and culture.
2. Professional background (e.g., law, accounting, industry, finance, marketing or technology), professional skills and industry experience etc.

The specific management objectives of the board composition diversity policy are that the number of Independent Directors shall account for at least one-third of the total number of Directors, and the Directors with electronic-related educational background shall account for at least one-third of the total number of Directors. The current BoDs of the company consists of eight (8) directors (please refer to this Annual Report - Information on Directors (1)), which includes 5 Directors and 3 Independent Directors (Independent Directors account for 37.5% of all Directors), and the number of Directors with electronic related education background is three (3).

None of the Directors and Independent Directors are spouses or relatives within the second degree of kinship, nor do they fall under Article 26-3, Paragraphs 3 and 4 of the Securities and Exchange Act. Therefore, the Board of Directors of the Company is independent (please refer to this Annual Report - Disclosure of Professional Qualifications of Directors and Independence of Independent Directors). The implementation of the Board Diversity Policy is as follows:

Title	Name	Basic Information			Professional							Diversity								
		Gender	Age	Nationality/ Country of Origin	Employee identity	As an independent director has not exceeded 3 terms	Industry Knowledge	Financial	Marketing	Technology	Industry Experience	Operational Judgements	Financial and Accounting Analysis	Management Administration	Crisis Management	Industry Knowledge	International Market Perspective	Ability to Lead	Policy Decisions	
Chairman	Peter Lin	M	70-80	R. O. C.	V		V	V	V	V	V	V	V	V	V	V	V	V	V	
Director	Morris Jiang	M	60-70		V		V			V	V	V	V	V	V	V	V	V	V	V
	Prisma Commerce & Networks, Inc. Representative: Jih-Ji Zhou	M	70-80				V		V			V	V	V	V	V	V	V	V	V
	K Way Information Corporation Representative: Chang-Ze Tseng	M	70-80				V	V	V	V		V	V	V	V	V	V	V	V	V
	Jui Hsu Chen	M	60-70			V	V	V	V	V	V	V	V	V	V	V	V	V	V	V
Independent Director	Ming Hsiung Wu	M	60-70			V				V		V	V	V	V	V	V	V	V	V
	Chien Chen Lin	M	50-60			V		V	V			V	V	V	V	V	V	V	V	V

(B) GM, VP, Directors and Managers of departments.

31 March, 2022

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	% (Note)	Share s	%	Share s	%			Title	Name	Relation
GM	Republic of China	Nancy Huang	Female	2018.01.01	352,723	0.23	0	0	0	0	Department of Information Management, Ming Chuan Commercial College	Chairman of Wing Will International Co., Ltd. General Manager of PETAcom Technology Co., Ltd.	—	—	—
Sr. Director of Financial Management Division	Republic of China	Michelle Chin	Female	2000.12.01	164,324	0.11	0	0	0	0	Department of Bank Management, Takming College of Finance	—	—	—	—
General Manager of the Business Divisions	Republic of China	Kevin Chen	Male	2019.02.01	126,409	0.08	1,005	0	0	0	EMBA, NCCU	Director of DigiCosmos Tech. Co., Ltd.	—	—	—

Note: The “shareholding ratio” column of shareholding is based on the outstanding ordinary shares’ number of 152,400,712 on April 30, 2022.

C. Remuneration of Directors and Management

(A) Remuneration of Directors

December 31, 2021 ; Unit: NT\$ thousands ; %

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from Non-consolidated Affiliates or Parent Company
		Base Compensation (A)		Retirement pension (B)		Bonus to Directors (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Retirement pension (F)		Profit Sharing- Employee Bonus (G)						
		The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
														Cash	Stock	Cash	Stock					
Directors	Chairman	Peter Lin																				
	Director	Morris Jiang																				
	Director	Jui Hsu Chen																				
	Juridical person	Prisma Commerce & Networks, Inc.																				
	Representative	0	0	0	0	9,417	9,417	60	60	1.76	1.76	5,785	5,785	0	0	0	0	0	0	2.84	2.84	None.
	Juridical person	K Way Information Corporation																				
	Representative	K Way Information Corporation Representative : Chang-Ze Tseng																				
Independent Director		Ming Hsiung Wu																				
		0	0	0	0	4,940	4,940	66	66	0.93	0.93	0	0	0	0	0	0	0	0	0.93	0.93	None.
		Ming Yuan Lin																				

Note 1: The remuneration policy, system, standards and structures and the connection between factors such as duties, risks, time devoted and the amount paid to independent directors: The Company allocates less than 1% of the current year’s annual profits for the compensation to independent directors, and will provide reasonable reward by taking into account of the Company’s operating results and the contribution they made. The procedures to determine the compensation is based on the Company’s “Rules for Distribution of Compensation to Directors and Supervisors.” Apart from referencing the company’s overall operational efficiencies, future management risk and developing trend of the industry, the personal efficiency achievement rate, contribution to the overall performance, and devotion to company performance, achievement rate, profitability rate, operational efficiency and contribution are also collectively evaluated before calculating the compensation ratio. Relevant performance appraisals and the soundness of the compensation are reviewed and approved by the Compensation Committee and the Board in accordance with the charter of relevant laws and requirements, so as to achieve the balance of the Company’s sustainability and risk management.

Table of range of remuneration

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements I	The company	Companies in the consolidated financial statements J
Under NT\$ 1,000,000	—	—	—	—
NT\$1,000,000~less than NT\$2,000,000	Ming Hsiung Wu, Chien Chen Lin, Ming Yuan Lin, Jui Hsu Chen, K Way Information Corporation, K Way Information Corporation Representative : Chang-Ze Tseng, Prisma Commerce & Networks, Inc., Prisma Commerce & Networks, Inc. Representative : Jih-Ji Zhou	Ming Hsiung Wu, Chien Chen Lin, Ming Yuan Lin, Jui Hsu Chen, K Way Information Corporation, K Way Information Corporation Representative : Chang-Ze Tseng, Prisma Commerce & Networks, Inc., Prisma Commerce & Networks, Inc. Representative : Jih-Ji Zhou	Ming Hsiung Wu, Chien Chen Lin, Ming Yuan Lin, Jui Hsu Chen, K Way Information Corporation, K Way Information Corporation Representative : Chang-Ze Tseng, Prisma Commerce & Networks, Inc., Prisma Commerce & Networks, Inc. Representative : Jih-Ji Zhou	Ming Hsiung Wu, Chien Chen Lin, Ming Yuan Lin, Jui Hsu Chen, K Way Information Corporation, K Way Information Corporation Representative : Chang-Ze Tseng, Prisma Commerce & Networks, Inc., Prisma Commerce & Networks, Inc. Representative : Jih-Ji Zhou
NT\$2,000,000~less than NT\$3,500,000	—	—	—	—
NT\$3,500,000~less than NT\$5,000,000	—	—	—	—
NT\$5,000,000~less than NT\$10,000,000	Morris Jiang, Peter Lin	Morris Jiang, Peter Lin	Morris Jiang, Peter Lin	Morris Jiang, Peter Lin
NT\$10,000,000~less than NT\$15,000,000	—	—	—	—
NT\$15,000,000~less than NT\$30,000,000	—	—	—	—
NT\$30,000,000~less than NT\$50,000,000	—	—	—	—
NT\$50,000,000~less than NT\$100,000,000	—	—	—	—
More than NT\$100,000,000	—	—	—	—
Total	10 Persons	10 Persons	10 Persons	10 Persons

(B) Remuneration of the President and Vice President

December 31, 2021 ; Unit: NT\$ thousands ; %

Title	Name	Salary(A)		Retirement Pension (B)		Bonuses and Allowances (C)		Profit Sharing- Employee Bonus (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation Paid to the President and Vice President from Non-consolidated Affiliates or Parent Company
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
General Manager	Nancy Huang													
General manager of the Business Divisions	Kevin Chen	4,140	4,140	0	0	26,519	26,519	924	0	924	0	5.88	5.88	None

Table of range of remuneration

Range of Remuneration	Name of President and Vice President	
	The company	Companies in the consolidated financial statements
Under NT\$ 1,000,000	—	—
NT\$1,000,000 ~less than NT\$2,000,000	—	—
NT\$2,000,000 ~less than NT\$3,500,000	—	—
NT\$3,500,000 ~less than NT\$5,000,000	—	—
NT\$5,000,000 ~less than NT\$10,000,000	—	—
NT\$10,000,000~less than NT\$15,000,000	Kevin Chen	Kevin Chen
NT\$15,000,000~less than NT\$30,000,000	Nancy Huang	Nancy Huang
NT\$30,000,000~less than NT\$50,000,000	—	—
NT\$50,000,000~less than NT\$100,000,000	—	—
More than NT\$100,000,000	—	—
Total	2 Persons	2 Persons

Employee profit sharing granted to the management team

December 31, 2021 ; Unit: NT\$ thousands ; %

	Title	Name	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	General manager	Nancy Huang	0	1,353	1,353	0.25
	GM of Business Division	Kevin Chen				
	Sr. Director of Financial Management Division	Michelle Chin				

(C) Comparison of Remuneration for Directors, Supervisors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, Presidents and Vice Presidents, to the net income.

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

Unit: NT\$ thousands

Title	Proportion of the total compensation to net profit after tax %			
	2020		2021	
	The Company	All companies in the consolidated financial statement	The Company	All companies in the consolidated financial statement
Directors	2.80	2.80	2.84	2.84
Independent Directors	0.88	0.88	0.93	0.93
Supervisors	0.25	0.25	-	-
General Managers and Deputy General Managers	5.27	5.27	5.88	5.88

2. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance:

The Remuneration Committee assists the Board in discharging its responsibilities relating to the Company's compensation and benefits policies, plans and programs, and the evaluation of the directors' and supervisors' compensation. Remuneration is appropriated according to the business performance of the Company in the year and the stipulated percentage of less 3% in Article 19 of the Articles of Incorporation. Procedure for the compensation were determined by the Regulations governing the performance assessment and compensation of directors and supervisors in accordance with operating performance of the company, operational risks and trend of the industries, and the employee's personal achievements, contribution made to the business operation. Evolution items include any unethical misconduct which results in a negative impact on the company's image and reputation, negligent of internal management, or unethical malpractices etc. The procedure for determining remuneration is also based on key performance indicators of the company. Relevant performance indicators and reasonability of remuneration shall be approved by the remuneration committee and the board of the directors and reviewed in relation to business operation and relevant laws and regulations, for a positive correlation with the company, and risk management.

The policy for managers' remuneration is based on the company's salary considerations and has taken into account as industry standards and personal performance evaluation items, which include financial indicators (such as the company's revenue, achievement rate for profit before tax and after tax) and non-financial related indicators (such as taking on the role as trainer and any gross misconduct of the department in terms of legal and compliance and operational risks incidents) are also included in the evaluation.

D. Implementation of Corporate Governance

(A) Board of Directors

A total of 8 meetings of the Board of Directors were held in 2021. The attendance of director and supervisor were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Chairman	Peter Lin	8	0	100	
Director	Morris Jiang	8	0	100	
Director	Prisma Commerce & Networks, Inc. Representative: Jih-Ji Zhou	8	0	100	
Director	K WAY information Co. Representative : Chang-Ze Tseng	8	0	100	
Director	Jui Hsu Chen	7	1	100	
Independent director	Ming Hsiung Wu	8	0	87.50	
Independent director	Chien Chen Lin	8	0	100	
Independent director	Ming Yuan Lin	8	0	100	

Other mentionable items:

1.If there are circumstances referred to as follows, resolutions of the directors' meetings objected to by independent directors or subject to qualified opinion and recorded or declared in writing, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:

(1) Circumstances referred to in Article 14-3 of the Securities and Exchange Act:

Meeting Dates (Period)	Resolution	Any Independent Director Had a Dissenting Opinion or Qualified Opinion
2021 14 th -6 Regular Meeting Apr. 14	<ol style="list-style-type: none"> Discussion on the proposal of capital increase for subsidiary ZeroneWin Investment Co., Ltd. and invest in new companies through it. Discussion on the proposal of amendments to Procurement and Payment Cycle in the internal control system. Discussion on the proposal of replacing CPA starting 2021 Q1 and independent assessment. 	Approved as proposed by all independent directors
2021 14 th -10 Regular Meeting Oct. 13	<ol style="list-style-type: none"> The proposal to issue 25,000,000 ordinary shares in cash capital to repay bank borrowings and enhance working capital. 	
2021 14 th -11 Regular Meeting Nov. 03	<ol style="list-style-type: none"> The proposal to approve the expenses for the certified public accountants in 2021. 	
2021 14 th -12 Regular Meeting Nov. 12	<ol style="list-style-type: none"> Proposal to determine the company's cash capital increase and share subscription base date in 2021 and other related matters. The proposal to dispose fifty percent of the equity of DigiCosmos Tech. Co., Ltd., a subsidiary invested 100% by the Company's subsidiary Zerone Win Investment Co., Ltd.. Proposal for the appointment of accountants and independent assessment by the company. 	
2022 14 th -14 Regular Meeting Apr. 13	<ol style="list-style-type: none"> Discussion on the proposal of amendments to the Regulations Governing the Acquisition and Disposal of Assets. 	
2022 14 th -15 Regular Meeting Apr. 27	<ol style="list-style-type: none"> Proposal to remit the loan funds to the Company's subsidiary WINGWILL International Co., Ltd. 	

(2) If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None

2.Avoidance of conflict of interest by Directors: None.

3. Measures taken toward achievement of Board of Directors

Frequency	Period	The scope of evaluation	Method	Content
Annual	From 2021/01/01 to 2021/12/31	Performance assessments of board of directors, board members (self-assessments or peer-to-peer assessments) and the remuneration committee.	<p>Human Resource Management Center shall be responsible for executing performance assessment, according to operation of the board of directors, participation of directors, operation of the remuneration committee, self-assessment among directors, assessment of the remuneration committee by its members, by questionnaires. The above conclusion of performance assessment shall be a reference for election or nomination of directors, and personal compensation shall be calculated by the conclusion of directors and members of the functional committee.</p> <p>Every January, after questionnaires are returned, Human Resource Management Center of the company will, in accordance with the aforementioned rules, conduct analysis and report the results to the Board, with an emphasis on any areas with room for improvement.</p> <p>The company has completed the board of directors' performance assessments in January 2022, and detailed information for improvement regarding the above evaluation in 2022 was reported to the Board at the Board Meeting on April 28, 2022. The score of the assessment is graded 95 to 100 as excellent.</p>	<p>The company has edited rules and procedures for board of directors' performance assessments, which include the five items below:</p> <ol style="list-style-type: none"> 1. The degree of participation in the company's operations. 2. Improvement in the quality of decision making by the board of directors. 3. The composition and structure of the board of directors. 4. The election of the directors and their continuing professional education. 5. Internal controls. <p>It is advisable that performance assessments of board members (self-assessments or peer-to-peer assessments) include the following aspects, with appropriate adjustments made on the basis of the company's needs:</p> <ol style="list-style-type: none"> 1. Their grasp of the company's goals and missions. 2. Their recognition of director's duties. 3. Their degree of participation in the company's operations. 4. Their management of internal relationships and communication. 5. Their professionalism and continuing professional education. 6. Internal controls. <p>It is advisable that the performance assessment of cover the following aspects, subject to changes according to the company's needs:</p> <ol style="list-style-type: none"> 1. Their degree of participation in the company's operations. 2. Their recognition of the duties of the functional committee. 3. Improvement in the quality of decision making by the functional committee. 4. The composition of the functional committee, and election and appointment of committee members. 5. Internal Controls. <p>The indexes of board performance evaluation shall be determined based on the operation and needs of the Company and suitable and appropriate for evaluations by the company, subject to regular reviews and constructive comments of the remuneration committee.</p>

4. Evaluations for the measures taken to strengthen the core objectives and execution of the Board for the current year and the previous year:
 - (1) In 2021, all directors and independent directors will complete 6 hours of annual training.
 - (2) Starting from 2022, the company's interim financial reports will be approved by the audit committee and submitted to the board of directors for discussion and resolution.
 - (3) The Company set up the rules of board performance evaluation. The performance assessment of Board of directors for the members of Board of Directors by self-assessments in 2019, report the results to the remuneration committee, and then to Board of Directors, based on the Regulations governing the performance assessment and compensation of directors and supervisors in accordance with operating performance of the Company. The evaluation results for the year 2021 were submitted to the Board and Remuneration Committee on Feb. 23, 2022. In 2022, the provisions of the rules of board performance evaluation were revised to add that the performance of the board of directors should be externally evaluated at least every three years, and in 2022, the external evaluation of the performance of the board of directors will be implemented.

(B) Audit Committee

1. Audit Committee

The company's Audit Committee was set up on June 10, 2020 in compliance with the regulations and all members of the Audit Committee were independent directors. The function and purpose of the Audit Committee is to supervise the proper presentation of the financial statements, the hiring (dismissal) of the signing CPAs, their independence and performance, and the effective execution of the company's internal control, as well as the compliance with related laws and regulations and the management of the existing or potential risks of the company

The duties and annual work items of the Audit Committee are as follows:

- (1) Adoption or amendment of the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
- (2) Evaluation of the effectiveness of the internal control system.
- (3) Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significant, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.
- (4) A matter bearing on the personal interest of a director or a supervisor.
- (5) A material asset or derivatives transaction.
- (6) A material monetary loan, endorsement, or provision of guarantee.
- (7) The offering, issuance, or private placement of any equity-type securities.
- (8) The hiring, discharge, or compensation of an attesting CPA.
- (9) The appointment or discharge of a financial, accounting, or internal auditing officer.
- (10) Annual financial reports which are signed or stamped by the Chairman, Executive Officers and Head of Accounting, and Q2 financial report which must be reviewed by CPA.
- (11) Any other material matters so required by the competent authority.

A total of seven (7) Audit Committee meetings were held in 2021. The attendance of independent directors is as follows:

Title	Name	Attendance in Person (B)	Proxy	Attendance Rate (%) 【 B/A 】	Remarks
Independent director	Ming Yuan Lin	7	0	100%	Convenor
Independent director	Ming Hsiung Wu	7	0	100%	
Independent director	Chien Chen Lin	6	1	85.7%	

Other mentionable items:

1. If a member of the Audit Committee expresses an opinion during a meeting, the dates of the Board of Directors meetings, sessions, contents of motion, resolutions of the Audit Committee meetings and the Company's response to the Audit Committee opinion should be specified.

(1) Items listed in Article 14-5 of the Securities and Exchange Act.

Board Meeting	Content and Follow-up Action	Items listed in Article 14-5 of the Securities and Exchange Act	Matters unapproved by the Audit Committee but approved by two-thirds or more of all directors
2021 1th -5 Regular Meeting Feb. 24	1. 2020 Compensation for the directors and employees	v	-
	2. 2020 operating report 、 consolidated and parent company only financial statements.	v	-
	3. 2020 Statement of Internal Control system	v	-
	Audit Committee Resolution: Approved by all members of the Audit Committee		
	The Company's response to the opinion of the Audit Committee: Approved by all members of the Board.		
2021 1th -6 Regular Meeting Apr. 14	1. Amendments of the content of the company's internal control system	v	-
	2. Capital increase for subsidiary ZeroneWin Investment Co., Ltd. And invest in new companies through it.	v	-
	3. Loaning funds to 100%-owned subsidiary ZeroneWin Investment Co., Ltd.	v	-
	4. Replacing appointed CPA starting 2021 Q1 and the independent assessment.	v	-
	Audit Committee Resolution: Approved by all members of the Audit Committee		
The Company's response to the opinion of the Audit Committee: Approved by all members of the Board.			
2021 1th -9 Regular Meeting Oct. 13	In order to repay bank loans and replenish working capital, the company plans to issue 25,000,000 ordinary shares for capital increase in cash.	v	-
	Audit Committee Resolution: Approved by all members of the Audit Committee		
	The Company's response to the opinion of the Audit Committee: Approved by all members of the Board.		
2021 1th -10 Regular Meeting Nov. 03	The company's CPA professional fee in 2021.	v	-
	Audit Committee Resolution: Approved by all members of the Audit Committee		
	The Company's response to the opinion of the Audit Committee: Approved by all members of the Board.		
2021 1th -11 Regular Meeting Nov. 12	1. The company's appointment of accountants and independence assessment case.	v	-
	2. Subsidiary proposed capital loan with subsidiary Wingwill Int'l Co., Ltd.	v	-
	3. Set the record date of cash capital increase and share subscription of the company's 2021 cash capital increase.	v	-
	4. Disposal of 50% equity of Sun Company Digicosmos Tech. Co., Ltd., which holds 100%.	v	-
	Audit Committee Resolution: Approved by all members of the Audit Committee		
The Company's response to the opinion of the Audit Committee: Approved by all members of the Board.			

(2) Other than the items listed in the preceding paragraph, any other matters that were not approved by the Audit Committee but approved by two-thirds or more of all directors: None.

2. The names, contents of motion, reasons for conflict of interests and the participation for resolution for any recusals of independent directors due to conflict of interests should be specified: None.

3. Description of the communication between the independent directors, the internal auditors, and the independent auditors:

(1) Upon the delivery of the monthly audit reports sent by the internal auditor, discussions and communication will take place to address any questions raised by the independent directors. A panel discussion will be arranged at least once per year between the independent directors and the internal auditor, significant findings and relevant audit opinions from internal and external audits will also be documented as meeting minutes which then later submit to the Board.

(2) Members of the Company's Audit Committee are all independent directors. The presentation of business audit is made at least once per year. The presentation content includes business audit execution, internal operational items, audit personnel training and major findings from internal and external audit as well as follow-up actions taken etc.. Extraordinary meetings may also be convened at any time should serious anomalies arise.

(3) The CPA should report to the independent directors at least once a year, covering items regarding the company's overall financial performance and also the financial status, overall operations and internal controls of local and overseas subsidiaries. In addition, a through communication should be carried out to determine if there is any impact on the accounting principles from any major changes in financial policies and amendment in the laws and regulations.

(4) The communications between the auditor, the independent directors and the CPA functioned well, as not only were regular meetings arranged, emails, telephone calls or random meetings were also meaning of communication.

(5) The summary of communications between the internal auditor, CPA and the independent directors are listed in the table below.

Date	Attendees	Item	Conclusion
2021.02.24 Audit Committee	Independent Directors 、 CPA 、 Chairman 、 Chief Internal Auditor 、 Sr. Director of Financial Management Division	1. Report on the findings of the company's audit in 2020. 2. Approved the statement for the company's internal control in 2020. 3. Briefing and communication made by CPA regarding 2020 parent company only and consolidated reports.	1. Agreed. 2. Submit and report to the Board after review. 3. The communication between independent directors and the CPAs was well, reaching mutual consensus after discussion. Financial reports were presented at the Audit Committee Meeting and the Board, and disclosed in accordance with the regulations and supervisory authority.
2021.04.14 Audit Committee	Independent directors 、 Chairman 、 Chief Internal Auditor 、 Sr. Director of Financial Management Division	1. Amend and add new content in the internal audit system	1. Agreed. 2. Submit and report to the Board after review.
2021.04.28 Independent director meeting	Independent Directors 、 CPA 、 Chief Internal Auditor	1. Communication and discussion of KAM.	1. Agreed.
2021.08.04 Independent director meeting	Independent Directors 、 CPA 、 Chief Internal Auditor	1. Communication and discussion of KAM.	1. Agreed.
2022.02.23 Independent director meeting	Independent Directors 、 CPA 、 Chief Internal Auditor	1. Report on the findings of the company's audit in 2021. 2. Approved the statement for the company's internal control in 2021. 3. Briefing and communication made by CPA regarding 2021 parent company only and consolidated reports.	1. Agreed. 2. Submit and report to the Board after review. 3. The communication between independent directors and the CPAs was well, reaching mutual consensus after discussion. Financial reports were presented at the Audit Committee Meeting and the Board, and disclosed in accordance with the regulations and supervisory authority.

(C) Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
1. Does Company follow “Taiwan Corporate Governance Implementation” to establish and disclose its corporate governance practices?	V		The Company has set a corporate governance code of practice, it has been disclosed on the MOPS and the company's website.	None.
2. Shareholding structure & shareholders’ rights				None.
(1) Does Company have Internal Operation Procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters. If yes, has these procedures been implemented accordingly?	V		(1) Governance by the agent of stock affairs and Chairman's Office.	
(2) Does Company possess a list of major shareholders and beneficial owners of these major shareholders?	V		(2) Handled and follow-up by the agent of stock affairs and Chairman's Office.	
(3) Has the Company built and executed a risk management system and “firewall” between the Company and its affiliates?	V		(3) In accordance with the Company’s protocols of Supervision Over Subsidiaries, Internal Controls, Audit, and relevant regulations.	
(4) Has the Company established internal rules prohibiting insider trading on undisclosed information?	V		(4) The Company already established the Internal Rules Prohibiting Insider Trading on Undisclosed Information and organizes relevant training to directors, officers and employees at least once per year. The procedures were disclosed on the company website.	

Evaluation Item	Implementation Status		Description	Difference from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
<p>3. Composition and Responsibilities of the Board of Directors</p> <p>(1) Has the Company established a diversification policy for the composition of its Board of Directors, and has it been implemented accordingly?</p>		V	<p>(1) In Article 20 of the Company's Corporate Governance Best Practices, it is stated that the composition of the Board should be determined by taking into consideration the company's business operations, major shareholders and the diversity of constitute members, such as their different professional backgrounds, genders or industrial experiences etc., and disclose the diversity policies formulated by the members of the Board on the company website. The nomination of candidates for Directors of the company is based on the nomination system of candidates in accordance with the provisions of the company's Articles of Incorporation. The candidate's experience, professional and diverse backgrounds, integrity or relevant professional qualifications are evaluated. After the resolution of the BoD is passed, it is submitted to the shareholders' meeting for election.</p> <p>The specific management objective of the Board Diversity Policy is that the number of independent directors shall account for at least one-third of all directors and directors with electronics-related academic backgrounds shall account for at least one-third of all directors' seats. The current Board of Directors of the Company consists of 8 Directors (please refer to this Annual Report - Director Information (1)), including 5 Directors and 3 Independent Directors (independent directors account for 37.5% of all Directors), 3 Directors with electronic related academic backgrounds. For the implementation of the Board Diversity Policy, please refer to the Board Diversity and Independence in this Annual Report.</p>	Planned according to actual needs.

Evaluation Item	Implementation Status		Description	Difference from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
(2) Other than the Compensation Committee and the Audit Committee which are required by law, does the Company plan to set up other Board committees?		V	(2)The Remuneration Committee was set up on December, 2011, and shall be held for twice a year. The Audit Committee was set up on June 10, 2020 and the total number of meetings held was two. Whether it is necessary to set up other functional committees will be evaluated further and will be based upon the Company's actual needs or in compliance with relevant legal requirements.	On assessment.
(3) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis, reported the results of performance to the Board of Directors, and use the results as reference for directors' remuneration and renewal?	V		(3)The company has stipulated rules and procedures for board of directors performance assessments. Please refer to Measures taken toward achievement of Board of Directors of implementation of corporate governance in 2020 annual report. Also, Human Resource Management Center shall be responsible for executing performance assessment by questionnaires, which shall be a reference for personal compensation and nomination of directors.	None.
(4) Does the Company regularly evaluate its external auditors' independence?	V		(4)Each year, the Company evaluates the accounting firm, and the independence and suitability of its CPA, and ask CPA to issue a statement of independence based on No. 10 report of Code of Professional Ethics of CPAs of ROC. After inspections by the Audit Committee and the Board of Directors on Apr. 14, 2021, and Nov. 12, 2021, the Company's certifying accountants has been verified to be in compliance with requirement for independence as specified in the above related regulations and article 47 of Certified Public Accountant Act.	None.

Evaluation Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
4. Does the Company appoint competent and appropriate corporate governance personnel and corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors, assisting directors' compliance of law, handling matters related to board meetings and shareholders' meetings according to law, and recording minutes of board meetings and shareholders' meetings)?	V		<p>The Chairman appointed the Chairmen's Office to handle matters of the directors relating to Board meetings, Committee's meetings and Shareholders' meetings and record minutes of relevant meetings, etc.</p> <p>The stock affairs department is responsible for handling corporate registration and amendment registration. All application documents need to be approved by the manager.</p>	None.
5. Has the Company established a means of communicating with its Stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities?	V		The company has established a means of communicating with its Stakeholders (such as, suppliers, customers and clients, etc.) on the website, for dealing with their questions and receiving opinions. Financial Management Division will communicate with correspondent banks and debtors. Human Resource Management Center will set up channels for communicate with employees and handle any feedbacks.	None.
6. Has the Company appointed a professional registrar for its Shareholders' Meetings?	V		The Company appointed the Registrar & Transfer Agency Department of Masterlink Securities as our registrar for stock affairs.	None.
7. Information Disclosure (1) Has the Company established a	V		(1)The Company has set the website(http://www.zerone.com.tw),	None.

Evaluation Item	Implementation Status		Description	Difference from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
<p>corporate website to disclose information regarding its financials, business and corporate governance status?</p> <p>(2) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?</p>	V		<p>and assigned a specific unit responsible for collecting and updating company information regularly on the website.</p> <p>(2) The Company established a spokesperson system to deal with related matters and has appointed a person in charge to be responsible for the collection and disclosure of company information.</p>	
<p>(3) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?</p>	V		<p>(3)The Company announces and reports the financial statements in accordance with Article 36 of Securities and Exchange Act.</p>	

Evaluation Item	Implementation Status		Description	Difference from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing liability insurance for directors)?	V		<p>(1)Employee rights and wellness: The company has set a website for employee rights and wellness, and regularly heard the voice of employees.</p> <p>(2)Investor relations: The Company has established a Spokesperson system for handling relevant matters.</p> <p>(3)Supplier relations: The company maintains a good relationship with manufacturers.</p> <p>(4)Rights of stakeholders: Stakeholders shall communicate with the company and put forward proposals to protect their due legal rights and interests.</p> <p>(5)Directors' and supervisors' training records: The company encourages directors and supervisor to attend trainings required by laws, and discloses training records on Market Observation Post System.</p> <p>(6)The implementation of risk management policies and risk evaluation measures: The Company has already established internal control systems as required by laws and has properly implemented the systems. The Company also purchases liability insurance for directors and supervisors in order to reduce management risks.</p> <p>(7)The implementation of customer relations policies: The company maintains a good relationship with customers in order to create increasing profits.</p> <p>(8)Purchasing liability insurance for directors and supervisors: The company maintains D&O Insurance for its directors and officers.</p>	None.
<p>1. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange</p> <p>For the 2020 Corporate Governance Evaluation, the implementation status regarding below non-scoring item(s):</p> <p>The Company placed high emphasis and proactively participated in the Corporate Governance Evaluation. Improvement status for the 2020 non-scoring items are as follows:</p> <p>(1) A specific dividend policy will be disclosed in the 2021 annual report.</p> <p>(2) In 2022, the provisions of the "Rule for Directors' Performance Evaluation and Remuneration" have been revised to add that the performance of the board of directors will be externally evaluated at least every three years, and the external evaluation of the performance of the board of directors will be implemented in 2022.</p>				

(D) Composition, Responsibilities and Operations of the Remuneration Committee:

1. Information on members of the Committee

Information on members of the Remuneration Committee

Title	Criteria	Professional Qualification and Independence Criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remarks
	Name			
Independent director	Ming Hsiung Wu	Please refer to information on Directors (2)		convener
Independent director	Chien Chen Lin			
Independent director	Ming Yuan Lin			

2. Duties

- (1) To establish and regularly review the policies, systems, standards and structures for performance assessment and remuneration of directors, supervisors and managers.
- (2) To regularly assess the achievement of performance targets of directors, supervisors and managers, and set their remuneration.
- (3) To review regulations of the remuneration committee and propose amendments of it at all times.

3. Attendance of Members at Remuneration Committee Meetings

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

(2) Current Term: From June 10, 2020 to June 9, 2023; The current term is the same as that of the board of directors.

A total of 2(A) Remuneration Committee meetings were held in 2021. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Convener	Ming Hsiung Wu	2	0	100	-
Committee Member	Chien Chen Lin	1	1	50	
Committee Member	Ming Yuan Lin	2	0	100	

Remuneration Committee Meetings	The content of motions and after-treatment	Resolution Result	The Company dealing with a Dissenting Opinion or Qualified Opinion of committee members
4 rd -3 2021.04.28	1. To audit 2020 compensation distribution of each director. 2. To audit 2020 employee's compensation distribution of managers. 3. To audit 2021 employees' salaries distribution of managers.	Approved by all committee members.	To report to Board of Directors, and approved by all attended directors.
4 th -4 2021.11.12	1. Review the company's cash capital increase for employee stock subscription proposal and submit the proposal for verification and approval 2. Review the company's employee stock ownership trust case (general type) and submit the proposal for verification and approval. 3. Review the company's employee stock ownership trust case (bonus type) and submit the proposal for verification and approval. 4. Review the annual year-end bonus payment and shareholding trust (bonus type) plan of individual managers and all employees of the Company and its subsidiaries, and submit the proposal for verification and approval. 5. Discuss the work plan of the Remuneration Committee of the Company for 2022 submit the proposal for verification and approval.		

Other mentionable items:

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (e.g., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.
2. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

(E)Corporate Sustainable Development:

Evaluation Item	Implementation Status			Difference from Sustainable Development Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
1. Does the company have established a governance structure to promote sustainable development and set up a dedicated department to promote sustainable development, which is authorized and supervised by the board of directors?		V	Under planning	Based on practical needs
2. Does the Company conduct risk assessments on environmental, social, and corporate governance issues related to its operations in accordance with the materiality principle, and implement relevant risk management policies or strategies?		V	Under planning	Based on practical needs
3. Environmental issues (1)Does the Company establish proper environmental management systems based on the characteristics of their industries? (2)Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment? (3)Does the Company assess the potential risks and opportunities of climate change for its current and future operations and undertake response measures with respect to climate change?		V V V	(1)Not applicable. Not related to our current business. (2)Not applicable. Not related to our current business. (3)Not applicable. Not related to our current business.	None.

Evaluation Item	Implementation Status			Difference from Sustainable Development Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
(4) Does the Company calculate the amount of greenhouse gas emission, water consumption, and waste production in the past two years and implement policies to cut down energy and water consumptions, carbon and greenhouse gas emissions, and waste production?	V		<p>(4) Not applicable. However, our company consistently review and check the greenhouse results with reference to operational conditions, all done in the hope to save energy in lighting of the office area. We are committed to achieving low pollution, low energy consumption, high energy saving and other environmentally friendly goals. According to the actual operation situation, with the goal of saving electricity, the self-examination results show that the carbon intensity per unit of revenue has been reduced by 2% to 19% in the last two years.</p> <p>The important purposes for environmental protection go as follows:</p> <ul style="list-style-type: none"> ● The temperature of the air-conditioning system is set on 25 degrees Celsius. ● Lights are turned-off when not in use. ● Water saving. ● Bring your own handkerchiefs. ● Bring your own chopsticks and cups. ● Do not use papers for photocopying ● Let employees wear no tie. ● Shut down the computer and unplug when leaving the office, and take selected lifts during off-peak hours in the building 	
				None.

Evaluation Item	Implementation Status			Difference from Sustainable Development Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
4. Social Issues				
(1) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		(1) Working rules and management methods are established and governed by the Labor Laws.	
(2) Does the Company establish and deliver reasonable employee welfare programs (including salary, compensated absences, and other benefits) and adjust employee compensation in relation to business performance?	V		<p>(2) <u>Employee Remuneration:</u> The Company's year-end bonus system is based on one third (1/3) of the Company's after-tax business profits, and after taking into account of seniority and annual performance appraisal, it is distributed to all colleagues to motivate all colleagues to work together for the Company's goals. Employee remuneration shall be calculated in accordance with the provisions of the Articles of Incorporation of the Company and also when the profit of the Company for the current year is no less than 1%. We put much effort in increasing salaries for employees by setting aside 4% of annual profits for employee compensation to fulfill the purpose of taking a good care for employees' physical, mental and spiritual prosperity.</p> <p><u>Employee Welfare Measures:</u> The company sets up an Employee Welfare Committee, and every year the company allocates welfare benefits for the planning and offering of high-quality benefits for colleagues, such as: annual domestic and foreign travel subsidies for employees, birthday gifts, marriage</p>	

Evaluation Item	Implementation Status		Difference from Sustainable Development Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	

Evaluation Item	Implementation Status		Difference from Sustainable Development Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	
			<p style="text-align: center;"><u>Description</u></p> <p><u>Diversity and Equality in the Workplace:</u> Achieve equal remuneration conditions and equal promotion opportunities for men and women with equal pay for equal work, and (achieve) more than 50% of female managerial positions so as to promote sustainable and inclusive economic growth. In 2021, the average proportion of female employees was 56%, and the average proportion of female supervisors was 51%.</p> <p>The company values great importance in the rights and welfare of employees, and shares the surplus of profits with employees, maintains a good working environment for comprehensive physical, mental and spiritual care for all ethnic groups: (1) Employed and achieved 100% of the target for disabled colleagues and offered tailor-made suitable job positions and environmental facilities (2) Implement the empowerment of women in friendly workplaces, so that colleagues of all genders can work with peace of mind.</p> <p><u>Business performance reflected in employee compensation:</u> According to profit earnings each year (pretax profit before deduction of annual compensation</p>

Evaluation Item	Implementation Status			Difference from Sustainable Development Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
			<p>for employees and directors), where the amount of accumulated loss reconciliation has been offset and a surplus exists, the company shall set aside no less than 1% of them as compensation for the employees and no more than 3% of them as compensation for directors. The recipients of such employee compensation include eligible staff who belong to the affiliates</p> <p><u>Overall Remuneration Policy :</u> The Company participates in market salary surveys every year to adjust salaries based on market salary levels, economic trends and individual performance to maintain overall salary competitiveness. In 2021, the average annual salary increase was 4.5% for the Company's Taiwan region including executive and non-supervisory positions, of which the maximum increase for individuals was 20%.</p>	
(3) Does the Company provide a healthy and safe work environment and organize training on health and safety for its employees on a regular basis?	V		<p>(3) Occupational Safety and Health Policy:</p> <p>The Company follows the occupational safety and health law to establish policies with the provisions of customers and related organizations, and respects the interests of relevant interested parties for the occupational safety and health requirements to build a healthy and happy workplace.</p> <p>As the company values safe and healthy work environments for its employees, our company requests annual inspections of the building which</p>	

Evaluation Item	Implementation Status			Difference from Sustainable Development Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
			<p>includes every exists, floors, ventilation, lightening, fire/disaster prevention related equipment and other safety related systems, except for strict access security:</p> <p>1.Access security: Strict surveillance system is set up and security is hired to ensure safety of the office of the building all day.</p> <p>2.Maintenance and inspection of equipment: According to verification and application of public security of the building, the management committee for the building appoints outside professional company to conduct inspection of public security. Inspection of fire safety equipment shall be appointed by outside institution based on Fire Services Act. According to Safety and health work rules of employees, routine maintenance for water dispenser every three months, and annual maintenance and inspection of high-voltage and low-voltage apparatus, air-conditioners, and fire safety equipment, etc.</p> <p>3.Physical health: The company hold regular employees yearly health examination, free consulting of doctors, advises if medical care of nurses, and hold lectures regarding with health, the office periodically cleaned and sterilized, and no smoking in the office.</p> <p>4.Mental health:</p>	

Evaluation Item	Implementation Status			Difference from Sustainable Development Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
			<p>We hold lectures for keep a good mental health enhance professional knowledge, and e-learning, regarding with stress (emotional pressure) management, communication technique, ideal thoughts.</p> <p>5. Insurance and medical allowance: We arrange labor (including occupational Injury) and health insurance for employees by laws. Also, we arrange casualty and accidental health insurance for them. As for injury and death of employees and their spouse, offspring, and parents, we provide medical allowance and emergency aids.</p> <p>The frequency of disability injuries in 2021 was 0; the number of cases & employees affected for occupational accidents was 0 and 0 respectively.</p>	
<p>(4) Does the Company provide its employees with career development and training sessions?</p> <p>(5) Does the Company comply with relevant regulations and international standards regarding customer health and safety, right to privacy, marketing and labeling of its products and services and set up relevant consumer or client protection policies and complaint procedures?</p>	V	V	<p>(4) The company conducts skills or trainings for personal career development, by the performance management system, the plan of personal career development.</p> <p>(5) Not applicable. Not related to our current business.</p>	

Evaluation Item	Implementation Status			Difference from Sustainable Development Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
(6) Does the Company formulate supplier management policies that require suppliers to comply with relevant regulations on environmental protection, occupational safety and health, and labor rights and request their reporting on the implementation of such issues?		V	(6) The suppliers of the company are mostly foreign brands of software and hardware products, whose supply chain for production rarely affects the environment and society.	
5. Did the company, following internationally recognized standards or guidelines, prepare and publish reports such as its Corporate Sustainable Development report to disclose non-financial information of the company? Has the company received assurance or certification of the aforesaid reports from a third party accreditation institution?		V	Under planning	Based on practical needs
6. If the Company has established the corporate social responsibility best practice principles based on the " Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies ", please describe any discrepancy between the Principles and their implementation: The Company has not yet established specific codes of conducts.				
7. Other important information to facilitate better understanding of the company's Corporate Sustainable Development practices: Social aspects: The Company has always fulfilled the duties of being a corporate social entity, other CSR practices carried out by the Company are stated in the preceding paragraphs.				

(F) Ethical Corporate Management:

Evaluation Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies and reason
	Yes	No	Description	
<p>1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures</p> <p>(1) Does the company have a clear ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?</p> <p>(2) Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?</p> <p>(3) Whether the company has established relevant policies that are duly enforced to prevent unethical conduct, provided implementation procedures, guidelines, consequences of violation and complaint procedures, and periodically reviews and revises such policies?</p>	V		<p>(1) The company forms the working procedures and regulations of employees, according to internal controls, and implements management policies submitted to the board of directors and management, through trainings for new employees, internal assessment, and audit.</p> <p>(2) The Company prevents and control unethical conduct by periodic audit work of internal controls, and the design of electric processes and procedures.</p> <p>(3) It has been set by Codes of Ethical Conduct for Directors, managers, and employees.</p>	None.
<p>2. Ethic Management Practice</p> <p>(1) Whether the company has assessed the ethics records of whom it has business relationship with and include business conduct and ethics related clauses in the business contracts?</p>	V		<p>(1) The company has set Codes of Ethical Conduct for employees for prohibiting all forms of improper conduct outside of the company.</p>	None.

Evaluation Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies and reason
	Yes	No	Description	
(2) Whether the company has set up a unit which is dedicated to promoting the company's ethical standards and regularly (at least once a year) reports directly to the Board of Directors on its ethical corporate management policy and relevant matters, and program to prevent unethical conduct and monitor its implementation?	V		(2) The Company has not established an exclusively (or concurrently) dedicated unit yet but implemented the management of corporate integrity for each employee and managers of each department in daily work.	
(3) Whether the company has established policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?	V		(3) It has been formed through internal controls; hence employees shall follow the policies in self-activities during daily work.	
(4) To implement relevant policies on ethical conducts, has the company established effective accounting and internal control systems, audit plans based on the assessment of unethical conduct, and have its ethical conduct program audited by internal auditors or CPA periodically?	V		(4) The Company has established accounting, finance, and internal control systems to ensure integrity in our operations. Financial reports were audited by CPAs, to ensure that the financial statements present fairly.	
(5) Does the company provide internal and external ethical conduct training programs on a regular basis?		V	(5) The company does not hold education training of integrity management inside and outside of the company, but regard integrity as the main core items of performance assessment and implement it in the management of corporate integrity for each employee and managers of each department in daily work.	
3. Implementation of Complaint Procedures				None.
(1) Does the company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received?	V		(1) Regulations regarding with reward and punishment of employees has been reviewed by administrative and related divisions.	

