



ZERO ONE TECHNOLOGY CO., LTD.

2022 Annual Report

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Notice to readers.

THIS IS A TRANSLATION OF THE 2022 ANNUAL REPORT (THE "ANNUAL REPORT") OF ZERO ONE TECHNOLOGY CO., LTD. (THE "COMPANY"). THIS TRANSLATION IS INTENDED FOR REFERENCE ONLY AND NOTHING ELSE, THE COMPANY HEREBY DISCLAIMS ANY AND ALL LIABILITIES WHATSOEVER FOR THE TRANSLATION. THE CHINESE TEXT OF THE ANNUAL REPORT SHALL GOVERN ANY AND ALL MATTERS RELATED TO THE INTERPRETATION OF THE SUBJECT MATTER STATED HEREIN.

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

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CPA Firm: Deloitte & Touche Accounting Firm

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

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

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I. Letter to Shareholders

Dear Shareholders,

The results of our operating performance in 2022, business plan for 2023, are illustrated as follows:

1. 2022 Operating Results

(A) Implementation Results of Business Plans

In 2022, the Company's total revenue stood at NT\$ 12,734,383 thousand, on the decrease of NT\$ 143,794 thousand compared to the preceding year, a 1.12% in year-over-year decrease. The net profit after tax was NT\$ 612,402 thousand, on the increase of NT\$ 76,280 thousand compared to the preceding year, a 14.23% year-over-year growth. Basic earnings per share were NT\$ 4.03.

(B) Financial Status and Profitability Analysis

1. Financial Status :

In 2022, the Company's net profit was NT\$ 612,402 thousand. Cash used in operating and financing activities were NT\$ 177,221 thousand and NT\$ 548,486 thousand, respectively. Cash generated by investing activities were NT\$ 668,346 thousand. Cash and cash equivalents increase NT\$ 38,089 thousand during the period. Cash and cash equivalents at the end period were NT\$ 1,054,159 thousand.

2. Profitability Analysis :

Items	2022 (%)	2021 (%)
Ratio of return on total assets	7.82	8.18
Ratio of return on shareholders' equity	15.45	16.21
Ratio of operating income to capital stock	46.39	41.20
Ratio of profit before income tax to capital stock	49.85	44.30
Profit ratio	4.81	4.16
Earnings per share (NT\$)	4.03	4.24

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

The directions of R&D for the Company and its subsidiaries in 2023 are as follows:

1. Built-in Printer server (card): will provide exclusive built-in print network interface cards for special purpose printers such as POS printers and garment printers.
2. AI related products: optimization and algorithm enhancement of the software and hardware designs for AI model in MagicEye and MagicEar of the Magic Box series.
3. Solar micro-grid system : small all-in-one residential energy storage machine, and simple Dash Board app which can be charged and discharged with solar panels and mains electricity, saving electricity costs and increasing green energy.
4. Develop innovative solutions for cyber security control optimization of AOD (Application On-Demand) cloud service management platform.

2. Summary of 2023 Business Plan

(A) Business Plan

The business scope includes four dimensions, namely, IT infrastructure, network and information security, cloud platform and integration applications, big data and AI applications, and have served more than 1,000 distribution partners from various industries in Taiwan. Zero One Technology Co. Ltd. is also the most important Taiwanese partner of nearly 50 Fortune 500 technology companies such as Akamai, Cisco, F5, Google, MicroSoft, NetAPP, NVIDIA, PaloAlto, Trend Micro, VMWARE, etc. of which the software and hardware upgrade of enterprise data center, hybrid of cloud platform and high end information security solutions form the main demands. Looking forward to the trend of Taiwan's information services market this year, under the continuous catalyst of the digital transformation needs of enterprises and the transformation of business and consumption patterns after the epidemic, the investment in expanding IT infrastructure in various industries will continue consistently!

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

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

(B) Sales forecast and its reference

Each product and expected sales forecasts in 2023 are as follows:

Product category	Sales forecast (Set)
IT infrastructure	1,174,750
Network & information security	1,439,333
Cloud platform & application	5,334,000
Big data & application	1,778,000
Others	127,000
Total	9,853,083

As of December 31, 2022, all four areas achieved results similar to last year's all-time high performance as the range of agency products and solutions meet the market demand. The Company will continue to implement the strategy of expanding the partner ecosystem to increase market share and the types of products and services provided. This will also help the Company to continue to focus on the product range and development of all business segments. The Company will continue to focus on IT infrastructure, cloud platform and application, network and security, AI big data and application and value-added service sales in the agent product part, as the expansion of the proportion of project sales and value-added services increases, product unit price is also higher than in previous years, therefore it is expected that the sales volume this year will be adjusted with previous years.

