

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

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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

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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	%
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
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>
<b>NON-CURRENT ASSETS</b>				
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>
<b>TOTAL</b>	<u>\$ 7,676,312</u>	<u>100</u>	<u>\$ 5,471,676</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
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>
<b>NON-CURRENT LIABILITIES</b>				
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>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 19)</b>				
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	1,095,479	14	887,761	16
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>
<b>NON-CONTROLLING INTERESTS</b>	<u>35,793</u>	<u>-</u>	<u>12,142</u>	<u>-</u>
Total equity	<u>3,943,986</u>	<u>51</u>	<u>2,669,412</u>	<u>49</u>
<b>TOTAL</b>	<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	%
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
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>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 605,375</u>	<u>5</u>	<u>\$ 462,258</u>	<u>5</u>
<b>NET PROFIT ATTRIBUTABLE TO:</b>				
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>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
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>
<b>EARNINGS PER SHARE (Note 23)</b>				
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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
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	( 1,534)	( 1,148)
Cash generated from operations	451,108	390,595
Income tax paid	( 105,136)	( 106,497)
Net cash generated from operating activities	345,972	284,098

(Continued)

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
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>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
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>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES</b>		
	<u>( 4,047)</u>	<u>( 7,641)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>378,180</b>	<b>302,393</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u><b>637,890</b></u>	<u><b>335,497</b></u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u><b>\$ 1,016,070</b></u>	<u><b>\$ 637,890</b></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	<u>\$ 2,849,684</u>	<u>\$ 19,525</u>	<u>\$ 11,258</u>	<u>\$ 4,233</u>	<u>\$ -</u>	<u>\$ 2,884,700</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	\$ 2,138,258	\$ 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	<u>\$ 2,132,363</u>	<u>\$ 1,970</u>	<u>\$ 5,816</u>	<u>\$ 282</u>	<u>\$ -</u>	<u>\$ 2,140,431</u>

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

	<u>2021</u>	<u>2020</u>
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

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

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

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

### 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)	<u>\$ 288,710</u>	<u>\$ 230,490</u>
Trade receivable (Note 11)	<u>\$ 2,595,990</u>	<u>\$ 1,909,941</u>
Contract liability (Other current liabilities)	<u>\$ 52,817</u>	<u>\$ 19,677</u>

## 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:

	<u>2021</u>	<u>2020</u>
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:

	<u>2021</u>	<u>2020</u>
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

	<u>Opening Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in Other Comprehensive Income</u>	<u>Closing Balance</u>
<u>Deferred tax assets</u>				
<u>Temporary differences</u>				
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	-	429	-	429
	<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	5,824	( 1,126)	-	4,698
	<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	\$ 793	(\$ 773)	\$ -	\$ 20

(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
27,408	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 (\$)
<u>Employee stock options</u>				
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	328,782	-	9,567	338,349
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	-	-	68,653	68,653
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>		
<u>Financial assets measured at FVTPL</u>		
Mandatorily measured at FVTPL	\$ 384,238	\$ 396,264
Financial assets measured at amortized cost (Note 1)	4,882,817	3,098,473
<u>Financial assets measured at FVTOCI</u>		
—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.

a. 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.

b. 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.

c. 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	
	Miicasa 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			Percentage of Consolidated Total Revenues or Total Assets (Note 3)
				Financial Statement Account	Amount (Note 4)	Transaction Terms	
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.