Evaluation Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies and reason
	Yes	No	Description	
(2)Whether the company has established standard operation procedures for investigating the complaints received, follow-up measures after investigation are completed, and ensuring such complaints are handled in a confidential manner?	V		(2) It has been set by Codes of Ethical Conduct for Directors, managers, and employees.	
(3)Does the company adopt proper measures to prevent a complainant from retaliation for his/her filing a complaint?	V		(3) It has been set by Codes of Ethical Conduct for Directors, managers, and employees.	
4. Information Disclosure Does the company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and Market Observation Post System (“MOPS”)?		V	Under planning	Based on practical needs.
5.If the company has established corporate governance policies based on Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation: The Company has not yet established Codes of Ethical Conduct, but paid attention to the development of relevant standards of corporate integrity, for reviews and improvements of the Company's integrity management policy to enhance the effectiveness of the Company's integrity management.				
6.Other important information to facilitate better understanding of the company’s corporate conduct and ethics compliance practices (e.g., review the company’s corporate conduct and ethics policy). The company demonstrates its commitment to integrity management by emphasizing and participating in trainings for important customers and manufacturers.				

(G) If the Company has established corporate governance guidelines and regulations, it shall disclose: It has been disclosed on the website of the Company and market observation post system.

(H) Other Important Information Regarding Corporate Governance: None.

(I) Internal Control Systems

1. Statement of internal control system

Zero One Technology Co., Ltd.
Statement of Internal Controls

Date: 2/23/2022

According to the examination on internal control system done by the Company itself in 2021, we hereby state as follows:

- (1) The company's board of directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
- (2) An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
- (3) The company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the Regulations). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities.
- (4) The company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
- (5) Based on the findings of such evaluation, Zero One Technology Co., Ltd. believes that, on December 31, 2021, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
- (6) This Statement is an integral part of Zero One Technology Co., Ltd.'s annual report for the year 2020 and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
- (7) The Company hereby declares that this statement had been approved by the Board of Directors on February 23, 2022. Among the 8 attending Directors, to the contents of this statement.

Zero One Technology Co., Ltd.
Chairman: Peter Lin
General Manager: Nancy Huang

2. Where a CPA has been hired to carry out a special audit of the internal control system, furnish the CPA audit report: None.

(J) If there has been any legal penalty against the Company or its internal personnel, or any disciplinary penalty by the Company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement: None.

(K) Major Resolutions of Shareholders' Meeting and Board Meetings for the current year and as of the printing date of the annual report.

1. Major Resolutions of Shareholders' Meeting

Date	Major Resolutions
2021.08.04	<p>(1) Proposal: Approval of the 2020 business report and financial statement. Resolution: Proposal was approved as proposed (Please search for details of the resolution on Market Observation Post System). Condition of execution: It was announced as important resolution of the shareholder's meeting, in the form of material information.</p> <p>(2) Proposal: Approval of the proposed distribution of 2020 earnings. Resolution: Proposal was approved as proposed (Please search for details of the resolution on Market Observation Post System). Condition of execution: Ex-dividend date was July 24, 2021 and the distribution date was August 11, 2021 (NT\$3.00066710 per share).</p> <p>(3) Proposal: Discussion on the amendment to the Articles of Incorporation. Resolution: Proposal was approved as proposed (Please search for details of the resolution on Market Observation Post System). Condition of execution: It has been approved and registered by Ministry of Economic Affairs, R.O.C., announced on August 20, 2021 on the company website.</p>

2. Major resolutions of Board Meetings

Date	Major resolutions
2021.02.24	<p>(1) Approval of the 2020 business report, as well as parent and consolidated financial statements. (2) Approval of the proposal for distribution of 2020 earnings. (3) Approval of the amendment to the Articles of Incorporation.</p>
2021.10.13	The proposal to issue 25,000,000 ordinary shares in cash capital to repay bank borrowings and enhance working capital was approved.
2022.02.23	<p>(1) Approval of the 2021 business report, as well as parent and consolidated financial statements. (2) Approval of the proposal for distribution of 2021 earnings.</p>
2022.04.13	<p>(1) Approval of the amendment to the Articles of Incorporation. (2) Approval of the amendments to the Regulations Governing the Acquisition and Disposal of Assets</p>

(L) Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors: NA.

(M) Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit and R&D: NA.

E. Information on CPA Professional Fee

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Audit Fee	Non-audit Fee	Total	Remarks
Deloitte & Touche	Chien-Liang Liu, Pei-De Chen	2021.1.1- 2021.12.31	2,350,000	143,800	2,493,000	Non-audit public fees: 1.Advances 2.Non-Supervisor Salary Information Checklist

(A) The non-audit fee paid to certified CPA, certified Office of CPA and affiliated companies accounts for over 1/4 to audit fee: None.

(B) Alter the CPA Firm and the audit fee in altering year is less than that in the previous year: None.

(C) Audit fee reduced more than 10% year over year: None.

F. Replacement of CPA: NA

G. The Company's Chairman, Chief Executive Officer, Chief Financial Officer, and managers in charge of its finance and accounting operations hold any positions in the Company's independent auditing firm or its affiliates during the last year: None.

H. Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

(A) Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders:

Units: Shares

Title	Name	2021		As of Mar. 31, 2022	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Peter Lin	(4,060,000)	(1,000,000)	(85,000)	0
Director	Morris Jiang	600,000	800,000	0	0
Director	Judicial person Prisma Commerce & Networks, Inc.	164,685	0	0	0
	Representative Jih-Ji Zhou	0	0	0	0
Director	Judicial person K Way Information Corp. (Note 1)	208,827	0	0	0
	Representative Chang-Ze Tseng (Note 1)	150,000	0	0	0
Director	Jui Hsu Chen	(38,806)	0		0
Independent director	Ming Hsiung Wu	0	0	0	0
Independent director	Chien Chen Lin	0	0	0	0
Independent director	Ming Yuan Lin	0	0	0	0
General manager	Nancy Huang	80,108	0	0	0
General manager	Kevin Chen	13,000	-	0	0
Sr. Director	Michelle Chin	48,592	0	50,000	0
Major Shareholders (shares holding over 10%)	Peter Lin (Note 1)	(4,060,000)	(1,000,000)		

Note 1: Since September 30, 2021, has not been a major shareholder with a shareholding ratio of more than 10%.

Note 2: The company has no major shareholders holding more than 10% of the shares

(B) Shares Trading with Related Parties:

Name	Reason for the Transfer of Shares	Date of Transaction	Transaction counterparty	The relationship between the transaction counterparty and the company, Directors, Supervisors and shareholders with a shareholding ratio of more than 10%	Number of Shares (shares)	Transaction Price(NT dollar)
Peter Lin	Disposal	2021/09/30	Preparatory Office of Ceres Capital Co., Ltd.	second degree of kinship with the Chairman of the corporate/institutional shareholder	4,000,000	\$47.20

(C) Shares Pledge with Related Parties: It's no applicable since the counterparties of share pledges are not related parties.

I. Relationship among the Top Ten Shareholders

As of 3/31/2022 ; Units: Shares ; %

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Ceres investmentco., Ltd.	9,772,251	6.41	—	—	—	—	Peter Lin	These two people are relatives within two degrees	—
							Hui Fen Wang	These two people are relatives within two degrees	
Ceres investmentco., Ltd. Representative : Tsai Han Lin	810,358	0.53	—	—	—	—	Peter Lin	These two people are relatives within two degrees	—
							Hui Fen Wang	These two people are relatives within two degrees	
Ceres Capital Co., Ltd.	9,500,000	6.23	—	—	—	—	Peter Lin	These two people are relatives within two degrees	—
							Hui Fen Wang	These two people are relatives within two degrees	
Ceres Capital Co., Ltd. Representative : Tsai Rong Lin	810,358	0.53	—	—	—	—	Peter Lin	These two people are relatives within two degrees	—
							Hui Fen Wang	These two people are relatives within two degrees	
Peter Lin	5,193,292	3.41	2,954,714	1.94	—	—	Hui Fen Wang	Couples	—
							Ceres Investment Co., Ltd.	Relatives of the chairman of the corporate shareholder within two degrees	
Hui Fen Wang	2,954,714	1.94	5,193,292	3.41	—	—	Peter Lin	Couples	—
							Ceres Investment Co., Ltd.	Relatives of the chairman of the corporate shareholder within two degrees	
Morris Jiang	2,742,735	1.80	503,185	0.33	—	—	—	—	—
Morgan Stanley & Co. International Plc	2,690,819	1.77	—	—	—	—	—	—	—
National Yang Ming ChiaoTung University	2,241,017	1.47	—	—	—	—	—	—	—
Union Technology Corp.	1,750,000	1.15	—	—	—	—	—	—	—
K Way Information Corp.	1,531,091	1.00	—	—	—	—	—	—	—
K Way Information Corp. Representative : Chang-Ze Tseng	150,000	0.10	—	—	—	—	—	—	—
Trust Property (Trustee: CTBC)	1,412,502	0.93	—	—	—	—	—	—	—

J. Ownership of Shares in Affiliated Enterprises

2022/03/31

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Zotech Technology Co., Ltd.	3,500,000	85.37	0	0	3,500,000	85.37
ZeroneWin Investment Co., Ltd.	30,000,000	100.00	0	0	30,000,000	100.00
Asiaone Holdings Ltd	320,000	100.00	0	0	320,000	100.00
Techone(Shanghai)Co.,Ltd.	Not applicable (Note 1)	70.00	Not applicable (Note 1)	0	Not applicable (Note 1)	70.00
WingWill International Co., Ltd.	8,793,103	87.93	0	0	8,793,103	87.93
PetaCom technology Co., Ltd.	50,000,000	100.00	0	0	50,000,000	100.00
TrustONE Security Inc.	7,200,000	32.00	0	0	7,200,000	32.00
Leukocyte-Lab Co. Ltd.	240,000	37.50	0	0	240,000	37.50
DigiCosmos Tech. Co., Ltd.	2,500,000	50.00	0	0	2,500,000	50.00

Note 1 : Not applicable. The firm does not issue shares. The company's investments accounted for using the equity method. are measured as a percentage of ownership.

IV. Capital Overview

A. Capital and Shares

(A)Source of Capital

Month/Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT\$ thousands)	Shares	Amount (NT\$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
2021.03	10	150,000,000	1,500,000,000	125,640,212	1,256,402,120	Capital increased by employee stock options conversion\$3,680,000	None	Note 1
2021.05	10	150,000,000	1,500,000,000	126,329,212	1,263,292,120	Capital increased by employee stock options conversion\$7,040,000 Cancellation of restricted employee stock award \$150,000	None	Note 2
2021.08	10	200,000,000	2,000,000,000	126,418,212	1,264,182,120	Capital increased by employee stock options conversion\$890,000 Increase in authorized capital \$500,000,000	None	Note 3
2021.12	10	200,000,000	2,000,000,000	126,874,212	1,268,742,120	Capital increased by employee stock options conversion\$4,560,000	None	Note 4
2022.01	10	200,000,000	2,000,000,000	151,874,212	1,518,742,120	Cash capital rising \$250,000,000	None	Note 5
2022.03	10	200,000,000	2,000,000,000	151,970,712	1,519,707,120	Capital increased by employee stock options conversion\$965,000	None	Note 6
2022.04	10	200,000,000	2,000,000,000	152,400,712	1,524,007,120	Capital increased by employee stock options conversion\$4,300,000	None	Note 7

Note1 : No. 11001042870

Note3 : No. 11001145980

Note5 : No. 11101004300

Note7 : No. 11101072880

Note2 : No. 11001074730

Note4 : No. 11001221230

Note6 : No. 11101037850

As of April 30, 2022 ; Units: ShareS

Share Type	Authorized Capital			Remark
	Issued Shares	Unissued Shares	Total	
Registered Ordinary Shares	152,400,712	47,599,288	200,000,000	Listed Shares

Note 1: Related information of the general declaration system : None.

(B) Status of Shareholders

As of March 28, 2022 ; Units : Shares

Shareholder structure Quantity	Government agency	Financial institution	Other Juridical Persons	Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	1	315	38,035	63	38,414
Shareholding (shares)	0	925,182	37,759,318	104,519,897	9,196,315	152,400,712
Percentage	0.00%	0.61%	24.77%	68.58%	6.04%	100.00%

(C) Shareholding Distribution Status

1. Common Shares

As of 03/28/2022

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1-999	20,745	894,424	0.59%
1,000-5,000	14,550	27,817,690	18.25%
5,001-10,000	1,605	11,900,352	7.81%
10,001-15,000	572	6,928,592	4.55%
15,001-20,000	253	4,593,716	3.01%
20,001-30,000	234	5,805,579	3.81%
30,001-50,000	205	7,995,208	5.25%
50,001-100,000	124	8,937,421	5.87%
100,001-200,000	59	8,446,519	5.54%
200,001-400,000	30	8,404,506	5.51%
400,001-600,000	8	3,930,452	2.58%
600,001-800,000	7	4,928,826	3.23%
800,001-1,000,000	7	6,110,538	4.01%
1,000,001 or over	15	45,706,889	29.99%
Total	38,414	152,400,712	100.00%

2. Preferred Shares: Not applicable.

(D) Names of major shareholders: Shareholders holding 5% or more of total shares or in the Top 10 stock option holding ratio list.

As of 03/28/2022

Shareholder's Name	Shares	Percentage
Ceres investment co., ltd.	9,772,251	6.41%
Ceres Capital Co., Ltd.	9,500,000	6.23%
Peter Lin	5,193,292	3.41%
Hui Fen Wang	2,954,714	1.94%
Morris Jiang	2,742,735	1.80%
Morgan Stanley & Co. International Plc	2,690,819	1.77%
National Yang Ming Chiao Tung University	2,241,017	1.47%
Union Technology Corp.	1,750,000	1.15%
K Way Information Corp.	1,531,091	1.00%
Trust Property (Trustee: CTBC)	1,412,502	0.93%

(E) Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$ Dollar

Item	Year	2020	2021	01/01/2022- 03/31/2022	
Market Price per Share	Highest Market Price	47.60	51.20	49.95	
	Lowest Market Price	25.50	36.65	42.70	
	Average Market Price	36.05	44.59	46.52	
Net Worth per Share (Note 1)	Before Distribution	21.15	25.72	23.04	
	After Distribution	18.14	22.11	--	
Earnings per Share	Weighted Average Shares (thousand shares)	124,381	126,765	151,861	
	Earnings Per Share	3.55	4.24	0.97	
Dividends per Share	Cash Dividends	3	3.6	--	
	Free share distribution	Dividends from Retained Earnings	0	0	--
		Dividends from Capital Surplus	0	0	--
	Accumulated Undistributed Dividends	0	0	--	
Return on Investment	Price / Earnings Ratio (Note 2)	10.15	10.52	--	
	Price / Dividend Ratio (Note 3)	12.02	12.39	--	
	Cash Dividend Yield Rate (Note 4)	8.32	8.07	--	

Note 1 : Financial data after distribution shall be resolved by the shareholders' meeting next year.

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

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

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

Note 5: 2021 Earning distribution was approved by the Board of Directors on Feb. 23, 2022.

(F) Dividend Policy and Implementation Status

1.Dividend Policy:

The company adopts a dividend distribution policy whereby only surplus profits of the Company shall be distributed to shareholders, and considers the impact on the diluted of earning per share and return on equity, according to the company's capital budget plan, and working capital requirement in the future. It is stipulated that the dividends shall be distributed no less than 30% of the net profit after tax for the current year after offsetting for the accumulated deficit and the deduction of legal reserve and special reserve, of which the cash dividends shall not be lower than 10% of the total shareholders' dividends distributed for the same year.

2.Proposal to distribute profits in the shareholders' meeting :

Cash dividends to shareholders total NT\$ 547,962,163, and NT\$ 3.6 per share, approved by the Board of Directors on February 23, 2022. Due to the change in the number of outstanding shares, the dividend distribution ratio of shareholders has been changed to NT\$ 3.60343270 per share.

(G) Effects upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting : The shareholders' meeting shall decide not to distribute shares dividends.

(H) Employees' Compensation and Remuneration to Directors

1. Employees' Compensation and Remuneration to Directors Stated in the Articles of Incorporation

According to surplus earnings each year, the company shall set aside no less than 1~15 % of them as compensation for the employees and no more than 3 % of them as compensation for directors. If the company has accumulated losses, it shall offset losses.

Surplus earnings each year as mentioned above refer to profits calculated by the current year's pretax profit before deducting of annual compensation of the employees and directors.

In the event that the company, according to the final settlement, earns profits in a fiscal year, such profits shall first be set aside to pay the applicable taxes, offset losses, set aside for 10 % of legal reserve, and the remaining profits shall be set aside for or reversal of special reserve, plus accumulated retained earnings of the previous year, in accordance with the laws, regulations, or the business requirements. Any further remaining unappropriated earnings after the distribution of stock dividends of preferred shares shall be distributed in accordance with the proposal submitted by the Board, for approval at a shareholders' meeting.

2.The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period. : NA.

3. Information on any approval by the board of directors for distribution of compensation:

(1) The amount of any employee compensation distributed in cash or stocks and compensation for directors and supervisors. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed.

Unit : NT\$ Dollar

	2021		
	Board resolution	Estimate	Difference
Employee Compensation	28,713,688	28,713,688	NA
Remuneration to Directors	14,356,844	14,356,844	NA

(2) The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation: The company hasn't distributed any employee compensation in stocks.

4. The actual distribution of employee, director, and supervisor compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated.

Unit : NT\$ Dollar; Shares

	2020		
	Actual distribution amount	Board resolution	Difference
Employee Compensation	23,613,142	23,613,142	NA
Remuneration to Directors	11,806,571	11,806,571	NA

(I) Repurchase of Company Shares : The company hasn't repurchased any company shares in 2021.

- B. Status of Corporate Bonds : None.
- C. Status of Preferred Stocks : None.
- D. Status of GDR/ADR : None.

E. Employee Stock Options:

(A) Issuance of Employee Stock Options:

As of 04/30/2022

Type of Stock Option	2015 1 st Tranche	2016 1st Tranche	2017 1st Tranche	
Approval date	July 14, 2015	August 16, 2016	December 18, 2017	
Issue date	August 31, 2015	September 5, 2016	January 5, 2018	September 3, 2018
Units issued	1,000 Units	1,860 Units	2,000 Units	2,000 Units
Shares of stock options to be issued as a percentage of outstanding shares (Note)	0.66%	1.22%	1.31%	1.31%
Duration	From 2015/08/31 to 2021/08/30	From 2016/09/05 to 2022/09/04	From 2018/01/05 to 2024/01/04	From 2018/09/03 to 2024/09/02
Conversion measures	Issuance of new shares	Issuance of new shares	Issuance of new shares	Issuance of new shares
Conditional conversion periods and percentages	(1) 2017/08/31:30% (2) 2018/08/31:60% (3) 2019/08/31:100%	(1) 2018/09/05:30% (2) 2019/09/05:60% (3) 2020/09/05:100%	(1) 2020/01/05: 30% (2) 2021/01/05: 60% (3) 2022/01/05: 100%	(1) 2020/09/03: 30% (2) 2021/09/03: 60% (3) 2022/09/03: 100%
Converted shares	868,000 shares	1,456,000 shares	942,000 shares	359,500 shares
Exercised amount	10,601,900 dollars	19,788,800 dollars	15,208,200 dollars	6,323,800 dollars
Number of shares yet to be converted	0 shares	210,000 shares	910,000 shares	1,484,500 shares
Adjusted exercise price for those who have yet to exercise their right	-	The unit price is NT \$ 11.50 dollars	The unit price is NT \$ 14.20 dollars	The unit price is NT \$ 15.50 dollars
Unexercised shares as a percentage of total issued shares (Note)	0.00%	0.14%	0.60%	0.97%
Impact on possible dilution of shareholdings	The Company tends to attract and retain outstanding professionals, encourage excellent employees, and strengthen coherence of the Company, for creating benefits for the company and shareholders. Therefore, it has a positive effect on shareholders' equity.			

Note : Total issued shares indicate that number of issued shares of the Company registered by Ministry of Economic Affairs is 152,400,712 at present.

(B)List of Executives Receiving Employee Stock Options and the Top Ten Employees with Stock Options

As of 04/30/2022

	Title	Name	No. of Stock Options	Stock Options as a Percentage of Shares Issued (%) (Note 1)	Exercised				Unexercised			
					No. of Shares Converted	Strike Price (NT\$)	Amount(NT\$ thousands)	Converted Shares as a Percentage of Shares Issued (%) (Note 1)	No. of Shares Converted	Strike Price (NT\$)	Amount(NT\$ thousands)	Converted Shares as a Percentage of Shares Issued (%) (Note 1)
Executive officers	General manager	Nancy Huang	1,350,000	0.89	390,000	12.4	5,324,000	0.26	960,000	11.5 14.2 15.5	13,800,000	0.63
	General manager of the Business Divisions	Kevin Chen				13.4						
	Senior Director of the Financial Management Division	Michelle Chin				14.2 15.4						
Employee	Senior Vice General Manager	Ben Dai	2,400,000	1.57	1,503,500	11.7 12.4 12.5 13.1 13.9 13.4 14.2 15.0 15.4 15.7 16.8 17.2 17.8 18.4	21,135,000	0.99	896,500	11.5 14.2 15.5	13,317,750	0.59
	Executive Assistant of the General Manager's Office	Gary Wang										
	Vice General Manager	Polina Yuan										
	Vice General Manager	Fanny Cheng										
	Director	Kammy Chuang										
	Director	Charles Lin										
	Senior Director	Jack Yang										
	Product Director	Bonbon Wang										
	Senior Manager	Roy Kuo										
	Sales Director	May Chen										

Note1 : Total issued shares indicate that number of issued shares of the Company registered by Ministry of Economic Affairs is 152,400,712 at present.

F. Restricted Employee Shares:

(A) Issuance of New Restricted Shares:

Type of New Restricted Employee Shares	2018 Grant
Date of Effective Registration	2019/04/15
Issue date	2019/06/13
Number of New Restricted Employee Shares Issued	700,000 shares
Issued Price (NT\$)	Issue price is NT\$ 0
New Restricted Employee Shares as a Percentage of Shares Issued (%) (Note 1)	0.46
Vesting Conditions of New Restricted Employee Shares	<p>(1) After employees received the vested shares, employees' continuous employment with the Company through the vesting period and achievement of personal performance are required to receive the vested shares by the portion of:</p> <p>Employees, with continuous employment with the Company for 1 year and whose latest annual personal performance evaluation score is 75 points or above, will receive 25% of the vested shares.</p> <p>Employees, with continuous employment with the Company for 2 year and whose latest annual personal performance evaluation score is 75 points or above, will receive 25% of the vested shares.</p> <p>Employees, with continuous employment with the Company for 3 year and whose latest annual personal performance evaluation score is 75 points or above, will receive 25% of the vested shares.</p> <p>Employees, with continuous employment with the Company for 4 year and whose latest annual personal performance evaluation score is 75 points or above, will receive 25% of the vested shares.</p> <p>(2) After employees received the vested shares from the Company, it will redeem and cancel the issued restricted employee shares as employees breach the labor contract and working regulations, for the restricted employee new shares that don't meet the vesting conditions.</p>
Restricted Rights of New Restricted Employee Shares	<p>(1) After receiving the vested shares, employees shall not sell, transfer, bestow, pledge, ask the Company to redeem, or dispose in other way the unvested restricted shares, unless employees meet the vesting conditions.</p> <p>(2) For the restricted employee new shares that don't meet the vesting conditions, the rights of attending, proposal, speaking and voting in shareholders meeting of the restricted employee new shares are executed by the custodian according to the trust agreement</p> <p>(3) The employees holding unvested Restricted Shares are not entitled to the rights to participate in shares and cashes dividends distribution, as well as the preemptive right to subscribe for the new shares issued for cash capital increase. From 15 business days before the book closure date, for shares and cashes dividends distribution, as well as the new shares issued for cash capital increase, to the record date, the employees, who meet the vesting conditions, shall not be entitled to the rights to participate in shares and cashes dividends distribution, as well as the preemptive rights to subscribe for the new shares issued for cash capital increase.</p>

	<p>(4) In case the Company applies for capital reduction by cash and other capital reduction other than capital reduction by law before employees meet the vesting conditions, the RSA shall be cancelled by pro rata of capital reduction. In case of capital reduction by cash, the cash returned must be given to trust and shall only be given to employees after meeting the vested conditions and period. Nonetheless in case the employees fail to meet the vested conditions upon the expiration, the Company shall recover the cash.</p> <p>(5) The RSA shares shall be kept in a custodial trust immediately after the issuance. The granted employees have no right to ask the trustee to return the RSA shares for any reasons or by any way prior to the achievement of vesting conditions.</p>
Custody Status of New Restricted Employee Shares	The vested shares should be deposited in trust of stock, assigned the Company or appointed proxy to sign and edit the relevant trust agreement with the trust organization, and deal with related matters for trust for employees who received the vested shares.
Measures to be Taken When Vesting Conditions are not Met	Restricted employee new shares as redeemed by the Company without charge will be cancelled.
Number of New Restricted Employee Shares that have been Redeemed or Bought Back	27,000 shares
Number of Released New Restricted Employee Shares	339,000 shares
Number of Unreleased New Restricted Shares	334,000 shares
Ratio of Unreleased New Restricted Shares to Total Issued Shares (%) (Note)	0.22
Impact on possible dilution of shareholding	The dilution for future EPS is limited and therefore has no major impact on shareholder's equity.

Note : Total issued shares indicate that number of issued shares of the Company registered by Ministry of Economic Affairs is 152,400,712 at present.

(B)List of Executives Receiving New Restricted Employee Shares and the Top Ten Employees with New Restricted Employee Shares :

As of 04/30/2022

	Title	Name	No. of New Restricted Shares	New Restricted Shares as a Percentage of Shares Issued(%) (Note 1)	Released				Unreleased			
					No. of Shares	Issued Price (NT\$)	Amount (NT\$ thousands)	Released Restricted Shares as a Percentage of Shares Issued (%) (Note 1)	No. of Shares	Strike Price (NT\$)	Amount (NT\$ thousands)	Unreleased Restricted Shares as a Percentage of Shares Issued(%) (Note 1)
Executive Officers	General manager	Nancy Huang	324,000	0.21	162,000	N.A.	10	0.11	162,000	N.A.	10	0.11
	General manager of the Business Divisions	Kevin Chen										
	Sr. Director of the Financial Mgt. Division	Michelle Chin										
Employees	Senior Vice General Manager	Ben Dai	200,000	0.13	100,000	N.A.	10	0.07	100,000	N.A.	10	0.07
	Executive Assistant of the General Manager's Office	Gary Wang										
	Vice General Manager	Polina Yuan										
	Vice General Manager	Fanny Cheng										
	Director	Kammy Chuang										
	Director	Charles Lin										
	Senior Director	Jack Yang										
	Product Director	Bonbon Wang										
	Senior Manager	Roy Kuo										
	Sales Director	May Chen										

Note 1: Total issued shares indicate that the number of issued shares of the Company registered by Ministry of Economic Affairs is 152,400,712 at present.

G. Status of New Shares Issuance in Connection with Mergers and Acquisitions: NA.

H. Financing Plans and Implementation

In 2022 Q1, with respect to each uncompleted public issue or private placement of securities, and to such issues and placements that were completed in the most recent 3 years but have not yet fully yielded the planned benefits, the company doesn't have the plan for each such public issue and private placement.

V. Operational Highlights

A. Business Activities

(A)The scope of business:

1. The major content of business of the Company goes as follows:

The company and subsidiaries continue to master the market trend, cooperate with the manufacturers, provides leading-edge, diversified, and sound IT solutions to meet the rapid and complex trend of technology, and continue to distribute international brand products. An upgraded and overall IT solutions is based on a motto – ”A distributor that satisfies business growth requirements and digital transformation; A partner that strategies on solution based products.”.

2. Revenue distribution

2021

Units: NT\$ Thousands

Major Divisions	Total Sales	(%) of Total Sales
IT infrastructure	5,063,096	39.32
Network & information security	5,057,799	39.27
Cloud platform & application	2,239,608	17.39
Big data & application	513,511	3.99
Others	4,163	0.03
Total	12,878,177	100.00

3. The main products and services of the Company

(1) Big data analysis and AI application :

Data management platform, visual analysis tools, deep-learning platform and AIO.

(2) System application:

Servers, automatic deployment management and surveillance, backup, storage management, files classification.

(3) Integrated communication equipment:

Mobile office application and distance conference systems, networked video/voice conference, Intelligent Video Surveillance, IP network switch.

(4) Micro-service application:

Servers, virtualized operating system of desktop, and hybrid cloud and automatic management.

(5) Cloud application:

Basic infrastructure, OA application, cloud safety, cloud delivery network.

(6) Information security:

Advanced persistent threat protection, DDoS protection, server security and endpoint security, gateway protection, inspection of security of web codes, authentication and access security, mail server's protection, data security protection, IoT equipment security.

(7) Network equipment:

Switches, wireless networks, routers, network managementsystems, network equipment of data center, software- defined networking, network equipment of telecom serviceproviders, network load balancing.

(8) Storage device:

Storage arrays, all-flash storage arrays, cloud-integrated applications, software-defined storage solutions, hyper- converged infrastructure solutions.

- Smart marketing strategies ◦
- Forward-looking market analysis ◦
- Assistance in broadening the horizon of marketing opportunities in the business world ◦
- Product promotion & Program planning ◦



(B) Industry overview

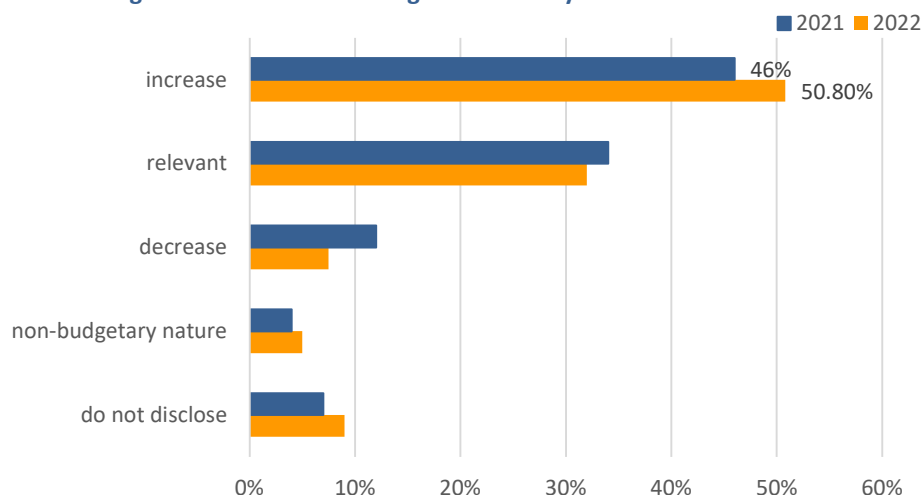
1. Situations and the development of the industry

The Company acts as a channel that provides enterprise integrated IT solution and valued-based professional service based on the market needs. The explanations below uses the research done by IDC, Gartner and MIC to illustrate the current market, information equipment, cloud service and applications, network and information securities and big data and applications industries that the Company is in and the future potential.

(1) Information equipment:

In recent years, with the rise of new technology platforms, such as cloud, big data analysis, AI, mobile 5G and Internet of Things applications, a wave of digital transformation is starting to take place over the world, and in-depth application of new technologies has gradually promoted the industries to grow in 2019. Under the influence of global inflation and Covid-19, in order to increase the competitiveness of enterprises, Taiwanese enterprises will accelerate digital transformation, and continue to increase their IT budgets and expenditures.

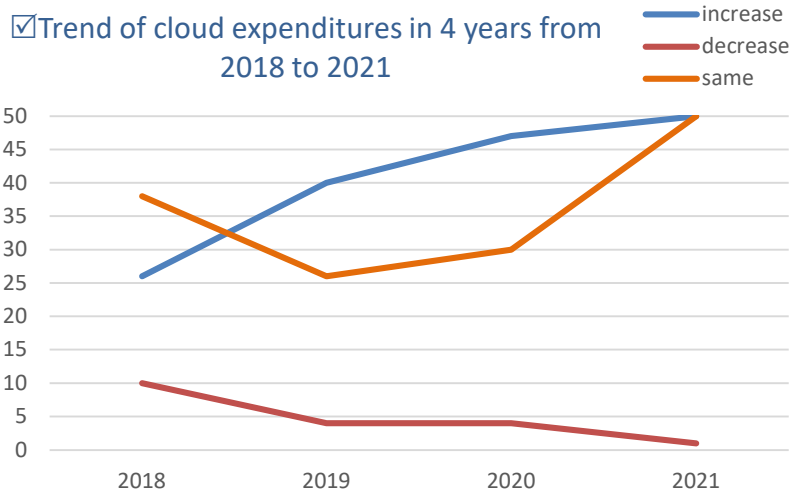
Changes in the trend of IT budgets in recent years : 2021-2022



Source: Grand research with CIOs in 2021-2022

(2) Cloud services and applications :

Emerging technologies have grown a lot in recent years, such as mobile applications, huge amounts of information, and social media, and it has led to the gradually increase in adoption of cloud services. From enterprise applications to consumption of public, from technological innovation to price-cutting competition, cloud services have moved towards a commodity market. According to a survey of MIC, the market of the cloud service in Taiwan is mainly on the adoption of e-mail, information security, video conferences and virtual desktops, etc. The major reason for the adoption is owing to the investment cost, resilient framework and quick introduction of software and hardware. As the development of cloud services is becoming more and more mature, Taiwan enterprises have also concentrated on and adopted cloud services, and users are interested in subscription services. People from all walks of life have begun to introduce different types of from B2C to B2B, including food, clothing, housing, transportation, education, entertainment, etc. As MIC's consultant Yi Chih Wang points out many leading enterprises have successively launched subscription services as the newest interesting business model. IDC predicts that more than 85% of Taiwanese enterprises will plan cloud deployments in the future and expects the promotion and development of hybrid cloud to lead the development of Taiwanese enterprises of IT markets.



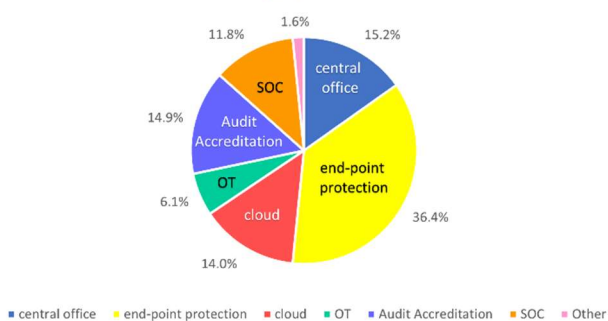
Source: Grand research with CIOs in 2021-2022

(3) Network & information security:

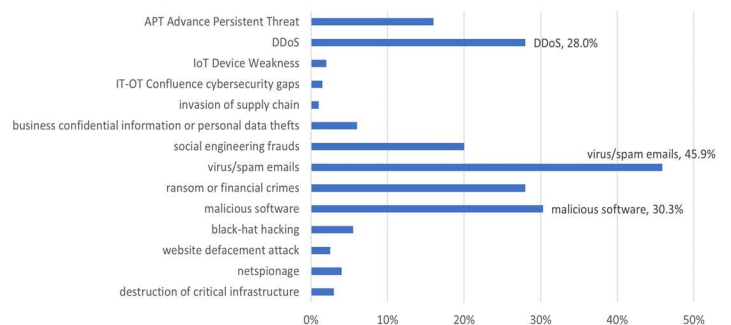
Since MIC indicates that USA versus China faces information product with distrust, due to the trade war, Taiwan plays an important role on international; information security industry, introduces commercial opportunities of information security. Besides, it increases requirements of product of information security for Taiwanese supply chain, such as the chip, component and product line, etc.

MIC's consultant-Yi Chih Wang points out that Taiwan has been attacked by hackers, so it becomes a lab of researching for information security by experiences of dealing with internet virus and hackers, focuses on relevant industries in order to develop technology of protection of information security.

Major Procurement Items in Information Security Category Next Year



Worst security threat ever ?



Source: Grand research with CIOs in 2021-2022

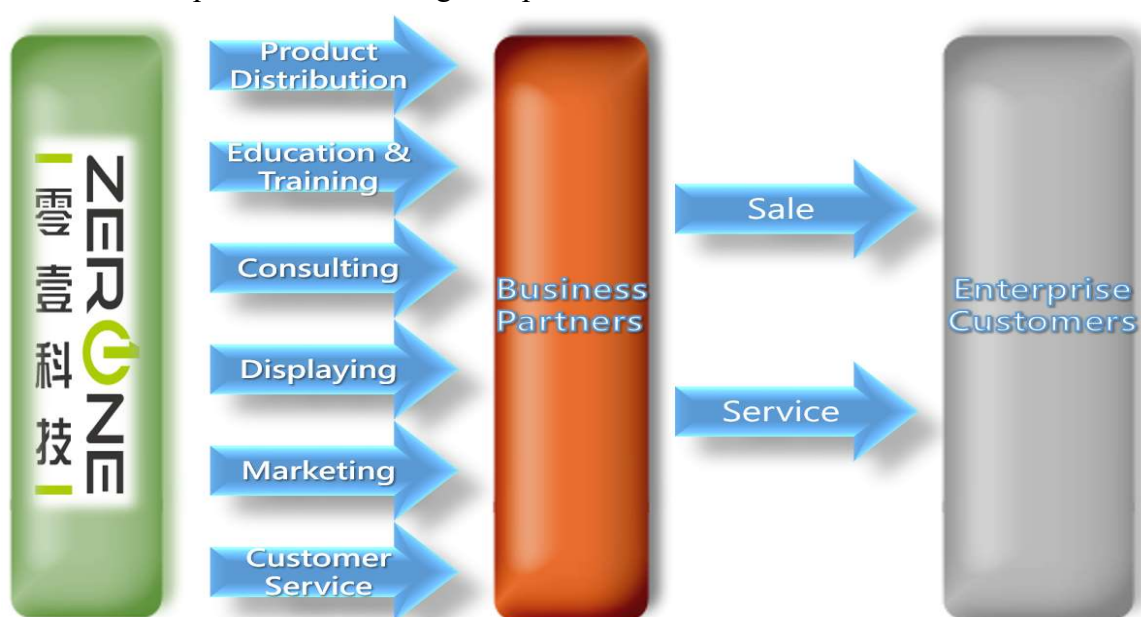
(4) Big data and application:

As we face the impacts from the tides of the big data, the opportunity of Taiwan shall be the development of application and services, establishment of a platform of big data, supporting application of domain verification, and promotion of innovative application of big data.

Looking ahead, IEK of ITRI deems mastering information of important customers as a key point of becoming the digital business worlds. However, with the awareness of personal information protection, the company must obtain information via other methods, forecasts increasing requirements of data mart, and promotes establishment of the innovative operation method of emerging industries, for a wave of opportunities of the development of data market.

2. Correlation between upstream, mid-stream, and downstream industries

The company belongs to the information service in the industries, and the main business activities are distribution of network software and hardware products, and professional technical services providing. As for structure model of network industries, upstream suppliers domestic and international network software and hardware manufacturers, and mid-stream is retailers, separated into the value-added and logistics retailer by providing professional services or not. The logistics retailer concentrates on product sales, and the value-added retailer provides relevant technical support services. The Company refers to the value-added retailer. For upstream manufacturers, the mid-stream retailer provides marketing channel for saving selling and administrative expenses of sales staff of suppliers. For the downstream system integrator, value-added and ordinary distributor, since the retailer is familiar with product structure of agent products, it can provide complete consulting services and technical support to each distributor, for achieve the efficiency of professional teamwork. Otherwise, retailers can sell products to downstream industries, with variety of the agent brands, and then provide products to end users, such as the government agencies, school, enterprises, families, and persons, etc., through cooperation with distributors.



3. Each trend of products

(1) Software markets:

According to survey of MIC, macro-economics, manufacturing plans for observation of the development of upstream, mid-stream, downstream industries goes as follows:

Applications of 5G increase the requirements of the semiconductor markets and new technologies which make information equipment purchased and upgraded and inducing the deployment of automation. As the industries go through the process of networking and digitization, a good collection of industrial data will be taken. In response to and solving the problems of operations of manufacturing industries. Industrial APPs will become attention of industrial cloud platforms and manufacturers. International leading manufacturers have begun to deploy relevant program development and human resource cultivating.

As for streaming services and marginal computing, and the analysis of the trend of miniaturized cloud service data centers, marginal computing is based on smart connections, real-time response and data security, and induces the connection of terminal devices, marginal equipment for forming a smart environment. Compared with cloud computing, marginal computing adopts more decentralized thoughts to design computing, constructing diversified computing, products and software and

hardware services between the cloud and the terminal. It can be expected that the computing, storage, and connection performance of terminal devices will further change in the future, and software definition and network virtualization technology will be on the edge, especially for devices in specific facilities, such as smart manufacturing industry and smart medical facilities. Forming a miniaturized cloud service data center from the upstream to downstream, the development of servo equipment and network toward new specifications and new applications is worth observing in the future.

(2) Cloud services and applications:

Oracle forecast driven by the popularity of cloud application services, 90% of manual IT operations and data management tasks being completely automated within a few years' time, will change the daily work of technicians require a lot of processing time, engineers will spend much time to develop advanced technologies, such as artificial intelligence and machine learning. Over the past decade, machine learning has required large servers, complex models, and extremely professional teams to put more time and resources. At present, some machine learning applications are able to put into motion sensors, and find more intelligent functions in edge devices. In 2022, IDC predicts that, 25% of global terminal equipment will have capabilities of AI edge computing. By collecting, analyzing, and learning the actions and usage habits of these AI terminal devices, with the deployment and services of 5G networks becoming more complete in the future, related feedback of it shall be transmitted back to the cloud through networking, for conforming to machine learning of the cloud. Therefore, edge computing will never replace cloud computing, but it can quickly improve the functions of cloud computing. By creating a decision system in the sensor, engineers can improve resources and save much energy and time. The successful application of these advanced technologies will be a supporting result for the service providers to move towards cloud services.

(3) Network and information security:

Accidental incidents of information security are increasing, and data loss has increased with each passing day, the launch and popularization of application of many emerging technologies affect development and progress of the market of information security of Taiwan. At present, more enterprises are storing important business data in the cloud and use hybrid cloud. Hence, some key business systems are preserved in the local deployment environment, and most of the data shall be transferred to the cloud. Although, this approach can increase flexibility of enterprises and reduce costs, hybrid environment may trigger conflict with rules of security, and become difficult to be controlled. As of 2025, sensitive data shared in the cloud will be expected to expand 600 times, and security threats, such as external automated attacks and abuse of authorization credentials, will also increase significantly.

As for increasing attacks, ensuring data and system resilience is critical for enterprises. However, due to the shortage of labors for internet security, enterprises don't have enough professionals to ensure security. Hackers can easily launch attacks on systems with no patches installed. Therefore, in order to prevent endless network attacks, the best option for enterprises is to deploy autonomous systems and integrate advanced functions for security at all levels from application, data to the IT infrastructure of the chip.

During the past, enterprises adopt services of information security management to conduct surveillance and upgrade of equipment, and surveillance of the security incidents. With the rapid update of attacks and viruses, service providers begin to use new technologies, such as artificial intelligence and machine learning, to provide automatic detection, responses and digital forensics. Enterprises also change from a passive method to active ones in their defensive mode, and further extend from

handling of the incidents of information securities before and after incidents happen, including advanced information security testing, threat intelligence, the practice of incident responses, network security trainings and other services of "Threat Life-Cycle Management".