(C) Important policy of production and sales.

1. We help our vendors and partners expand markets from three divisions, namely, the enhanced integration of different brands, maximized brand potentials through the visibility of the value-added brands, and provide new business models.
 2. Apart from providing solutions for the digital transformation of industries, the deployment of value-added consulting services for pre-sale and after-sale is also a direction worth going into.
 3. To put efforts in the improvement of operational efficiency and reduce unnecessary expenditures.
3. Development strategies for the Company in the future
- According to the data from the research done by market research institute - IDC, it is estimated that the total investment in AI will exceed US\$300 billion by 2026. OpenAI, Google, Facebook in the United States, as well as Japan's Preferred Networks, China's Alibaba, Baidu and other companies are conducting generative AI research and applications, for example, Microsoft has started early in its strategic layout of combining ChatGPT with search engine Bing, and is expected to expand into sectors such as finance, healthcare, law, customer service, education and others in 2023. Due to the fierce competition of transformation among IT industries, the trend of AI, big data, cloud, virtual and mobile devices and 5G will affect the development of IT industries in the future. In addition to strengthening the current business of major products, the Company not only enhances the business of professional value-added services to elevate the positioning of distributed products to help customers in the process of digital transformation, but also strives to seize the opportunities for new business more fruitfully. Through doing so, we are confident that the annual operating targets will be reached and continue to see future growth.
4. Impacts from external competition, regulatory, and overall management environments.
- (A) Under the influence of the epidemic and the international political and economic struggle, the long-term market trend has begun to move closer from originally cost considerations to the strategy of reliability of self-sufficiency and regional alliances as the primary goal, which is the only way for Taiwanese enterprises in the middle of the two major economic circles in China and the West. There is an acceleration of digital transformation to cope with this volatile market environment!
- (B) Based on the development of technology markets, as enterprise customers want to do more with less, it is beneficial for larger and more established platform vendors to develop enterprise cloud platforms rather than software vendors based on individual services. Enterprise application services will be more broadly adapted to the needs of enterprises and developed into software-as-a-service (SaaS) solutions. Market research firm Gartner pointed out that "superapps" will be able to integrate multiple enterprise services, integrating applications, platforms and ecosystems, such as Microsoft Teams and Slack, not only will it form a self-sustained system, it will also provide third parties with a platform to develop and publish micro-applications. Gartner predicts that by 2027, more than 50% of the world's population will be daily active users of multiple super apps. Therefore, internet security, hyper-converged IT, intelligence video analytics, 5G, and IoT/Cloud platform are the application industries and products for the future, and the Company has been putting lots of efforts in these regards.
- (C) Changes in major local and international policies and laws do not have any material impacts on the Company's financial and business performance. In terms of macroeconomic environmental impacts which might influence the direction as to which the Company expands its market and business, timely and proper measures will be taken to proactively manage the challenges.