(4) Big data and application:

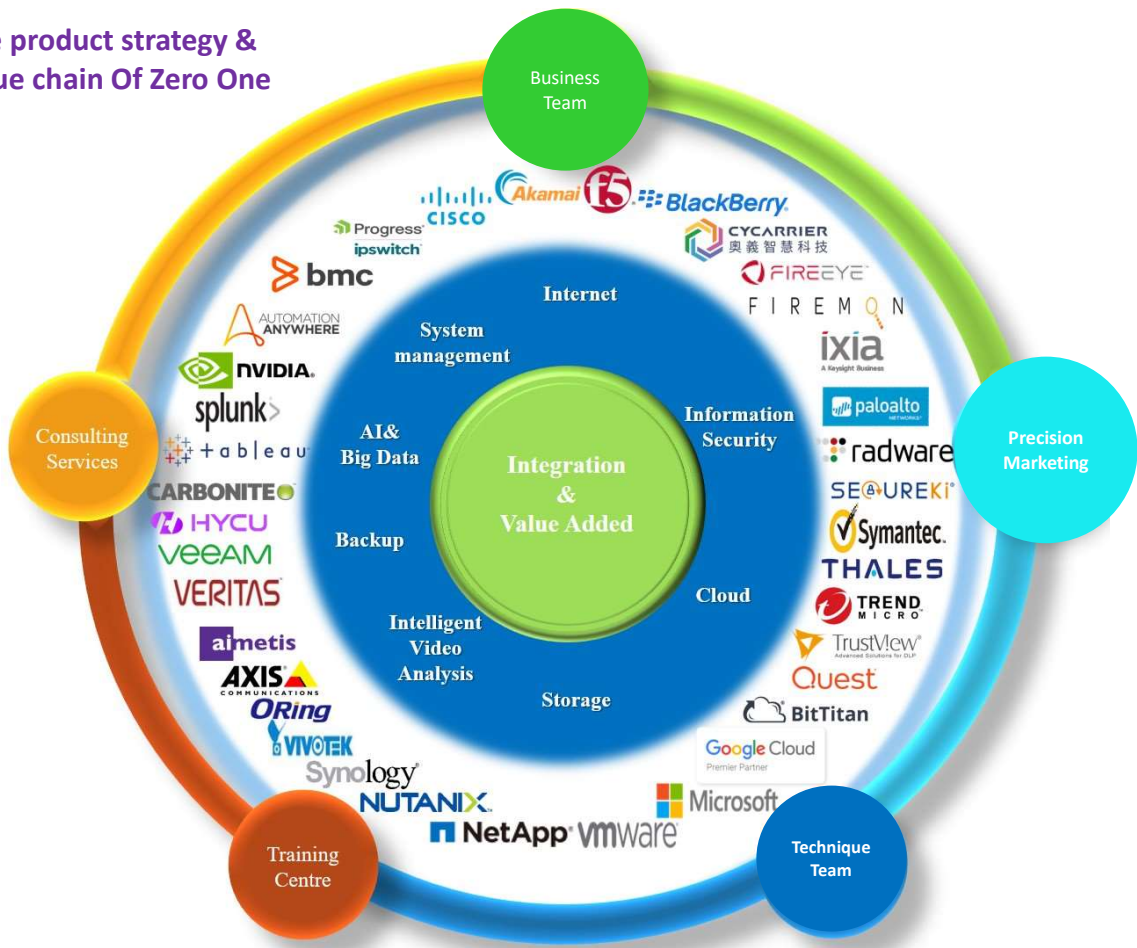
Besides the cloud computing and the Internet of Things, the big data market has become competitive among enterprises. Enterprises have invested many funds to obtain data sources and done data analysis. However, it is undeniable that many enterprises have the problem of limited interdisciplinary capabilities and cannot assure how to induce Data Monetization. It not only cost a lot of money in data storage, but also requires a lot of labors and materials to seek Data Monetization. 5G technology will start to become an important rule on promotion of big data and its applications, so that the different types of big data will be more centralized. For the industry of information services, as 5G is completed, it will bring a larger amount of data in more dimensions. The questions, such as introduction and application of unstructured data generated by information networking equipment in households, enterprises and even government, shall be solved, as for a large amount of unstructured data collected, before artificial intelligence identified, and training of artificial intelligence by labors. With the implementation of artificial intelligence in business competed, the data labeling completed by engineers in the laboratory shall be greatly increased. Data engineers are overwhelmed. Professional data management products and visual analysis services shall bring new business opportunities for the industry of information services.

4. Situations of competition of products

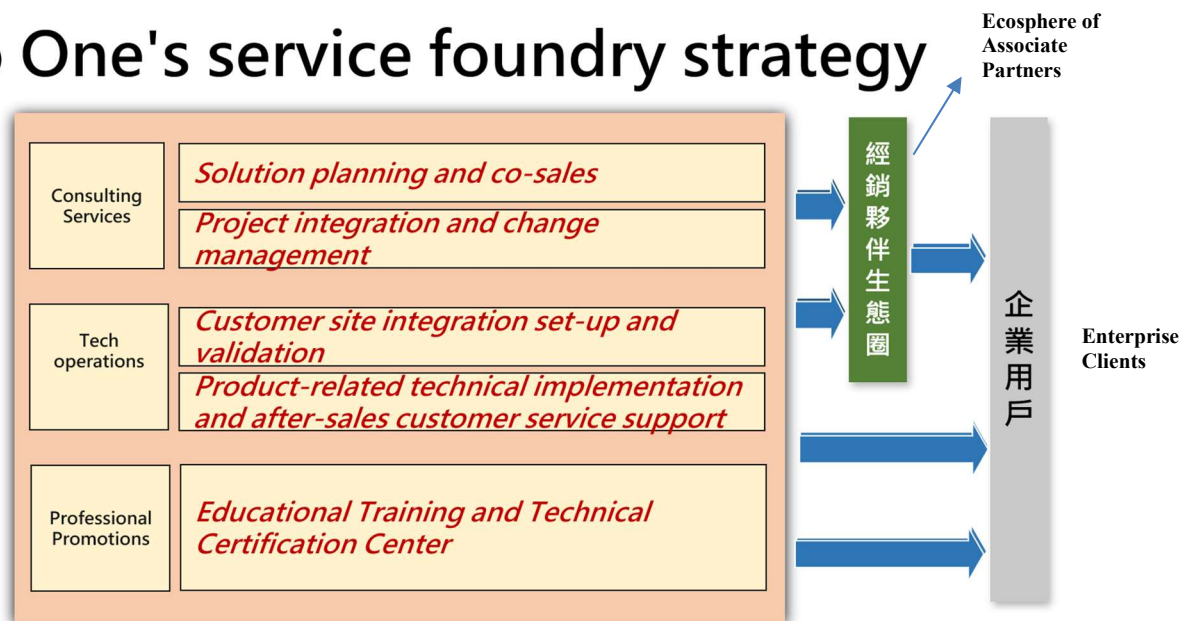
Ever-changing application of network forms various type of products. Most manufacturers increase improve competitiveness and reduce costs by the adoption of distributing products by applicable value-added retailers with professional technique, resulting in aggressive competition for product prices between retailers. As the decline of profit margins, high-reliability products, high-tech support, high-network integration technology, high-quality education and training, and perfect after-sales maintenance services have become the necessary factors besides price competition.

As the products of hardware and software of IT equipment servers grow synchronously with the application requirements of the network, the products of the company and its subsidiaries are more competitive in the market, and the advantages and disadvantages of products are as follows:

The product strategy & value chain Of Zero One



Zero One's service foundry strategy



(1) Advantages:

- A long-established retailer of network value-added products.
- Cooperation with more than 2,500 distribution partners for network value-added products and solutions.
- The most professional and outstanding teams grouped by product managers.
- With a completed network solution of the brand-name product.
- A retailer has education & training center, and exhibition center of demo machines.
- A platform of services of innovative promotion.
- Consulting services for professional planning.

- h. Support services of professional technology.
- i. The business sites of Taipei, Taichung, Kaohsiung were established for providing perfect services to customers in Taiwan.

(2)Disadvantages: The business model is limited to suppliers.

(C)Overview of technology and R&D

1. The technical level and research and development of the business

The company's main business is the agency and technical support services of network information communications, and the R&D personnel also focus on the related technologies of network information communications.

Due to the fact that most of the products distributed are the main signature products from international manufacturers, the R&D of the Company and its subsidiaries consequently help bring positive benefits to generating sales. In addition, in the category of electronic product channels, the Company and its subsidiaries positions itself as one which is not limited to the specialized field of channel logistics, but a value-added channel provider that offers a full range of sales and professional services. This is quite different from logistics channel providers that are generally based solely on trading and circulation. The Company and its subsidiaries use strong professional and technical personnel as the backing to provide customers with timely solutions for information products, thus laying an excellent image and position in the field of information and network expertise, and consolidating the long-term relationship with its downstream customers.

Alternatively, in line with the inheritance of technology research and development, apart from continuously improving print server products, maintaining a certain profit and growth momentum, the subsidiary ZOTECH Co., Ltd. has also launched the Internet of Things (IoT) and artificial intelligence (AI) hardware and software products and solutions in recent years, which have been well received in the industry. This not only proves that the Company and its subsidiaries have excellent technology research and development capabilities, but also the ability to broaden the depth and breadth of profit-making sources.

Under the trend of AIoT (Intelligent Internet of Things) built by IoT and AI, ZOTECH Co., Ltd. continues the business model of equipment research and development and manufacturing, and sells products to the world. It also delves into in-depth IoT communication technology, edge computing Edge AI, AI training learning, and key technologies needed in vertical fields such as PaaS/SaaS. One by one, it is implemented in the homemade products.

2. During 2021 and as of the date of publication of this annual report, expenses of research and the development: Amounts in thousands of NT

Items\Year	2021	2022 Q1
Expenses of research & development	10,029	3,142
Operating revenues	12,878,177	3,072,976
Ratio of expenses of research & development to operating revenues (%)	0.08	0.10

3. Technologies or products that have been successfully developed in the most recent year and as of the date of publication of the Annual Report

The technologies developed by the subsidiary ZOTECH Co., Ltd. in the year are divided into three categories:

(1)Print Server :

- a. Soft firmware optimization
- b. Product redesign in response to shortage of materials
- c. The functional changes corresponding to the Windows revision
- d. Compatibility testing and modification of new printer models

- (2)IoT product Z920K series
 - a. Small Scada Gateway
 - b. Data collection function of solar field
 - c. Relay integration scheme for solar field
- (3)MagicBox AI Edge series
 - a. MagicNDT: nondestructive testing Edge AI products
 - b. MagicEye: image pre- and post-processing and application
 - c. MagicEar: sound pre- and post-processing and application
- (D)The development of the business plan in short term and long term
 - 1. The short-term plan
 - (1)To maintain relationship with top 200 distribution partners, and higher satisfaction of customers.
 - (2)To establish a closer relationship with manufacturers.
 - (3)To focus on the promotion of niche products to maintain high gross margin.
 - (4)To concentrate the resources for operation of product lines and win stable profits.
 - (5)To accomplish execution of the business.
 - (6)To strictly control operating expenses.
 - 2.The long-term plan
 - (1)To introduce a product lines with much support of providing completed solutions as an object.
 - (2)To operate a promotion approach for business, based on projects of solutions.
 - (3)As for a guideline to helping customers become successful, we establish relationship with customers, in order to enhance loyalty of customers.
 - (4)To establish innovative promotion, services platform, and regulations to improve operating efficiency.
 - (5)To establish R&D standard operating procedures to ensure quality of products.
 - (6)To continue employee education and training for enhancing professional knowledge.
 - (7)To educate a technical team for providing services of consulting and planning.
 - (8)To continue to require for and execute operating details.

B. Markets and sales Overview

(A) Market analysis

1.Areas of selling or providing products and services

Units: Amounts in thousands of NT dollars

Area \ Year	2020		2021	
	Amount	%	Amount	%
Taiwan	9,745,266	99.09	12,707,655	98.68
Other	89,052	0.91	170,522	1.32
Net operating revenues	9,834,318	100.00	12,878,177	100.00

2. Situations and growth of the supply and demand of markets

It is anticipated that the positive growth in all IT expenditure category will continue in 2022. In addition, there will also be a wave of IT equipment upgrade procurement needs in Greater China and the emerging Asia-Pacific region as quite a few enterprise applications services require better specifications of IT equipment (including mobile phones and PCs).

3.Niche of competition

The company has focused on operation of solutions of software and hardware of the network, organizing value-added channels for solutions of domestic products of the network for a long time, and continually evaluating and introducing each solution of the network as for leading brands. Our business philosophy is to help customers become successful, in addition to providing completed solutions of the network, and professional services of technical support. A long term and perfect relationship with partners by providing products to distribution partners and educational training of technology for enhancing knowledge and sales capabilities of products of partners.

Owing to keeping a good relationship with distribution partners, operating capabilities of the company is recognized by the business markets, through completed product portfolio and strong abilities of technical support. The viewpoints for explanation of competition niche are as follows:

(1) Agent and R&D of the brand-name products for completed solutions of the network:

The company has had completed solutions of hardware and software of the network, for helping customers solve all issues of the projects, and meeting different types of requirements. The company provides leading brand-name products, with a certain reputation and reliability in the market, of all areas in the business community.

(2) Completed value-added distribution channel:

The company has had necessary operating system, virtualization, and the brand of equipment of the brand, the company has the record of transactions with most of all distribution partners, which are engaged in solutions of the network. Thus, the company has had the most completed data of distribution channels, as operating the project of value-added solutions of the network.

(3) Innovative marketing platform:

The company makes manpower devotion to carry out different types of innovative marketing platform, hope to figure out requirements of customers precisely by our leading marketing channel, which is better than the industry, and improve satisfaction of customers through more interaction between the company and distribution partners.

(4) Innovative service models:

The company has drawn upon the concept of cooperative chain combined with capabilities of distribution partners to organize the only platform of information services in the industry. The platform provides all information services, including warranty, maintenance, installation, and solutions, etc.

(5) Well-equipped education and training center:

The education and training center of the company, which is the only retailer and agent who provide services of long-term education and training to salespersons of distribution partners and engineers regarding with products and technology, is well-equipped with three classrooms for up to 250 people at present, and helps distribution partners win the trust and acquire technological support of end-users, through completed education and training authorized by manufacturers.

(6) Planning services of professional consulting:

The company has had the teams of professional consulting services, and been good at different fields of solutions, which not only assist technical support of distribution partners but also train paid internship of technical support, of the network, and provided value-added services for create a competitive advantage for unique services distinct from other retailers.

The company draws out strategies of innovative services and platform, points out the above competitive advantages analyzed by observation of it, based on its competitiveness, and provides services distinct from partners to maintain unique competitive advantages of the company.

4. Factors of advantages and disadvantages, and countermeasures of the development for prospects

(1) Factors of advantages of the development for prospects

a. Invention of new technologies increase requirements of users

Appearance of the broadband network to cloud based technology leads to different types of solutions produced and requirements of information security increased. Requirements of information security emerged, due to implementing different types of projects, and users depend on information solutions frequently. As technologies continue to develop, we concluded that IT of information industries will keep growing in the long term.

b. To create new opportunities in a digital era

The world shall be trapped in a storm of digitalization, beyond the borders of the countries, as technology of unmanned and automation manipulates the world day and night. For completion of global infrastructure of fiber-optic internet, we meet requirement of customers who need services of solutions, correspondent to the trend in the internet age. For example, how to establish an automated and interactive operation of the business model of promotion shall be an opportunity for huge growth of profits.

- (2) Disadvantages and countermeasures of the development for prospects.
- a. Cutthroat competition of the Same Trade Concerned leads to decrease profits
Countermeasure strategy:
 - (a) To focus on core competitive advantages and provide services of differentiation.
 - (b) To discard the produce line of low profit margin products without value-added.
 - (c) To provide niche products in the niche markets and provide integrated solutions.
 - (d) Switch from traditional sales of single-function products to solution-oriented approach.
 - (e) To concentrate on the channel of distribution, and enhance satisfaction of customers.
 - (f) To develop new type of the retailer, for creation of drawing up a blue ocean strategy.
 - b. Information products with a short life cycle and higher inventory risks.
To make sound business decisions:
 - (a) To control time for completion of the project.
 - (b) To strictly execute surveillance and control for inventories, inspect inventories for safety stock based on market demand.
 - (c) To establish a good relationship with manufacturers, and receive new information of products.
 - (d) To make manufacturers agree with our policy of sales return.
 - (e) To increase product turnover and sales speed is the core value of the company.
 - (f) To strictly control and manage procedures of the procurement.

(B) Important use, and procedures of production and manufacturing of major products

1. Important use of major products

Name of products	Major purposes of products
Systematic software of network	In order to set up the most basic core of network, it provides implementation of office, factory and design automation, and internet of the company.
Network application software	A wide range of application software is on the Internet, such as databases, anti-virus software, e-commerce, groupware, cloud backup software, and security and management software on the Internet.
Authorized products by enterprises	Systematic and application software are authorized by the various manufacturers to the user, and the certificate of use rights by laws as the usage is large.
Hardware of Network equipment	Hardware equipment for hardware configuration or enhancements required to connect with the WAN and the Internet, such as routers, remote accessors, load balancers, network caches, firewalls, etc.
Micro-Service application	Customers quickly develop, automate and securely use all applications. Built on a software-defined data center that includes automated computing, storage, networking, and security virtualization, the software-defined approach allows customers to implement a unified hybrid cloud, and fully represents mobility of business.
Network Storage Equipment	To provide complete storage solutions, including information storage, recovery, management, protection and sharing on mainframe, open systems, NT platforms and environments of the data center.
Cloud application	Micro-enterprises also enjoy the services of large enterprises, by providing a variety of application login management, backup mechanisms to ensure up to 4 of 9 service levels.
Education, training, and maintenance services of products	To provide partners with technical trainings and services of product maintenance and replacement for new network products.

2. Production Procedures of Main Products: The company distributes related software and hardware products regarding with the internet, and provides information services for goods. Since we are not a manufacturing industry, so this procedure is not applicable.

(C) Supply Status of Main Materials

Major Raw Materials	Major suppliers	Source of Supply	Supply Situation
distributed Products	NetApp	USA	Good
	CISCO		
	Microsoft		
	Vmware		
	Akamai		

(D)Major Suppliers & clients

1. Names, amount and percentage of the major suppliers in the last two calendar years that exceeded 10% of total sales of the consolidated financial:

Units: NT\$ Thousands

Item	2020				2021				2022 (As of March 31)			
	Company Name	Amount	Percent (%)	Relation with Issuer	Company Name	Amount	Percent (%)	Relation with Issuer	Company Name	Amount	Percent (%)	Relation with Issuer
1	CISCO BV	4,158,744	40.48	NA	CISCO BV	4,803,495	34.97	NA	CISCO BV	877,277	28.28	NA
2	NetApp	1,706,351	16.61	NA	NetApp	3,564,451	25.95	NA	NetApp	531,530	17.13	NA
3	—	—	—	NA	—	—	—	NA	—	—	—	NA
—	Others	4,409,270	42.91	—	Others	5,367,723	39.08	—	Others	1,693,462	54.59	—
—	Net Total Supplies	10,274,365	100.00	—	Net Total Supplies	13,735,669	100.00	—	Net Total Supplies	3,102,269	100.00	—

Note : The explanation of the reason for increases or decreases : No significant difference in the percentage of the major suppliers.

2.Names, amount and percentage of the major clients in the last two calendar years that exceeded 10% of total sales of the consolidated financial:

Item	2020				2021				2022 (As of March 31)			
	Company Name	Amount	Percent (%)	Relation with Issuer	Company Name	Amount	Percent (%)	Relation with Issuer	Company Name	Amount	Percent (%)	Relation with Issuer
1	GENESIS TECHNOLOGY INC.	1,001,631	10.19	NA	HWACOM SYSTEMS INC. (Note)	2,254,113	17.50	NA	—	—	—	—
—	Others	8,832,687	89.81	—	Others	10,624,064	82.50	—	Others	3,072,976	100.00	—
—	Net Sales	9,834,318	100.00	—	Net Sales	12,878,177	100.00	—	Net Sales	3,072,976	100.00	—

Note : The explanation of the reason for increases or decreases: Net sales of HWACOM exceeded 10% of total sales was due to the increase in the number of projects.

(E) Production in the last two Years

Units: NT\$ Thousand; set

Output		Year	2020		2021	
			Quantity (Note 2)	Amount	Quantity (Note 2)	Amount
Distributed Products	1.IT infrastructure		1,989,224	2,486,457	6,526,658	4,356,803
	2.Network & information security		2,025,723	6,051,936	2,718,961	7,111,184
	3.Cloud platform & application		56,473,579	1,494,714	92,745,853	1,970,379
	4.Big data & application		24,171	394,001	37,706	492,386
	5.Others		326	1,610	1,223	2,926
	Total			60,513,023	10,428,718	102,030,401

Note1: Capacity: We engaged in information services, hence the capacity of production is not applicable.

Note2: Quantity: Actual production is the total number of the purchase of distributing products and production of self - manufactured products.

(F) Shipments and Sales in the Last Two Years

Units: NT\$ Thousand; set

Shipments & Sales		Year	2020				2021			
			Local		Export		Local		Export	
		Major Products	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Distributed Products	1.IT infrastructure	1,760,262	2,747,684	170,494	142,019	6,008,823	4,886,012	222,636	177,084	
	2.Network & information security	2,001,686	4,606,679	57,638	15,264	2,222,735	5,025,562	395,599	32,237	
	3.Cloud platform & platform	53,180,880	1,830,408	3,124,660	14,059	91,842,163	2,204,609	125,116	34,999	
	4.Big data & application	24,840	434,815	321	39,361	30,986	476,112	105	37,399	
	5.Others	374	3,750	30	279	993	4,163	-	-	
Total		56,968,042	9,623,336	3,353,143	210,982	100,105,700	12,596,458	743,456	281,719	

C. Human Resources

As of April 15, 2022

Year		2020	2021	As of April 15, 2022
Number of Employees	Executive officers	19	21	21
	Employee	230	271	291
	Total	249	292	312
Average Age		38.47	38.34	38.07
Average Years of Service		6.53	5.96	5.81
Education	Ph.D.	0%	0%	0%
	Masters	11.65%	11.99%	12.18%
	Bachelor's Degree	83.13%	84.59%	83.65%
	Senior High School	5.22%	3.42%	4.17%
	Below Senior High	—	—	—

D. Environmental Protection Expenditure:

The loss (including indemnify) suffered, the total amount of disposal, future countermeasures and possible expenditures caused by environmental pollution in the last two years to the end of the publication of the Annual Report: NA.

E. Labor Relations

(A) List any employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests.

1. Employee welfare policy

(1) Insurance

Except for the statutory labor and health insurance, and distribution of labor pension, each employee is insured for group and casualty insurance, as well as travel accident insurance on a business trip.

(2) Aspects of health and safety

a. Annual physical examination of employees shall be held, as the Company pays attention to the result of physical examination of employees. If the employee agrees, the Company assists the employees, who have had abnormal results or special situations of physical examination, in tracking and observing for treatment, and assuring the employee keeping healthy.

b. For enhancing recognition of awareness of firefighting and disaster prevention, and preventing that the employee being too nervous to trigger an accident from conflagration and other disasters, the Company shall hold annual courses of fire safety for increasing general knowledge of firefighting.

c. The building of the headquarter of the Company is equipped with AED, and regular safety seminars and CPR courses are held to instruct the employee in usage, in case of emergency.

(3) For traveling

a. Employees' welfare committee of the Company holds annual activities of domestic and international traveling, with NT\$ 20,000 of reimbursement for traveling each person.

b. The Company shall regularly hold “family day”, the year-end party, different recreational and artistic activities, in order to provide physical and mental relaxation, and create new interactive experience for employees.

(4) Clubs

The Company encourages employees to form the clubs, including aerobic exercise and yoga club, mountaineering club, and boxing club, hold activities, and provide compensation, in order to inspire employees to participate in proper and healthy recreational activities beside the work, and decrease stress from the work and families.

(5) Vacation

The regulations of vacation of the Company is better than the provisions of the Labor Law, and statistical reports are regularly provided for executive officers to understand further and care for the status of colleagues to help employees achieve a work-life balance.

(6) Survey for employee satisfaction

The Company conducts annual on-the-job interviews, investigates employees' satisfaction to the work, and formulate improvements for help employees enjoy their work, based on the conclusion of statistical analysis and suggestions from colleagues.

(7) Birthday, wedding and funeral

The Company regularly holds birthday celebrations and pays birthday gifts, and provides wedding gifts of NT\$2,000 to NT\$8,000. Funeral subsidies of NT\$3,000 to NT\$20,000, hospital condolence payments of NT\$3,000 to NT\$6,000 and emergency relief funds for colleagues. Childbirth allowance

(8) Childbirth allowance

For employees and their spouses, the Company offers a subsidy of NT\$ 3,000 per childbirth.

(9) Other allowance

The Company provides cash gifts and gifts for Mid-Autumn Festival, Dragon Boat Festival, Labor Day and Chinese New Year.

(10) Hardware equipment

In addition to providing top-of-the-line coffee machines, Starbucks organic coffee beans, steamer for lunch boxes, microwave ovens, employee parking spaces and other convenient facilities, the company is also committed to creating a female-friendly workplace environment, with a comfortable and private breastfeeding room, providing female employees with postpartum breastfeeding without stress, and the staff social hall to provide a more diversified meeting and dining space for colleagues.

2. On-the-job training of employees

The company has always regarded employees as an important asset, and places great emphasis to the training and future development of employees. In order to continue promoting the cultivation of high-quality talents and key technology management, a set of "staff education and training management measures" is established for further enhancement and training of employees. Funds are allocated on a yearly basis to implement various types of education and training, such as regular or irregular invitation of lecturers to provide training and hold lectures. External and internal education and training are provided to employees according to different levels and professions. All done with the purpose to offer employees complete professional skills cultivation and self-growth inspiration, the Company built a professional training center of nearly 150 pings, and nearly 50 teaching computers were installed to provide teaching and further education for staff.

3. Employee Retirement Scheme

In order to stabilize the life of employees after retirement, the Company has formulated labor retirement measures in accordance with the law, and established a Labor Retirement Reserve Supervision Committee, and

regularly allocates retirement reserves according to the ratio of 2% of the total salary expenses every month and stores them in the special account of the Central Trust of China to protect the rights and interests of workers. Since July 1, 2005, the new retirement method of the Taiwan authorities has been adopted in parallel, and 6% of the total income of labor salaries will be withdrawn to the special pension account of the employee; if there is a voluntary pension payment, the voluntary pension will be withheld from the employee's monthly salary to the special account of the Labor Insurance Bureau on behalf of the employee.

The rules of the Company's retirement policy which are in accordance with the Labor Pension Plan are as follows:

(1) Voluntary Retirement

A worker may apply for voluntary retirement in any of the following situations (those who choose to apply the Labor Pension Plan shall be handled in accordance with the provisions of the same Plan):

1. Where the worker attains the age of 55 and has worked for 15 years.
2. Where the worker has worked for more than 25 years.
3. Where the worker attains the age of 60 and has worked for 10 years.

(2) Mandatory Retirement

An employer cannot force a worker to retire unless any of the following situations has occurred:

1. Where the worker attains the age of sixty-five.
2. Where the worker is unable to perform his/ her duties due to disability.

A business entity may, request the central competent authority to adjust the age prescribed in Subparagraph 1 of the preceding paragraph if the specific job entails risk, requires substantial physical strength or otherwise of a special nature; provided, however, that the age shall not be reduced below 55.

(3) Pension Payment Standard

A. Where the workers' seniority satisfies the retirement element of the Labor Laws, the pension for the years of service under the old and new systems shall be paid in accordance with payment criteria set forth in Articles 84-2 and 55.

B. An additional 20% on top of the amount calculated according to the preceding subparagraph and section 2, provision 1, Article 34 shall be given to workers forced to retire due to disability incurred from the execution of their duties in accordance to to Section 2, provision 1, Article 55 of the Labor Laws.

C. The Company will, at each month, for applicable employees under the Pension Act, contribute pension no less than 6% of the monthly salary to the individual labor pension account.

(4) Payment of Pension

The Company shall pay the employee's pension within thirty days from the date of the employee's retirement.

(5) For colleagues who are transferred to related companies by the organization, their seniority is accumulated so as to provide more security for employees, and fulfill the purpose of talent circulation of the Group.

4. Employee Stock Ownership Trust, ESOT

In terms of the labor retirement system, apart from the provisions of the Labor Laws and the Labor Pension Act which a fixed amount of reserve is allocated regularly to the legal retirement account, the Company has set up a shareholding trust committee, and after the full-time employee reaches the service term of one year, the employee will withdraw \$2,000 per month and the company will allocate \$1,000, both funds are used to purchase the company's shares regularly in a fixed amount.

5. The agreement between the labor and the employer

The Company always pays higher attention on the harmonious relation between labors and the employer. Regular meetings are held to ensure that both parties are in sync with the collective concept of benefits-sharing between labor and the employer and strive for the development of the Company.

6. Measures adopted to maintain all types of employee benefits

The Company places great emphasis on employees' opinions and the accurate conveying and bilateral communications of the Company policies. Multiple communication channels were established to facilitate the harmonious relationship between employees and employer as honest employee voices and opinions are heard from the multiple channels.

(1) The Company holds a staff meeting every six months, presided over by senior supervisors personally, where the operating conditions for the previous six months is presented as well as the company's business direction and efforts and the latest information announcement, all are done with the purpose to let employees understand clearly the company's business situation and future development. In addition, the supervisor can also praise the excellent employees every six months through this event and achieve the target of talent motivation and retention.

(2) The Company does not yet form any unions yet, but actively hear the voices of employees through labor and management meeting every quarter, with two-way communication with employees, whose ideas may be adopted for room for improvement, helping to foster labor employer harmony.

(3) The Company has set up an Employee Welfare Committee that manages and organizes all types of employee welfare measures to enhance employee benefits. This Committee is funded steadily by the Company.

7. Measures which specifically enhanced employees' benefits or rights compared to the previous year:

(1) Continue last year's 3A plan - the focus this year was to strengthen charity and employee de-stress aspects from Learning, Health and Charity respectively by encouraging employees to participate in company seminars, Switch game activities, stair climbing activities, running group activities, blood donation activities for points-collection, and the points can be used to redeem prizes after the end of the program. Employees participated enthusiastically with outstanding results.

(2) Held two blood donation activities to encourage employees to participate in blood donation in response to public welfare, and donated a total of 293 bags in two sessions, and the task reached the target.

(3) Encourage employees to become shareholders of the company together by introducing general employee stock ownership trust .

(4) Issued epidemic prevention allowances according to the level of seniority, up to a maximum of NT\$10,000.

(5) Help purchased each employee the epidemic prevention insurance and vaccine insurance.

(6) This year, the company's sales results broke a new high, with the intension to support local small-scale Taiwanese farmers, the company purchased pineapples, pears, and custard apples to give employees to enjoy together.

(7) In November, the Company won the 1111 Award as the Gold Award of Happiness Enterprise.

(B) Loss suffered from labor disputes, present and possible future estimated amount incurred and countermeasures in the last two years up to the printing date of this Annual Report: None.

F. Cyber Security Management

(A) Cyber security management strategy and structure

1. Enterprise Information Security Team

Explanation on the establishment of the enterprise information security team of Zero One Technology Co., Ltd

(1) Objective

In order to strengthen the information security management of each unit, establish a safe and reliable enterprise information environment, and ensure the network security of data, systems, equipment and networks, a cyber security team is hereby established. All members are obliged to actively participate in promoting the Information Security Policy to ensure the security and operation of the Company's data, information systems, equipment and networks so as to achieve the goal of the continued operation of information.

(2) Information Security Policy

This policy is intended to give members a clear guiding principle in their day-to-day work:

a. Implement information security management to ensure the continuation of operations

All colleagues shall implement the information security system, and execute to the fullest detail, and continuously monitor, review and audit various information systems to ensure their confidentiality, integrity and usability. Protect information assets from risks such as leakage, destruction or loss due to external threats or improper management of internal personnel, and focus on 'risk management', understand asset threats and weaknesses, select appropriate protection measures, reduce risks to acceptable levels, build a secure network environment, and achieve the goal of continuous operation.

b. Strengthen security training and improve service quality

Conduct appropriate information security training at each quarter, establish the concept of "information security as everyone's responsibility," improve the awareness and intelligence of information security of colleagues, and strengthen the ability to respond to improve service quality.

c. Proactively respond to emergency situations to swiftly shield damages and reduce losses.

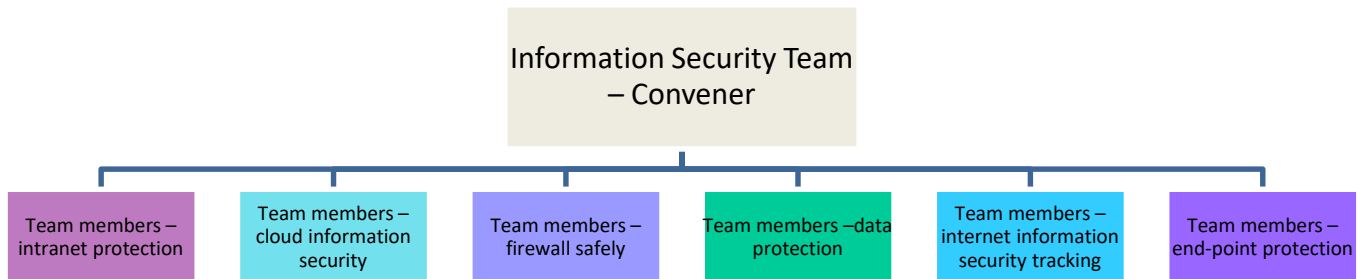
In addition to the maintenance and operation of equipment during weekdays, we also constantly monitor system vulnerability detection services, and web security detection services. Equipment policy planning is adjusted to be in line with emergency response processes, and regular quarterly reviews are carried out for the analysis of security incidents to ensure that when information systems fail or major disaster events occur, the damages can be quickly blocked, ensuring the continuous operation of critical business and minimizing losses.

(3) Information security organization

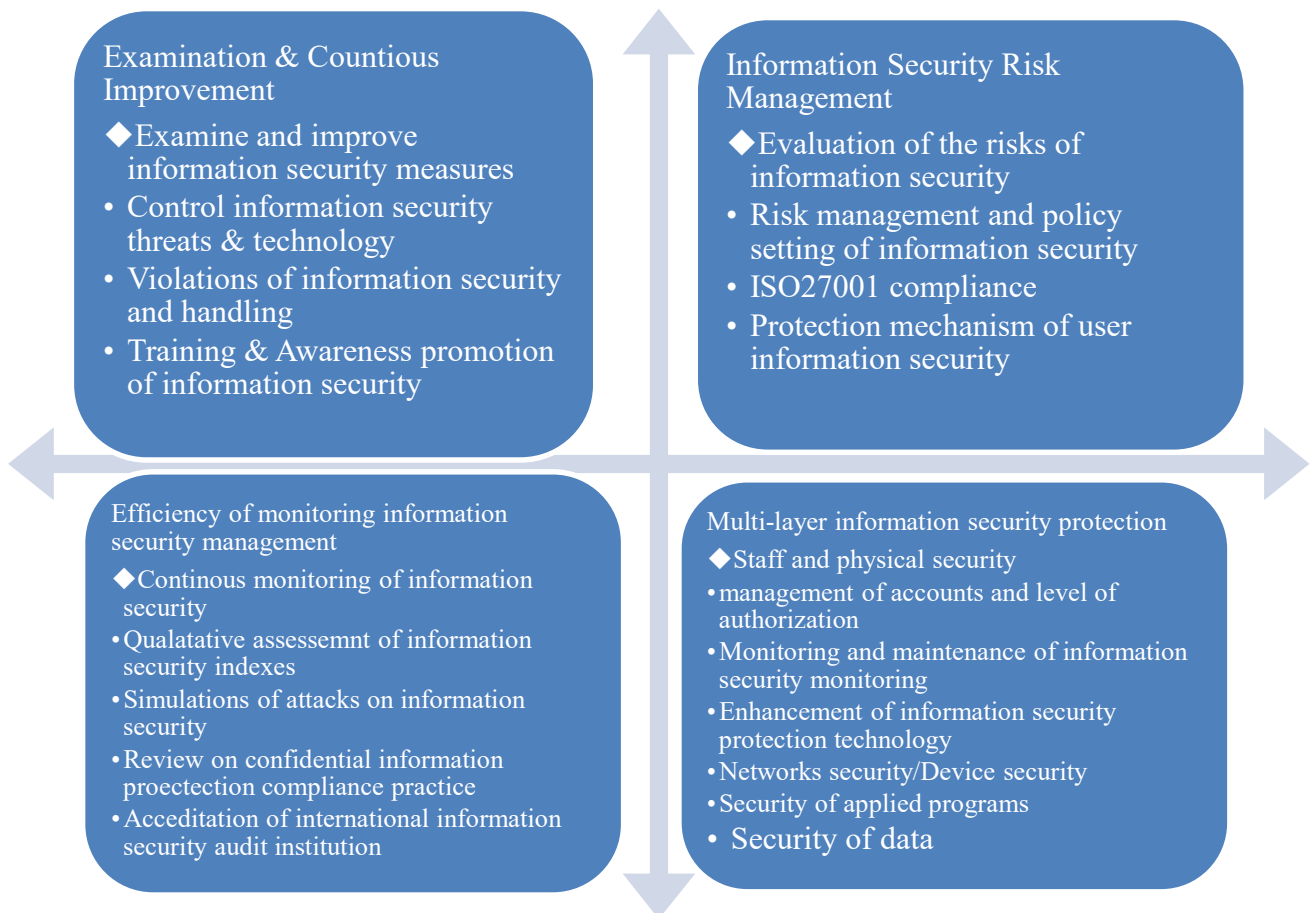
a. The head of the information unit is responsible for promoting, coordinating, and supervising the various matters regarding information security; the supervisor of each business unit is responsible for supervising the security of the information operation to which he/she is in charge of.

b. The cross-departmental information security execution team is established by the head of information unit and is responsible for promoting information security operations.

(4) Information Security Team Organization Chart

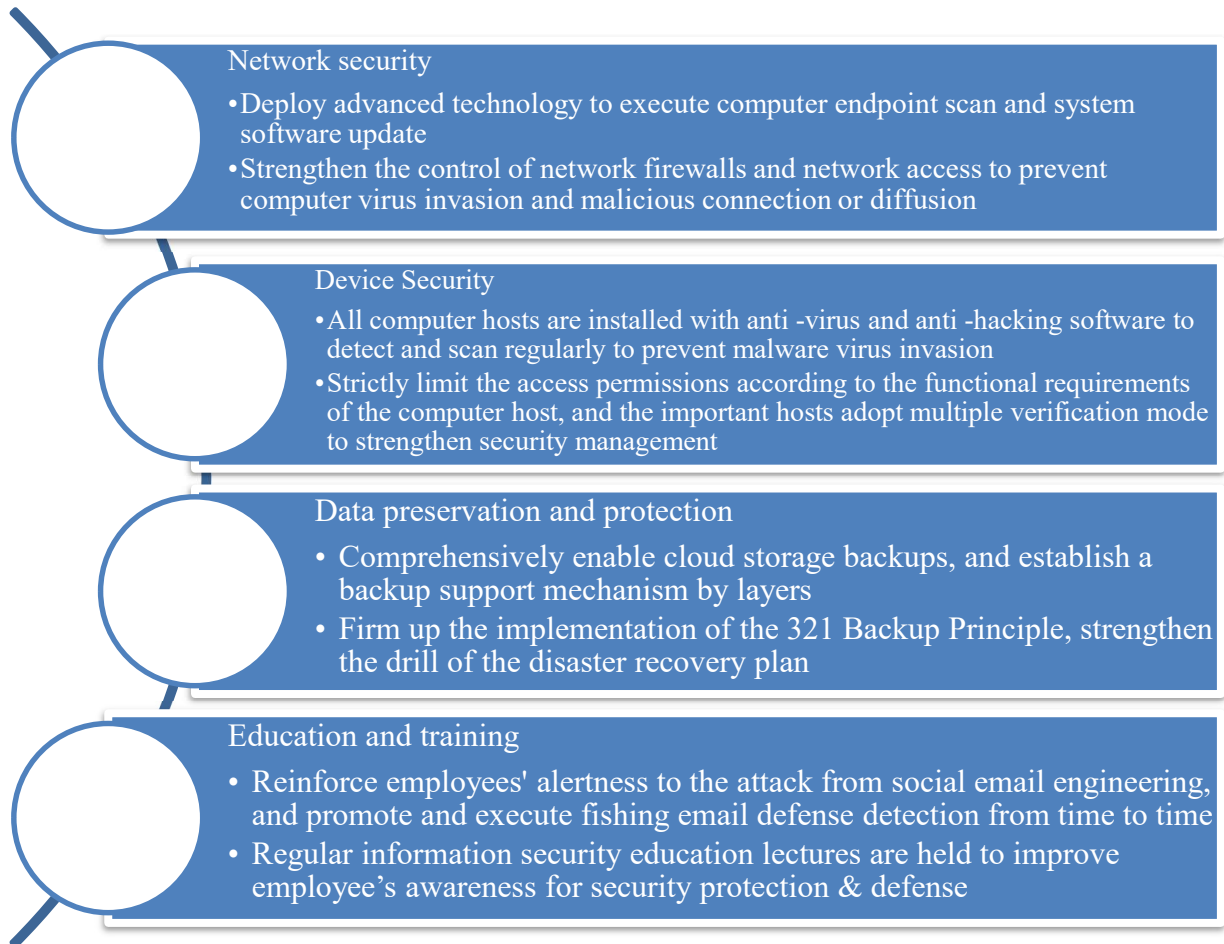


(B) Information security risk management and continuous improvement structure



(C) Specific Management Programs

Adopting a multi-level security protection structure, using advanced security defense software and hardware equipment for enhancement and provide regular information security education and awareness promotion, so as to build a comprehensive endpoint information security protection.



G. Important Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Distributor Agreement	Akamai	2021.05.17~2022.05.16	Authorized to distributing clouds services products	Territory : Taiwan
	CISCO	2021.08.01~2022.07.31	Authorized to distributing Network telecommunications equipment	
	F5	2021.09.01~2022.08.31	Authorized to distributing products of F5	
	Google Cloud	2021.10.23~2022.10.22	Authorized to distributing products of Google Cloud	
	Microsoft	2021.09.01~2024.08.31	Authorized to distributing software products of MOLP, SELECT	
	NetApp	2021.05.01~2022.04.30	Authorized to distributing the data service of hybrid cloud	
	Nutanix	2021.07.06~2022.07.05	Authorized to distributing products of Nutanix	
	NVIDIA	2021.05.29~2022.05.28	Authorized to distributing products of Nvidia	
	Palo Alto Networks	2021.09.22~2022.09.21	Authorized to distributing products of information security	
	Synology	2021.05.31~2022.05.30	Authorized to distributing products of cloud storage equipment	
	Trend Micro	2022.01.01~2022.12.31	Authorized to distributing products of anti-virus software or enterprise authorized	
	Veem	2021.04.27~2022.04.26	Authorized to distributing virtual backup products	
	Veritas	2021.10.03~2022.10.02	Authorized to distributing products of Veritas	
VMware	2021.04.01~2022.03.31	Authorized to distributing products of VMware		

VI. Financial Information

A. Five-Year Financial Summary

(A) Condensed Balance Sheet

1. Consolidated Condensed Balance Sheet—Based on IFRS

Units: NT\$ Thousands

Item	Year	Financial Summary for The Last Five Years (Note1)					As of March31, 2022 (Note3)
		2017	2018	2019	2020	2021	
Current assets		3,180,231	3,779,240	4,489,720	4,649,078	6,822,463	6,795,811
Property, Plant and Equipment (Note 2)		310,083	313,715	314,412	308,367	317,114	313,603
Intangible assets		970	950	1,395	1,238	2,008	1,740
Other assets (Note 2)		21,222	41,095	47,850	55,534	54,902	50,949
Total assets		3,618,710	4,393,847	5,225,352	5,471,676	7,676,312	7,691,136
Current liabilities	Before distribution	1,504,140	2,166,142	2,771,478	2,774,855	3,703,768	4,110,878
	After distribution	1,663,624	2,350,745	3,021,052	3,152,691	3,155,806	—
Non-current liabilities		21,403	23,115	27,685	27,409	28,558	33,530
Total liabilities	Before distribution	1,525,543	2,189,257	2,799,163	2,802,264	3,732,326	4,144,408
	After distribution	1,685,027	2,373,860	3,048,737	3,180,100	3,184,364	—
Equity attributable to shareholders of the parent		2,083,972	2,196,297	2,420,304	2,657,270	3,908,193	3,511,273
Capital stock		1,224,804	1,228,965	1,246,352	1,256,402	1,519,707	1,524,007
Capital surplus		434,135	446,515	470,136	478,757	1,234,325	1,236,844
Retained earnings	Before distribution	440,534	537,661	696,340	887,761	1,095,479	695,193
	After distribution	281,050	353,058	446,766	509,925	547,517	—
Other equity interest		(15,501)	(16,844)	7,476	34,350	58,682	55,229
Treasury stock		—	—	—	—	—	—
Non-controlling interest		9,195	8,293	5,885	12,142	35,793	35,455
Total equity	Before distribution	2,093,167	2,204,590	2,426,189	2,669,412	3,943,986	3,546,728
	After distribution	1,933,683	2,019,987	2,176,615	2,291,576	3,396,024	—

Note 1 : Financial data from 2017 to 2021 has been audited and reviewed by the CPA.

Note 2 : No reevaluation of assets has been conducted throughout the years.

Note 3 : Financial data in 2022 Q1 has been reviewed by the CPA.

Note 4 : The earning distribution of 2021 was approved by Board of Director on February 23, 2022.

2. Parent Condensed Balance Sheet–Based on IFRS

Units: NT\$ Thousands

Item	Year	Financial Summary for The Last Five Years (Note1)				
		2017	2018	2019	2020	2021
Current assets		3,009,604	3,652,816	4,385,048	4,501,049	6,492,351
Property, Plant and Equipment (Note 2)		308,819	312,926	313,991	307,276	315,903
Intangible assets		893	902	1,358	765	1,691
Other asset (Note 2)		20,013	38,998	44,606	40,257	47,598
Total assets		3,556,852	4,370,583	5,198,062	5,416,016	7,573,970
Current liabilities	Before distribution	1,451,434	2,151,171	2,750,082	2,735,367	3,638,907
	After distribution	1,610,918	2,335,774	2,999,656	3,113,203	3,090,945
Non-current liabilities		21,446	23,115	27,676	23,379	26,870
Total liabilities	Before distribution	1,472,880	2,174,286	2,777,758	2,758,746	3,665,777
	After distribution	1,632,364	2,358,889	3,027,332	3,136,582	3,117,815
Capital stock		1,224,804	1,228,965	1,246,352	1,256,402	1,519,707
Capital surplus		434,135	446,515	470,136	478,757	1,234,325
Retained earnings	Before distribution	440,534	537,661	696,340	887,761	1,095,479
	After distribution	281,050	353,058	446,766	509,925	547,517
Other equity interest		(15,501)	(16,844)	7,476	34,350	58,682
Treasury stock		—	—	—	—	—
Total equity	Before distribution	2,083,972	2,196,297	2,420,304	2,657,270	3,908,193
	After distribution	1,924,488	2,011,694	2,170,730	2,279,434	3,360,231

Note 1 : Financial data from 2017 to 2021 has been audited and reviewed by the CPA.

Note 2 : No reevaluation of assets has been conducted throughout the years.

Note 3 : The earning distribution of 2021 was approved by Board of Director on February 23, 2022.

(B) Condensed Statement of Comprehensive Income/Condensed Statement of Income

1. Consolidated Condensed Statement of Comprehensive Income – Based on IFRS

Units: NT\$ Thousands

Item \ Year	Financial Summary for The Last Five Years (Note 1)					As of March 31, 2022 (Note 2)
	2017	2018	2019	2020	2021	
Operating revenue	5,967,589	6,647,352	8,915,170	9,834,318	12,878,177	3,072,976
Gross profit	588,291	681,744	896,158	1,046,126	1,295,511	359,078
Income from operations	234,694	280,582	399,789	504,640	626,171	181,090
Non-operating income and expenses	9,812	34,373	43,013	49,335	47,026	2,457
Income before tax	244,506	314,955	442,802	553,975	673,197	183,547
Income from operations of continued segments - after tax	194,906	252,037	349,155	440,398	536,122	146,176
Income from discontinued operations	—	—	—	—	—	—
Net income (Loss)	194,906	252,037	349,155	440,398	536,122	146,176
Other comprehensive income (income after tax)	610	(7,173)	26,728	21,860	69,253	(2,685)
Total comprehensive income	195,516	244,864	375,883	462,258	605,375	143,491
Net income attributable to shareholders of the parent	195,983	252,939	351,313	441,623	537,359	146,722
Net income attributable to non-controlling interest	(1,077)	(902)	(2,158)	(1,225)	(1,237)	(546)
Comprehensive income attributable to Shareholders of the parent	196,593	245,766	377,991	463,499	606,656	143,829
Comprehensive income attributable to non-controlling interest	(1,077)	(902)	(2,108)	(1,241)	(1,281)	(338)
Earnings per share	1.61	2.06	2.85	3.55	4.24	0.97

Note 1 : Financial data from 2017 to 2021 has been audited and reviewed by the CPA.

Note 2 : Financial data in 2022 Q1 has been reviewed by the CPA.

Note 3 : No discontinued operation.

2. Parent Condensed Statement of Comprehensive Income – Based on IFRS

Units: NT\$ Thousands

Item	Year	Financial Summary for The Last Five Years (Note 1)				
		2017	2018	2019	2020	2021
Operating revenue		5,836,451	6,551,970	8,826,659	9,658,778	12,630,074
Gross profit		572,670	649,278	865,943	997,244	1,226,060
Income from operations		242,322	282,640	409,151	511,320	635,269
Non-operating income & expenses		2,988	32,837	35,264	43,589	39,503
Income before tax		245,310	315,477	444,415	554,909	674,772
Income from operations of continued segments - after tax		195,983	252,939	351,313	441,623	537,359
Income from discontinued operations		—	—	—	—	—
Net income (Loss)		195,983	252,939	351,313	441,623	537,359
Other comprehensive income (income after tax)		610	(7,173)	26,678	21,876	69,297
Total comprehensive income		196,593	245,766	377,991	463,499	606,656
Earnings per share		1.61	2.06	2.85	3.55	4.24

Note 1 : Financial data from 2017 to 2021 have all been inspected and authenticated by CPAs.

Note 2 : No discontinuing operation.

(C) Auditors' Opinions in the last five years

Year	Accounting Firm	CPA	Audit Opinion
2017	Deloitte & Touche, Taiwan, Republic of China	Wen Chin Lin, Hsin Wei Tai	An unqualified opinion
2018			
2019			
2020		Cheng Ming Lee Pei De Chen	
2021		Chien Liang Liu Pei De Chen	

B. Five-Year Financial Analysis

(A) Consolidated Financial Analysis – Based on IFRS

Item		Financial Analysis for the Last Five Years (Note 1)					As of March 31, 2022 (Note2)
		2017	2018	2019	2020	2021	
Financial structure (%)	Debt Ratio	42.16	49.83	53.55	51.21	48.62	53.89
	Ratio of long-term capital to property, plant and equipment	675.03	702.74	772.16	874.55	1,243.71	1,130.96
Solvency (%)	Current ratio	211.43	174.47	180.41	167.54	184.20	165.31
	Quick ratio	178.19	130.09	126.59	121.91	139.56	131.53
	Interest earned ratio (times)	654.76	880.76	214.40	261.20	286.25	2,267.01
Operating performance	Accounts receivable turnover (times)	3.61	3.75	4.54	4.71	5.13	4.30
	Average collection period	101.10	97.33	80.39	77.49	71.15	84.88
	Inventory turnover(times)	11.50	8.33	7.09	6.86	8.02	7.24
	Accounts payable turnover (times)	4.49	4.11	4.35	4.11	4.41	3.65
	Average days in sales	31.73	43.81	51.48	53.21	45.51	50.41
	Property, plant and equipment turnover (times)	19.44	21.31	28.39	31.58	41.18	39.98
	Total asset turnover (times)	1.69	1.66	1.85	1.84	1.96	1.60
Profitability	Return on total assets(%)	5.52	6.30	7.29	8.27	8.18	7.61
	Return on stockholders' equity (%)	9.48	11.73	15.07	17.29	16.21	15.61
	Pre-tax income to paid-in capital (%)	19.96	25.63	35.53	44.09	44.30	48.17
	Profit ratio (%)	3.27	3.79	3.92	4.48	4.16	4.76
	Earnings per share (NT\$)	1.61	2.06	2.85	3.55	4.24	0.97
Cash flow	Cash flow ratio (%)	25.82	2.54	16.57	10.24	9.34	0.93
	Cash flow adequacy ratio (%)	75.10	76.96	116.34	88.33	67.68	57.01
	Cash reinvestment ratio (%)	10.87	(4.47)	7.97	1.22	(0.77)	1.02
Leverage	Operating leverage	229.36	245.39	210.71	189.63	197.58	171.36
	Financial leverage	100.16	100.13	100.52	100.42	100.38	100.04
Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%): 1. Ratio of long-term capital to property, plant and equipment : mainly due to the increase of cash capital increase of 2021. 2. Ratio of property, plant and equipment : mainly due to the revenue growth due to increase in net sales of 2021. 3. Cash flow adequacy and cash reinvestment ratio : mainly due to the increase in inventory and cash dividends..							

Note 1: Financial data from 2017 to 2021 have all been inspected and authenticated by CPAs.

Note 2: 2022 Q1 financial data has been reviewed by CPAs.

Note 3: The calculation formula goes as follows.

1. Financial Structure

(1) Debt Ratio = total liabilities / total assets

(2) Ratio of long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net worth of property, plant and equipment

2. Solvency

(1) Current ratio = current assets / current liabilities

(2) Quick ratio = (current assets – inventory – prepaid expenses) / current liabilities

(3) Interest coverage ratio = income before income tax and interest expenses / current interest expenses

3. Operating ability

- (1) Receivables (including accounts receivable and notes receivable arising from business operations) turnover rate = net sales / average receivables (including accounts receivable and notes receivable arising from business operations) for each period
- (2) Average collection days for receivables = 365 / receivables turnover rate
- (3) Inventory turnover rate = cost of sales / average inventory
- (4) Payables (including accounts payable and notes payable arising from business operations) turnover rate = cost of sale / average payables (including accounts payable and notes payable arising from business operations) for each period
- (5) Average days of sale = 365 / inventory turnover rate
- (6) Property, plant and equipment turnover rate = net sales / average net worth of property, plant and equipment
- (7) Total asset turnover rate = net sales / average total asset

4. Profitability

- (1) Return on assets = [net income + interest expenses (1 - tax rate)] / average total assets
- (2) Return on equity = net income / average total equity
- (3) Profit margin before tax = net income / net sales
- (4) Earnings per share = (profit and loss attributable to owners of the parent – dividends on preferred shares) / weighted average number of issued shares

5. Cash flow

- (1) Cash flow ratio = Net cash flow from operating activities / current liabilities
- (2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (capital expenditures + inventory increase + cash dividend)
- (3) Cash flow reinvestment ratio = (Net cash flow from operating activities – cash dividend) / gross property, plant and equipment value + long-term investment + other non-current asset + working capital)

6. Leveraging:

- (1) Operating leverage = (net operating revenue – variable operating costs and expenses) / operating income
- (2) Financial leverage = operating income / (operating income – interest expenses)

(B) Parent Financial Analysis–Based on IFRS

Items for Analysis		Financial Analysis for the Last Five Years (Note1)				
		2017	2018	2019	2020	2021
Financial Structure (%)	Debt Ratio	41.41	49.75	53.44	50.94	48.40
	Ratio of long-term capital to property, plant and equipment	674.82	701.86	771.32	872.39	1,245.66
Solvency (%)	Current ratio	207.35	169.81	159.45	164.55	178.41
	Quick ratio	174.90	125.51	111.25	118.97	133.73
	Interest earned ratio (times)	680.53	882.22	217.37	272.35	300.10
Operating performance	Accounts receivable turnover (times)	3.58	3.72	4.53	4.69	5.12
	Average collection period	101.96	98.12	80.57	77.83	71.29
	Inventory turnover (times)	11.66	8.43	7.11	6.85	8.02
	Accounts payable turnover (times)	4.60	4.14	4.34	4.07	4.39
	Average days in sales	31.30	43.30	51.34	53.28	45.51
	Property, plant and equipment turnover(times)	19.11	21.08	28.16	31.09	40.53
	Total assets turnover (times)	1.68	1.65	1.84	1.82	1.94
Profitability	Return on total assets (%)	5.66	6.39	7.38	8.35	8.30
	Return on stockholders' equity (%)	9.58	11.82	15.21	17.40	16.37
	Pre-tax income to paid-in capital (%)	20.03	25.67	35.66	44.17	44.40
	Profit ratio (%)	3.36	3.86	3.98	4.57	4.25
	Earnings per share (NT\$)	1.61	2.06	2.85	3.55	4.24
Cash flow	Cash flow ratio (%)	28.77	5.28	14.16	10.15	9.84
	Cash flow adequacy ratio (%)	85.53	84.69	118.29	90.26	71.51
	Cash reinvestment ratio (%)	12.28	(1.98)	8.00	1.00	(0.48)
Leverage	Operating leverage	216.67	235.57	199.17	179.29	182.89
	Financial leverage	100.15	100.13	100.50	100.40	100.36
Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%): 1. Ratio of long-term capital to property, plant and equipment : mainly due to the increase of cash of 2021. 2. Ratio of property, plant and equipment : mainly due to the revenue growth due to increase in net sales of 2021. 3. Cash flow, cash flow adequacy and cash reinvestment ratio : mainly due to the increase in inventory and cash dividends..						

Note1 : Financial data from 2017 to 2021 have all been inspected and authenticated by CPAs.

Note2 : Calculation formula is same as the above table(A) Note3.

Zero One Technology Company Ltd.

Audit Committee's Review Report

The Board of Directors has prepared the company's 2021 Consolidated, and Parent Company Only Financial Statements. The CPAs of Deloitte & Touche, Chien Liang Liu and Pei De Chen, were retained to audit ZOTC's Financial Statements. The Business Report, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by the supervisors of ZERO ONE Technology Company Limited. According to Article 14-4 of Securities and Exchange Act, and Article 219 of the Company Act, we hereby submit this report.

Sincerely,

The 2022 Annual Shareholders' Meeting

The Audit Committee of ZERO ONE TECHNOLOGY
COMPANY LIMITED

Chairperson: Ming Yuan Lin

23 February 2022

- D. Consolidated Financial Statements for the Years Ended December 31, 2021 and 2020, and Independent Auditors' Report: Please refer to page 99 to 150 of the annual report.
- E. Parent company only Financial Statements for the Years Ended December 31, 2021 and 2020, and Independent Auditors' Report: Please refer to page 151 to 213 of the annual report.
- F. If the Company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the Company's financial situation: None.

VII. Review of Financial Conditions, Financial Performance, and Risk Management

A. Analysis of Financial Status

The annual report shall list the main reasons for any material change in the Company's assets, liabilities, or equity during the past 2 fiscal years, and describe the effect thereof. Where the effect is of material significance, the annual report shall describe the measures to be taken in response (The following amount during the past 2 fiscal years varied by 20 percent or more and the affected amount is NT\$10 million or more)

Units: NT\$ Thousands

Item	Year	2020	2021	difference		
				Amount	%	Note
Current Assets		4,649,078	6,822,463	2,173,385	47%	(1)
Property, Plant and Equipment		308,367	317,114	8,747	3%	
Intangible Assets		1,238	2,008	770	62%	
Other Assets		55,534	54,902	-632	-1%	
Total Assets		5,471,676	7,676,312	2,204,636	40%	(1)
Current Liabilities		2,774,855	3,703,768	928,913	33%	(1)
Noncurrent Liabilities		27,409	28,558	1,149	4%	
Total Liabilities		2,802,264	3,732,326	930,062	33%	(1)
Total Equity Attributable to Owners Of The Company		2,657,270	3,908,193	1,250,923	47%	(2)
Capital Stock		1,256,402	1,519,707	263,305	21%	(3)
Capital Surplus		478,757	1,234,325	755,568	158%	(3)
Retained Earnings		887,761	1,095,479	207,718	23%	(1)
Other Equity		34,350	58,682	24,332	71%	(4)
Treasury Stock		—	—	—	—	
Non-Controlling Interest		12,142	35,793	23,651	195%	(5)
Total Stockholders' Equity		2,669,412	3,943,986	1,274,574	48%	(2)
1. Analysis of changes in financial ratios: (Changes by 20% or more and NTD 10 million or more)						
(1) Current assets, total assets, current liabilities, total liabilities and retained earnings: This is due to the increase the number of projects which in turn contribute to the increase in revenue and growth of net profits. Consequently resulted in the increase of accounts receivable and payables simultaneously.						
(2) Equity and total equity attributable to owners of the Company: This is due to the cash capital increase and net profit growth in 2021.						
(3) Share capital and capital surplus: As a result of the cash capital increase in 2021 with 25 million shares (NT\$40 per share) issued in 2021.						
(4) Other equity: As a result of the increase in the unrealized gain (loss) on investments in equity instruments designated as at fair value.						
(5) Non-controlling interest: As a result of the increase in investments using equity method.						
2. Countermeasures : N.A.						

B. Analysis of financial performance

Units: NT\$ Thousands

Item	Year	2020	2021	Differences Amount	Differences %	Note
Net Revenue		9,834,318	12,878,177	3,043,859	31%	(1)
Gross operating profit		1,046,126	1,295,511	249,385	24%	(1)
Profit from operations		504,640	626,171	121,531	24%	(1)
Non-business income and expenditure		49,335	47,026	(2,309)	-5%	
Pre-tax profit		553,975	673,197	119,222	22%	(1)
Net profit (losses)		440,398	536,122	95,724	22%	(1)
Other comprehensive (loss) income for the year, net of income tax		21,860	69,253	47,393	217%	(2)
Total comprehensive (loss) income		462,258	605,375	143,117	31%	(1)
<p>1. Analysis of changes in financial ratios: (changes by 20% or more and NTD 10 million or more)</p> <p>(1) Operating revenue, gross profit, profits from operations, profit before income tax, net profit for the current period, total comprehensive income for the period: This is due to the substantial growth in the sales performance in 2021.</p> <p>(2) Other consolidated comprehensive income for the period: This is due to the increase in unrealized gain (loss) in equity instruments designated as at fair value through other comprehensive income in 2021.</p> <p>2. The anticipated sales volume and its impacts on the financial and business operations and countermeasures for the coming year :</p> <p>(1) The Company will continue to focus on IT infrastructure, cloud platform and application, network and information security, AI big data and application and value-added service sales in the agent product section, as most of are in project sales and value-added service categories, and the unit price of products is high, therefore, the expected sales volume this year will not differ too much different from previous years.</p> <p>(2) That fact that the Company's business direction has not changed significantly in 2021, and the financial structure remains solid, the expected results of business have no material impact on future finance and business operations.</p>						

C. Analysis of Cash Flow

(A) Cash Flow Analysis for the Current Year

Units: NT Thousands

Balance of cash at start of term (1)	Net cash flow from business activities throughout the year (2)	Net cash flow from Investing and Financing activities throughout the year (3)	Balance of cash (shortage) (1)+(2)-(3)	Remedies for shortage in cash	
				Investment plan	Wealth management plan
637,890	345,972	32,208	1,016,070	—	—

1. Cash utilization and liquidity analysis of the current year:

(1) Business activities: Net cash generated NT\$ 345,972 thousand.

(2) Investing activities: Net cash used NT\$ 616,271 thousand; It is generated mainly by disposal of financial instrument.

(3) Financing activities: Net cash generated NT\$ 652,526 thousand; (with Effect of foreign Exchange 4,047); It is generated mainly by the decrease of short-term loans and distribution of cash dividends.

2. Remedy for Cash Deficit and Liquidity Analysis: Not applicable.

(B) Cash Flow Analysis for the Coming Year

Units: NT Thousands

Balance of cash at start of term (1)	Expected net cash flow from business activities throughout the year (2)	Expected net cashflow from Investing and Financing activities throughout the year (3)	Expected balance of cash (shortage) (1)+(2)-(3)	Expected remedies for shortage in cash	
				Investment plan	Wealth management plan
1,016,070	203,007	(593,672)	625,405	—	—

1. Cash utilization and liquidity analysis for the coming year:

(1) Business activities: Since the increase of operating revenues is expected, cash generated from operating revenue shall be NT\$ 203,007 thousand.

(2) Investing activities: We don't have any important investment plan in the future.

(3) Financing activities: Net cash used due to distribution of cash dividends.

2. Expected remedies for shortage in cash and liquidity analysis: Not applicable.

D. Major Capital Expenditure Items and Source of Capital: None.

E. Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans, and Investment Plans for the Coming Year

(A) Investment Policy

Our investment policy not only focuses on investing IT-related manufacturing and services industries for broadening the business horizon in IT-related services industries, but also concentrated on investing a company with positive rate of return, hence we decide whether shall we continue to invest a company or not, by reviewing the growth rate of return of our investee.

(B) Main Causes for Profits or Losses, Improvement Plans in the previous Year.

Units: NT Thousands

Item	Main Businesses	Income (Loss) Amount	Reasons for Gain or Loss	Action Plan
Asiaone Holdings Ltd.	Holding company	2,238	Investment profit or loss recognized	None.
ZeroneWin Investment Co., Ltd.	Investment	(5,145)	Holding company established in 2017, profit or loss recognized based on the operational status of investees.	None. Positive business growth is ongoing and expected to contribute to the profits of the parent company in the future.
Zotech Technology Co., Ltd.	Service for telecom equipment	(5,691)	Due to the change in company operational strategy.	
WingWill International Co., Ltd.	Services of cloud information software	(8,703)	Due to focusing on expanding the team and market influence.	
DigiCosmos Tech. Co., Ltd.	R&D, sale and service of information software	(186)	Newly established in 2021.	
TrustONE Security Inc.	R&D, sale and service of information software	(2,603)	Newly established in 2021.	
Leukocyte-Lab Co. Ltd.	IT Security Mgt& R&D, sales & consulting service.	(1,356)	Caused by the delay of Project due the pandemic	
Techone(Shanghai)Co.,Ltd.	Tenical service for network technology	2,295	Steady growth in profits as product line and service expanded.	None.
PetaCom technology Co., Ltd.	Services of distribution of information product	5,202	Increase in service income.	None.

(C) Investment plan for the coming year: Strategic investments in the capital increase for subsidiaries and information-related services.

F. Analysis of Risk Management

(A) Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures.

Units: NT Thousands

Remarks	Effects on gain or loss				Future plan
	Balance of loan	Level of interest rates of loans	Interest expenses (Thousand)	Effects of changes in retained earnings	
Changes in interest rates	Balance of loan is zero thousand in 2021.	-	2,360	0.02 dollars	By regularly evaluating the interest rate of the bank loans, and its effects on gain or loss of the Company, we shall acquire a favorable interest rate of loans by actual requirements.
Changes in foreign exchange rates	The Company is mainly on domestic sales. The Company's distributed product line includes a large proportion of import from foreign manufacturers. Therefore, the recent annual exchange rate of US dollar has a considerable impact on the Company's profitability.	Foreign exchange gains are 19,426 thousand in 2021.		0.15 dollars	
Inflation	The Company belongs to the service industry of information software, distributing foreign authorized products for domestic sales. Inflation of domestic raw materials has no significant impact on the Company.				

(B) Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions.

1. Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, and Derivatives Transactions:

The Company and its subsidiaries are not engaged in high-risk and highly leveraged investments. The policy of trading of the derivative is to reduce the risk of changes in the fair value of the assets and liabilities of the Company and its subsidiaries. Under this principle, the Company engages in forward exchange transactions to circumvent the risk of changes in cash flows arising from fluctuations by the change of foreign exchange rate due to transactions' purchase prices that are denominated in US dollars.

2. Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to Lending or Endorsement Guarantees

As of the print date of the annual report, the Company has lent loan to indirectly 87.93% of the holding company (Wing Will International Co., Ltd.), with a limit of NT\$ 20 million as approved by the Board on November 12, 2021, and to 100% of the holding company (Zerone Win Investment Co., Ltd.), with a limit of NT\$ 50 million as approved by the Board on April 14, 2021, according to the "Regulations Governing Loaning of Funds and Making of Endorsement /Guarantees", and announced related information on time.

(C) Future R&D plans and estimated R&D expenses to be invested in

In the coming year, in addition to focusing on the information service of agency products, the Company and its subsidiaries will continue to invest in the research and development of their own products and related applications of the IoT market.

1. Products

(1) Print Server: It is still necessary to continue to carry out software and hardware revisions in response to the lack of materials and the evolution of the IC manufacturing process.

(2) The second generation Z920K Sub-G networking device. Build edge computing and 5G applications.

2. MagicBox related R&D programs (more than a year)

(1) Load more basic AI models, including

a. Acoustic AI in noise reduction and vocal separation applications

b. Application of image AI in NDT ADR

c. Application of AI imaging in the field of health care

d. The applications of AutoML AI data in intelligent agriculture

(2) Output, Input and sensing:

a. Add the necessary five-sense I/O interface and output control

b. Connection of image scanner, R&D of TWAIN communication protocol

c. Connection of sound reception equipment, manufacturing machines related

3. Necessary connection of decision-making platforms:

IfTTT and PaaS/SaaS platforms

4. Pre- and post-processing of image and sound

GPUs, Audio Codec, and new SoC accelerators, among others

;The total amount of R&D expenses expected to be invested in the above projects in 2021 is approximately NT\$10 million.

(D) Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales.

There were no significant changes in policies and regulations relating to

corporate finance and sales as of the date of publication of the annual report in 2022 and 2021. In the event of a significant change in policies and regulations relating to corporate finance and sales, the Company would consult with or engage legal practitioners and or public accountants to assess the impact and develop a response plan, in order to obey the laws and reduce effects of changes in policies and regulations relating to corporate finance and sales.

- (E) Effects of and Response to Changes in Technology (including Information security risk) and the Industry Relating to Corporate Finance and Sales.

In the case of technological changes, the Company will adjust the direction of product development and sales distribution on time in response to changes in market products that affect the Company's gain or loss. In addition, the Company shall be highly sensitive to changes in industrial technologies and receive market news in response to the impact of financial business due to changes in the industry. Moreover, company will focus on the following overall optimization projects in the completion of the capital increase in 2021, in order to successfully respond to the changes in the market industry and economic trends in the next few years and the increasing security risks of information communication.

- 加速策略夥伴結盟的佈局與投資
Accelerate the layout and investment of strategic partnerships
- 提供更多元的品牌整合行銷資源
Provide more diversified brand integrated marketing resources
- 擴大團隊投注在人才的選、育、留、用
Expansion of the team focusing in the selection, training, retention and use of talents
- 升級集團數位轉型所需的智慧化系統
Upgrading the Group's Intelligent System for Digital Transformation

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- (F) The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures.

The Company has always obeyed the law, put much effort in strengthening corporate governance, and maintain a good corporate image. So far, there has not been a situation that will change the corporate image, so it has not caused the impact of corporate crisis management.

- (G) Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans: None.
- (H) Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans: None.
- (I) Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration:

The major sales customers of the Company and its subsidiaries are diversified, apart from HWACOM SYSTEMS INC. (17.50%), individual revenues of the sales customers are not more than 10%, so no risk of concentration of sales exist. The major top 2 suppliers are 60.92% of the total amount for purchases, which are internationally famous suppliers of information software and hardware. The Company and its subsidiaries are also the major distributor of the manufacturer, and

maintain a long-term relationship with them, by reduction of the risk of concentrated purchases through diversification of sales products and continuous development of new products.

(J) Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%: None.

(K) Effects of, Risks Relating to and Response to the Changes in Management Rights: None.

(L) Litigation or Non-litigation Matters:

1. List major litigious, non-litigious or administrative disputes that: The Company have been involved or concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the annual report shall disclose the fact of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the previous year: There is no dispute could materially affect shareholders' equity or the prices of the Company's securities.

2. List major litigious, non-litigious or administrative disputes that: involve the Company and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the Company; and (2) have been concluded by means of a final and unappealable judgment or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the annual report shall disclose the fact of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the previous 2 years: None.

(M) Other Major Risks and countermeasures: None.

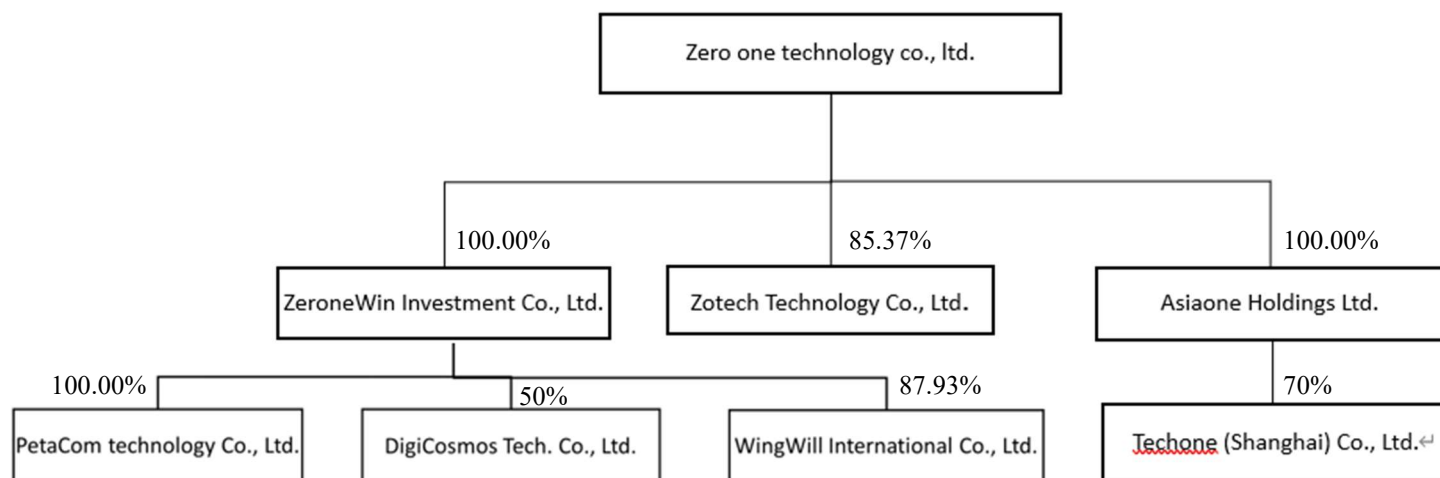
G. Other material matters: None.

VIII. Special Disclosure

A. Summary of affiliated companies in recent years :

(A) Consolidated business report of affiliated companies:

1. Affiliated companies' chart



2. Summary of each affiliated company

Company	Date of Incorporation	Place of Registration	Capital Stock (NT\$)	Main business or production activities
Zotech Co., Ltd.	2014/06/20	2F., No.5, Aly.22, Ln.513, Ruiguang Rd., Neihu Dist., Taipei City	41,000,000	Services of telecommunication apparatus
ZeroneWin Investment Co., Ltd.	2017/04/06	10F., No.8, Ln.360, Sec. 1, Neihu Rd., Neihu Dist., Taipei City	300,000,000	Investment
WingWill International Co., Ltd	2017/07/07	9F., No.8, Ln.360, Sec.1, Neihu Rd., Neihu Dist., Taipei City	10,000,000	Services of cloud information software
Petacom Technology co., ltd.	2017/07/07	9F., No.6, Ln. 360, Sec.1, Neihu Rd., Neihu Dist., Taipei City	50,000,000	Services of information product agent
DigiCosmos Tech. Co., Ltd.	2021/05/07	8F., No. 32, Ln. 407, Sec. 2, Tiding Blvd., Neihu Dist., Taipei City	50,000,000	Services of Information Security Consulting
Asiaone Holdings Ltd	2019/06/27	Suite1, Commercial House One, Eden Island, Republic of Seychelles	10,063,000	Holding company
Techone (Shanghai) Co., Ltd.	2020/10/31	Room501, Building14, No.258, Chen-Jia-Chiao Rd., Min-Xin District, Shanghai City, China PRC	13,131,000	Technical service for network technology

(B) Consolidated financial statements of affiliated companies : Please refer to Page. 99 to 150

(C) Report of affiliated companies : Not applicable.

B. Private Placement Securities in the Most Recent Years : None.

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

D. Other supplementary information : None.

IX. Any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

ZERO ONE TECHNOLOGY CO., LTD.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS FOR THE
YEARS ENDED DECEMBER 31, 2021 AND 2020 AND
INDEPENDENT AUDITORS' REPORT

Address: 10F., No. 8, Ln. 360, Sec. 1, Neihu Rd., Neihu Dist., Taipei City
Office Number : +886 2 2656 5656

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DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities that are required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2021 (starting from 1 January till 31 December, 2021) are all the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the consolidated financial statements is included in the consolidated financial statements. Consequently, Zero One Technology Co., Ltd. and its subsidiaries do not prepare a separate set of consolidated financial statements.

Very truly yours,

Zero One Technology Co., Ltd.

By

Chia Hsin, Lin
Chairman

February 23, 2022

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Zero One Technology Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Zero One Technology Co., Ltd. and subsidiaries (the “Group”), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2021 are stated as follows:

Authenticity of the Occurrence of Operating Income – Operating Income from Some Clients

The operating income of Zero One Technology Co., Ltd. mainly comes from the sales of computer software and hardware, peripheral equipment and components, and the fact that the growth rate of operating income from some clients exceeds the average growth rate, has in turn created a significant impact on the operating income and profit of Zero One Technology Co., Ltd., in consideration of the higher innate risk of fraud that income recognition carries, and that there may be pressure on management to achieve expected financial goals, we consider such revenue a key audit matter.

We address the above mentioned income that the management evaluated by taking main audit procedures as follows:

1. Understand and test the main internal control systems for such income, and evaluate the effectiveness of its design and implementation.

2. Obtain the detailed accounts of these incomes, select samples to perform tests of details, and review documents such as purchase orders, delivery orders, and invoices to confirm the authenticity of these incomes.
3. Obtain the detailed accounts of these incomes, and select samples to test whether there is a significant difference in the subjects of the payment reconciliation and the amounts of the receipts, so as to confirm the authenticity of these incomes.

Other Matter

We have also audited the parent company only financial statements of Zero One Technology Co., Ltd. as of and for the years ended December 31, 2021 and 2020 on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that

may cast significant doubt on the Group 's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 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.

The engagement partners on the audit resulting in this independent auditors' report are Chien-Liang Liu and Pei-De Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China
February 23, 2022

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,016,070	13	\$ 637,890	12
Financial assets at fair value through profit or loss (Notes 4 and 7)	346,392	5	360,873	7
Financial assets at amortized cost (Notes 4 and 9)	895,930	12	238,510	4
Notes receivable (Notes 4 and 11)	288,710	4	230,490	4
Trade receivables (Notes 4 and 11)	2,595,990	34	1,909,941	35
Current tax assets (Note 4)	831	-	831	-
Inventories (Notes 4, 5 and 12)	1,647,322	21	1,242,141	23
Other current assets	31,218	-	28,402	-
Total current assets	<u>6,822,463</u>	<u>89</u>	<u>4,649,078</u>	<u>85</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss (Notes 4 and 7)	37,846	-	35,391	1
Financial assets at fair value through other comprehensive income (Notes 4 and 8)	364,727	5	339,515	6
Financial assets at amortized cost (Notes 4, 9, 10 and 28)	50,565	1	69,526	1
Investments accounted for using equity method (Notes 4 and 14)	11,541	-	-	-
Property, plant and equipment (Notes 4, 15 and 28)	317,114	4	308,367	6
Right-of-use assets (Notes 4 and 16)	15,146	-	13,027	-
Intangible assets	2,008	-	1,238	-
Deferred tax assets (Notes 4 and 22)	44,484	1	37,594	1
Refundable deposits	10,418	-	7,940	-
Prepayments for investments	-	-	10,000	-
Total non-current assets	<u>853,849</u>	<u>11</u>	<u>822,598</u>	<u>15</u>
TOTAL	<u>\$ 7,676,312</u>	<u>100</u>	<u>\$ 5,471,676</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Trade payables	\$ 3,008,135	39	2,245,464	41
Other payables (Note 17)	270,077	4	246,382	5
Current tax liabilities (Note 4)	98,067	1	59,661	1
Lease liabilities (Notes 4 and 16)	7,486	-	7,484	-
Other current liabilities (Note 20)	320,003	4	215,864	4
Total current liabilities	<u>3,703,768</u>	<u>48</u>	<u>2,774,855</u>	<u>51</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 22)	488	-	20	-
Lease liabilities (Notes 4 and 16)	8,046	-	5,607	-
Net defined benefits liabilities - non-current (Notes 4 and 18)	19,224	1	20,982	-
Guarantee deposits received	800	-	800	-
Total non-current liabilities	<u>28,558</u>	<u>1</u>	<u>27,409</u>	<u>-</u>
Total liabilities	<u>3,732,326</u>	<u>49</u>	<u>2,802,264</u>	<u>51</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 19)				
Ordinary shares	1,519,707	20	1,256,402	23
Capital surplus	1,234,325	16	478,757	9
Retained earnings				
Legal reserve	263,963	3	219,863	4
Unappropriated earnings	831,516	11	667,898	12
Total retained earnings	<u>1,095,479</u>	<u>14</u>	<u>887,761</u>	<u>16</u>
Other equity	58,682	1	34,350	1
Total equity attributable to owners of the Company	<u>3,908,193</u>	<u>51</u>	<u>2,657,270</u>	<u>49</u>
NON-CONTROLLING INTERESTS				
	35,793	-	12,142	-
Total equity	<u>3,943,986</u>	<u>51</u>	<u>2,669,412</u>	<u>49</u>
TOTAL	<u>\$ 7,676,312</u>	<u>100</u>	<u>\$ 5,471,676</u>	<u>100</u>

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

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 20)	\$ 12,878,177	100	\$ 9,834,318	100
OPERATING COSTS (Notes 12 and 21)	<u>11,582,666</u>	<u>90</u>	<u>8,788,192</u>	<u>89</u>
GROSS PROFIT	<u>1,295,511</u>	<u>10</u>	<u>1,046,126</u>	<u>11</u>
OPERATING EXPENSES (Notes 18 and 21)				
Selling and marketing expenses	511,997	4	402,658	4
General and administrative expenses	153,995	1	134,663	2
Research and development expenses	10,029	-	7,427	-
Reversal of expected credit losses (Note 11)	(<u>6,681</u>)	<u>-</u>	(<u>3,262</u>)	<u>-</u>
Total operating expenses	<u>669,340</u>	<u>5</u>	<u>541,486</u>	<u>6</u>
PROFIT FROM OPERATIONS	<u>626,171</u>	<u>5</u>	<u>504,640</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	4,763	-	17,768	1
Other income	16,385	-	16,943	-
Other gains and losses (Note 21)	29,505	-	15,493	-
Net gain on derecognition of financial assets at amortized cost (Note 9)	2,692	-	1,260	-
Finance costs	(<u>2,360</u>)	<u>-</u>	(<u>2,129</u>)	<u>-</u>
Share of profit or loss of associates and joint ventures accounted for using equity method	(<u>3,959</u>)	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating income and expenses	<u>47,026</u>	<u>-</u>	<u>49,335</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	673,197	5	553,975	6
INCOME TAX EXPENSE (Notes 4 and 22)	<u>137,075</u>	<u>1</u>	<u>113,577</u>	<u>1</u>
NET PROFIT	<u>536,122</u>	<u>4</u>	<u>440,398</u>	<u>5</u>

(Continued)

	2021		2020	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ 224	-	(\$ 212)	-
Unrealized gain (loss) on investments in equity instruments designated as at fair value through other comprehensive income	69,170	1	21,924	-
Income tax relating to remeasurement of defined benefit plans	(45)	-	43	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	(96)	-	105	-
Other comprehensive income (loss) for the year, net of income tax	<u>69,253</u>	<u>1</u>	<u>21,860</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 605,375</u>	<u>5</u>	<u>\$ 462,258</u>	<u>5</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 537,359	4	\$ 441,623	5
Non-controlling interests	(1,237)	-	(1,225)	-
	<u>\$ 536,122</u>	<u>4</u>	<u>\$ 440,398</u>	<u>5</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 606,656	5	\$ 463,499	5
Non-controlling interests	(1,281)	-	(1,241)	-
	<u>\$ 605,375</u>	<u>5</u>	<u>\$ 462,258</u>	<u>5</u>
EARNINGS PER SHARE (Note 23)				
From continuing operations				
Basic	<u>\$ 4.24</u>		<u>\$ 3.55</u>	
Diluted	<u>\$ 4.13</u>		<u>\$ 3.44</u>	

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

(Concluded)

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars, Except Earnings Per Share))

	Equity Attributable to Owners of the Company							Other Equity						
	Share Capital		Retained Earnings					Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Comprehensive Income	Unearned Employee Benefits	Total	Total	Non-controlling Interests	Total Equity
	Shares (In Thousand)	Issued Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total							
BALANCE, JANUARY 1, 2020	124,635	\$ 1,246,352	\$ 470,136	\$ 184,732	\$ 16,844	\$ 494,764	\$ 696,340	-	\$ 17,865	(\$ 10,389)	\$ 7,476	\$ 2,420,304	\$ 5,885	\$ 2,426,189
Appropriation of the 2019 earnings														
Legal reserve	-	-	-	35,131	-	(35,131)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	(16,844)	16,844	-	-	-	-	-	-	-	-
Cash dividends -NT \$2 per share	-	-	-	-	-	(249,574)	(249,574)	-	-	-	-	(249,574)	-	(249,574)
Net profit (loss) for the year ended December 31, 2020	-	-	-	-	-	441,623	441,623	-	-	-	-	441,623	(1,225)	440,398
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	(169)	(169)	74	21,971	-	22,045	21,876	(16)	21,860
Total comprehensive income (loss) for the year ended December 31, 2020.	-	-	-	-	-	441,454	441,454	74	21,971	-	22,045	463,499	(1,241)	462,258
Changes in percentage of ownership interests in subsidiaries	-	-	(2,481)	-	-	(718)	(718)	-	-	-	-	(3,199)	3,199	-
Share based payment transaction –employee restricted shares	-	-	-	-	-	-	-	-	-	5,088	5,088	5,088	-	5,088
Share based payment transaction - employee stock options	-	-	6,894	-	-	-	-	-	-	-	-	6,894	-	6,894
Cancellation of employee restricted shares	(12)	(120)	120	-	-	-	-	-	-	-	-	-	-	-
Issuance of ordinary shares under employee stock options	1,017	10,170	4,088	-	-	-	-	-	-	-	-	14,258	-	14,258
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(108)	(108)
Disposals of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	259	259	-	(259)	-	(259)	-	-	-
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	4,407	4,407
BALANCE, DECEMBER 31, 2020	125,640	1,256,402	478,757	219,863	-	667,898	887,761	74	39,577	(5,301)	34,350	2,657,270	12,142	2,669,412
Appropriation of the 2020 earnings														
Legal reserve	-	-	-	44,100	-	(44,100)	-	-	-	-	-	-	-	-
Cash dividends – NT \$3 per share	-	-	-	-	-	(377,836)	(377,836)	-	-	-	-	(377,836)	-	(377,836)
Net profit (loss) for the year ended December 31, 2021	-	-	-	-	-	537,359	537,359	-	-	-	-	537,359	(1,237)	536,122
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	179	179	(68)	69,186	-	69,118	69,297	(44)	69,253
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	537,538	537,538	(68)	69,186	-	69,118	606,656	(1,281)	605,375
Issuance of shares for cash	25,000	250,000	747,430	-	-	-	-	-	-	-	-	997,430	-	997,430
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	-	-	68	-	-	-	-	-	-	-	-	68	(68)	-
Share based payment transaction – employee restricted shares	-	-	-	-	-	-	-	-	-	3,230	3,230	3,230	-	3,230
Share based payment transaction - employee stock options	-	-	1,518	-	-	-	-	-	-	-	-	1,518	-	1,518
Cancellation of employee restricted shares	(15)	(150)	150	-	-	-	-	-	-	-	-	-	-	-
Issuance of ordinary shares under employee stock options	1,346	13,455	6,402	-	-	-	-	-	-	-	-	19,857	-	19,857
Disposals of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	48,016	48,016	-	(48,016)	-	(48,016)	-	-	-
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	25,000	25,000
BALANCE, DECEMBER 31, 2021	151,971	\$ 1,519,707	\$ 1,234,325	\$ 263,963	\$ -	\$ 831,516	\$ 1,095,479	\$ 6	\$ 60,747	(\$ 2,071)	\$ 58,682	\$ 3,908,193	\$ 35,793	\$ 3,943,986

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

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 673,197	\$ 553,975
Adjustments for:		
Depreciation expenses	25,028	22,861
Amortization expenses	1,224	802
Reversal of expected credit losses	(6,681)	(3,262)
Net gain on fair value change of financial assets at fair value through profit or loss	(10,079)	(5,141)
Finance costs	2,360	2,129
Net gain on derecognition of financial assets at amortized cost	(2,692)	(1,260)
Interest income	(4,763)	(17,768)
Dividend income	(11,784)	(10,911)
Compensation costs of employee stock options	4,748	11,982
Share of loss of associates accounted for using equity method	3,959	-
Gain on disposal of investments accounted for using equity method	-	(275)
Write-down (reversal of write-down) of inventories	33,480	(7,372)
Net loss on foreign currency exchange	989	6,571
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	22,105	(295,418)
Notes receivable	(58,220)	48,638
Trade receivables	(681,031)	(153,446)
Inventories	(454,675)	82,122
Other current assets	19,098	3,596
Trade payables	766,624	214,634
Other payables	25,616	(133,506)
Other current liabilities	104,139	72,792
Net defined benefit liabilities	(<u>1,534</u>)	(<u>1,148</u>)
Cash generated from operations	451,108	390,595
Income tax paid	(<u>105,136</u>)	(<u>106,497</u>)
Net cash generated from operating activities	<u>345,972</u>	<u>284,098</u>

(Continued)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(\$ 55,570)	(\$ 93,118)
Proceeds from sale of financial assets at fair value through other comprehensive income	86,841	24,217
Proceeds from the return of capital upon investees' capital reduction of financial assets at fair value through other comprehensive income	-	3,078
Purchase of financial assets at amortized cost	(957,088)	(236,229)
Disposal of financial assets at amortized cost	319,835	707,148
Acquisition of investments accounted for using equity method	(15,500)	-
Proceeds from disposal of investments accounted for using equity method	-	275
Increase in prepayments for investments	-	(10,000)
Payments for property, plant and equipment	(8,894)	(7,507)
Proceeds from disposal of property, plant and equipment	-	540
Increase in refundable deposits	(2,478)	(2,599)
Payments for intangible assets	(980)	(645)
Interest received	5,863	20,564
Other dividends received	<u>11,700</u>	<u>10,911</u>
Net cash (used in) generated from investing activities	<u>(616,271)</u>	<u>416,635</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	-	(150,000)
Refund of guarantee deposits received	-	(371)
Repayment of principal portion of lease liabilities	(9,565)	(7,178)
Dividends paid	(377,836)	(249,574)
Proceeds from issuance of shares	997,430	-
Exercise of employee stock options	19,857	14,258
Partial disposal of interests in subsidiaries	25,000	-
Interest paid	(2,360)	(2,133)
Dividends paid to non-controlling interests	-	(108)
Increase in non-controlling interests	<u>-</u>	<u>4,407</u>
Net cash generated from (used in) financing activities	<u>652,526</u>	<u>(390,699)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>(4,047)</u>	<u>(7,641)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	378,180	302,393
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>637,890</u>	<u>335,497</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,016,070</u>	<u>\$ 637,890</u>

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

(Concluded)

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2021 and 2020
 (Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. GENERAL

Zero One Technology Co., Ltd. (the “Company” or “ZOTC”) was incorporated as a company limited by shares under the provisions of the Group Law of the Republic of China on June 27, 1980. On January 21, 2000, ZOTC’s Shares were listed on Taipei Exchange (TPEX). On August 26, 2002, ZOTC’s shares were listed on the Taiwan Stock Exchange (TWSE). ZOTC is a dedicated foundry in the technology industry which engages mainly in the design, manufacturing, packaging, selling, consulting and services of electronic information, computer software, hardware, accessories, components and Chinese data processing, etc.

The consolidated financial statements are expressed by the functional currency (New Taiwan Dollars) of the Group.

2. THE DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved by the Board of Directors and issued on February 23, 2022.

3. APPLICATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

(1) Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

Application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group’s accounting policies.

(2) The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2022

<u>New / Revised / Amended Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
“Annual Improvements to IFRS Standards 2018–2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 are applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” are applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business mergers for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of aforementioned standards and interpretations will have on the Group’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

(3) New IFRSs in issue by the IASB but not yet endorsed and issued into effect by the FSC

<u>New / Revised / Amended Standards and Interpretations</u>	<u>Effective Date Announced by the IASB (Note 1)</u>
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 IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2022 (Note 4)

Note 1: Unless stated otherwise, the above new, revised or amended standards and interpretations are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes will be recognized for temporary differences associated with lease and decommissioning obligations on January 1, 2022, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the Group’s consolidated financial statements were authorized for issue, the Group is continuously evaluating the possible impact that the application of above standards and interpretations will have on the Group’s financial position and financial performance, and will disclose the relevant impact when the evaluation is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC.

(2) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair values, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- A. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities, which can be acquired during measurement date;
- B. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- C. Level 3 inputs are unobservable inputs for the asset or liability.

(3) Classification of current and non-current assets and liabilities

Current assets include:

- A. Assets held primarily for the purpose of trading;
- B. Assets expected to be realized within twelve months after the reporting period; and
- C. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- A. Liabilities held primarily for the purpose of trading;
- B. Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the parent company only financial statements are authorized for issue; and
- C. Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period, unless issuing equities to defer settlement wouldn't affect classification, depending on liabilities conditions.

Assets and liabilities that are not classified as current are classified as non-current.

(4) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries). When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When the changes in the Group's ownership interests in subsidiaries do not result in the Group's losing control over the subsidiaries, those changes are accounted for equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in the relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

Please see Note 13, Table 4 and Table 5 for detailed information on subsidiaries (including percentages of ownership and main businesses).

(5) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which the arise.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

When preparing the consolidated financial report, the assets and liabilities of foreign operating organizations (including subsidiaries in countries where they operate or whose currencies are different from those of the Group) are converted to NT dollars at the exchange rate on each balance sheet date. The income and expense items are converted at the average exchange rate of the current period, and the resulting conversion difference is listed in other comprehensive profit and losses (and respectively attributable to the Group and non-controlling interests of the company).

(6) Inventories

Inventories consist of raw materials, materials, work in process, finished goods, and commodities are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale under normal situations. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost on the reporting period.

(7) Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized in the parent company only balance sheet at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate and the distribution received. The Group also recognizes the changes in the equity of associates attributable to the Group.

(8) Property, plant and equipment

Property, plant and equipment are stated at cost, less recognized accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

(9) Impairment of property, plant and equipment, right-of-use assets, and intangible assets (excluding goodwill)

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right of use assets and intangible assets (excluding goodwill), to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are also allocated to individual cash-generating units or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

(10) Financial instruments

Financial assets and financial liabilities are recognized on parent company only balance sheets when a group entity becomes a party to the contractual provisions of the instruments.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

A. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a. Measurement category

The Group's financial assets are classified into the following categories: financial assets at FVTPL, financial assets at amortized cost, and investments in equity instruments at FVTOCI.

(a) Financial assets at FVTPL

For certain financial assets which include debt instrument that do not meet the criteria of amortized cost or FVTOCI, it is mandatorily required to measure them at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The dividends, interest earned and net gain or loss recognized in profit or loss on the financial asset. Fair value is determined in the manner described in Note 26.

(b) Financial assets at amortized cost

Financial assets that meet the following two conditions are subsequently measured at amortized cost:

- a). The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b). The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes and accounts receivable and other financial assets are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to multiply the gross carrying amount of a financial asset.

Cash equivalents, held to meet short-term cash commitments, include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash, as well as deposits in the bank and repurchase bonds, which are subject to an insignificant risk of changes in value.

(c) Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable designate investments in equity instruments that is not held for trading as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments at FVTOCI are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b. Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including notes and trade receivable).

The Group always recognizes the loss allowance by lifetime Expected Credit Loss (i.e. ECL) for notes and accounts receivable. For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

In order for the Group to fulfill the purpose of internal credit and risk management control, under the premise that does not take into account of the collaterals owned by the Group, the following will be deemed as a default of the financial assets:

- (a) Either internal or external information indicates that it is impossible for the debtors to clear the debts;
- (b) Any delay in payment – unless there is reasonable and supporting information that indicates the basis for delaying the payment is more appropriate.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c. De-recognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

B. Equity Instruments

The equity instruments issued by the Group are recognized based on the amount obtained after deducting the cost of direct issue.

C. Financial liabilities

a. Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b. De-recognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(11) Revenue recognition

The Group identifies the contract with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

Revenue from sale of goods

Revenue from sale of goods comes from sales of computer software, hardware, accessories, equipment, and components, etc. Customers have the right of quotation and user, and the responsibility of resale as goods after shipment and taking risks of losses of obsolete goods. The Group recognizes revenues and trade receivable as goods after shipment.

(12) Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

A. The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

B. The Group as lessee

Except for payments for low-value asset leases and short-term leases which are recognized as expenses on a straight-line basis, the Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of the lease.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, and less any lease incentives received, any initial direct costs incurred and an estimate of costs needed to restore the underlying assets. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the parent company only balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rates.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the parent company only balance sheets.

(13) Costs of loans

All Costs of loans incurred shall be recognized as profits and losses at the current period.

(14) Employee benefit

A. Short-term employee benefits.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for service rendered by employees.

B. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contribution.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the Projected Unit Credit Method. Service cost (including current service cost as well as previous service cost, and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur, or when the plan amendment or curtailment occurs/when the settlement occurs. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan.

(15) Share-based payment arrangements

The fair value and expected estimate amounts of the stock options and restricted shares determined at the grant date of the stock options is expensed on a straight-line basis over the vesting period, based on the Group's estimate of stock options that will eventually vest, with a corresponding increase in capital surplus - employee stock options. The fair value determined at the grant date of the stock options is recognized as an expense in full at the grant date when the stock options granted vest immediately.

When restricted shares for employees of the Group are issued, other equity – unearned employee benefits is recognized on the grant date, with a corresponding increase in capital surplus – employee restricted shares. If restricted shares for employees are granted for consideration and should be returned, they are recognized as payables.

At the end of each reporting period, the Group revises its estimate of the number of stock options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus – employee stock options and capital surplus – employee restricted shares.

(17) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

A. Current tax

The Group recognizes current earnings (losses) in accordance with the Income Tax Act of the Republic of China, and calculate the amount for tax payable (recoverable).

Income tax on unappropriated earnings is expensed in the year the shareholders approved the appropriation of earnings which is the year subsequent to the year the earnings are generated according to Taiwan's Income Tax Act.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

B. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the parent company only financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, net operating loss carryforwards and tax credits for research and development expenses to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The deferred tax assets which originally not recognized is also reviewed at the end of each reporting period and recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

C. Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

In the application of the Group's accounting policies, the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates in cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Write-down of inventory

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs necessary to close the sales. The estimation of net realizable value was based on current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31, 2021	December 31, 2020
Cash on hand and revolving funds	\$ 164	\$ 213
Checking accounts and demand deposits in banks	877,506	609,197
Cash equivalents		
Repurchase agreements collateralized by bonds	138,400	28,480
	<u>\$ 1,016,070</u>	<u>\$ 637,890</u>

As the end of reporting period, the market rate intervals of demand deposits in banks and repurchase agreements collateralized by bonds were as follows :

	December 31, 2021	December 31, 2020
Demand deposits in banks	0.005%~0.25%	0.005%~0.32%
Repurchase agreements collateralized by bonds	0.30%~0.39%	0.45%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2021	December 31, 2020
<u>Financial assets – current</u>		
Mandatorily measured at FVTPL		
Domestic convertible bonds	\$ 30,045	\$ 15,966
Domestic listed ordinary shares	1,163	1,785
Fund beneficiary certificates	<u>315,184</u>	<u>343,122</u>
	<u>\$ 346,392</u>	<u>\$ 360,873</u>
<u>Financial assets – non-current</u>		
Mandatorily measured at FVTPL		
Domestic listed preference shares	\$ 14,681	\$ 14,403
Fund beneficiary certificates	<u>23,165</u>	<u>20,988</u>
	<u>\$ 37,846</u>	<u>\$ 35,391</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31, 2021	December 31, 2020
<u>Investments in equity instruments</u>		
<u>Non-current</u>		
Domestic		
Listed ordinary shares and emerging market ordinary shares	\$ 141,197	\$ 123,829
Listed preferred shares	154,877	197,544
Unlisted shares	<u>68,653</u>	<u>18,142</u>
	<u>\$ 364,727</u>	<u>\$ 339,515</u>

The investments in those ordinary and preferred shares are in line with the Group's medium- to long-term strategies and the investment profits are expected to be gained in the long run. The management of the Group management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31, 2021	December 31, 2020
<u>Current</u>		
Domestic investment		
Time deposits with original maturities of more than three months (1)	\$ 148,570	\$ 238,510
Repurchase agreements collateralized by bonds (2)	<u>747,360</u>	<u>-</u>
	<u>\$ 895,930</u>	<u>\$ 238,510</u>
<u>Non-current</u>		
Domestic investment		
Pledged time deposit (3)	\$ 35,124	\$ 25,465
Foreign investment		
Barclays Bank corporate bond (USD) (4)	-	14,895
Prudential plc corporate bond (USD) (5)	-	29,166
Perusahaan Listrik Negara corporate bond (USD) (6)	<u>15,441</u>	<u>-</u>
	<u>\$ 50,565</u>	<u>\$ 69,526</u>

- (1) As of December 31, 2021 and 2020 the market interest rate intervals of time deposit over 3 months portion were 0.76%~0.815% and 0.63%~2.10%, respectively.
- (2) As of December 31, 2021, the market interest rate of repurchase agreements collateralized by bonds over 3 months portion was 0.30%~0.40%.
- (3) Please refer to Note 28 for more details on financial assets at amortized cost under pledge.
- (4) The Group purchased Barclays Bank corporate bond (USD) by USD 527 thousand, with a coupon rate of 4.836%, in August, 2019. As for adjustment portion of investments, the Group sold all bonds by \$15,560 thousand, and recognized \$1,003 thousand of gain from sale of financial assets at amortized cost in July, 2021.
- (5) The Group purchased Prudential plc corporate bond (USD) by USD 1,040 thousand, with a coupon rate of 4.875%, in August, 2019. As for adjustment portion of investments, the Group sold all bonds by \$28,936 thousand, and recognized \$444 thousand of gain from sale of financial assets at amortized cost in July, 2021.
- (6) The Group purchased Perusahaan Listrik Negara corporate bond (USD) by USD 559 thousand, with a coupon rate of 5.25% in May, 2021.
- (7) The Group purchased AT&T corporate bond (USD) by USD 460 thousand with a coupon rate of 3.65% and USD 553 thousand with a coupon rate of 4.50%, in March 2021 and November 2019, respectively. The bonds purchased in March 2021 was of USD 460 thousand. As for adjustment portion of investments, the Group sold all bonds by \$14,021 thousand, and recognized \$1,245 thousand of gain from sale of financial assets at amortized cost in August, 2021; the purchased bonds of USD 553 thousand in November 2019 were sold in November 2020 and recognized \$1,260 thousand of gain from sale of financial assets at amortized cost.
- (8) Please refer to Note 10 for relevant credit risk management and impairment assessment information for financial assets at amortized cost.

10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

The investments in debt instruments of the Group are mainly financial assets at amortized cost.

The strategy that the Group adopts is to invest in debt instruments that are rated as investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is provided by external independent agencies. The Group consistently monitors changes in the credit risks of the invested debt instruments by tracking ratings and relevant information, and reviews the yield curve of bonds, material information of the bond-issuers, etc., so as to evaluate if there is a significant increase in the debt instruments since initial recognition.

The Group assesses the information of investment risk provided by external rating agencies and evaluates the 12-month expected credit loss or lifetime expected credit loss. The bonds that the Group invested are all of investment grade, and the credit risk of the bond-issuers is low and is capable to settle the contractual cash flows. The Group does not anticipate that the corporate bonds invested will have any material expected credit loss resulted from default within the 12 months after the date of the financial statements, and thus did not recognize allowance for loss as of December 31, 2021 and 2020.

11. NOTES AND TRADE RECEIVABLE

	December 31, 2021	December 31, 2020
Measured at amortized cost		
Notes receivable	\$ 288,710	\$ 230,490
Trade receivable	2,600,741	1,921,373
Overdue receivable	-	1,474
Less: Allowances for impairment loss - trade receivable	(4,751)	(11,432)
Less: Allowances for impairment loss - overdue receivable	-	(1,474)
	<u>\$ 2,884,700</u>	<u>\$ 2,140,431</u>

The average credit period of sales of goods of the Group was 60-90 days, and no interest was charged on trade receivable.

In order to minimize credit risk, the Group's management has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Group reviews the recoverable amount of each individual trade receivable at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the Group's management believes the Group's credit risk was significantly reduced.

The Group applies the simplified approach to providing for expected credit losses which permits the use of lifetime expected loss provision for all trade receivable. The expected credit losses of trade receivable on durable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's past experience of receivable and current financial position, expectation of GDP and prospect of the industry, deciding the rate of the expected credit losses by the different levels of credit limits of customers and actual conditions, based on the degree of doubtful accounts triggered by customers of different industries.

The Group writes off an account receivable when there is information indicating that the respective debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery of the receivable. For accounts receivable that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables which are due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivable:

December 31, 2021

	Not Past Due	1-30 Days Past Due	31-60 Days Past Due	61-90 Days Past Due	More Than 90 Days Past Due	Total
Gross carrying amount	\$ 2,850,119	\$ 20,301	\$ 12,883	\$ 5,297	\$ 851	\$ 2,889,451
Loss allowance (Lifetime ECLs)	(435)	(776)	(1,625)	(1,064)	(851)	(4,751)
Amortized cost	\$ 2,849,684	\$ 19,525	\$ 11,258	\$ 4,233	\$ -	\$ 2,884,700

December 31, 2020

	Not Past Due	1-30 Days Past Due	31-60 Days Past Due	61-90 Days Past Due	More Than 90 Days Past Due	Total
Gross carrying amount	\$ 2,138,258	\$ 2,869	\$ 10,160	\$ 576	\$ 1,474	\$ 2,153,337
Loss allowance (Lifetime ECLs)	(5,895)	(899)	(4,344)	(294)	(1,474)	(12,906)
Amortized cost	\$ 2,132,363	\$ 1,970	\$ 5,816	\$ 282	\$ -	\$ 2,140,431

The movements of the loss allowance of trade receivable were as follows:

	2021	2020
Balance at January 1	\$ 12,906	\$ 35,510
Less: Amounts written off	(1,474)	(19,342)
Less: Reversal of loss allowance	(6,681)	(3,262)
Balance at December 31	\$ 4,751	\$ 12,906

12. INVENTORIES

	December 31, 2021	December 31, 2020
Raw materials	\$ 2,914	\$ 3,555
Work in process	2,777	2,626
Finished goods	513	336
Commodities	1,641,118	1,235,624
	\$ 1,647,322	\$ 1,242,141

Cost of sales: The nature of the cost of goods sold is as follows:

	December 31, 2021	December 31, 2020
Cost of sales	\$ 11,549,186	\$ 8,795,564
Inventory write-downs (reversed)	33,480	(7,372)
	\$ 11,582,666	\$ 8,788,192

13. SUBSIDIARIES

(1) Subsidiaries included in the consolidated financial statements

The consolidated entities were as follows:

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Re-mark
			December 31, 2021	December 31, 2020	
ZOTC	Zotech Co., Ltd.	Manufacturing for computer equipment	85.37%	85.37%	-
	Zerone Win Investment Co., Ltd.	Investment	100.00%	100.00%	-
	Asiaone Holdings Ltd.	Holding company	100.00%	100.00%	-
Zerone Win Investment Co., Ltd.	WingWill International Co., Ltd.	Services of cloud information software	87.93%	87.93%	-
	PetaCom Technology Co., Ltd.	Services of information product agent	100.00%	100.00%	-
	DigiCosmos Tech. Co., Ltd.	Consulting service for information security	50.00%	-	B
Asiaone Holdings Ltd.	Techone (Shanghai) Co., Ltd.	Technical service of network technology	70.00%	70.00%	-

A. These are not significant subsidiaries.

B. It was established in May 2021, the Group transferred part of its shares in December 2021, resulting in a decrease in the shareholding ratio from 100% to 50%, but the Group still holds the majority of directors. The transaction as mentioned above did not change the degree of control from the Group to this subsidiary, and was considered as equity transaction, and the consideration received was \$25,000 thousand and the carrying amount of the subsidiary's net assets \$24,932 thousand was calculated based on changes in relative equity. The difference between the actual acquisition or disposal of the equity share price of the subsidiary company and the book value was recognized as capital reserve at \$68 thousand.

(2) Subsidiaries excluded from the consolidated financial statements : None.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates	December 31, 2021	December 31, 2020
Individual Insignificant Associate		
TrustONE Security Inc.	\$ 1,397	\$ -
Leukocyte-Lab Co. Ltd.	10,144	-
	<u>\$ 11,541</u>	<u>\$ -</u>
	<u>Percentage of Equity Holding and Voting Rights</u>	
Name of Associates	December 31, 2021	December 31, 2020
TrustONE Security Inc.	32%	-
Leukocyte-Lab Co. Ltd.	37.5%	-

The Group invested in TrustOne Security Inc. in February 2021 with the investment amount of \$4,000 thousand, and share-holding ratio of 32%. This company engages mainly in the R&D, sale and service of information software.

The Group invested in Leukocyte-Lab Co. Ltd. in September 2021, with the investment amount of \$11,500 thousand, and share-holding ratio of 37.5%. This company engages mainly in IT security management, sale and consulting service.

The Group invested and founded Chi-Ta International Co., Ltd. in March, 2014 with investment amount of \$10,000 thousand, and share-holding ratio of 30%. This company engages mainly in researching and manufacturing hardware of auto-used electronic equipment. Since it kept net losses, foresaw decrease in future cash flows, evaluated recognized \$7,243 thousand of impairment losses in 2015, and recognized book value of \$0 thousand after recognized deficits. In April, 2020, the Group disposed all shares and recognized \$275 thousand in gains.

15. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and equipment	Office equipment	Delivery equipment	Other equipment	Total
<u>Cost</u>							
Balance at January 1, 2020	\$ 234,892	\$ 128,185	\$ 10,887	\$ 35,947	\$ 2,458	\$ 21,474	\$ 433,843
Additions	-	-	-	4,277	-	3,230	7,507
Disposals	-	-	(257)	(505)	-	(926)	(1,688)
Reclassification	-	-	-	1,753	-	891	2,644
Net Exchange Difference	-	-	-	20	-	-	20
Balance at December 31, 2020	<u>\$ 234,892</u>	<u>\$ 128,185</u>	<u>\$ 10,630</u>	<u>\$ 41,492</u>	<u>\$ 2,458</u>	<u>\$ 24,669</u>	<u>\$ 442,326</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2020	\$ -	\$ 71,666	\$ 10,887	\$ 24,926	\$ 984	\$ 10,968	\$ 119,431
Disposals	-	-	(257)	(505)	-	(386)	(1,148)
Depreciation	-	1,816	-	7,821	492	5,543	15,672
Net Exchange Difference	-	-	-	4	-	-	4
Balance at December 31, 2020	<u>\$ 234,892</u>	<u>\$ 73,482</u>	<u>\$ 10,630</u>	<u>\$ 32,246</u>	<u>\$ 1,476</u>	<u>\$ 16,125</u>	<u>\$ 133,959</u>
Carrying amounts at December 31, 2020	<u>\$ 234,892</u>	<u>\$ 54,703</u>	<u>\$ -</u>	<u>\$ 9,246</u>	<u>\$ 982</u>	<u>\$ 8,544</u>	<u>\$ 308,367</u>
<u>Cost</u>							
Balance at January 1, 2021	\$ 234,892	\$ 128,185	\$ 10,630	\$ 41,492	\$ 2,458	\$ 24,669	\$ 442,326
Additions	-	-	206	5,667	-	3,021	8,894
Disposals	-	-	(1,110)	(674)	-	-	(1,784)
Reclassification	-	-	42	1,558	-	13,400	15,000
Net Exchange Difference	-	-	-	(7)	-	-	(7)
Balance at December 31, 2021	<u>\$ 234,892</u>	<u>\$ 128,185</u>	<u>\$ 9,768</u>	<u>\$ 48,036</u>	<u>\$ 2,458</u>	<u>\$ 41,090</u>	<u>\$ 464,429</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2021	\$ -	\$ 73,482	\$ 10,630	\$ 32,246	\$ 1,476	\$ 16,125	\$ 133,959
Disposals	-	-	(1,110)	(674)	-	-	(1,784)
Depreciation	-	1,816	63	6,372	492	6,398	15,141
Reclassification	-	-	42	(42)	-	-	-
Net Exchange Difference	-	-	-	(1)	-	-	(1)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 75,298</u>	<u>\$ 9,625</u>	<u>\$ 37,901</u>	<u>\$ 1,968</u>	<u>\$ 22,523</u>	<u>\$ 147,315</u>
Carrying amounts at December 31, 2021	<u>\$ 234,892</u>	<u>\$ 52,887</u>	<u>\$ 143</u>	<u>\$ 10,135</u>	<u>\$ 490</u>	<u>\$ 18,567</u>	<u>\$ 317,114</u>

Depreciation expenses were depreciated on a straight-line basis over the estimated useful life of the asset:

Buildings	7-50 Years
Machinery equipment	3 Years
Office equipment	3-5 Years
Delivery equipment	5 Years
Other equipment	2-3 Years

Please refer to Note 28 for more details on property, plant and equipment under pledge.

16. LEASE ARRANGEMENTS

(1) Right-of-use assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Carrying amounts of right-of-use assets		
Buildings	\$ 15,003	\$ 12,683
Office equipment	<u>143</u>	<u>344</u>
	<u>\$ 15,146</u>	<u>\$ 13,027</u>
	<u>2021</u>	<u>2020</u>
Additions to right-of-use assets	<u>\$ 12,020</u>	<u>\$ 11,925</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 9,686	\$ 6,988
Office equipment	<u>201</u>	<u>201</u>
	<u>\$ 9,887</u>	<u>\$ 7,189</u>

(2) Lease liabilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Carrying amounts of lease liabilities		
Current	<u>\$ 7,486</u>	<u>\$ 7,484</u>
Non-current	<u>\$ 8,046</u>	<u>\$ 5,607</u>

Ranges of discount rate for lease liabilities was as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Buildings	0.75%~4.75%	0.95%~4.75%
Office equipment	1.20%	1.20%

(3) Other lease information

	<u>2021</u>	<u>2020</u>
Expenses relating to short-term leases	<u>\$ 1,095</u>	<u>\$ 790</u>
Expenses relating to low-value asset leases	<u>\$ 50</u>	<u>\$ 51</u>
Total cash (outflow) for leases	<u>(\$ 10,921)</u>	<u>(\$ 8,195)</u>

17. OTHER PAYABLE

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Salaries and bonuses payable	\$ 135,443	\$ 91,256
Employees', directors', and supervisors' compensation payable	43,071	35,420
Others	<u>91,563</u>	<u>119,706</u>
	<u>\$ 270,077</u>	<u>\$ 246,382</u>

18. RETIREMENT BENEFIT PLANS

(1) Defined contribution plans

The plan under the R.O.C. Labor Pension Act (the "Act") is deemed a defined contribution plan. Pursuant to the Act, the Group has made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts.

(2) Defined benefit plans

ZOTC has defined benefit plans under the R.O.C. Labor Standards Act that provide benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. The Company contributes an amount equal to 2% of salaries paid each month to their respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan. Before the end of each year, the Company assesses the balance in the Funds. If the amount of the balance in the Funds is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The Funds are operated and managed by Bureau of Labor Funds, Ministry of Labor; as such, the Company does not have any right to intervene in the investments of the Funds.

Amounts recognized in respect of these defined benefit plans in consolidated balance sheets were as follows:

	December 31, 2021	December 31, 2020
Present value of defined benefit obligation	\$ 61,127	\$ 60,393
Fair value of plan assets	(41,903)	(39,411)
Net defined benefit liability	<u>\$ 19,224</u>	<u>\$ 20,982</u>

Movements in net defined benefit liabilities (assets) were as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability/Assets
Balance at January 1, 2020	<u>\$ 58,307</u>	<u>(\$ 36,389)</u>	<u>\$ 21,918</u>
Service cost			
Current service cost	256	-	256
Interest expense (income)	<u>437</u>	<u>(275)</u>	<u>162</u>
Recognized in profits or losses	<u>693</u>	<u>(275)</u>	<u>418</u>
Remeasurements			
Return on plan assets (excluding amounts included in interest, net)	-	(1,181)	(1,181)
Actuarial loss arising from changes in demographic assumptions	185	-	185
Actuarial loss arising from changes in financial assumptions	1,320	-	1,320
Actuarial loss arising from experience adjustments	<u>(112)</u>	<u>-</u>	<u>(112)</u>
Recognized in other comprehensive income	<u>1,393</u>	<u>(1,181)</u>	<u>212</u>
Contribution from employer	<u>-</u>	<u>(1,566)</u>	<u>(1,566)</u>
Balance at December 31, 2020	<u>\$ 60,393</u>	<u>(\$ 39,411)</u>	<u>\$ 20,982</u>

(Continued)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability/Assets
Balance at January 1, 2021	\$ 60,393	(\$ 39,411)	\$ 20,982
Service cost			
Current service cost	159	-	159
Interest expense (income)	302	(201)	101
Recognized in profits or losses	461	(201)	260
Remeasurements			
Return on plan assets (excluding amounts included in interest, net)	-	(497)	(497)
Actuarial loss arising from changes in demographic assumptions	1,269	-	1,269
Actuarial loss arising from changes in financial assumptions	(631)	-	(631)
Actuarial gain arising from experience adjustments	(365)	-	(365)
Recognized in other comprehensive income	273	(497)	(224)
Contribution from employer	-	(1,794)	(1,794)
Balance at December 31, 2021	<u>\$ 61,127</u>	<u>(\$ 41,903)</u>	<u>\$ 19,224</u>

(Concluded)

The pension costs of the aforementioned defined benefit plans were recognized in profit or loss by the following categories:

	2021	2020
Selling and marketing expenses	\$ 146	\$ 181
General and administrative expenses	114	237
	<u>\$ 260</u>	<u>\$ 418</u>

Through the defined benefit plans under the R.O.C. Labor Standards Law, the Company is exposed to the following risks:

- A. Investment risk: The pension funds are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the government's designated authorities or under the mandated management. However, under the R.O.C. Labor Standards Law, the rate of return on assets shall not be less than the average interest rate on a two-year time deposit published by the local banks and the government is responsible for any shortfall in the event that the rate of return is less than the required rate of return.
- B. Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the debt investments of the plan assets.
- C. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions at the measurement date were as follows:

	December 31, 2021	December 31, 2020
Discount rate	0.625%	0.500%
Future salary increase rate	2.750%	2.750%

If main actuarial assumptions vary within a reasonable extent, as for other assumption remaining unchanged, the present value of defined benefit obligation increases (decreases) shall be as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount rate		
increases by 0.25%	(\$ <u>1,252</u>)	(\$ <u>1,321</u>)
decreases by 0.25%	<u>\$ 1,294</u>	<u>\$ 1,368</u>
Future salary increase rate		
increases by 0.25%	<u>\$ 1,247</u>	<u>\$ 1,317</u>
decreases by 0.25%	(\$ <u>1,214</u>)	(\$ <u>1,280</u>)

As actuarial assumptions may be correlative with one another, it is less likely that only one single assumption will be changed, the above sensitive analysis cannot indicate actual changes of the present value of defined benefit obligation.

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Contribution amounts within 1 year	<u>\$ 1,843</u>	<u>\$ 1,609</u>
Average due period of the defined benefit obligation	8.3 Years	8.8 Years

19. EQUITY

(1) Ordinary Shares

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Authorized shares (in thousands)	<u>200,000</u>	<u>150,000</u>
Authorized capital	<u>\$ 2,000,000</u>	<u>\$ 1,500,000</u>
Issued and paid shares (in thousands)	<u>151,971</u>	<u>125,640</u>
Issued capital	<u>\$ 1,519,707</u>	<u>\$ 1,256,402</u>

The change in share capital is mainly due to the issuance of new shares from cash capital increase, employee stock options exercised and the cancellation of employee restricted shares.

As per the resolution of the Board of Directors' Meeting held on October 13, 2021, the Company issued 25,000 thousand new shares with a par value of \$10 per share at an issue price of \$40, with December 21, 2021 as the base date for the capital increase.

(2) Capital Surplus

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)</u>		
Premium on shares issued above par value	\$ 1,159,835	\$ 405,951
Treasury stock transactions	25,343	25,343
From exercised and invalid employees stock options	21,459	12,837
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	68	-
<u>May not be used for any purpose</u>		
Employees restricted shares	8,426	8,276
Employees stock options	<u>19,194</u>	<u>26,350</u>
	<u>\$ 1,234,325</u>	<u>\$ 478,757</u>

Note: Such capital surplus may be used to offset a deficit; in addition, when ZOTC has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of ZOTC's paid-in capital surplus and once a year).

(3) Retained earnings and dividend policy

Under the dividends policy as set forth in the Articles of Incorporation, where ZOTC earns profits in a fiscal year, such profit shall first be set aside to pay applicable taxes, offset losses of previous years, then set aside 10% for legal reserve, and also set aside or reverse a special reserve in accordance with the laws and regulations. Should there be any remaining profits, those profits, plus the accumulated undistributed retained earnings from the previous year shall be used first by ZOTC's board of directors as the basis for proposing a distribution plan of dividends for preferred shares for the same year, any further remaining unappropriated earnings after the distribution of dividends of preferred shares shall be distributed in accordance with the proposal submitted by the board of directors, for approval at the shareholders' meeting. The distributable dividends and bonuses may be paid in cash after a supermajority resolution of the board of directors, which shall be submitted to the shareholders' meeting. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors, refer to employees' compensation and remuneration of directors in Note 21 (4).

ZOTC adopts a dividend distribution policy whereby only surplus profits of ZOTC shall be distributed to shareholders. Based on the Company's future capital budget planning and the needs for working capital requirements, as well as taking account into the impact to the extent of the diluted earnings per share and return on equity, no less than 30% of the remaining balance is to be allocated to shareholders and the ratio for cash dividends shall not be lower than 10% of the total shareholders' dividends distributed for the same year.

The appropriation for legal capital reserve shall be made until the reserve equals the Company's paid-in capital. The reserve may be used to offset a deficit, or be distributed as dividends in cash for the portion in excess of 25% of the paid-in capital if the Company incurs no loss.

The appropriations of 2020 and 2019 earnings have been approved by ZOTC's shareholder's meeting held on August 4, 2021 and June 10, 2020, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share(\$)	
	For Fiscal Year 2020	For Fiscal Year 2019	For Fiscal Year 2020	For Fiscal Year 2019
Legal reserve	\$ 44,100	\$ 35,131		
Reversal of Special reserve	-	(16,844)		
Cash dividends	377,836	249,574	\$ 3.0	\$ 2.0

The appropriations of earnings for 2021 had been proposed by ZOTC's board of directors on February 23, 2022. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (\$)
Legal reserve	\$ 58,555	
Cash dividends	547,962	\$ 3.6

The appropriations of earnings for 2021 are subject to the resolution of the shareholders' meeting to be held on May 26, 2022.

20. REVENUE

(1) Income from contracts with clients

	2021	2020
Sales revenue	\$ 12,808,819	\$ 9,771,012
Service revenue	69,358	63,072
Others	-	234
	<u>\$ 12,878,177</u>	<u>\$ 9,834,318</u>

(2) Remaining balance of the contracts

	December 31, 2021	December 31, 2020
Notes receivable (Note 11)	\$ 288,710	\$ 230,490
Trade receivable (Note 11)	\$ 2,595,990	\$ 1,909,941
Contract liability (Other current liabilities)	\$ 52,817	\$ 19,677

21. Net income

(1) Other gains and losses

	<u>2021</u>	<u>2020</u>
Gain on financial assets at FVTPL	\$ 10,079	\$ 5,141
Net foreign exchange gain (loss)	19,426	10,077
Gain on disposal of investment accounted for using the equity method	<u>-</u>	<u>275</u>
	<u>\$ 29,505</u>	<u>\$ 15,493</u>

(2) Depreciation & amortization

	<u>2021</u>	<u>2020</u>
Property, plant and equipment	\$ 15,141	\$ 15,672
Right-of-use assets	9,887	7,189
Intangible assets	<u>1,224</u>	<u>802</u>
	<u>\$ 26,252</u>	<u>\$ 23,663</u>

An analysis of depreciation by function		
Operating expenses	<u>\$ 25,028</u>	<u>\$ 22,861</u>

An analysis of amortization by function		
Operating expenses	<u>\$ 1,224</u>	<u>\$ 802</u>

(3) Employee benefits expense

	<u>2021</u>	<u>2020</u>
Post-employment benefits		
Defined contribution plans	\$ 12,302	\$ 10,922
Defined benefit plans (Note 18)	<u>260</u>	<u>418</u>
	<u>12,562</u>	<u>11,340</u>
Share-based payment		
Equity-settled	<u>4,748</u>	<u>11,982</u>
Other employee benefits	<u>472,292</u>	<u>369,936</u>
Total employee benefits expense	<u>\$ 489,602</u>	<u>\$ 393,258</u>

Employee benefits expense summarized by function		
Operating cost	\$ 3,194	\$ 3,569
Operating expenses	<u>486,408</u>	<u>389,689</u>
	<u>\$ 489,602</u>	<u>\$ 393,258</u>

(4) Compensation for employees and directors

ZOTC shall allocate compensation to employees and Directors of ZOTC not less than 3%~15% and not more than 3% of annual profits during the period, respectively, and the amount of employees' and Directors' compensation for the years ended December 31, 2021 and 2020, with resolution of the board of directors on Feb. 23, 2022 and Feb. 24, 2021, were as follows:

Estimate Rate

	<u>2021</u>	<u>2020</u>
Compensation of employee	4%	4%
Compensation of director	2%	2%

Amount

	<u>2021</u>	<u>2020</u>
	<u>Cash</u>	<u>Cash</u>
Compensation of employee	\$ 28,714	\$ 23,613
Compensation of director	14,357	11,807

If changes in the very amount after the end of the reporting period, it will be booked next year, based on accounting estimate regulations.

The distribution amount of employees' and director's compensation in 2020, and 2019 has no difference compared to the recognized amount of the parent company only financial statements in 2020 and 2019.

Relevant information about employees' and director's compensation can be found on the website of "Market Observation Post System" of TWSE.

22. INCOME TAXES

(1) Income tax recognized in profit or loss

The major components of tax expenses were as follows:

	2021	2020
Current tax		
In respect of the current year	\$ 142,855	\$ 105,290
Surtax on undistributed retained earnings	972	3,771
Adjustments for previous years	(285)	331
	<u>143,542</u>	<u>109,392</u>
Deferred tax		
In respect of the current year	(6,467)	4,185
Income tax expense recognized in profit or loss	<u>\$ 137,075</u>	<u>\$ 113,577</u>

A reconciliation of accounting profit and income tax expense was as follows:

	2021	2020
Profit before income tax from continuing operations	<u>\$ 673,197</u>	<u>\$ 553,975</u>
Income tax expense calculated at the statutory rate	\$ 134,639	\$ 110,795
Tax-exempt income	(6,851)	(3,955)
Tax effect of expenses not deductible for tax	3,808	3,384
Surtax on undistributed retained earnings	972	3,771
Unrecognized deductible temporary difference	(602)	-
Unrecognized tax loss carryforward	5,394	629
The adjustment of current income tax expenses for previous years	(285)	331
Others	-	(1,378)
Total income tax expense recognized in profit or loss	<u>\$ 137,075</u>	<u>\$ 113,577</u>

(2) Deferred tax balances

Movements of deferred tax assets and deferred tax liabilities were as follows:

2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Allowance for inventory valuation losses	\$ 27,657	\$ 6,874	\$ -	\$ 34,531
Defined benefit plans	4,197	(307)	(45)	3,845
Loss carryforward	1,042	446	-	1,488
Others	4,698	(78)	-	4,620
	<u>\$ 37,594</u>	<u>\$ 6,935</u>	<u>(\$ 45)</u>	<u>\$ 44,484</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized foreign exchange gains	\$ 20	\$ 39	\$ -	\$ 59
Others	<u>-</u>	<u>429</u>	<u>-</u>	<u>429</u>
	<u>\$ 20</u>	<u>\$ 468</u>	<u>\$ -</u>	<u>\$ 488</u>

2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for inventory valuation losses	\$ 29,309	(\$ 1,652)	\$ -	\$ 27,657
Allowance for bad debts	2,993	(2,993)	-	-
Defined benefit plans	4,383	(229)	43	4,197
Loss carryforward	-	1,042	-	1,042
Others	<u>5,824</u>	<u>(1,126)</u>	<u>-</u>	<u>4,698</u>
	<u>\$ 42,509</u>	<u>(\$ 4,958)</u>	<u>\$ 43</u>	<u>\$ 37,594</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized foreign exchange gains	<u>\$ 793</u>	<u>(\$ 773)</u>	<u>\$ -</u>	<u>\$ 20</u>

(Concluded)

(3) Amounts of unused loss carryforward for which deferred tax assets have not been recognized

	December 31, 2021	December 31, 2020
Loss carryforward	<u>\$ 46,247</u>	<u>\$ 23,695</u>

(4) Information about unused loss carry-forward

Loss carryforwards as of December 31, 2021 comprised of:

Unused Amount	Expiry Year
\$ 1,886	2027
5,853	2028
7,599	2029
10,942	2030
<u>27,408</u>	2031
<u>\$ 53,688</u>	

(5) Income tax assessment

The Company and subsidiaries' income tax returns have been assessed by the tax authority as follows:

Co. Name	Year of Assessment
The Company	2019
Zotech Co., Ltd.	2019
Zerone Win Investment Co., Ltd.	2019
WingWill International Co., Ltd.	2019
PetaCom Technology Co., Ltd.	2019

23. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net Profit for the Year

	<u>2021</u>	<u>2020</u>
Earnings used in the computation of basic/diluted earnings per share	<u>\$ 537,359</u>	<u>\$ 441,623</u>

Shares

	Units: Thousand shares	
	<u>2021</u>	<u>2020</u>
Weighted average number of ordinary shares used in the computation of basic earnings per share	126,765	124,381
Effect of potentially dilutive ordinary shares :		
Employees' compensation	739	702
Employee stock options	2,295	2,674
Employee restricted shares	<u>367</u>	<u>448</u>
Weighted average number of ordinary shares outstanding in computation of diluted earnings per share	<u>130,166</u>	<u>128,205</u>

If the Group will distribute bonus to employees and the bonus will be settled in cash or shares, the Group will assume that the entire amount of the compensation or bonus will be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares is included and considered in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

24. SHARE-BASED PAYMENT ARRANGEMENTS

(1) Employee stock option plan

In August 2015, September 2016, January 2018, and September 2018, 1,000, 1,860, 2000, and 2,000 options were granted to qualified employees of ZOTC, and each option entitles the holder to subscribe for 1,000 ordinary shares of the Company when exercisable. The options granted are valid for 6 years and shall be exercised a portion of them after two years from the date of grant. The options were granted at an exercise price equal to the fair value of ZOTC's ordinary shares on the grant date. For any subsequent changes in the Company's ordinary shares, the exercise price of options will be adjusted by the regulated formula, accordingly.

Information about employee stock options was as follows:

	<u>2021</u>		<u>2020</u>	
	Number of Options (In Thousands)	Weighted Average Exercise Price (\$)	Number of Options (In Thousands)	Weighted Average Exercise Price (\$)
Employee stock options				
Balance, begin of period	4,468	\$ 16.70	5,653	\$ 17.18
Options exercised	(1,346)	14.76	(1,017)	14.02
Invalid options	(88)	16.35	(168)	17.51
Balance, end of period	<u>3,034</u>	15.93	<u>4,468</u>	16.70
Options exercisable, end of the period	<u>1,595</u>		<u>1,820</u>	

Information about outstanding options at the end of reporting period was as follows:

December 31, 2021		December 31, 2020	
Range of Exercise Price (\$)	Weighted-Over-Age Remaining Contractual Life (Years)	Range of Exercise Price (\$)	Weighted-Over-Age Remaining Contractual Life (Years)
\$ -	-	\$ 11.70 (Note)	0.67
12.50 (Note)	0.68	13.40 (Note)	1.68
15.40 (Note)	2.01	16.80 (Note)	3.01
16.90 (Note)	2.67	18.40 (Note)	3.67

Note: The issued price will be adjusted by methods of issuance.

The Company adopts binomial option pricing model and Black-Scholes price model to evaluate inputs of stock options in September 2018, January 2018, September 2016 and August 2015 as follows:

	September, 2018	January, 2018	September, 2016	August, 2015
Securities price of the vested date	20.65 Dollars	19.85 Dollars	16.95 Dollars	15.65 Dollars
Exercised price	20.65 Dollars	19.85 Dollars	16.95 Dollars	15.65 Dollars
Foreseeable volatility rate	32.96%	33.81%	38.26%	39.14%~40.47%
Duration	6 Years	6 Years	6 Years	4~5 Years
Foreseeable dividend rate	0%	0%	0%	0%
Risk-free interest rate	0.72%	0.74%	0.56%	0.77%~0.87%

The compensation cost recognized were \$1,459 thousand and \$6,894 thousand for the years ended December 31, 2021 and 2020, respectively.

(2) Employee restricted shares

The shareholders meeting of ZOTC, on June 11, 2018, resolved to issue employee restricted shares amounting to \$7,000 thousand, consisting of 700 thousand shares, respectively, par value in \$10, the subscription price is \$0 (The issue price is \$ 0), and authorized the Board to decide the issue price at the issuance date. The Board resolved to issue \$7,000 thousand, with total share number of 700 thousand shares, on April 30, 2019 and the record date of issuance is June 13, 2019.

An employee who remains employed at the Company after the period as follows has elapsed from the time of employee restricted shares and who personal performance have met with the criteria listing, will be eligible for vesting of an installment of the shares.

- A. An employee who remains employed at the company after 1 year has elapsed from the time of employee restricted shares, and who personal performance have met with the criteria listing of 75 scores and above, will be eligible for vesting of an installment of 25% of the shares.
- B. An employee who remains employed at the company after 2 year has elapsed from the time of employee restricted shares, and who personal performance have met with the criteria listing of 75 scores and above, will be eligible for vesting of an installment of 25% of the shares.
- C. An employee who remains employed at the company after 3 year has elapsed from the time of employee restricted shares, and who personal performance have met with the criteria listing of 75 scores and above, will be eligible for vesting of an installment of 25% of the shares.
- D. An employee who remains employed at the company after 4 year has elapsed from the time of employee restricted shares, and who personal performance have met with the criteria listing of 75 scores and above, will be eligible for vesting of an installment of 25% of the shares.

After employees received the vested shares from the Company, it will redeem and cancel the issued employee restricted shares as employees breach the labor contract and working regulations, for the employee restricted shares that don't meet the vesting conditions.

When employees fail to meet the vesting conditions of employee restricted shares as redeemed by the Group without charge will be cancelled, based on the relevant regulations.

Compensation costs by issuance of employee restricted shares recognized were \$5,088 thousand and \$4,767 thousand in 2020 and 2019 respectively. As of December 31, 2020 and 2019, unearned employee benefits totaled \$5,301 thousand and \$10,389 thousand respectively, accounted for as a decrease in other equity.

(3) Reserve of cash capital increase for employee stock options

The Group reserved the cash capital increase for employee stock options in November 2021, this was calculated based on Black-Scholes rating model and the parameters used are as follows:

Securities price of the vested date	\$37.65
Exercised price	\$40.00
Foreseeable volatility rate	20.07%
Foreseeable Duration	0.0658 year
Risk-free interest rate	0.2352%

The cost incurred for reserving cash capital increase for employee stock options in 2021 was 59 thousand dollars.

25. CAPITAL RISK MANAGEMENT

The Group engages mainly in the agent of software, without any plans of imposed capital requirements at present and in the future. The Group manages its capital to ensure requirements of operating funds and dividend expenses, based on growth and development of scale of enterprise and prospective of the industry. The Group periodically reviews the policy of capital risk management, for seeking a steady and conservative policy.

The capital structure of the Group consists of net debt and equity (comprising share capital, capital reserves, retained earnings and other equity).

The Group is not subject to any externally imposed capital requirements.

26. FINANCIAL INSTRUMENTS

(1) Information about Fair value of financial instruments that are not measured at fair value

Except as detailed in the following table, the management believes the carrying amounts of financial liabilities not measured at fair value recognized in the consolidated financial statements approximate or cannot be measured their fair values:

	December 31, 2021		December 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial Assets</u>				
Measured at amortized cost				
– Foreign corporate bonds	\$ 15,441	\$ 15,585	\$ 44,061	\$ 45,323

(2) Information about fair value of financial instruments measured at fair value on a recurring basis.

A. Fair value hierarchy

December 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Domestic convertible bonds	\$ 30,045	\$ -	\$ -	\$ 30,045
Domestic listed shares	15,844	-	-	15,844
Fund beneficiary certificates	<u>328,782</u>	-	<u>9,567</u>	<u>338,349</u>
Total	<u>\$ 374,671</u>	<u>\$ -</u>	<u>\$ 9,567</u>	<u>\$ 384,238</u>
<u>Financial assets at FVTOCI</u>				
Equity investments				
– Domestic listed shares and emerging market shares	\$ 296,074	\$ -	\$ -	\$ 296,074
– Domestic unlisted shares	-	-	<u>68,653</u>	<u>68,653</u>
Total	<u>\$ 296,074</u>	<u>\$ -</u>	<u>\$ 68,653</u>	<u>\$ 364,727</u>

December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Domestic convertible bonds	\$ 15,966	\$ -	\$ -	\$ 15,966
Domestic listed shares	16,188	-	-	16,188
Fund beneficiary certificates	<u>355,581</u>	<u>-</u>	<u>8,529</u>	<u>364,110</u>
Total	<u>\$ 387,735</u>	<u>\$ -</u>	<u>\$ 8,529</u>	<u>\$ 396,264</u>
<u>Financial assets at FVTOCI</u>				
Equity investments				
— Domestic listed shares and emerging market shares	\$ 309,281	\$ -	\$ 12,092	\$ 321,373
— Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>18,142</u>	<u>18,142</u>
Total	<u>\$ 309,281</u>	<u>\$ -</u>	<u>\$ 30,234</u>	<u>\$ 339,515</u>

There were no transfers between Level 1 and Level 2 in 2021 and 2020, respectively.

B. Valuation techniques and inputs applied for Level 3 fair value measurement

Fund beneficiary certificates are an asset-based method that estimates the fair value of individual assets covered by the valuation and evaluation targets, and the total market value of individual liabilities.

Domestic unlisted stocks are based on the market method, which is mainly calculated by referring to the relevant information of listed companies or those with similar industrial nature, and taking into account of their liquidity discounts.

(4) Categories of financial instruments

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets measured at FVTPL		
Mandatorily measured at FVTPL	\$ 384,238	\$ 396,264
Financial assets measured at amortized cost (Note 1)	4,882,817	3,098,473
Financial assets measured at FVTOCI		
— Investments in equity instruments	364,727	339,515
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	3,279,012	2,492,646

Note 1: The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, investments in debt instruments, notes receivable, trade receivable, other receivable, and refundable deposits.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise trade payable, other payable, and deposits received.

(4) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk based on related protocols and internal control procedures. The Group's financial department measures the aforementioned risks based on the Group's risk appetite, and reports to the board of directors for carrying out relevant policies at any time.

A. Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates.

i. Foreign currency risk

The Group's purchases and investments are denominated in foreign currencies. Consequently, the Group is exposed to foreign currency risks. To protect against reductions in value of foreign currency denominated assets and the volatility of future cash flows caused by changes in foreign exchange rates, the Group utilizes derivative financial instruments, such as forward exchange contracts and options, for avoiding foreign currency risks.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities of non-functional currency calculated (including those eliminated on consolidation) at the end of the reporting period are set out in Note 30.

Sensitivity analysis

The Group's exchange rate exposure was in the exchange rate of U.S. dollars.

The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. If the New Taiwan dollar appreciates/depreciates 5% against the relevant currency, the Group's net profit in 2021 and 2020 would decrease/increase by \$533 thousand and increase/decrease \$40,991 thousand, respectively.

ii. Interest rate risk

The Group exposed to the risk of interest rate at fair value, since holding the fixed-rate loan, accessing the interest rate of the bank loan regularly, observing influences on profits or losses from fluctuation range of the interest rate, keeping contact with the bank based on the actual requirement, and acquiring the best interest rate of the loan.

The carrying amount of the Group's financial assets and financial liabilities with exposure to risks of interest rates at the end of the reporting period were as follows:

	December 31, 2021	December 31, 2020
Interest rate risks at fair value		
– Financial assets	\$ 944,802	\$ 206,574
– Financial liabilities	15,532	13,091
Interest rate risks at cash flows		
– Financial assets	1,017,599	739,139

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit in 2020 and 2019 would increase/ decrease by \$5,088 thousand and \$3,696 thousand, respectively.

iii. Other price risk

The Group is exposed to price risks arising from investments of public offering securities, corporate bonds and fund beneficiary certificates. The investments should be approved by the management, for controlling risks by holding different investment portfolios.

Sensitivity analysis

The following sensitivity analysis is based on risk exposure of equity prices at the end of the reporting period.

If the prices of the equity investments had been 5% higher/lower, pre-tax profit in 2021 and 2020 would have increased/decreased by \$19,212 thousand and \$19,813 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the other comprehensive income in would have increased/decreased by \$18,236 thousand and \$16,976 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

B. Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the financial department regularly.

To decrease a credit risk, the key management personnel of the Group is responsible for decision of rating criteria, credit limits approval, and other censor procedure, etc., in order to collect delinquent trade receivable. Otherwise, the group reviews each trade receivable to assure allowance of impairment losses of uncollectable bad debts, hence the key management personnel considers credit concentration risk of trade receivable is insignificant.

The credit concentration risk of the current fund is insignificant, since the Group only transacts with financial institutions with good rating.

Trade receivable consisted of a large number of customers. Ongoing credit evaluation is performed on the financial condition of certain customer's trade receivable. If necessary, purchasing insurance for credit enhancing procedures is a must.

The credit risk of the Group concentrates on top 5 customers of the Group. As of December 31, 2021 and 2020, the Group's five largest customers both accounted for 33% of trade receivable.

C. Liquidity risk

The Group manages and maintains sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises financing line of the banking facilities and ensures compliance with the terms of loan agreements.

Liquidity & interest rate risk table

The table below summarizes the due analysis of the maturity profile of the Group's non-derivative financial liabilities, enacted by contractual undiscounted payments of cash flow of financial liabilities, according to remaining contracts on the earliest date on which the Group may be required to pay, including interest and principal of cash flows.

The other non-derivative financial liabilities are listed at their contract repayment dates.

December 31, 2021

	<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>5+ Years</u>
<u>Non-derivative financial liabilities</u>			
No interest-bearing liabilities	\$ 3,278,212	\$ -	\$ -
Lease liability	<u>7,618</u>	<u>8,130</u>	<u>-</u>
	<u>\$ 3,285,830</u>	<u>\$ 8,130</u>	<u>\$ -</u>

December 31, 2020

	<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>5+ Years</u>
<u>Non-derivative financial liabilities</u>			
No interest-bearing liabilities	\$ 2,491,846	\$ -	\$ -
Lease liability	<u>7,636</u>	<u>5,192</u>	<u>-</u>
	<u>\$ 2,499,482</u>	<u>\$ 5,192</u>	<u>\$ -</u>

As of December 31, 2021 and 2020, the Group's unused short-term credit of limit of the bank were \$1,600,000 thousand and \$1,250,000 thousand, respectively.

27. RELATED PARTIES TRANSACTIONS

Transactions and balances apply for the profits and losses, revenues and expenses between the Company and its subsidiaries, which were related parties of the Group, had been eliminated on consolidation and are not disclosed in this note. Besides as disclosed elsewhere in the other notes, details of transactions between the Group and other related parties were disclosed below.

Compensation of key management personnel

	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ <u>47,431</u>	\$ <u>45,417</u>

The compensation of directors and other key management personnel are decided by personal performance and economic market trend through the Remuneration Committee.

28. ASSETS PLEDGED AS COLLATERAL

The following assets of the Group were provided as collateral for bank borrowings and tariff guarantee for imported commodities:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Property, plant and equipment, Net	\$ 206,231	\$ 207,620
Pledged time deposits (Financial assets at amortized cost – non-current)	<u>35,124</u>	<u>25,465</u>
	<u>\$ 241,355</u>	<u>\$ 233,085</u>

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- (1) As of December 31, 2021, the Group issued \$87,000 thousand of cashier order for payment guaranteed for Microsoft Taiwan Corporation.
- (2) As of December 31, 2021, the Group issued \$50,000 thousand of cashier order for payment guaranteed for Microsoft Regional Sales Corporation.

30. FOREIGN-CURRENCY-DEMONINATED ASSETS AND LIABILITIES THAT HAVE SIGNIFICANT FLUENCE

The following information was summarized according to the foreign currencies other than the functional currency of the Group. The exchange rates disclosed were used to translate the foreign currencies into the functional currency. The significant financial assets and liabilities denominated in foreign currencies were as follows:

December 31, 2021

	<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 46,298	27.68 (USD:NTD)	\$ <u>1,281,529</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	45,913	27.68 (USD:NTD)	\$ <u>1,270,872</u>

December 31, 2020

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 12,526	28.48 (USD:NTD)	\$ <u>356,740</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	41,312	28.48 (USD:NTD)	\$ <u>1,176,566</u>

The material foreign exchange gains (losses) (realized and unrealized) were as follows:

	2021		2020	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	28.009 (USD:NTD)	\$ <u>19,426</u>	29.549 (USD:NTD)	\$ <u>10,077</u>

31. SEPARATELY DISCLOSED ITEMS

(1) Significant Transactional Items

- A. Financing provided to others: Table 1.
- B. Endorsements/guarantees provided: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Table 2.
- D. Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital: None.
- E. Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- F. Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- G. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- H. Trade receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- I. Trading in derivative instruments: None.
- J. Others: Intercompany relationships and significant intercompany transactions. Table 3.

(2) Information on investees: Table 4.

(3) Information on investment in Mainland China :

- A. The name of the investee in mainland China, the main business and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Table 5.
- B. Significant direct or indirect transactions with the investee, its price and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: None.
 - a. The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

- b. The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
- c. The amount of property transactions and the amount of the resultant gains or losses.
- d. The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
- e. The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
- f. Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

(4) Information on major shareholder : List of all shareholders with ownership of 5 percent or greater showing the names and the number of shares and percentage of ownership held by each shareholder: Table 6.

32. SEGMENT INFORMATION

The management monitors the operating results focusing on the types of products and services acquired or provided of its business units separately for the purpose of making decisions about resource allocation and performance assessment. The department of the Group's brand agent business division or others shall be reported.

(1) Segments revenue & operating results

The reporting on operating segments revenue and results of the Group, based on its business unit separately, was as follows:

	The brand agent business division	Other	Eliminations	Total
<u>2021</u>				
Revenues from external customers	\$12,625,630	\$ 252,547	\$ -	\$12,878,177
Inter-segment revenues	<u>-</u>	<u>52,306</u>	<u>(52,306)</u>	<u>-</u>
Segment revenues	<u>\$12,625,630</u>	<u>\$ 304,853</u>	<u>(\$ 52,306)</u>	<u>\$12,878,177</u>
Segment profit (loss)	<u>\$ 766,084</u>	<u>\$ 7,401</u>	<u>\$ -</u>	\$ 773,485
General administration division costs and directors' compensation				(147,314)
Non-operating income and expenses				<u>47,026</u>
Profit before income tax				<u>\$ 673,197</u>
<u>2020</u>				
Revenues from external customers	\$ 9,655,156	\$ 179,162	\$ -	\$ 9,834,318
Inter-segment revenues	<u>-</u>	<u>36,192</u>	<u>(36,192)</u>	<u>-</u>
Segment revenues	<u>\$ 9,655,156</u>	<u>\$ 215,354</u>	<u>(\$ 36,192)</u>	<u>9,834,318</u>
Segment profit (loss)	<u>\$ 631,009</u>	<u>\$ 5,032</u>	<u>\$ -</u>	\$ 636,041
General administration division costs and directors' compensation				(131,401)
Non-operating income and expenses				<u>49,335</u>
Profit before income tax				<u>\$ 553,975</u>

Segment profits indicate earning profits of each segment, not including general administration division costs and directors' compensation, non-operating income and expenses. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

(2) Total assets and liabilities of the department

The assets and liabilities of the Group haven't been provided to the operating decision maker, hence valuation number of assets and liabilities shall not be disclosed.

(3) Revenues from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services:

	<u>2021</u>	<u>2020</u>
IT Infrastructure	\$ 5,063,096	\$ 2,889,703
Network & Information Security	5,057,799	4,621,943
Cloud Platform & Application	2,239,608	1,844,467
Big Data & Application	513,511	474,176
Other	<u>4,163</u>	<u>4,029</u>
	<u>\$ 12,878,177</u>	<u>\$ 9,834,318</u>

(4) Geographical information

The Group mainly operates in Taiwan.

The Group categorized the net revenue mainly based on the country in which the customer is located, and non-current assets based on the site of assets.

	<u>Net revenue from external customers</u>		<u>Non-current Assets</u>	
	<u>2021</u>	<u>2020</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Taiwan	\$ 12,707,655	\$ 9,745,266	\$ 332,400	\$ 320,077
Others	<u>170,522</u>	<u>89,052</u>	<u>1,868</u>	<u>2,555</u>
	<u>\$ 12,878,177</u>	<u>\$ 9,834,318</u>	<u>\$ 334,268</u>	<u>\$ 326,632</u>

Non-current assets do not include financial instruments and deferred tax assets.

(5) Major customer information

The largest single customer which contributed to more than 10% of the Group's total revenue was as follows:

	<u>2021</u>	<u>2020</u>
HwaCom Systems Inc.	<u>\$ 2,254,113</u>	N.A. (Note)
Genesis Technology Inc.	N.A. (Note)	<u>\$1,001,631</u>

Note: Revenue received did not exceed 10% of the Group's total revenue.

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
FINANCING PROVIDED TO OTHERS
FOR THE YEARS ENDED DECEMBER 31, 2021

Table 1

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 2)	Ending Balance	Amount Actually Drawn	Interest Rate (%)	Nature for Financing (Note 3)	Transaction Amount	Reasons for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrower (Note 4)	Aggregate Financing Limit (Note 5)	Note
													Item	Value			
0	ZOTC	Zerone Win Investment Co., Ltd.	Other receivables from related parties	Yes	\$ 50,000	\$ 50,000	\$ -	3%	2	\$ -	Operating Capital	\$ -	—	\$ -	\$ 390,819	\$ 781,639	
0	ZOTC	WingWill International Co., Ltd.	Other receivables from related parties	Yes	20,000	20,000	5,000	3%	2	-	Operating Capital	-	—	\$ -	390,819	781,639	

Note 1 : The number column is organized as follows :

- (1) Number 0 represents the issuer.
- (2) The Counter-party is numbered from 1 in order.

Note 2 : Maximum Balance of financing provided to others for the period.

Note 3 : Reference for the nature for financing provided to others.

- (1) 1: The borrower has business contact with the creditor.
- (2) 2: The borrower has short-term financing necessities.

Note 4 : For short-term financing necessities, the total amount available for lending purpose shall not exceed 10% of the net worth reviewed or audited by CPA during the period.

Note 5 : The total amount available for lending purpose shall not exceed 20% of the company's net worth reviewed or audited by CPA during the period.

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
FOR THE YEAR ENDED DECEMBER 31, 2021

Table 2

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company	Marketable Securities Type and Issuer's Name (Note 1)	Security Issuer's Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Shares/Units	Carrying Values	Percentage of Ownership (%)	Market Prices/ Net value of equities	
ZOTC	Beneficiary certificates							
	Taishin 1699 Money Market Fund	—	Financial assets at FVTPL — current	7,310,743	\$ 100,001	-	\$ 100,001	
	Taishin Ta-Chong Money Market Fund	—	Financial assets at FVTPL — current	6,968,447	100,000	-	100,000	
	FSITC Taiwan Money Market	—	Financial assets at FVTPL — current	6,463,581	100,000	-	100,000	
	KGI Kaefer Fund	—	Financial assets at FVTPL — non-current	170,199	3,669	-	3,669	
	KGI Taiwan Multi-Asset Income Fund	—	Financial assets at FVTPL — non-current	1,198,020	13,598	-	13,598	
	KGI Taiwan Select-Asset Income Fund	—	Financial assets at FVTPL — non-current	500,325	5,898	-	5,898	
	Corporate bond							
	M.J. International Co. Ltd. — 1st convertible bonds	—	Financial assets at FVTPL — current	20 (Units)	2,070	-	2,070	
	Chailease Holding Company Limited — 1st convertible bonds	—	Financial assets at FVTPL — current	250 (Units)	27,975	-	27,975	
	Perusahaan Listrik Negara corporate bond (USD)	—	Financial assets at amortized cost — non-current	5 (Units)	15,441	-	15,585	
	Stock							
	Fubon Financial Holding Co., Ltd.	—	Financial assets at FVTPL — current	15,248	1,163	-	1,163	
	Cathay Financial Holdings Preferred Shares A	—	Financial assets at FVTPL — non-current	166,000	10,441	-	10,441	
	Union Bank of Taiwan Preferred Shares A	—	Financial assets at FVTPL — non-current	80,000	4,240	-	4,240	
K Way Information Corp.	Director of ZOTC	Financial assets at FVTOCI — non-current	655,000	17,980	2.14	17,980		
China Electric Mfg. Corp.	—	Financial assets at FVTOCI — non-current	2,689,200	59,297	0.83	59,297		

(Continued)

Holding Company	Marketable Securities Type and Issuer's Name (Note 1)	Security Issuer's Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Shares/Units	Carrying Values	Percentage of Ownership (%)	Market Prices/ Net value of equities	
ZOTC	Unex Technology Corp.	—	Financial assets at FVTOCI—non-current	175,000	\$ 2,404	1.68	\$ 2,404	
	Da-Chang Start-Up Investment Co. Ltd	—	Financial assets at FVTOCI—non-current	3,000,000	29,949	2.73	29,949	
	Cathay Financial Holdings Preferred Shares A	—	Financial assets at FVTOCI—non-current	134,000	8,429	-	8,429	
	Union Bank of Taiwan Preferred Shares A	—	Financial assets at FVTOCI—non-current	70,000	3,710	-	3,710	
	Fubon Financial Holding Co., Ltd. Preferred Shares B	—	Financial assets at FVTOCI—non-current	400,000	25,240	-	25,240	
	Taishin Financial Holding Co., Ltd. Preferred Shares E	—	Financial assets at FVTOCI—non-current	240,000	12,744	-	12,744	
	CTBC Financial Holding Co., Ltd. Preferred Shares B	—	Financial assets at FVTOCI—non-current	90,000	5,778	-	5,778	
	Cathay Financial Holding Co., Ltd. Preferred Shares B	—	Financial assets at FVTOCI—non-current	230,000	14,605	-	14,605	
	Kwong Lung Enterprise Co., Ltd. Preferred Shares A	—	Financial assets at FVTOCI—non-current	270,000	13,378	-	13,378	
	WPG Holdings Limited Preferred Shares A	—	Financial assets at FVTOCI—non-current	700,000	34,685	-	34,685	
	United Orthopedic Corporation Preferred Shares A	—	Financial assets at FVTOCI—non-current	200,000	9,230	-	9,230	
	QST International Corporation Preferred Shares A	—	Financial assets at FVTOCI—non-current	70,000	3,146	-	3,146	
	Miiicasa Holdings (Cayman) Inc.	—	Financial assets at FVTOCI—non-current	2,500,000	-	3.45	-	
	Duofu Co., Ltd.	—	Financial assets at FVTOCI—non-current	10,000	-	0.22	-	
	Jotangi Technology Co., Ltd.	—	Financial assets at FVTOCI—non-current	796,250	-	9.32	-	
Zerone Win Investment Co.	Securities							
	WPG Holdings Limited Preferred Stock A	—	Financial assets at FVTOCI—non-current	240,000	11,892	-	11,892	
	Shin Kong Financial Holding Co., Ltd. Preferred Stock A	—	Financial assets at FVTOCI—non-current	50,000	2,130	-	2,130	
	Tatung System Technologies Inc.	—	Financial assets at FVTOCI—non-current	1,500,000	59,925	1.69	59,925	

(Continued)

Holding Company	Marketable Securities Type and Issuer's Name (Note 1)	Security Issuer's Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Shares/Units	Carrying Values	Percentage of Ownership (%)	Market Prices/ Net value of equities	
Zerone Win Investment Co.	LEO Systems, Inc.	—	Financial assets at FVTOCI – non-current	20,000	\$ 509	0.02	\$ 509	
	GrandTech C.G. Systems Inc.	—	Financial assets at FVTOCI – non-current	70,000	3,486	0.12	3,486	
	InfinitesSoft Solutions Inc.	—	Financial assets at FVTOCI – non-current	1,714,286	28,800	15.00	28,800	
	FiduciaEdge Technologies Co., Ltd.	—	Financial assets at FVTOCI – non-current	500,000	7,500	4.09	7,500	
PetaCom Technology Co. Ltd.	Beneficiary certificates Taishin 1699 Money Market Fund	—	Financial assets at FVTPL – current	1,110,000	15,183	-	15,183	
Zotech Co. Ltd.	Stock WPG Holdings Limited Preferred Shares A	—	Financial assets at FVTOCI – non-current	200,000	9,910	-	9,910	

Note 1 : Securities, indicated by the above table, are derivative from stock, bonds, beneficiary certificates, and the above items, based on IFRS 9 “Financial Instruments”.

Note 2 : Relevant information about Investments in equity of subsidiaries, associates, see Table 4 & Table 5.

(Concluded)

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2021

Table 3

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Transactions Details			
				Financial Statement Account	Amount (Note 4)	Transaction Terms	Percentage of Consolidated Total Revenues or Total Assets (Note 3)
0	ZOTC	WingWill International Co., Ltd.	1	Sales revenue	\$ 34,718	Note 5	-
				Trade receivable	6,686	Note 5	-
				Other Trade receivable	5,048	Note 5	-
		PetaCom Technology Co., Ltd.	1	Cost of goods sold	16,197	Note 5	-
				Trade payable	15,850	Note 5	-
		Techone (Shanghai) Co., Ltd.	1	Sales revenue	10,931	Note 5	-

Note 1 : Business between the parent and subsidiaries is numbered as follows:

1. Parent:0.
2. Subsidiaries are numbered from 1 in order.

Note 2 : 3 types of relationship between parties is numbered as follows:

1. Parent to subsidiary.
2. Subsidiary to parent.
3. Between subsidiaries.

Note 3 : Percentage of transaction amounts to consolidated operating revenues or consolidated total assets: If the account is a balance sheet account, it shall be calculated by dividing the ending balance into consolidated total assets; if the account is an income statement account, it shall be calculated by dividing the yearly cumulative balance into consolidated operating revenues.

Note 4 : Transaction amounts account for at least \$ 5,000 thousand.

Note 5 : The terms of transactions with intercompany partners are similar to non-related parties.

ZERO ONE TECHNOLOGY CO., LTD.AND SUBSIDIARIES
INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2021

Table 4

(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses	Investment Amount		As of December 31, 2021			Net Income (Loss) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2021	December 31, 2020	Number of Ownership	Percentage of Ownership	Carrying Values			
ZOTC	Zotech Co., Ltd.	Taiwan	Manufacturing for computer equipment	\$ 35,000	\$ 35,000	3,500,000	85.37	\$ 37,348	(\$ 6,667)	(\$ 5,691)	Subsidiary
	Zerone Win Investment Co., Ltd.	Taiwan	Investment	300,000	149,000	30,000,000	100.00	331,797	(5,145)	(5,145)	Subsidiary
	Asiaone Holdings Ltd.	Republic of Seychelles	Holding company	10,063	10,063	320,000	100.00	11,696	2,238	2,238	Subsidiary
Zerone Win Investment Co., Ltd.	WingWill International Co., Ltd.	Taiwan	Services of cloud information software	25,500	25,500	8,793,103	87.93	(2,722)	(9,897)	(8,703)	Sub-subsubsidiary
	Petacom Technology Co., Ltd.	Taiwan	Services of information product agent	50,000	50,000	50,000,000	100.00	52,754	5,202	5,202	Sub-subsubsidiary
	DigiCosmos Tech. Co., Ltd.	Taiwan	Consulting service for information security	25,000	-	2,500,000	50.00	24,882	(236)	(186)	Sub-subsubsidiary
	TrustOne Security Inc.	Taiwan	R&D, sale and service of information software	4,000	-	4,000,000	32.00	1,397	(8,136)	(2,603)	Associates
	Leukocyte-Lab Co. Ltd.	Taiwan	IT Security Mgt& R&D, sales & consulting service etc.	11,500	-	240,000	37.50	10,144	(11,353)	(1,356)	Associates

Note: Please refer to Table 5 for Information on investment in Mainland China.

ZERO ONE TECHNOLOGY CO., LTD.AND SUBSIDIARIES
INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021

Table 5

(In Thousands of New Taiwan Dollars/Foreign Currency)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of 31 December, 2021	Accumulated Repatriation of Investment Income as of 31 December, 2021	Note
					Outward	Inward							
Techone (Shanghai) Co., Ltd.	Technical service of network technology	\$ 13,032 (RMB 3,000)	(Note 1)	\$ 9,118	\$ -	\$ -	\$ 9,118	\$ 3,278	70%	\$ 2,295	\$ 11,391	\$ -	—

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2021	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA (Note 3)
\$ 9,118	\$ 9,118	\$ 2,344,916

Note 1 : The company directly holds 100% of a subsidiary-Asiaone Holdings Ltd., which reinvests the company in Mainland China.

Note 2 : Amount was recognized based on the financial statements which were audited by CPAs on December 31, 2021.

Note 3 : Determined by sixty percent (60%) of the Company's consolidated net worth, audited by CPAs on December 31, 2021 (3,908,193×60%=2,344,916).

Note 4 : For foreign currency conversion, gain (loss) are converted by the average exchange rate in 2021. Other amounts are converted into New Taiwan Dollars by the exchange rate on December 31, 2021.

ZERO ONE TECHNOLOGY CO., LTD.
INFORMATION ON MAJOR SHAREHOLDERS
DECEMBER 31, 2021

Table 6

Shareholders	Shares	
	Total Shares Owned (In Thousands)	Ownership Percentage
Ceres Investment Co., Ltd.	10,021,843	6.59%
Ceres Capital Co., Ltd.	9,500,000	6.25%

Note: This table presents information provided by the Taiwan Depository & Clearing Corporation on stockholders holding greater than 5% of the Company's ordinary and preference shares including treasury stock in dematerialized form that have completed the process of registration and delivery by book-entry transfer as of the last business day for the current quarter. The share capital recorded, and the actual registered non-physical shares in this consolidated financial statements may differ due to different basis of preparation.

ZERO ONE TECHNOLOGY CO., LTD.
PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE
YEARS ENDED DECEMBER 31, 2021 AND 2020 AND
INDEPENDENT AUDITORS' REPORT

Address: 10F., No. 8, Ln. 360, Sec. 1, Neihu Rd., Neihu Dist., Taipei City
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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Zero One Technology Co., Ltd.

Opinion

We have audited the accompanying parent company only financial statements of Zero One Technology Co., Ltd. (the "Company"), which comprise the parent company only balance sheets as of December 31, 2021 and 2020, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2021 and 2020, and its parent company only financial performance and its parent company only 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 auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only 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 parent company only financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's parent company only financial statements for the year ended December 31, 2021 are stated as follows:

Authenticity of the Occurrence of Operating Income – Operating Income from Some Clients

The operating income of Zero One Technology Co., Ltd. mainly comes from the sales of computer software and hardware, peripheral equipment and components, and the fact that the growth rate of operating income from some clients exceeds the average growth rate, has in turn created a significant impact on the operating income and profit of Zero One Technology Co., Ltd., in consideration of the higher innate risk of fraud that income recognition carries, and that there may be pressure on management to achieve expected financial goals, we consider such revenue a key audit matter.

We address the above mentioned income that the management evaluated by taking main audit procedures as follows:

1. Understand and test the main internal control systems for such income, and evaluate the effectiveness of its design and implementation.
2. Obtain the detailed accounts of these incomes, select samples to perform tests of details, and review documents such as purchase orders, delivery orders, and invoices to confirm the authenticity of these

incomes.

3. Obtain the detailed accounts of these incomes, and select samples to test whether there is a significant difference in the subjects of the payment reconciliation and the amounts of the receipts, so as to confirm the authenticity of these incomes.

Responsibilities of Management and Those Charged with Governance for the Parent Company only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only 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 parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only 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 members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only 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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

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

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

including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only 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 parent company only financial statements for the year ended December 31, 2021 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.

The engagement partners on the audit resulting in this independent auditors' report are Chien-Liang Liu and Pei-De Chen.

Deloitte & Touche

Taipei, Taiwan
Republic of China

February 23, 2022

Notice to Readers

The accompanying parent company only financial statements are intended only to present the parent company only financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such parent company only financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying parent company only financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and parent company only financial statements shall prevail.

ZERO ONE TECHNOLOGY CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS

DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 783,779	10	\$ 567,436	10
Financial assets at fair value through profit or loss (Notes 4 and 7)	331,209	4	350,270	6
Financial assets at amortized cost (Notes 4 and 9)	893,930	12	232,010	4
Notes receivable (Notes 4 and 11)	288,710	4	230,490	4
Trade receivables (Notes 4, 11 and 26)	2,538,701	34	1,871,194	35
Inventories (Notes 4, 5 and 12)	1,620,945	21	1,223,050	23
Other current assets (Note 26)	35,077	1	26,599	1
Total current assets	<u>6,492,351</u>	<u>86</u>	<u>4,501,049</u>	<u>83</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss (Notes 4 and 7)	37,846	-	35,391	-
Financial assets at fair value through other comprehensive income (Notes 4 and 8)	240,575	3	253,319	5
Financial assets at amortized cost (Notes 4, 9, 10 and 27)	45,964	1	64,451	1
Investments accounted for using the equity method (Notes 4 and 13)	380,841	5	206,746	4
Property, plant and equipment (Notes 4,14 and 27)	315,903	4	307,276	6
Right-of-use assets (Notes 4 and 15)	11,201	-	6,762	-
Intangible assets	1,691	-	765	-
Deferred tax assets (Notes 4 and 21)	40,779	1	35,976	1
Refundable deposits	6,819	-	4,281	-
Total non-current assets	<u>1,081,619</u>	<u>14</u>	<u>914,967</u>	<u>17</u>
TOTAL	\$ 7,573,970	100	\$ 5,416,016	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Trade payables (Note 26)	\$ 2,973,433	39	\$ 2,227,047	41
Other payables (Notes 16 and 26)	254,086	4	232,528	5
Current tax liabilities (Note 4)	96,370	1	59,660	1
Lease liabilities (Notes 4 and 15)	5,162	-	5,223	-
Other current liabilities (Note 19)	309,856	4	210,909	4
Total current liabilities	<u>3,638,907</u>	<u>48</u>	<u>2,735,367</u>	<u>51</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 21)	476	-	-	-
Lease liabilities (Notes 4 and 15)	6,370	-	1,597	-
Net defined benefit liabilities (Notes 4 and 17)	19,224	-	20,982	-
Guarantee deposit received	800	-	800	-
Total non-current liabilities	<u>26,870</u>	<u>-</u>	<u>23,379</u>	<u>-</u>
Total liabilities	<u>3,665,777</u>	<u>48</u>	<u>2,758,746</u>	<u>51</u>
EQUITY (Notes 4 and 18)				
Ordinary shares	1,519,707	20	1,256,402	23
Capital surplus	1,234,325	16	478,757	9
Retained earnings				
Legal reserve	263,963	4	219,863	4
Unappropriated earnings	831,516	11	667,898	12
Total retained earnings	<u>1,095,479</u>	<u>15</u>	<u>887,761</u>	<u>16</u>
Other equity	58,682	1	34,350	1
Total equity	<u>3,908,193</u>	<u>52</u>	<u>2,657,270</u>	<u>49</u>
TOTAL	\$ 7,573,970	100	\$ 5,416,016	100

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

ZERO ONE TECHNOLOGY CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 ,19 and 26)	\$ 12,630,074	100	\$ 9,658,778	100
OPERATING COSTS (Notes 12 and 26)	<u>11,404,014</u>	<u>90</u>	<u>8,661,534</u>	<u>90</u>
GROSS PROFIT	<u>1,226,060</u>	<u>10</u>	<u>997,244</u>	<u>10</u>
OPERATING EXPENSES (Notes 17 and 20)				
Selling and marketing expenses	451,247	4	365,426	4
General and administrative expenses	142,206	1	123,760	1
Research and development expenses	4,019	-	-	-
Reversal of expected credit losses (Note 11)	(<u>6,681</u>)	<u>-</u>	(<u>3,262</u>)	<u>-</u>
Total operating expenses	<u>590,791</u>	<u>5</u>	<u>485,924</u>	<u>5</u>
PROFIT FROM OPERATIONS	<u>635,269</u>	<u>5</u>	<u>511,320</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 26)	4,682	-	17,740	1
Other income (Note 26)	13,679	-	11,013	-
Other gains and losses (Note 20)	29,304	-	16,062	-
Net gain on derecognition of financial assets at amortized cost (Note 9)	2,692	-	1,260	-
Finance costs	(2,256)	-	(2,045)	-
Share of profit or loss of subsidiaries accounted for using the equity method	(<u>8,598</u>)	<u>-</u>	(<u>441</u>)	<u>-</u>
Total non-operating income and expenses	<u>39,503</u>	<u>-</u>	<u>43,589</u>	<u>1</u>

(Continued)

	<u>2021</u>		<u>2020</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
PROFIT BEFORE INCOME TAX	\$ 674,772	5	\$ 554,909	6
INCOME TAX EXPENSE (Notes 4 and 21)	<u>137,413</u>	<u>1</u>	<u>113,286</u>	<u>1</u>
NET PROFIT	<u>537,359</u>	<u>4</u>	<u>441,623</u>	<u>5</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	224	-	(212)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	37,493	1	3,974	-
Share of other comprehensive income of subsidiaries accounted for using the equity method	31,693	-	17,997	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	(45)	-	43	-
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive income of subsidiaries accounted for using the equity method	(68)	-	74	-
Other comprehensive income for the year, net of income tax	<u>69,297</u>	<u>1</u>	<u>21,876</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 606,656</u>	<u>5</u>	<u>\$ 463,499</u>	<u>5</u>
EARNINGS PER SHARE (Note 22)				
From continuing operations				
Basic	<u>\$ 4.24</u>		<u>\$ 3.55</u>	
Diluted	<u>\$ 4.13</u>		<u>\$ 3.44</u>	

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

ZERO ONE TECHNOLOGY CO., LTD.
**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

	Share Capital		Retained Earnings					Other Equity			Total	Total Equity
	Shares	Issued Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Comprehensive Income	Unearned Employee Benefits		
	(In Thousand)											
BALANCE, JANUARY 1, 2020	124,635	\$ 1,246,352	\$ 470,136	\$ 184,732	\$ 16,844	\$ 494,764	\$ 696,340	\$ -	\$ 17,865	(\$ 10,389)	\$ 7,476	\$ 2,420,304
Appropriation of the 2019 earnings												
Legal reserve	-	-	-	35,131	-	(35,131)	-	-	-	-	-	-
Special reserve	-	-	-	-	(16,844)	16,844	-	-	-	-	-	-
Cash dividends -NT \$2 per share	-	-	-	-	-	(249,574)	(249,574)	-	-	-	-	(249,574)
Net profit for the year ended December 31, 2020	-	-	-	-	-	441,623	441,623	-	-	-	-	441,623
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	(169)	(169)	74	21,971	-	22,045	21,876
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	441,454	441,454	74	21,971	-	22,045	463,499
Changes in percentage of ownership interests in subsidiaries	-	-	(2,481)	-	-	(718)	(718)	-	-	-	-	(3,199)
Share based payment transaction – employee restricted shares	-	-	-	-	-	-	-	-	-	5,088	5,088	5,088
Share based payment transaction – employee stock options	-	-	6,894	-	-	-	-	-	-	-	-	6,894
Cancellation of employee restricted shares	(12)	(120)	120	-	-	-	-	-	-	-	-	-
Issuance of ordinary shares under employee stock options	1,017	10,170	4,088	-	-	-	-	-	-	-	-	14,258
Disposals of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	259	259	-	(259)	-	(259)	-
BALANCE, DECEMBER 31, 2020	125,640	1,256,402	478,757	219,863	-	667,898	887,761	74	39,577	(5,301)	34,350	2,657,270
Appropriation of the 2020 earnings												
Legal reserve	-	-	-	44,100	-	(44,100)	-	-	-	-	-	-
Cash dividends – NT \$3 per share	-	-	-	-	-	(377,836)	(377,836)	-	-	-	-	(377,836)
Net profit for the year ended December 31, 2021	-	-	-	-	-	537,359	537,359	-	-	-	-	537,359
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	179	179	(68)	69,186	-	69,118	69,297
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	537,538	537,538	(68)	69,186	-	69,118	606,656
Issuance of shares for cash	25,000	250,000	747,430	-	-	-	-	-	-	-	-	997,430
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	-	-	68	-	-	-	-	-	-	-	-	68
Share based payment transaction – employee restricted shares	-	-	-	-	-	-	-	-	-	3,230	3,230	3,230
Share based payment transaction – employee stock options	-	-	1,518	-	-	-	-	-	-	-	-	1,518
Cancellation of employee restricted shares	(15)	(150)	150	-	-	-	-	-	-	-	-	-
Issuance of ordinary shares under employee stock options	1,346	13,455	6,402	-	-	-	-	-	-	-	-	19,857
Disposals of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	48,016	48,016	-	(48,016)	-	(48,016)	-
BALANCE, DECEMBER 31, 2021	151,971	\$ 1,519,707	\$ 1,234,325	\$ 263,963	\$ -	\$ 831,516	\$ 1,095,479	\$ 6	\$ 60,747	(\$ 2,071)	\$ 58,682	\$ 3,908,193

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

ZERO ONE TECHNOLOGY CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 674,772	\$ 554,909
Adjustments for:		
Depreciation expenses	22,066	20,255
Amortization expenses	1,068	778
Reversal of expected credit losses	(6,681)	(3,262)
Net gain on fair value change of financial assets at fair value through profit or loss	(10,050)	(5,050)
Finance costs	2,256	2,045
Net gain on derecognition of financial assets at amortized cost	(2,692)	(1,260)
Interest income	(4,682)	(17,740)
Dividend income	(8,468)	(8,535)
Compensation costs of employee stock options	4,748	11,982
Share of loss of subsidiaries accounted for using the equity method	8,598	441
Loss on disposal of property, plant and equipment	-	40
Gain on disposal of investments accounted for using equity method	-	(275)
Write-down (reversal of write-down) of inventories	26,162	(7,898)
Net loss on foreign currency exchange	705	5,618
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	26,656	(316,149)
Notes receivable	(58,220)	46,405
Trade receivables	(662,489)	(127,308)
Inventories	(440,071)	88,620
Other current assets	18,400	3,780
Trade payables	750,339	206,993
Other payables	23,479	(139,983)
Other current liabilities	98,947	69,781
Net defined benefit liabilities	(1,534)	(1,148)
Cash generated from operations	463,309	383,039
Income tax paid	(105,075)	(105,427)
Net cash generated from operating activities	<u>358,234</u>	<u>277,612</u>

(Continued)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(\$ 19,690)	(\$ 84,217)
Proceeds from sale of financial assets at fair value through other comprehensive income	47,240	24,217
Proceeds from the return of capital upon investees' capital reduction of financial assets at fair value through other comprehensive income	-	3,078
Purchase of financial assets at amortized cost	(950,487)	(236,229)
Disposal of financial assets at amortized cost	308,260	700,682
Acquisition of investments accounted for using the equity method	(151,000)	(49,000)
Proceeds from disposal of investments accounted for using equity method	-	275
Payments for property, plant and equipment	(8,112)	(6,359)
Proceeds from disposal of property, plant and equipment	-	500
Increase in refundable deposits	(2,538)	(1,527)
(Increase) decrease in other receivables-related parties	(5,000)	10,000
Payments for intangible assets	(980)	(185)
Interest received	5,734	20,642
Dividend received from subsidiaries	-	630
Other dividends received	<u>8,468</u>	<u>8,535</u>
Net cash (used in) generated from investing activities	<u>(768,105)</u>	<u>391,042</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	-	(150,000)
Refund of guarantee deposits received	-	(362)
Repayment of principal portion of lease liabilities	(7,308)	(5,066)
Dividends paid	(377,836)	(249,574)
Proceeds from issuance of shares	997,430	-
Exercise of employee stock options	19,857	14,258
Interest paid	<u>(2,256)</u>	<u>(2,049)</u>
Net cash generated from (used in) financing activities	<u>629,887</u>	<u>(392,793)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>(3,673)</u>	<u>(6,777)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	216,343	269,084
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>567,436</u>	<u>298,352</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 783,779</u>	<u>\$ 567,436</u>
The accompanying notes are an integral part of the parent company only financial statements.		(Concluded)

ZERO ONE TECHNOLOGY CO., LTD.
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 and 2020
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. GENERAL

Zero One Technology Co., Ltd. (the “Company” or “ZOTC”) was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China on June 27, 1980. On January 21, 2000, ZOTC’s Shares were listed on Taipei Exchange (TPEX). On August 26, 2002, ZOTC’s shares were listed on the Taiwan Stock Exchange (TWSE). ZOTC is a dedicated foundry in the technology industry which engages mainly in the design, manufacturing, packaging, selling, consulting and services of electronic information, computer software, hardware, accessories, components and Chinese data processing, etc.

The parent company only financial statements are expressed by the functional currency (New Taiwan dollars) of the Company.

2. THE DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying parent company only financial statements were approved by the Board of Directors and issued on February 23, 2022.

3. APPLICATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

(1) Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

Application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Company’s accounting policies.

(2) The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2022

New / Revised / Amended Standards and Interpretations	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018–2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 are applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” are applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business mergers for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the accompanying parent company only financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of aforementioned standards and interpretations will have on the Company’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

(3) New IFRSs in issue by the IASB but not yet endorsed and issued into effect by the FSC

<u>New / Revised / Amended Standards and Interpretations</u>	<u>Effective Date Announced by the IASB (Note 1)</u>
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 IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2022 (Note 4)

Note 1: Unless stated otherwise, the above new, revised or amended standards and interpretations are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized for temporary differences associated with lease and decommissioning obligations on January 1, 2022, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the parent company only financial statements were authorized for issue, the Company is continuously evaluating the possible impact that the application of above standards and interpretations will have on the Company’s financial position and financial performance, and will disclose the relevant impact when the evaluation is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

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

(2) Basis of preparation

The parent company only financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair values, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- A. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities, which can be acquired during measurement date;
- B. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- C. Level 3 inputs are unobservable inputs for the asset or liability.

When preparing the parent company only financial statements, the Company account for subsidiaries by using the equity method. In order to agree with the amount of net income, other comprehensive income and equity attributable to shareholders of the parent company in the consolidated financial statements, the differences of the accounting treatment between the parent company only basis and the consolidated basis are adjusted under the heading of investments accounted for using equity method, share of profits of subsidiaries, share of other comprehensive income of subsidiaries and the related equity items in the parent company only

financial statements.

(3) Classification of current and non-current assets and liabilities

Current assets include:

- A. Assets held primarily for the purpose of trading;
- B. Assets expected to be realized within twelve months after the reporting period; and
- C. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- A. Liabilities held primarily for the purpose of trading;
- B. Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the parent company only financial statements are authorized for issue; and
- C. Liabilities for which the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period, unless issuing equities to defer settlement wouldn't affect classification, depending on liabilities conditions.

Assets and liabilities that are not classified as current are non-current assets and liabilities, respectively.

(4) Foreign currencies

In preparing the Company's financial statements, transactions in currencies other than the Company's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

(5) Inventories

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriated to group similar or related items. The net realizable value is the estimated selling price of inventories less the estimated costs necessary to make the sale under normal situations. Inventories are recorded at the weighted-average cost on the balance sheet date.

(6) Investment in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

Subsidiaries are the entities controlled by the Company.

Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Company also recognizes the Company's share of the change in other equity of the subsidiary.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company's loss of control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amounts of the investment and the fair value of the consideration paid or received is recognized directly in equity.

(7) Property, plant and equipment

Property, plant and equipment are stated at cost, less recognized accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

(8) Impairment of property, plant and equipment, right-of-use assets, and intangible assets (excluding goodwill)

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right of use assets and intangible assets (excluding goodwill), to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are also allocated to individual cash-generating units or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss

(9) Financial instruments

Financial assets and financial liabilities are recognized on parent company only balance sheets when a group entity becomes a party to the contractual provisions of the instruments.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

A. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date or settlement date basis.

a. Measurement category

The Company's financial assets are classified into the following categories: financial assets at FVTPL, financial assets at amortized cost, and investments in equity instruments at FVTOCI.

(a) Financial assets at FVTPL

For certain financial assets which include debt instrument that do not meet the criteria of amortized cost or FVTOCI, it is mandatorily required to measure them at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The dividends, interest earned and net gain or loss recognized in profit or loss on the financial asset. Fair value is determined in the manner described in Note 25.

(b) Financial assets at amortized cost

Financial assets that meet the following two conditions are subsequently measured at amortized cost:

- a). The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b). The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes and trade receivables and other financial assets are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to multiply the gross carrying amount of a financial asset.

Cash equivalents, held to meet short-term cash commitments, include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash, as well as deposits in the bank and repurchase bonds, which are subject to an insignificant risk of changes in value.

(c) Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable designate investments in equity instruments that is not held for trading as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments at FVTOCI are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b. Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including notes and trade receivables).

The Company always recognizes the loss allowance by lifetime Expected Credit Loss (i.e. ECL) for notes and accounts receivable. For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

In order for the Company to fulfill the purpose of internal credit and risk management control, under the premise that does not take into account of the collaterals owned by the Company, the following will be deemed as a default of the financial assets:

- (a) Either internal or external information indicates that it is impossible for the debtors to clear the debts;
- (b) Any delay in payment – unless there is reasonable and supporting information that indicates the basis for delaying the payment is more appropriate.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c. De-recognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

B. Equity Instruments

The equity instruments issued by the Group are recognized based on the amount obtained after deducting the cost of direct issue.

C. Financial liabilities

a. Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b. De-recognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(10) Revenue recognition

The Company identifies the contract with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

Revenue from sale of goods

Revenue from sale of goods comes from sales of computer software, hardware, accessories, equipment, and components, etc. Customers have the right of quotation and user, and the responsibility of resale as goods after shipment and taking risks of losses of obsolete goods. The Company recognizes revenues and trade receivable as goods after shipment.

(11) Leases

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

A. The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

B. The Company as lessee

Except for payments for low-value asset leases and short-term leases which are recognized as expenses on a straight-line basis, the Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of the lease.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, and less any lease incentives received, any initial direct costs incurred and an estimate of costs needed to restore the underlying assets. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the parent company only balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rates.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the parent company only balance sheets.

(12) Costs of loans

All Costs of loans incurred shall be recognized as profits and losses at the current period.

(13) Employee benefit

A. Short-term employee benefits.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for service rendered by employees.

B. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contribution.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the Projected Unit Credit Method. Service cost (including current service cost as well as previous service cost, and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur, or when the plan amendment or curtailment occurs/when the settlement occurs. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan.

(14) Share-based payment arrangements

The fair value and expected estimate amounts of the stock options and restricted shares determined at the grant date of the stock options is expensed on a straight-line basis over the vesting period, based on the Company's estimate of stock options that will eventually vest, with a corresponding increase in capital surplus - employee stock options. The fair value determined at the grant date of the stock options is recognized as an expense in full at the grant date when the stock options granted vest immediately.

When restricted shares for employees of the company are issued, other equity – unearned employee benefits is recognized on the grant date, with a corresponding increase in capital surplus – employee restricted shares. If restricted shares for employees are granted for consideration and should be returned, they are recognized as payables.

At the end of each reporting period, the Company revises its estimate of the number of stock options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus – employee stock options and capital surplus – employee restricted shares.

(15) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

A. Current tax

The Company recognizes current earnings (losses) in accordance with the Income Tax Act of the Republic of China, and calculate the amount for tax payable (recoverable).

Income tax on unappropriated earnings is expensed in the year the shareholders approved the appropriation of earnings which is the year subsequent to the year the earnings are generated according to Taiwan's Income Tax Act.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

B. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the parent company only financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, net operating loss carryforwards and tax credits for research and development expenses to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The deferred tax assets which originally not recognized is also reviewed at the end of each reporting period and recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

C. Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

In the application of the Company's accounting policies, the Company is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Company considers the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates in cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Write-down of inventory

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs necessary to close the sales. The estimation of net realizable value was based on current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31, 2021	December 31, 2020
Cash on hand and revolving funds	\$ 152	\$ 207
Checking accounts and demand deposits in banks	645,227	538,749
Cash equivalents		
Repurchase agreements collateralized by bonds	138,400	28,480
	<u>\$ 783,779</u>	<u>\$ 567,436</u>

As the end of reporting period, the market rate intervals of demand deposits in banks and repurchase agreements collateralized by bonds were as follows:

	December 31, 2021	December 31, 2020
Demand deposits in banks	0.005%~0.25%	0.005%~0.32%
Repurchase agreements collateralized by bonds	0.30%~0.39%	0.45%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2021	December 31, 2020
<u>Financial assets – current</u>		
Mandatorily measured at FVTPL		
Domestic convertible bonds	\$ 30,045	\$ 15,966
Domestic listed ordinary shares	1,163	1,785
Fund beneficiary certificates	300,001	332,519
	<u>\$ 331,209</u>	<u>\$ 350,270</u>
<u>Financial assets – non-current</u>		
Mandatorily measured at FVTPL		
Domestic listed preference shares	\$ 14,681	\$ 14,403
Fund beneficiary certificates	23,165	20,988
	<u>\$ 37,846</u>	<u>\$ 35,391</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in equity instruments

	December 31, 2021	December 31, 2020
<u>Non-current</u>		
Domestic investment		
Listed ordinary shares and emerging market ordinary shares	\$ 77,277	\$ 70,729
Listed preference shares	130,945	164,448
Unlisted shares	32,353	18,142
	<u>\$ 240,575</u>	<u>\$ 253,319</u>

The investments in those ordinary and preferred shares are in line with the Company's medium- to long-term strategies and the investment profits are expected to be gained in the long run. The management of the Company management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31, 2021	December 31, 2020
<u>Current</u>		
Domestic investment		
Time deposits with original maturities of more than three months (1)	\$ 146,570	\$ 232,010
Repurchase agreements collateralized by bonds (2)	<u>747,360</u>	<u>-</u>
	<u>\$ 893,930</u>	<u>\$ 232,010</u>
<u>Non-current</u>		
Domestic investment		
Pledged time deposit (3)	\$ 30,523	\$ 20,390
Foreign investment		
Barclays Bank corporate bond (USD) (4)	-	14,895
Prudential plc corporate bond (USD) (5)	-	29,166
Perusahaan Listrik Negara corporate bond (USD) (6)	<u>15,441</u>	<u>-</u>
	<u>\$ 45,964</u>	<u>\$ 64,451</u>

- (1) As of December 31, 2021 and 2020 the market interest rate intervals of time deposit over 3 months portion were 0.77%~0.815% and 0.77%~2.10%, respectively.
- (2) As of December 31, 2021, the market interest rate of repurchase agreements collateralized by bonds over 3 months portion was 0.30%~0.40%.
- (3) Please refer to Note 27 for more details on financial assets at amortized cost under pledge.
- (4) The Company purchased Barclays Bank corporate bond (USD) by USD 527 thousand, with a coupon rate of 4.836%, in August, 2019. As for adjustment portion of investments, the Company sold all bonds by \$15,560 thousand, and recognized \$1,003 thousand of gain from sale of financial assets at amortized cost in July, 2021.
- (5) The Company purchased Prudential plc corporate bond (USD) by USD 1,040 thousand, with a coupon rate of 4.875%, in August, 2019. As for adjustment portion of investments, the Company sold all bonds by \$28,936 thousand, and recognized \$444 thousand of gain from sale of financial assets at amortized cost in July, 2021.
- (6) The Company purchased Perusahaan Listrik Negara corporate bond (USD) by USD 559 thousand, with a coupon rate of 5.25% in May, 2021.
- (7) The Company purchased AT&T corporate bond (USD) by USD 460 thousand with a coupon rate of 3.65% and USD 553 thousand with a coupon rate of 4.50%, in March 2021 and November 2019, respectively. The bonds purchased in March 2021 was of USD 460 thousand. As for adjustment portion of investments, the Company sold all bonds by \$14,021 thousand, and recognized \$1,245 thousand of gain from sale of financial assets at amortized cost in August, 2021; the purchased bonds of USD 553 thousand in November 2019 were sold in November 2020 and recognized \$1,260 thousand of gain from sale of financial assets at amortized cost.
- (8) Please refer to Note 10 for relevant credit risk management and impairment assessment information for financial assets at amortized cost.

10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

The investments in debt instruments of the Company are mainly financial assets at amortized cost.

The strategy that the Company adopts is to invest in debt instruments that are rated as investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is provided by external independent agencies. The Company consistently monitors changes in the credit risks of the invested debt instruments by tracking ratings and relevant information, and reviews the yield curve of bonds, material information of the bond-issuers, etc., so as to evaluate if there is a significant increase in the debt instruments since initial recognition.

The Company assesses the information of investment risk provided by external rating agencies and evaluates the 12-month expected credit loss or lifetime expected credit loss. The bonds that the Company invested are all of investment grade, and the credit risk of the bond-issuers is low and is capable to settle the contractual cash flows. The Company does not anticipate that the corporate bonds invested will have any material expected credit loss resulted from default within the 12 months after the date of the financial statements, and thus did not recognize allowance for loss as of December 31, 2021 and 2020.

11. NOTES AND TRADE RECEIVABLE

	December 31, 2021	December 31, 2020
Measured at amortized cost		
Notes receivable	\$ 288,710	\$ 230,490
Trade receivable	2,543,452	1,882,626
Overdue receivable	-	1,474
Less: Allowances for impairment loss - trade receivable	(4,751)	(11,432)
Less: Allowances for impairment loss - overdue receivable	-	(1,474)
	<u>\$ 2,827,411</u>	<u>\$ 2,101,684</u>

The average credit period of sales of goods of the Company was 60-90 days, and no interest was charged on trade receivable.

In order to minimize credit risk, the Company's management has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Company reviews the recoverable amount of each individual trade receivable at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the Company's management believes the Company's credit risk was significantly reduced.

The Company applies the approach to providing for expected credit losses which permits the use of lifetime expected loss provision for all trade receivable. The expected credit losses of trade receivable on durable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's past experience of receivable and current financial position, expectation of GDP and prospect of the industry, deciding the rate of the expected credit losses by the different levels of credit limits of customers and actual conditions, based on the degree of doubtful accounts triggered by customers of different industries.

The Company writes off an account receivable when there is information indicating that the respective debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery of the receivable. For accounts receivable that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables which are due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivable:

December 31, 2021

	Not Past Due	1-30 Days Past Due	31-60 Days Past Due	61-90 Days Past Due	More Than 90 Days Past Due	Total
Gross carrying amount	\$ 2,793,363	\$ 19,768	\$ 12,883	\$ 5,297	\$ 851	\$ 2,832,162
Loss allowance (Lifetime ECLs)	(435)	(776)	(1,625)	(1,064)	(851)	(4,751)
Amortized cost	<u>\$ 2,792,928</u>	<u>\$ 18,992</u>	<u>\$ 11,258</u>	<u>\$ 4,233</u>	<u>\$ -</u>	<u>\$ 2,827,411</u>

December 31, 2020

	Not Past Due	1-30 Days Past Due	31-60 Days Past Due	61-90 Days Past Due	More Than 90 Days Past Due	Total
Gross carrying amount	\$ 2,099,693	\$ 2,687	\$ 10,160	\$ 576	\$ 1,474	\$ 2,114,590
Loss allowance (Lifetime ECLs)	(5,895)	(899)	(4,344)	(294)	(1,474)	(12,906)
Amortized cost	<u>\$ 2,093,798</u>	<u>\$ 1,788</u>	<u>\$ 5,816</u>	<u>\$ 282</u>	<u>\$ -</u>	<u>\$ 2,101,684</u>

The movements of the loss allowance of trade receivable were as follows:

	2021	2020
Balance at January 1	\$ 12,906	\$ 35,510
Less: Amounts written off	(1,474)	(19,342)
Less: Reversal of loss allowance	(6,681)	(3,262)
Balance at December 31	<u>\$ 4,751</u>	<u>\$ 12,906</u>

12. INVENTORIES

	December 31, 2021	December 31, 2020
Commodities	<u>\$ 1,620,945</u>	<u>\$ 1,223,050</u>

The nature of the cost of goods sold is as follows:

	December 31, 2021	December 31, 2020
Cost of sales	\$ 11,377,852	\$ 8,669,432
Write-down (reversal of write-down) of inventories	<u>26,162</u>	<u>(7,898)</u>
	<u>\$ 11,404,014</u>	<u>\$ 8,661,534</u>

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31, 2021	December 31, 2020
Investments in subsidiaries	<u>\$ 380,841</u>	<u>\$ 206,746</u>

(1) Investments in subsidiaries

	December 31, 2021	December 31, 2020
Zotech Co., Ltd.	\$ 37,348	\$ 43,132
Zerone Win Investment Co., Ltd.	331,797	154,088
Asiaone Holdings Ltd.	<u>11,696</u>	<u>9,526</u>
	<u>\$ 380,841</u>	<u>\$ 206,746</u>

Percentage of owners' equity and voting right

Name of subsidiaries	December 31, 2021	December 31, 2020
Zotech Co., Ltd.	85.37%	85.37%
Zerone Win Investment Co., Ltd.	100.00%	100.00%
Asiaone Holdings Ltd.	100.00%	100.00%

(2) Investments in associates

The Company invested and founded Chi-Ta International Co., Ltd., that engaged mainly in researching and manufacturing hardware of auto-used electronic equipment, with investment amount to \$10,000 thousand, and share-holding ratio of 30% in March, 2014, since it kept net losses, foresaw decrease in future cash flows, evaluated recognized \$7,243 thousand of impairment losses in 2015, and recognized book value of \$0 thousand after recognized deficits. In April, 2020, the Company disposed all shares and recognized \$275 thousand in gains.

14. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and equipment	Office equipment	Delivery equipment	Other equipment	Total
<u>Cost</u>							
Balance at January 1, 2020	\$ 234,892	\$ 128,185	\$ 8,173	\$ 34,586	\$ 2,458	\$ 15,535	\$ 423,829
Additions	-	-	-	3,129	-	3,230	6,359
Disposals	-	-	(133)	(505)	-	(926)	(1,564)
Reclassification	-	-	-	1,753	-	891	2,644
Balance at December 31, 2020	<u>\$ 234,892</u>	<u>\$ 128,185</u>	<u>\$ 8,040</u>	<u>\$ 38,963</u>	<u>\$ 2,458</u>	<u>\$ 18,730</u>	<u>\$ 431,268</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2020	\$ -	\$ 71,666	\$ 8,173	\$ 23,832	\$ 984	\$ 5,183	\$ 109,838
Disposals	-	-	(133)	(505)	-	(386)	(1,024)
Depreciation	-	1,816	-	7,407	492	5,463	15,178
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 73,482</u>	<u>\$ 8,040</u>	<u>\$ 30,734</u>	<u>\$ 1,476</u>	<u>\$ 10,260</u>	<u>\$ 123,992</u>
Carrying amounts at December 31, 2020	<u>\$ 234,892</u>	<u>\$ 54,703</u>	<u>\$ -</u>	<u>\$ 8,229</u>	<u>\$ 982</u>	<u>\$ 8,470</u>	<u>\$ 307,276</u>
<u>Cost</u>							
Balance at January 1, 2021	\$ 234,892	\$ 128,185	\$ 8,040	\$ 38,963	\$ 2,458	\$ 18,730	\$ 431,268
Additions	-	-	-	5,258	-	2,854	8,112
Disposals	-	-	(1,110)	(639)	-	-	(1,749)
Reclassification	-	-	-	1,600	-	13,400	15,000
Balance at December 31, 2021	<u>\$ 234,892</u>	<u>\$ 128,185</u>	<u>\$ 6,930</u>	<u>\$ 45,182</u>	<u>\$ 2,458</u>	<u>\$ 34,984</u>	<u>\$ 452,631</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2021	\$ -	\$ 73,482	\$ 8,040	\$ 30,734	\$ 1,476	\$ 10,260	\$ 123,992
Disposals	-	-	(1,110)	(639)	-	-	(1,749)
Depreciation	-	1,816	-	5,919	492	6,258	14,485
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 75,298</u>	<u>\$ 6,930</u>	<u>\$ 36,014</u>	<u>\$ 1,968</u>	<u>\$ 16,518</u>	<u>\$ 136,728</u>
Carrying amounts at December 31, 2021	<u>\$ 234,892</u>	<u>\$ 52,887</u>	<u>\$ -</u>	<u>\$ 9,168</u>	<u>\$ 490</u>	<u>\$ 18,466</u>	<u>\$ 315,903</u>

Depreciation expenses were depreciated on a straight-line basis over the estimated useful life of the asset:

Buildings	7-50 Years
Machinery equipment	3 Years
Office equipment	3-5 Years
Delivery equipment	5 Years
Other equipment	3 Years

Please refer to Note 27 for more details on property, plant and equipment under pledge.

15. LEASE ARRANGEMENTS

(1) Right-of-use assets

	December 31, 2021	December 31, 2020
Carrying amounts of right-of-use assets		
Buildings	\$ 11,058	\$ 6,418
Office equipment	<u>143</u>	<u>344</u>
	<u>\$ 11,201</u>	<u>\$ 6,762</u>
	2021	2020
Additions to right-of-use assets	<u>\$ 12,020</u>	<u>\$ 4,507</u>
Depreciation charge for right-of-use assets	\$ 7,380	\$ 4,876
Buildings	<u>201</u>	<u>201</u>
Office equipment	<u>\$ 7,581</u>	<u>\$ 5,077</u>

(2) Lease liabilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Carrying amounts of lease liabilities		
Current	\$ 5,162	\$ 5,223
Non-current	\$ 6,370	\$ 1,597

Range of discount rate for lease liabilities was as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Buildings	0.75% ~ 1.20%	1.20%
Office equipment	1.20%	1.20%

(3) Other lease information

	<u>2021</u>	<u>2020</u>
Expenses relating to short-term leases	\$ 634	\$ 168
Expenses relating to low-value asset leases	\$ 31	\$ 32
Total cash (outflow) for leases	(\$ 8,080)	(\$ 5,358)

16. OTHER PAYABLE

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Salaries and bonuses payable	\$ 124,199	\$ 84,202
Employees', directors', and supervisors' compensation payable	43,071	35,420
Others	<u>86,816</u>	<u>112,906</u>
	<u>\$ 254,086</u>	<u>\$ 232,528</u>

17. RETIREMENT BENEFIT PLANS

(1) Defined contribution plans

The plan under the R.O.C. Labor Pension Act (the "Act") is deemed a defined contribution plan. Pursuant to the Act, ZOTC has made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts.

(2) Defined benefit plans

ZOTC has defined benefit plans under the R.O.C. Labor Standards Act that provide benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. The Company contributes an amount equal to 2% of salaries paid each month to their respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan. Before the end of each year, the Company assesses the balance in the Funds. If the amount of the balance in the Funds is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The Funds are operated and managed by Bureau of Labor Funds, Ministry of Labor; as such, the Company does not have any right to intervene in the investments of the Funds.

Amounts recognized in respect of these defined benefit plans in the parent company only balance sheets were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Present value of defined benefit obligation	\$ 61,127	\$ 60,393
Fair value of plan assets	(<u>41,903</u>)	(<u>39,411</u>)
Net defined benefit liability	<u>\$ 19,224</u>	<u>\$ 20,982</u>

Movements in net defined benefit liabilities were as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability/assets
Balance at January 1, 2020	<u>\$ 58,307</u>	<u>(\$ 36,389)</u>	<u>\$ 21,918</u>
Service cost			
Current service cost	256	-	256
Interest expense (income)	<u>437</u>	<u>(275)</u>	<u>162</u>
Recognized in profits or losses	<u>693</u>	<u>(275)</u>	<u>418</u>
Remeasurements			
Return on plan assets (excluding amounts included in interest, net)	-	(1,181)	(1,181)
Actuarial loss arising from changes in demographic assumptions	185	-	185
Actuarial loss arising from changes in financial assumptions	1,320	-	1,320
Actuarial loss arising from experience adjustments	<u>(112)</u>	<u>-</u>	<u>(112)</u>
Recognized in other comprehensive income	<u>1,393</u>	<u>(1,181)</u>	<u>212</u>
Contribution from employer	<u>-</u>	<u>(1,566)</u>	<u>(1,566)</u>
Balance at December 31, 2020	<u>\$ 60,393</u>	<u>(\$ 39,411)</u>	<u>\$ 20,982</u>
Balance at January 1, 2021	<u>\$ 60,393</u>	<u>(\$ 39,411)</u>	<u>\$ 20,982</u>
Service cost			
Current service cost	159	-	159
Interest expense (income)	<u>302</u>	<u>(201)</u>	<u>101</u>
Recognized in profits or losses	<u>461</u>	<u>(201)</u>	<u>260</u>
Remeasurements			
Return on plan assets (excluding amounts included in interest, net)	-	(497)	(497)
Actuarial loss arising from changes in demographic assumptions	1,269	-	1,269
Actuarial loss arising from changes in financial assumptions	(631)	-	(631)
Actuarial gain arising from experience adjustments	<u>(365)</u>	<u>-</u>	<u>(365)</u>
Recognized in other comprehensive income	<u>273</u>	<u>(497)</u>	<u>(224)</u>
Contribution from employer	<u>-</u>	<u>(1,794)</u>	<u>(1,794)</u>
Balance at December 31, 2021	<u>\$ 61,127</u>	<u>(\$ 41,903)</u>	<u>\$ 19,224</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	<u>2021</u>	<u>2020</u>
Selling and marketing expenses	\$ 146	\$ 181
General and administrative expenses	<u>114</u>	<u>237</u>
	<u>\$ 260</u>	<u>\$ 418</u>

Through the defined benefit plans under the R.O.C. Labor Standards Act, the Company is exposed to the following risks:

- A. Investment risk: The pension funds are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the government's designated authorities or under the mandated management. However, under the R.O.C. Labor Standards Act, the rate of return on the Company's assets shall not be less than the average interest rate on a two-year time deposit published by the local banks and the government is responsible for any shortfall in the event that the rate of return is less than the required rate of return.

- B. Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the debt investments of the plan assets.
- C. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions at the measurement date were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount rate	0.625%	0.500%
Future salary increase rate	2.750%	2.750%

If main actuarial assumptions vary within a reasonable extent, as for other assumption remaining unchanged, the present value of defined benefit obligation increases (decreases) shall be as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount rate		
increases by 0.25%	(\$ 1,252)	(\$ 1,321)
decreases by 0.25%	<u>\$ 1,294</u>	<u>\$ 1,368</u>
Future salary increase rate		
increases by 0.25%	<u>\$ 1,247</u>	<u>\$ 1,317</u>
decreases by 0.25%	(<u>\$ 1,214</u>)	(<u>\$ 1,280</u>)

As actuarial assumptions may be correlative with one another, it is less likely that only one single assumption will be changed, the above sensitive analysis cannot indicate actual changes of the present value of defined benefit obligation.

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Contribution amounts within 1 year	<u>\$ 1,843</u>	<u>\$ 1,609</u>
Average duration of the defined benefit obligation	8.3 Years	8.8 Years

18. EQUITY

(1) Ordinary Shares

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Authorized shares (in thousands)	<u>200,000</u>	<u>150,000</u>
Authorized capital	<u>\$ 2,000,000</u>	<u>\$ 1,500,000</u>
Issued and paid shares (in thousands)	<u>151,971</u>	<u>125,640</u>
Issued capital	<u>\$ 1,519,707</u>	<u>\$ 1,256,402</u>

The change in share capital is mainly due to the issuance of new shares from cash capital increase, employee stock options exercised and the cancellation of employee restricted shares.

As per the resolution of the Board of Directors' Meeting held on October 13, 2021, the Company issued 25,000 thousand new shares with a par value of \$10 per share at an issue price of \$40, with December 21, 2021 as the base date for the capital increase.

(2) Capital Surplus

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u> (Note)		
Premium on shares issued above par value	\$ 1,159,835	\$ 405,951
Treasury stock transactions	25,343	25,343

(Continued)

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
From exercised and invalid employees stock options	21,459	12,837
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	68	-
<u>May not be used for any purpose</u>		
Employees restricted shares	8,426	8,276
Employees stock options	<u>19,194</u>	<u>26,350</u>
	<u>\$ 1,234,325</u>	<u>\$ 478,757</u>

(Concluded)

Note: Such capital surplus may be used to offset a deficit; in addition, when ZOTC has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of ZOTC's paid-in capital surplus and once a year).

(3) Retained earnings and dividend policy

Under the dividends policy as set forth in the Articles of Incorporation, where ZOTC earns profits in a fiscal year, such profit shall first be set aside to pay applicable taxes, offset losses of previous years, then set aside 10% for legal reserve, and also set aside or reverse a special reserve in accordance with the laws and regulations. Should there be any remaining profits, those profits, plus the accumulated undistributed retained earnings from the previous year shall be used first by ZOTC's board of directors as the basis for proposing a distribution plan of dividends for preferred shares for the same year, any further remaining unappropriated earnings after the distribution of dividends of preferred shares shall be distributed in accordance with the proposal submitted by the board of directors, for approval at the shareholders' meeting. The distributable dividends and bonuses may be paid in cash after a supermajority resolution of the board of directors, which shall be submitted to the shareholders' meeting. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors, refer to employees' compensation and remuneration of directors in Note 20 (4).

ZOTC adopts a dividend distribution policy whereby only surplus profits of ZOTC shall be distributed to shareholders. Based on the Company's future capital budget planning and the needs for working capital requirements, as well as taking account into the impact to the extent of the diluted earnings per share and return on equity, no less than 30% of the remaining balance is to be allocated to shareholders and the ratio for cash dividends shall not be lower than 10% of the total shareholders' dividends distributed for the same year.

The appropriation for legal capital reserve shall be made until the reserve equals the Company's paid-in capital. The reserve may be used to offset a deficit, or be distributed as dividends in cash for the portion in excess of 25% of the paid-in capital if the Company incurs no loss.

The appropriations of 2020 and 2019 earnings have been approved by ZOTC's shareholder's meeting held on August 4, 2021 and June 10, 2020, respectively, were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share(\$)</u>	
	<u>For Fiscal Year 2020</u>	<u>For Fiscal Year 2019</u>	<u>For Fiscal Year 2020</u>	<u>For Fiscal Year 2019</u>
Legal capital reserve	\$ 44,100	\$ 35,131		
Reversal of special reserve	-	(16,844)		
Cash dividends	377,836	249,574	\$ 3.0	\$ 2.0

The appropriations of earnings for 2021 have been proposed by ZOTC's board of directors on February 23, 2022. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>	<u>Dividends Per Share (\$)</u>
	Legal reserve	\$ 58,555
Cash dividends	547,962	\$ 3.6

The appropriations of earnings for 2021 are subject to the resolution of the shareholders' meeting to be held on May 26, 2022.

19. REVENUE

(1) Income from contracts with clients

	<u>2021</u>	<u>2020</u>
Sales revenue	\$ 12,562,027	\$ 9,594,796
Service revenue	<u>68,047</u>	<u>63,982</u>
	<u>\$ 12,630,074</u>	<u>\$ 9,658,778</u>

(2) Remaining balance of the contracts

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes receivable (Note 11)	\$ 288,710	\$ 230,490
Trade receivable (Note 11)	<u>2,538,701</u>	<u>1,871,194</u>
Contract liability (Other current liabilities)	<u>\$ 45,161</u>	<u>\$ 17,423</u>

20. NET INCOME

(1) Other Gains and losses

	<u>2021</u>	<u>2020</u>
Gain on financial assets at FVTPL	\$ 10,050	\$ 5,050
Net foreign exchange gain (loss)	19,254	10,777
Loss on disposal of property, plant and equipment	-	(40)
Gain on disposal of investment accounted for using the equity method	<u>-</u>	<u>275</u>
	<u>\$ 29,304</u>	<u>\$ 16,062</u>

(2) Depreciation & amortization

	<u>2021</u>	<u>2020</u>
Property, plant and equipment	\$ 14,485	\$ 15,178
Right-of-use assets	7,581	5,077
Intangible assets	<u>1,068</u>	<u>778</u>
	<u>\$ 23,134</u>	<u>\$ 21,033</u>
An analysis of depreciation by function		
Operating expenses	<u>\$ 22,066</u>	<u>\$ 20,255</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 1,068</u>	<u>\$ 778</u>

(3) Employee benefits expense

	<u>2021</u>	<u>2020</u>
Post-employment benefits		
Defined contribution plans	\$ 10,489	\$ 9,454
Defined benefit plans (Note 17)	<u>260</u>	<u>418</u>
	<u>10,749</u>	<u>9,872</u>
Share-based payment		
Equity-settled	<u>4,748</u>	<u>11,982</u>
Other employee benefits		
Salaries expense	372,491	290,705
Others	<u>44,186</u>	<u>37,857</u>
	<u>416,677</u>	<u>328,562</u>
Total employee benefits expense	<u>\$ 432,174</u>	<u>\$ 350,416</u>
Employee benefits expense summarized by function		
Operating expenses	<u>\$ 432,174</u>	<u>\$ 350,416</u>

(4) Compensation for employees and remuneration of directors

ZOTC shall allocate compensation to employees and Directors of ZOTC not less than 1%~15% and not more than 3% of surplus earnings during the period, respectively, and the amount of employees' and Directors' compensation for the years ended December 31, 2021 and 2020, with resolution of the board of directors on February 23, 2022 and February 24, 2021, were as follows:

Estimate Rate

	<u>2021</u>	<u>2020</u>
Compensation of employee	4%	4%
Compensation of director	2%	2%

Amount

	<u>2021</u>	<u>2020</u>
	<u>Cash</u>	<u>Cash</u>
Compensation of employee	\$ 28,714	\$ 23,613
Compensation of director	14,357	11,807

If changes in the very amount after the end of the reporting period, it will be booked next year, based on accounting estimate regulations.

The distribution amount of employees' and director's compensation in 2020, and 2019 has no difference compared to the recognized amount of the parent company only financial statements in 2020 and 2019.

Relevant information about employees' and director's compensation can be found on the website of "Market Observation Post System" of TWSE.

21. INCOME TAXES

(1) Income tax recognized in profit or loss

The major components of income tax expenses were as follows:

	<u>2021</u>	<u>2020</u>
Current tax		
In respect of the current year	\$ 141,121	\$ 105,290
Surtax on undistributed retained earnings	953	3,771
Adjustments for previous years	(289)	(901)
	<u>141,785</u>	<u>108,160</u>
Deferred tax		
In respect of the current year	(4,372)	5,126
Income tax expense recognized in profit or loss	<u>\$ 137,413</u>	<u>\$ 113,286</u>

A reconciliation of accounting profit and income tax expense was as follows:

	<u>2021</u>	<u>2020</u>
Profit before income tax from continuing operations	<u>\$ 674,772</u>	<u>\$ 554,909</u>
Income tax expense calculated at the statutory rate	\$ 134,954	\$ 110,982
Tax-exempt income	(2,854)	(2,640)
Tax effect of expenses not deductible for tax	4,649	3,052
Surtax on undistributed retained earnings	953	3,771
The adjustment of current income tax expenses for previous years	(289)	(901)
Others	-	(978)
Total income tax expense recognized in profit or loss	<u>\$ 137,413</u>	<u>\$ 113,286</u>

(2) Deferred tax balances

Movements of deferred tax assets and deferred tax liabilities were as follows:

2021

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for inventory valuation losses	\$ 27,081	\$ 5,233	\$ -	\$ 32,314
Defined benefit plans	4,197	(307)	(45)	3,845
Others	<u>4,698</u>	<u>(78)</u>	<u>-</u>	<u>4,620</u>
	<u>\$ 35,976</u>	<u>\$ 4,848</u>	<u>(\$ 45)</u>	<u>\$ 40,779</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized foreign exchange gains	\$ -	\$ 47	-	\$ 47
Others	<u>-</u>	<u>429</u>	<u>-</u>	<u>429</u>
	<u>\$ -</u>	<u>\$ 476</u>	<u>\$ -</u>	<u>\$ 476</u>

2020

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for inventory valuation losses	\$ 28,661	(\$ 1,580)	\$ -	\$ 27,081
Allowances for impairment loss	2,993	(2,993)	-	-
Defined benefit plans	4,383	(229)	43	4,197
Others	<u>5,815</u>	<u>(1,117)</u>	<u>-</u>	<u>4,698</u>
	<u>\$ 41,852</u>	<u>(\$ 5,919)</u>	<u>\$ 43</u>	<u>\$ 35,976</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized foreign exchange gains	\$ 793	(\$ 793)	-	-

(3) Income tax assessment

The Company's tax returns through 2019 had been assessed by the tax authorities.

22. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

Net Profit for the Year

	2021	2020
Earnings used in the computation of basic/diluted earnings per share	<u>\$ 537,359</u>	<u>\$ 441,623</u>

<u>Shares</u>	Units: Thousand shares	
	2021	2020
Weighted average number of ordinary shares used in the computation of basic earnings per share	126,765	124,381
Effect of potentially dilutive ordinary shares :		
Employees' compensation	739	702
Employee stock options	2,295	2,674
Employee restricted shares	<u>367</u>	<u>448</u>
Weighted average number of ordinary shares outstanding in computation of diluted earnings per share	<u>130,166</u>	<u>128,205</u>

If the Company will distribute bonus to employees and the bonus will be settled in cash or shares, the Company will assume that the entire amount of the compensation or bonus will be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares is included and considered in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

23. SHARE-BASED PAYMENT ARRANGEMENTS

(1) Employee stock option plan

In August 2015, September 2016, January 2018, and September 2018, 1,000, 1,860, 2000, and 2,000 options were granted to qualified employees of ZOTC, and each option entitles the holder to subscribe for 1,000 ordinary shares of the Company when exercisable. The options granted are valid for 6 years and shall be exercised a portion of them after two years from the date of grant. The options were granted at an exercise price equal to the fair value of ZOTC's ordinary shares on the grant date. For any subsequent changes in the Company's ordinary shares, the exercise price of options will be adjusted by the regulated formula, accordingly.

Information about employee stock options was as follows:

	2021		2020	
	Number of Options (In Thousands)	Weighted Average Exercise Price (\$)	Number of Options (In Thousands)	Weighted Average Exercise Price (\$)
Employee stock options				
Balance, begin of period	4,468	\$ 16.70	5,653	\$ 17.18
Options exercised	(1,346)	14.76	(1,017)	14.02
Invalid options	(88)	16.35	(168)	17.51
Balance, end of period	<u>3,034</u>	15.93	<u>4,468</u>	16.70
Options exercisable, end of the period	<u>1,595</u>		<u>1,820</u>	

Information about outstanding options at the end of reporting period was as follows:

December 31, 2021		December 31, 2020	
Range of Exercise Price (\$)	Weighted-Over-Age Remaining Contractual Life (Years)	Range of Exercise Price (\$)	Weighted-Over-Age Remaining Contractual Life (Years)
\$ -	-	\$ 11.70 (Note)	0.67
12.50 (Note)	0.68	13.40 (Note)	1.68
15.40 (Note)	2.01	16.80 (Note)	3.01
16.90 (Note)	2.67	18.40 (Note)	3.67

Note: The issued price will be adjusted by methods of issuance.

The Company adopted binomial option pricing model and Black-Scholes price model to evaluate inputs of stock options in September 2018, January 2018, September 2016 and August 2015 as follows:

	September, 2018	January, 2018	September, 2016	August, 2015
Securities price of the vested date	20.65 Dollars	19.85 Dollars	16.95 Dollars	15.65 Dollars
Exercised price	20.65 Dollars	19.85 Dollars	16.95 Dollars	15.65 Dollars
Foreseeable volatility rate	32.96%	33.81%	38.26%	39.14%~40.47%
Duration	6 Years	6 Years	6 Years	4~5 Years
Foreseeable dividend rate	0%	0%	0%	0%
Risk-free interest rate	0.72%	0.74%	0.56%	0.77%~0.87%

The compensation cost recognized were \$1,459 thousand and \$6,894 thousand for the years ended December 31, 2021 and 2020, respectively.

(2) Employee restricted shares

The shareholders meeting of the Company, on June 11, 2018, resolved to issue employee restricted shares amounting to \$7,000 thousand, consisting of 700 thousand shares, respectively, par value in \$10, the subscription price is \$0 (The issue price is \$0), and authorized the Board to decide the issue price at the issuance date. The Board resolved to issue \$7,000 thousand, with total share number of 700 thousand shares, on April 30, 2019 and the record date of issuance is June 13, 2019.

An employee who remains employed at the Company after the period as follows has elapsed from the time of employee restricted shares and who personal performance have met with the criteria listing, will be eligible for vesting of an installment of the shares.

- E. An employee who remains employed at the Company after 1 year has elapsed from the time of employee restricted shares, and who personal performance have met with the criteria listing of 75 scores and above, will be eligible for vesting of an installment of 25% of the shares.
- F. An employee who remains employed at the Company after 2 year has elapsed from the time of employee restricted shares, and who personal performance have met with the criteria listing of 75 scores and above, will be eligible for vesting of an installment of 25% of the shares.
- G. An employee who remains employed at the Company after 3 year has elapsed from the time of employee restricted shares, and who personal performance have met with the criteria listing of 75 scores and above, will be eligible for vesting of an installment of 25% of the shares.
- H. An employee who remains employed at the Company after 4 year has elapsed from the time of employee restricted shares, and who personal performance have met with the criteria listing of 75 scores and above, will be eligible for vesting of an installment of 25% of the shares.

After employees received the vested shares from the Company, it will redeem and cancel the issued employee restricted shares as employees breach the labor contract and working regulations, for the employee restricted shares that don't meet the vesting conditions.

When employees fail to meet the vesting conditions of employee restricted shares as redeemed by the Company without charge will be cancelled, based on the relevant regulations.

Compensation costs by issuance of employee restricted shares recognized were \$3,230 thousand and \$5,088 thousand in 2021 and 2020 respectively. As of December 31, 2021 and 2020, unearned employee benefits totaled \$2,071 thousand and \$5,301 thousand respectively, accounted for as a decrease in other equity.

(3) Reserve of cash capital increase for employee stock options

The Company reserved the cash capital increase for employee stock options in November 2021, this was calculated based on Black-Scholes price model and the parameters used are as follows:

Securities price of the vested date	\$37.65
Exercised price	\$40.00
Foreseeable volatility rate	20.07%
Foreseeable duration	0.0658 year
Risk-free interest rate	0.2352%

The cost incurred for reserving cash capital increase for employee stock options in 2021 was 59 thousand dollars.

24. CAPITAL RISK MANAGEMENT

The Company engages mainly in the agent of software and hardware, without any plans of imposed capital requirements at present and in the future. The Company manages its capital to ensure requirements of operating funds and dividend expenses, based on growth and development of scale of enterprise and prospective of the industry. The Company periodically reviews the policy of capital risk management, for seeking a steady and conservative policy.

The capital structure of the Company consists of net debt and equity (comprising share capital, capital reserves, retained earnings and other equity).

The Company is not subject to any externally imposed capital requirements.

25. FINANCIAL INSTRUMENTS

(1) Information about Fair value of financial instruments that are not measured at fair value

Except as detailed in the following table, the management believes the carrying amounts of financial liabilities not measured at fair value recognized in the parent company only financial statements approximate or cannot be measured their fair values:

	December 31, 2021		December 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial Assets</u>				
Measured at amortized cost				
– Foreign corporate bonds	\$ 15,441	\$ 15,585	\$ 44,061	\$ 45,323

(2) Information about fair value of financial instruments measured at fair value on a recurring basis.

A. Fair value hierarchy

December 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at</u>				
<u>FVTPL</u>				
Domestic convertible bonds	\$ 30,045	\$ -	\$ -	\$ 30,045
Domestic listed shares	15,844	-	-	15,844
Fund beneficiary certification	<u>313,599</u>	<u>-</u>	<u>9,567</u>	<u>323,166</u>
Total	<u>\$ 359,488</u>	<u>\$ -</u>	<u>\$ 9,567</u>	<u>\$ 369,055</u>

Financial assets measured at FVTOCI

Equity investments				
– Domestic listed shares and emerging market shares	\$ 208,222	\$ -	\$ -	\$ 208,222
– Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>32,353</u>	<u>32,353</u>
Total	<u>\$ 208,222</u>	<u>\$ -</u>	<u>\$ 32,353</u>	<u>\$ 240,575</u>

December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at</u>				
<u>FVTPL</u>				
Domestic convertible bonds	\$ 15,966	\$ -	\$ -	\$ 15,966
Domestic listed shares	16,188	-	-	16,188
Fund beneficiary certification	<u>344,978</u>	<u>-</u>	<u>8,529</u>	<u>353,507</u>
Total	<u>\$ 377,132</u>	<u>\$ -</u>	<u>\$ 8,529</u>	<u>\$ 385,661</u>

(Continued)

	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at FVTOCI</u>				
Equity investments				
– Domestic listed shares and emerging market shares	\$ 223,085	\$ -	\$ 12,092	\$ 235,177
– Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>18,142</u>	<u>18,142</u>
Total	<u>\$ 223,085</u>	<u>\$ -</u>	<u>\$ 30,234</u>	<u>\$ 253,319</u>

(Concluded)

There were no transfers between Level 1 and Level 2 in 2021 and 2020, respectively.

B. Valuation techniques and inputs applied for Level 3 fair value measurement

Fund beneficiary certificates are an asset-based method that estimates the fair value of individual assets covered by the valuation and evaluation targets, and the total market value of individual liabilities.

Domestic unlisted stocks are based on the market method, which is mainly calculated by referring to the relevant information of listed companies or those with similar industrial nature, and taking into account of their liquidity discounts.

(3) Categories of financial instruments

	December 31, 2021	December 31, 2020
<u>Financial assets</u>		
Measured at FVTPL		
Mandatorily measured at FVTPL	\$ 369,055	\$ 385,661
Financial assets measured at amortized cost (Note 1)	4,587,999	2,972,799
Financial assets measured at FVTOCI		
– Investments in equity instruments	240,575	253,319
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	3,228,319	2,460,375

Note 1: The balances included financial assets at amortized cost, which comprise cash and cash equivalents, investments in debt instruments, notes receivable, trade receivable, other receivable, and refundable deposits.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise trade payable, other payable, and deposits received.

(4) Financial risk management objectives and policies

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk based on related protocols and internal control procedures. The Company's financial department measures the aforementioned risks based on the Company's risk appetite, and reports to the board of directors for carrying out relevant policies at any time.

A. Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates.

a. Foreign currency risk

The Company's purchases are denominated in foreign currencies, thus the Company is exposed to foreign currency risks. To protect against reductions in value of foreign currency denominated assets and the volatility of future cash flows caused by changes in foreign exchange rates, the Company utilizes derivative financial instruments, such as forward exchange contracts and options, for avoiding foreign currency risks.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities of non-functional currency calculated (including those eliminated on consolidation) at the end of the reporting period are set out in Note 29.

Sensitivity analysis

The Company's exchange rate exposure was in the exchange rate of U.S. dollars.

The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. If the New Taiwan dollar appreciates/depreciates 5% against the relevant currency, the Company's net profit in 2021 and 2020 would decrease/increase by \$381 thousand and increase/decrease \$41,819 thousand, respectively.

b. Interest rate risk

The Company exposed to the risk of interest rate at fair value, since holding the fixed-rate loan, accessing the interest rate of the bank loan regularly, observing influences on profits or losses from fluctuation range of the interest rate, keeping contact with the bank based on the actual requirement, and acquiring the best interest rate of the loan.

The carrying amount of the Company's financial assets and financial liabilities with exposure to risks of interest rates at the end of the reporting period were as follows:

	December 31, 2021	December 31, 2020
Interest rate risks at fair value		
– Financial assets	\$ 940,739	\$ 197,519
– Financial liabilities	11,532	6,820
Interest rate risks at cash flows		
– Financial assets	782,782	666,171

Sensitivity analysis

The sensitivity analyses below were determined based on the Company's exposure to interest rates for non-derivative instruments at the end of the reporting period.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's pre-tax profit in 2021 and 2020 would increase/ decrease by \$3,914 thousand and \$3,331 thousand, respectively. Exposure is triggered by risks of cash flows of the Company's variable interest rates of deposits.

c. Other price risk

The Company is exposed to price risks arising from investments of public offering securities, corporate bonds and fund beneficiary certificates. The investments should be approved by the management, for controlling risks by holding different investment portfolios.

Sensitivity analysis

The following sensitivity analysis is based on risk exposure of equity prices at the end of the reporting period.

If equity prices had been 5% higher/lower, pre-tax profit in 2021 and 2020 would have increased/decreased by \$18,453 thousand and \$19,283 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the other comprehensive income in would have increased/decreased by \$12,029 thousand and \$12,666 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

B. Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the parent company only balance sheets.

The Company adopted a policy of only dealing with creditworthy counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the financial department regularly.

To decrease a credit risk, the key management personnel of the Company is responsible for decision of rating criteria, credit limits approval, and other censor procedure, etc., in order to collect delinquent trade receivable. Otherwise, the Company reviews each trade receivable to assure allowance of impairment losses of uncollectable bad debts, hence the key management personnel considers credit concentration risk of trade receivable is insignificant.

The credit concentration risk of the current fund is insignificant, since the Company only transacts with financial institutions with good rating.

Trade receivable consisted of a large number of customers. Ongoing credit evaluation is performed on the financial condition of certain customer's trade receivable. If necessary, purchasing insurance for credit enhancing procedures is a must.

The credit risk of the Company concentrates on top 5 customers of the Company. As of December 31, 2021 and 2020, the Company's five largest customers accounted all for 34% and 33% of trade receivable, respectively.

C. Liquidity risk

The Company manages and maintains sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises financing line of the banking facilities and ensures compliance with the terms of loan agreements.

Liquidity & interest rate risk table

The table below summarizes the due analysis of the maturity profile of the Company's non-derivative financial liabilities, enacted by contractual undiscounted payments of cash flow of financial liabilities, according to remaining contracts on the earliest date on which the Company may be required to pay, including interest and principal of cash flows.

The other non-derivative financial liabilities are listed at their contract repayment dates.

December 31, 2021

	<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>5+ Years</u>
<u>Non-derivative financial liabilities</u>			
No Interest-bearing liabilities	\$ 3,227,519	\$ -	\$ -
Lease liabilities	<u>5,232</u>	<u>6,432</u>	<u>-</u>
	<u>\$ 3,232,751</u>	<u>\$ 6,432</u>	<u>\$ -</u>

December 31, 2020

	<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>5+ Years</u>
<u>Non-derivative financial liabilities</u>			
No Interest-bearing liabilities	\$ 2,459,575	\$ -	\$ -
Lease liabilities	<u>5,271</u>	<u>1,599</u>	<u>-</u>
	<u>\$ 2,464,846</u>	<u>\$ 1,599</u>	<u>\$ -</u>

As of December 31, 2021 and 2020, the Company's unused short-term credit of limit of the bank were \$1,600,000 thousand and \$1,250,000 thousand, respectively.

26. RELATED PARTIES TRANSACTIONS

The details of transactions between the Company and related parties are disclosed as follows.

(1) The Names and Relationships of Related-parties

<u>Name of the related parties</u>	<u>Relationship with the Company</u>
Zotech Co., Ltd.	Subsidiaries
Zerone Win Investment Co., Ltd.	Subsidiaries
PetaCom Technology Co., Ltd.	Subsidiaries
Wing Will International Co., Ltd.	Subsidiaries
DigiCosmos Tech. Co., Ltd.	Subsidiaries
AsiaOne Holdings Ltd.	Subsidiaries
Techone (Shanghai) Co., Ltd.	Subsidiaries
TrustONE Security Inc.	Associates
Leukocyte-Lab Co. Ltd.	Associates
K Way Information Corp.	Other related parties

(2) Operating revenue

Line Items	Types of related parties	2021	2020
Sales revenue	Subsidiaries	\$ 45,786	\$ 28,350
	Associates	147	-
	Other related parties	<u>327</u>	<u>244</u>
		<u>\$ 46,260</u>	<u>\$ 28,594</u>
Service revenue	Subsidiaries	<u>\$ 3,997</u>	<u>\$ 2,838</u>

Prices and payment terms for transactions with related parties and non-related parties were similar.

(3) Purchases

Types of related parties	2021	2020
Subsidiaries	\$ 17,373	\$ 12,505
Associates	<u>1,194</u>	<u>-</u>
	<u>\$ 18,567</u>	<u>\$ 12,505</u>

(4) Receivables from related parties (excluding loans and contract assets to related parties)

Line Items	Types of related parties	December 31, 2021	December 31, 2020
Trade receivable	Subsidiaries	\$ 10,459	\$ 8,236
	Other related parties	343	223
Other receivable	Subsidiaries	<u>48</u>	<u>-</u>
		<u>\$ 10,850</u>	<u>\$ 8,459</u>

For the year ended December 31, 2021 and 2020 no impairment loss was recognized for trade receivables from related parties.

(5) Payables to related parties

Line Items	Types of related parties	December 31, 2021	December 31, 2020
Trade payable	Subsidiaries	\$ 16,059	\$ 8,413
	Associates	582	-
Other Payables	Subsidiaries	<u>9</u>	<u>-</u>
		<u>\$ 16,650</u>	<u>\$ 8,413</u>

(6) Loans to related parties (Recognized as other current assets)

Types of related parties / Name	December 31, 2021	December 31, 2020
Subsidiaries	<u>\$ 5,000</u>	<u>\$ -</u>
<u>Interest income</u>		
Types of related parties / Name	2021	2020
Subsidiaries	<u>\$ 48</u>	<u>\$ 205</u>

(7) Non-operating income

Line Items	Types of related parties	2021	2020
Rental income	Subsidiaries	<u>\$ 981</u>	<u>\$ 743</u>

(8) Compensation of key management personnel

	2021	2020
Short-term employee benefits	<u>\$ 45,768</u>	<u>\$ 43,730</u>

The compensation of directors and other key management personnel are decided by personal performance and economic market trend through the Remuneration Committee.

27. ASSETS PLEDGED AS COLLATERAL

The following assets were provided as collateral for bank borrowings and tariff guarantee for imported commodities:

	December 31, 2021	December 31, 2020
Property, plant and equipment, Net	\$ 206,231	\$ 207,620
Pledged time deposits (Financial assets at amortized cost – non-current)	<u>30,523</u>	<u>20,390</u>
	<u>\$ 236,754</u>	<u>\$ 228,010</u>

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- (1) As of December 31, 2021, the Company issued \$87,000 thousand of cashier order for payment guaranteed for Microsoft Taiwan Corporation.
- (2) As of December 31, 2021, the Company issued \$50,000 thousand of cashier order for payment guaranteed for Microsoft Regional Sales Corporation.

29. FOREIGN-CURRENCY-DEMONINATED ASSETS AND LIABILITIES THAT HAVE SIGNIFICANT INFLUENCE

The following information was aggregated by the foreign currencies other than functional currency of the Company. The exchange rates disclosed were used to translate the foreign currencies into the functional currency. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2021

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 45,791	27.68 (USD:NTD)	\$ <u>1,267,495</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	45,516	27.68 (USD:NTD)	\$ <u>1,259,883</u>

December 31, 2020

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 11,659	28.48 (USD:NTD)	\$ <u>332,048</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	41,026	28.48 (USD:NTD)	\$ <u>1,168,420</u>

The material foreign exchange gains (losses) (realized and unrealized) were as follows:

	2021		2020	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	28.009 (USD:NTD)	\$ <u>19,254</u>	29.549 (USD:NTD)	\$ <u>10,777</u>

30. SEPARATELY DISCLOSED ITEMS

(1) Significant Transactional Items

- A. Financing provided to others: Table 1.
- B. Endorsements/guarantees provided: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Table 2.
- D. Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital: None.
- E. Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- F. Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- G. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- H. Trade receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- I. Trading in derivative instruments: None.

(2) Information on investees: Table 3.

(3) Information on investment in Mainland China :

- A. The name of the investee in mainland China, the main business and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Table 4.
- B. Significant direct or indirect transactions with the investee, its price and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: None.
 - a. The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b. The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c. The amount of property transactions and the amount of the resultant gains or losses.
 - d. The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e. The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f. Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

(4) Information on major shareholder : List of all shareholders with ownership of 5 percent or greater showing the names and the number of shares and percentage of ownership held by each shareholder: Table 5.

ZERO ONE TECHNOLOGY CO., LTD.
FINANCING PROVIDED TO OTHERS
FOR THE YEARS ENDED DECEMBER 31, 2021

Table 1

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 2)	Ending Balance	Amount Actually Drawn	Interest Rate (%)	Nature for Financing (Note 3)	Transaction Amount	Reasons for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrower (Note 4)	Aggregate Financing Limit (Note 5)	Note
													Item	Value			
0	ZOTC	Zerone Win Investment Co., Ltd.	Other receivables from related parties	Yes	\$ 50,000	\$ 50,000	\$ -	3%	2	\$ -	Operating Capital	\$ -	—	\$ -	\$ 390,819	\$ 781,639	
0	ZOTC	WingWill International Co., Ltd.	Other receivables from related parties	Yes	20,000	20,000	5,000	3%	2	-	Operating Capital	-	—	\$ -	390,819	781,639	

Note 1 : The number column is organized as follows :

- (1) Number 0 represents the issuer.
- (2) The Counter-party is numbered from 1 in order.

Note 2 : Maximum Balance of financing provided to others for the period.

Note 3 : Reference for the nature for financing provided to others.

- (1) 1:The borrower has business contact with the creditor.
- (2) 2:The borrower has short-term financing necessities.

Note 4 : For short-term financing necessities, the total amount available for lending purpose shall not exceed 10% of the net worth reviewed or audited by CPA during the period.

Note 5 : The total amount available for lending purpose shall not exceed 20% of the company's net worth reviewed or audited by CPA during the period.

ZERO ONE TECHNOLOGY CO., LTD.
MARKETABLE SECURITIES HELD
FOR THE YEAR ENDED DECEMBER 31, 2021

Table 2

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company	Marketable Securities Type and Issuer's Name (Note 1)	Security Issuer's Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Shares/Units	Carrying Values	Percentage of Ownership (%)	Market Prices/ Net value of equities	
ZOTC	Beneficiary certificates							
	Taishin 1699 Money Market Fund	—	Financial assets at FVTPL — current	7,310,743	\$ 100,001	-	\$ 100,001	
	Taishin Ta-Chong Money Market Fund	—	Financial assets at FVTPL — current	6,968,447	100,000	-	100,000	
	FSITC Taiwan Money Market	—	Financial assets at FVTPL — current	6,463,581	100,000	-	100,000	
	KGI Kaefer Fund	—	Financial assets at FVTPL — non- current	170,199	3,669	-	3,669	
	KGI Taiwan Multi-Asset Income Fund	—	Financial assets at FVTPL — non- current	1,198,020	13,598	-	13,598	
	KGI Taiwan Select-Asset Income Fund	—	Financial assets at FVTPL — non- current	500,325	5,898	-	5,898	
	Corporate bond							
	M.J. International Co. Ltd. — 1st convertible bonds	—	Financial assets at FVTPL — current	20 (Units)	2,070	-	2,070	
	Chailease Holding Company Limited — 1st convertible bonds	—	Financial assets at FVTPL — current	250 (Units)	27,975	-	27,975	
	Perusahaan Listrik Negara corporate bond (USD)	—	Financial assets at amortized cost — non-current	5 (Units)	15,441	-	15,585	
	Stock							
	Fubon Financial Holding Co., Ltd.	—	Financial assets at FVTPL — current	15,248	1,163	-	1,163	
	Cathay Financial Holdings Preferred Shares A	—	Financial assets at FVTPL — non- current	166,000	10,441	-	10,441	
	Union Bank of Taiwan Preferred Shares A	—	Financial assets at FVTPL — non- current	80,000	4,240	-	4,240	
K Way Information Corp.	Director of ZOTC	Financial assets at FVTOCI — non- current	655,000	17,980	2.14	17,980		
China Electric Mfg. Corp.	—	Financial assets at FVTOCI — non- current	2,689,200	59,297	0.83	59,297		

(Continued)

Holding Company	Marketable Securities Type and Issuer's Name (Note 1)	Security Issuer's Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Shares/Units	Carrying Values	Percentage of Ownership (%)	Market Prices/ Net value of equities	
ZOTC	Unex Technology Corp.	—	Financial assets at FVTOCI—non-current	175,000	\$ 2,404	1.68	\$ 2,404	
	Da-Chang Start-Up Investment Co. Ltd	—	Financial assets at FVTOCI—non-current	3,000,000	29,949	2.73	29,949	
	Cathay Financial Holdings Preferred Shares A	—	Financial assets at FVTOCI—non-current	134,000	8,429	-	8,429	
	Union Bank of Taiwan Preferred Shares A	—	Financial assets at FVTOCI—non-current	70,000	3,710	-	3,710	
	Fubon Financial Holding Co., Ltd. Preferred Shares B	—	Financial assets at FVTOCI—non-current	400,000	25,240	-	25,240	
	Taishin Financial Holding Co., Ltd. Preferred Shares E	—	Financial assets at FVTOCI—non-current	240,000	12,744	-	12,744	
	CTBC Financial Holding Co., Ltd. Preferred Shares B	—	Financial assets at FVTOCI—non-current	90,000	5,778	-	5,778	
	Cathay Financial Holding Co., Ltd. Preferred Shares B	—	Financial assets at FVTOCI—non-current	230,000	14,605	-	14,605	
	Kwong Lung Enterprise Co., Ltd. Preferred Shares A	—	Financial assets at FVTOCI—non-current	270,000	13,378	-	13,378	
	WPG Holdings Limited Preferred Shares A	—	Financial assets at FVTOCI—non-current	700,000	34,685	-	34,685	
	United Orthopedic Corporation Preferred Shares A	—	Financial assets at FVTOCI—non-current	200,000	9,230	-	9,230	
	QST International Corporation Preferred Shares A	—	Financial assets at FVTOCI—non-current	70,000	3,146	-	3,146	
	Miiicasa Holdings (Cayman) Inc.	—	Financial assets at FVTOCI—non-current	2,500,000	-	3.45	-	
	Duofu Co., Ltd.	—	Financial assets at FVTOCI—non-current	10,000	-	0.22	-	
	Jotangi Technology Co., Ltd.	—	Financial assets at FVTOCI—non-current	796,250	-	9.32	-	
Zerone Win Investment Co.	Stock							
	WPG Holdings Limited Preferred Stock A	—	Financial assets at FVTOCI—non-current	240,000	11,892	-	11,892	
	Shin Kong Financial Holding Co., Ltd. Preferred Stock A	—	Financial assets at FVTOCI—non-current	50,000	2,130	-	2,130	
	Tatung System Technologies Inc.	—	Financial assets at FVTOCI—non-current	1,500,000	59,925	1.69	59,925	

(Continued)

Holding Company	Marketable Securities Type and Issuer's Name (Note 1)	Security Issuer's Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Shares/Units	Carrying Values	Percentage of Ownership (%)	Market Prices/ Net value of equities	
Zerone Win Investment Co.	LEO Systems, Inc.	—	Financial assets at FVTOCI – non-current	20,000	509	0.02	509	
	GrandTech C.G. Systems Inc.	—	Financial assets at FVTOCI – non-current	70,000	3,486	0.12	3,486	
	InfinitesSoft Solutions Inc.	—	Financial assets at FVTOCI – non-current	1,714,286	28,800	15.00	28,800	
	FiduciaEdge Technologies Co., Ltd.	—	Financial assets at FVTOCI – non-current	500,000	7,500	4.09	7,500	
PetaCom Technology Co. Ltd.	Beneficiary certificates Taishin 1699 Money Market Fund	—	Financial assets at FVTPL – current	1,110,000	15,183	-	15,183	
Zotech Co. Ltd.	Stock WPG Holdings Limited Preferred Shares A	—	Financial assets at FVTOCI – non-current	200,000	9,910	-	9,910	

Note 1 : Securities, indicated by the above table, are derivative from stock, bonds, beneficiary certificates, and the above items, based on IFRS 9 “Financial Instruments”.

Note 2 : Relevant information about Investments in equity of subsidiaries, associates, see Table 3 & Table 4.

(Concluded)

ZERO ONE TECHNOLOGY CO., LTD.
INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2021

Table 3

(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses	Investment Amount		As of December 31, 2021			Net Income (Loss) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2021	December 31, 2020	Number of Ownership	Percentage of Ownership	Carrying Values			
ZOTC	Zotech Co., Ltd.	Taiwan	Manufacturing for computer equipment	\$ 35,000	\$ 35,000	3,500,000	85.37	\$ 37,348	(\$ 6,667)	(\$ 5,691)	Subsidiary
	Zerone Win Investment Co., Ltd.	Taiwan	Investment	300,000	149,000	30,000,000	100.00	331,797	(5,145)	(5,145)	Subsidiary
	Asiaone Holdings Ltd.	Republic of Seychelles	Holding company	10,063	10,063	320,000	100.00	11,696	2,238	2,238	Subsidiary
Zerone Win Investment Co., Ltd.	WingWill International Co., Ltd.	Taiwan	Services of cloud information software	25,500	25,500	8,793,103	87.93	(2,722)	(9,897)	(8,703)	Sub-subsiary
	Petacom Technology Co., Ltd.	Taiwan	Services of information product agent	50,000	50,000	50,000,000	100.00	52,754	5,202	5,202	Sub-subsiary
	DigiCosmos Tech. Co., Ltd.	Taiwan	Consulting service for information security	25,000	-	2,500,000	50.00	24,882	(236)	(186)	Sub-subsiary
	TrustOne Security Inc.	Taiwan	R&D, sale and service of information software	4,000	-	4,000,000	32.00	1,397	(8,136)	(2,603)	Associates
	Leukocyte-Lab Co. Ltd.	Taiwan	IT Security Mgt& R&D, sales & consulting service etc.	11,500	-	240,000	37.50	10,144	(11,353)	(1,356)	Associates

Note: Please refer to Table 4 for Information on investment in Mainland China.

ZERO ONE TECHNOLOGY CO., LTD.
INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021

Table 4

(In Thousands of New Taiwan Dollars/Foreign Currency)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of 31 December, 2021	Accumulated Repatriation of Investment Income as of 31 December, 2021	Note
					Outward	Inward							
Techone (Shanghai) Co., Ltd.	Technical service of network technology	\$ 13,132 (RMB 3,000)	(Note 1)	\$ 9,118	\$ -	\$ -	\$ 9,118	\$ 3,278	70%	\$ 2,295	\$ 11,391	\$ -	—

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2021	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA (Note 3)
\$ 9,118	\$ 9,118	\$ 2,344,916

Note 1 : The company directly holds 100% of a subsidiary-Asiaone Holdings Ltd., which reinvests the company in Mainland China.

Note 2 : Amount was recognized based on the financial statements which were audited by CPAs on December 31, 2021.

Note 3 : Determined by sixty percent (60%) of the Company's consolidated net worth, audited by CPAs on December 31, 2021 (3,908,193×60%=2,344,916).

Note 4 : For foreign currency conversion, gain (loss) are converted by the average exchange rate in 2021. Other amounts are converted into New Taiwan Dollars by the exchange rate on December 31, 2021.

ZERO ONE TECHNOLOGY CO., LTD.
INFORMATION ON MAJOR SHAREHOLDERS
DECEMBER 31, 2021

Table 5

Shareholders	Shares	
	Total Shares Owned (In Thousands)	Ownership Percentage
Ceres Investment Co., Ltd.	10,021,843	6.59%
Ceres Capital Co., Ltd.	9,500,000	6.25%

Note : This table presents information provided by the Taiwan Depository & Clearing Corporation on stockholders holding greater than 5% of the Company's ordinary and preference shares including treasury stock in dematerialized form that have completed the process of registration and delivery by book-entry transfer as of the last business day for the current quarter. The share capital recorded, and the actual registered non-physical shares in this parent company only financial statements may differ due to different basis of preparation.

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ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2021

STATEMENT 1 (In Thousands of New Taiwan Dollars)

Item	Description	Amount
Cash on hand and revolving funds		\$ 152
Demand deposits	New Taiwan dollar	586,142
	USD 2,129 thousand @ 27.68; EUR 5 thousand @ 31.32	59,085
Repurchase agreements collateralized by bonds	USD 5,000 thousand@ 27.68; annual interest rate at 0.30%~0.39%; Expired by 2022.02.18	<u>138,400</u>
		<u>\$ 783,779</u>

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF FINANCIAL ASSETS AT FVTPL – CURRENT
DECEMBER 31, 2021

Statement 2

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Name of financial instruments	Description	Units	Par value (Dollars)	Total	Acquisition Cost	Fair value	
						Units (Dollars)	Total
Taishin 1699 Money Market Fund	Fund beneficiary certificates	7,310,743	10	\$ 73,107	\$ 100,000	13.6786	\$ 100,001
Taishin Ta-Chong Money Market Fund	Fund beneficiary certificates	6,968,447	10	69,684	100,000	14.3504	100,000
FSITC Taiwan Money Market	Fund beneficiary certificates	6,463,581	10	64,636	100,000	15.4713	100,000
M.J. International Co. Ltd. – 1 st convertible bonds	Convertible bond	20 (Units)	100,000	2,000	2,026	103.5	2,070
Chailease Holding Company Limited – 1 st convertible bonds	Convertible bond	250 (Units)	100,000	25,000	25,250	111.9	27,975
Fubon Financial Holding Co., Ltd.	Stock	15,248	10	152	898	76.3	1,163
					328,174		\$ 331,209
Add (Less) : Valuation adjustment					3,035		
					<u>\$ 331,209</u>		

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF NOTES RECEIVABLE
DECEMBER 31, 2021

Statement 3 (In Thousands of New Taiwan Dollars)

The firm name	Description	Amount
Non-related parties		
Stark Technology Inc.	Payment for goods	\$ 115,189
Apex Fong Yi Technology Co., Ltd.	Payment for goods	29,376
Genesis Technology, Inc.	Payment for goods	26,562
Openpower Information Co., Ltd.	Payment for goods	18,076
Others (Note)	Payment for goods	<u>99,507</u>
		288,710
Less: Allowances for impairment loss		<u>-</u>
		<u>\$ 288,710</u>

Note : The amount of individual company included in others does not exceed 5% of the account balance.

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF TRADE RECEIVABLE
DECEMBER 31, 2021

Statement 4 (In Thousands of New Taiwan Dollars)

<u>The Company's name</u>	<u>Description</u>	<u>Amount</u>
Kinmax Technology Inc.	Payment for goods	\$ 376,445
MiTAC Information Technology Corp.	Payment for goods	159,431
Genesis Technology, Inc.	Payment for goods	158,746
System Corporation	Payment for goods	129,521
Others (Note)	Payment for goods	<u>1,719,309</u>
		2,543,452
Less: Allowances for impairment loss		<u>4,751</u>
Total		<u>\$ 2,538,701</u>

Note : The amount of individual company included in others does not exceed 5% of the account balance.

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF INVENTORIES
DECEMBER 31, 2021

Statement 5

(In Thousands of New Taiwan Dollars)

<u>Items</u>	<u>Book value</u>	<u>Net realizable value (Note)</u>
Commodities	<u>\$ 1,620,945</u>	<u>\$ 1,646,762</u>

Note : The net realizable value is the estimated selling price of inventories less the estimated costs necessary to make the sale under normal situations.

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF FINANCIAL ASSETS AT FVTPL – NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2021

Statement 6

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Name	Beginning Balance		Addition		Decrease		Valuation for the current year	Balance, December 31, 2021		Remark
	Shares	Book value	Shares	Amount	Shares	Amount		Shares	Book value	
KGI Kaefer Fund	170,199	\$ 3,354	-	\$ -	-	\$ -	\$ 315	170,199	\$ 3,669	
KGI Taiwan Multi-Asset Income Fund	1,198,020	12,459	-	-	-	-	1,139	1,198,020	13,598	
KGI Taiwan Select-Asset Income Fund	500,325	5,175	-	-	-	-	723	500,325	5,898	
Cathay Financial Holding Co., Ltd. Preferred Stock A	166,000	10,259	-	-	-	-	182	166,000	10,441	
Union Bank of Taiwan Preferred Stock A	80,000	4,144	-	-	-	-	96	80,000	4,240	
		<u>\$ 35,391</u>		<u>\$ -</u>		<u>\$ -</u>	<u>\$ 2,455</u>		<u>\$ 37,846</u>	

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF FINANCIAL ASSETS AT FVTOCI—NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2021

Statement 7

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Name	Beginning Balance		Addition		Decrease		Valuation for the current year	Ending Balance		Remark
	Shares	Book value	Shares	Amount	Shares	Amount		Shares	Book value	
K Way Information Corp.	490,000	\$ 16,243	165,000	\$ 4,690	-	\$ -	(\$ 2,953)	655,000	\$ 17,980	
China Electric Mfg. Corp	2,689,200	37,514	-	-	-	-	21,783	2,689,200	59,297	
ASIX Electronics Corp.	81,066	4,880	-	-	81,066	13,512	8,632	-	-	
Promaster Technology Corp.	1,157,137	12,092	107,035	-	1,264,172	22,687	10,595	-	-	
Unex Technology Corp.	175,000	3,231	-	-	-	-	(827)	175,000	2,404	
Da-Chang Start-Up Investment Co. Ltd.	1,500,000	14,911	1,500,000	15,000	-	-	38	3,000,000	29,949	
Cathay Financial Holding Co., Ltd. Preferred Shares A	134,000	8,281	-	-	-	-	148	134,000	8,429	
Union Bank of Taiwan Preferred Shares A	70,000	3,626	-	-	-	-	84	70,000	3,710	
Fubon Financial Holding Co., Ltd. Preferred Shares B	400,000	25,000	-	-	-	-	240	400,000	25,240	
Taishin Financial Holding Co., Ltd. Preferred Shares E	240,000	12,624	-	-	-	-	120	240,000	12,744	
CTBC Financial Holding Co., Ltd. Preferred Shares B	90,000	5,706	-	-	-	-	72	90,000	5,778	
Cathay Financial Holding Co., Ltd. Preferred Shares B	230,000	14,467	-	-	-	-	138	230,000	14,605	
Kwong Lung Enterprise Co., Ltd. Preferred Shares A	270,000	13,581	-	-	-	-	(203)	270,000	13,378	
WPG Holdings Limited Preferred Shares A	700,000	35,070	-	-	-	-	(385)	700,000	34,685	
United Orthopedic Corporation Preferred Shares A	200,000	9,500	-	-	-	-	(270)	200,000	9,230	
QST International Corp. Preferred Shares A	150,000	6,713	-	-	80,000	3,686	119	70,000	3,146	
Chailease Holding Company Limited Class A Preferred Shares	300,000	29,880	-	-	300,000	30,042	162	-	-	
Miiicasa Holdings (Cayman) Inc.	2,500,000	-	-	-	-	-	-	2,500,000	-	
DuoFu Co., Ltd	10,000	-	-	-	-	-	-	10,000	-	
Jotangi Technology Co., Ltd.	796,250	-	-	-	-	-	-	796,250	-	
		<u>\$ 253,319</u>		<u>\$ 19,690</u>		<u>\$ 69,927</u>	<u>\$ 37,493</u>		<u>\$ 240,575</u>	

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2021

Statement 8

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Name	Beginning Balance		Addition		Decrease		Increase (Decrease) in Using the Equity Method (Note 1)	Ending Balance			Net value of equity	Collateral/Pledge
	Shares	Amount	Shares	Amount	Shares	Amount		Shares	Percentage of ownership%	Amount		
Zotech Co., Ltd.	3,500,000	\$ 43,132	-	\$ -	-	\$ -	(\$ 5,784)	3,500,000	85.37	\$ 37,348	\$ 37,348	None
Zerone Win Investment Co., Ltd.	14,900,000	154,088	15,100,000	151,000	-	-	26,709	30,000,000	100	331,797	331,797	None
Asiaone Holdings Ltd.	320,000	9,526	-	-	-	-	2,170	320,000	100	11,696	11,696	None
		<u>\$ 206,746</u>		<u>\$ 151,000</u>		<u>\$ -</u>	<u>\$ 23,095</u>			<u>\$ 380,841</u>		

Note 1 : Including

1. Share of profit or loss of subsidiaries accounted for using the equity method	(\$ 8,598)
2. The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	68
3. Share of other comprehensive income (loss) of subsidiaries accounted for using equity method.	31,693
4. Exchange differences on translation of the financial statements of foreign operations	(68)
	<u>\$ 23,095</u>

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF TRADE PAYABLES
DECEMBER 31, 2021

Statement 9

(In Thousands of New Taiwan Dollars)

<u>The Company's name</u>	<u>Amount</u>
CISCO SYSTEMS INTERNATIONAL B.V.	\$ 649,838
Trend Micro Inc.	313,240
Others (Note)	<u>2,010,355</u>
	<u>\$ 2,973,433</u>

Note : The amount of individual company included in others does not exceed 5% of the account balance.

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF OTHER CURRENT LIABILITIES
DECEMBER 31, 2021

Statement 10 (In Thousands of New Taiwan Dollars)

Items	Amount
Receipts under custody	\$ 234,482
Contract liability—current	45,161
Temporary receipts	<u>30,213</u>
	<u>\$ 309,856</u>

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2021

Statement 11

(In Thousands of New Taiwan Dollars)

Items	Description	Amount
Sales revenue	Selling hardware and software suite	\$ 12,577,640
Service revenue		<u>68,047</u>
		12,645,687
Less: sales returns		6,402
sales discounts		<u>9,211</u>
		<u>\$ 12,630,074</u>

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF OPERATING COST
FOR THE YEAR ENDED DECEMBER 31, 2021

Statement 12

(In Thousands of New Taiwan Dollars)

Items	Amount
Costs of goods sold	
Inventory, beginning of year	\$ 1,358,455
Add : Purchases	11,908,427
Inventory, ending of year	(1,782,512)
Others	(<u>112,807</u>)
Total costs of sales and purchases	11,371,563
Write-down of inventories	26,162
Losses on scrap of inventories	<u>6,289</u>
	<u>\$ 11,404,014</u>

Note : The above statement indicates that the amount of all items regarding inventories is recognized by original costs of inventories, with no deduction of allowance for inventory valuation losses.

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

Statement 13

(In Thousands of New Taiwan Dollars)

Items	Selling and marketing expenses	General and administrative expenses	Research & Development Expenses	Reversal of expected credit losses	Total
Payroll Expenses	\$ 291,398	\$ 92,938	\$ 3,652	\$ -	\$ 387,988
Entertainment expense	43,690	790	-	-	44,480
Insurance expense	32,513	8,347	223	-	41,083
Depreciation expense	9,976	12,090	-	-	22,066
Reversal of expected credit losses	-	-	-	(6,681)	(6,681)
Others (Note)	<u>73,670</u>	<u>28,041</u>	<u>144</u>	<u>-</u>	<u>101,855</u>
	<u>\$ 451,247</u>	<u>\$ 142,206</u>	<u>\$ 4,019</u>	<u>(\$ 6,681)</u>	<u>\$ 590,791</u>

Note : The amount of each item in others does not exceed 5% of the account balance.

ZERO ONE TECHNOLOGY CO., LTD.

STATEMENT OF EMPLOYEE BENEFIT, DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Statement 14

(In Thousands of New Taiwan Dollars)

	2021			2020		
	Classified as Operating Cost	Classified as Operating Expenses	Total	Classified as Operating Cost	Classified as Operating Expenses	Total
Employee benefit expenses (Note)						
Salary and bonus	\$ -	\$ 362,756	\$ 362,756	\$ -	\$ 291,972	\$ 291,972
Labor and health insurance	-	23,682	23,682	-	19,701	19,701
Pension	-	10,749	10,749	-	9,872	9,872
Directors' compensation	-	14,483	14,483	-	10,715	10,715
Others	-	20,504	20,504	-	18,156	18,156
	<u>\$ -</u>	<u>\$ 432,174</u>	<u>\$ 432,174</u>	<u>\$ -</u>	<u>\$ 350,416</u>	<u>\$ 350,416</u>
Depreciation	<u>\$ -</u>	<u>\$ 22,066</u>	<u>\$ 22,066</u>	<u>\$ -</u>	<u>\$ 20,255</u>	<u>\$ 20,255</u>
Amortization	<u>\$ -</u>	<u>\$ 1,068</u>	<u>\$ 1,068</u>	<u>\$ -</u>	<u>\$ 778</u>	<u>\$ 778</u>

Note 1: As of December 31, 2021 and 2020, the Company had 291 and 267 employees, respectively, and there were 6 non-employee directors for both years. The calculation basis is consistent to employee benefit expenses.

Note 2: (1) Average employee benefit expenses for 2021 and 2020 were \$1,466 thousand and \$1,302 thousand, respectively.

(2) Average salary and bonus for 2021 and 2020 were \$1,273 thousand and \$1,119 thousand, respectively.

(3) The change in the average salary and bonus is 13.76%.

Note 3: In accordance with Securities and Exchange Act, the Company set up the Audit Committee to replace supervisors on June 10, 2020. The compensation for supervisors in 2020 was \$1,116 thousand.

Note 4: The Company's compensation policies (including directors, supervisors, managers and employees) are as follows:

(1) Directors and supervisors: Accordingly to Article 19 of the Company's Articles of Incorporation, the compensation for directors and supervisors shall be no more than 3% of annual profits. The Company allocates 2% of the current year's annual profits for the compensation to directors and supervisors, and will provide reasonable reward by taking into account of the Company's operating results and the contribution they made. The procedures to

determine the compensation is based on the Company's "Rules for Distribution of Compensation to Directors and Supervisors." Apart from referencing the company's overall operational efficiencies, future management risk and developing trend of the industry, the personal efficiency achievement rate, contribution to the overall performance, and devotion to company performance, achievement rate, profitability rate, operational efficiency and contribution are also collectively evaluated before calculating the compensation ratio. Relevant performance appraisals and the soundness of the compensation are reviewed and approved by the Remuneration Committee and the Board in accordance with the charter of relevant laws and requirements, so as to achieve the balance of the Company's sustainability and risk management.

- (2) Managers: Based on the Company's compensation policy to managers, criteria such as industry standards and personal performance evaluation items, which include financial indicators (such as the Company's revenue, achievement rate for profit before tax and after tax) and non-financial related indicators (such as taking on the role as trainer and any gross misconduct of the department in terms of legal and compliance and operational risks incidents) are also included in the evaluation. The procedures to determine and distribute the compensation is based on the Company's performance appraisal evaluation guidelines. Relevant performance appraisals and the soundness of the compensation are reviewed and approved by the Remuneration Committee and the Board in accordance with the charter of relevant laws and requirements, so as to achieve the balance of the Company's sustainability and risk management.
- (3) Employees: The Company conducts annual market survey regularly by analyzing salary, bonus and annual income statistics. Salary adjustment is processed based on Company's work rules and the results of individual performance appraisals so as to ensure the fairness of internal and external practices which meets the market standards.