Sincerely yours,

Chairman Chia Hsin Lin

II. Company introduction

A. Date of Incorporation

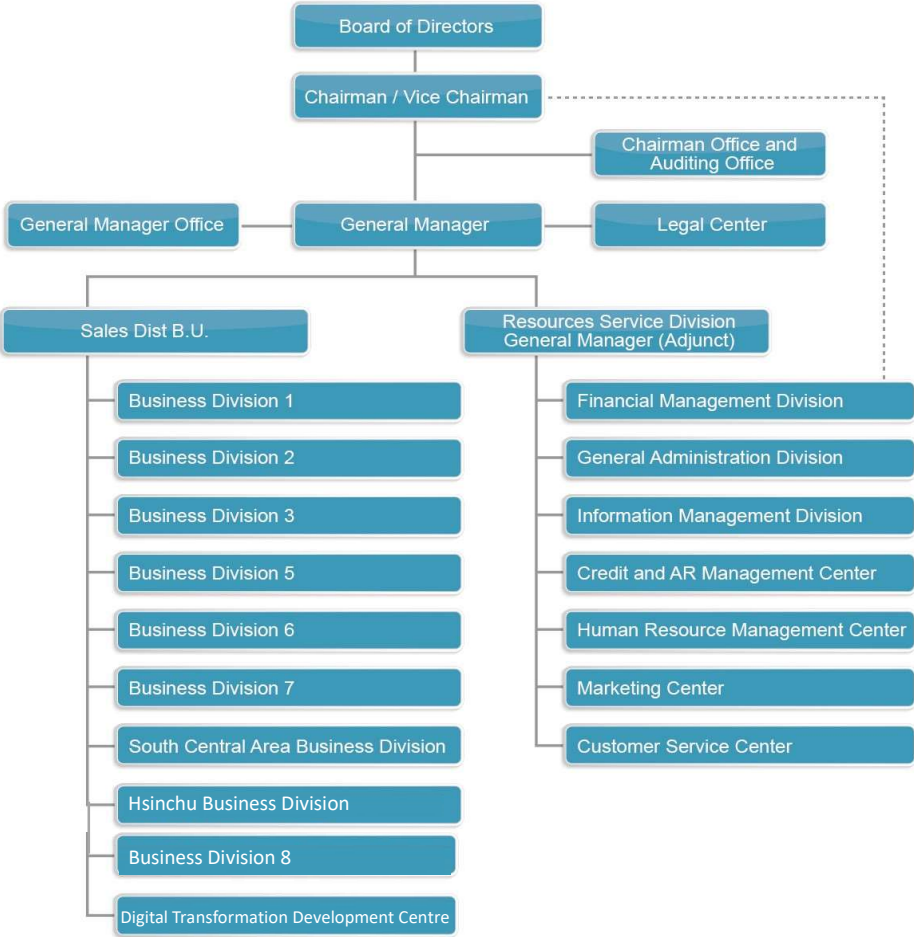
: June 27, 1980

B. Formation History

Year	Milestones
1980	The Company Founded, with NT\$500,000 capital.
	Invented Cangjie input method and ideographic description sequences method
	Launched Chinese system of Zero one.
1990	Distributed network products of Novell.
1993	Distributed products of Microsoft.
1994	Launched the print server.
1996	Distributed products of Cisco.
1998	Zero One Technology Co., Ltd. went listed by approval of by Securities & Future Institute.
2000	The stock is listed in OTC, NT\$ 275,000,000 capital, in January 2000.
2001	Distributed products of Cisco.
2002	Zero One Technology Co., Ltd. went listed by approval of by Securities & Future Institute.
	Listed on Taiwan Stock Exchange on August 2002. Increased capital to NT\$ 600,000,000.
2003	Issued 1 st domestic secured convertible bond, worth an amount of NT\$ 250,000,000.
2008	Increased paid-in capital to NT\$ 1,020,342,130, as convertible bonds are converted into new shares.
	Decreased paid-in capital to NT\$ 989,962,130 for cancellation of treasury stock.
2011	Decreased paid-in capital to NT\$ 947,442,130 for cancellation and transfer of treasury stock.
2014	Issued 2 nd domestic convertible bonds with an amount of NT\$ 500,000,000.
2015	Issued 1 st employee stock option.
2017	Increased paid-in capital to NT\$ 1,224,803,750, as employee stock options and convertible bonds are converted into new shares.
2018	Increased paid-in capital to NT\$ 1,228,964,660, as employee stock options and convertible bonds are converted into new shares.
2019	As for de-listing of convertible bonds due to maturity, the issuance and cancellation of restricted stock awards, and employee stock options converted into new shares, paid-in capital had increased to NT\$ 1,246,232,120.
2020	The cancellation of employee restricted stock awards and the continuing of employee stock options converted into new shares, the paid-in capital increased to NT\$ 1,256,402,120.
2021	With the cash-raising of capital by issuing new shares and the continuing of employee stock options converted into new shares, the paid-in capital increased to NT\$ 1,524,007,120.
2022	Increased paid-in capital to NT\$ 1,530,317,120, as employee stock options are converted into new shares.
2023	Increased paid-in capital to NT\$ 1,533,147,120, as employee stock options are converted into new shares.

III. Corporate Governance Report

A. Organization
 (A) Organizational Chart



(B)Major Corporate Functions

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

B. Information on Directors and Management Team

(A) Directors (1)

March 31, 2023 ; Unit: Shares ; %

Title	Nationality/ Country of Origin	Name	Gender /Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected (Note 1)		Current Shareholding (Note 2)		Spouse & Minor Shareholding (Note 2)		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	R.O.C	Peter Lin	Male/ 70-80	2020.06.10	3	1989.12.15	9,523,292	7.64	5,143,292	3.35	2,954,714	1.93	0	0	Master of Electronics, NCTU Chairman of Chinese Foundation For Digitization Technology	Note 3	-	-	-
Director	R.O.C	Morris Jiang	Male/ 60-70	2020.06.10	3	1994.10.06	2,642,735	2.12	2,742,735	1.79	503,185	0.33	0	0	Chinese Culture University Deputy General Manager of Zero One Technology Co., Ltd.	Chairman of PETAcom, and DigiCosmos Tech. Co., Ltd.	-	-	-
Director	Judicial person	R.O.C	Prisma Commerce & Networks, Inc.	-	2020.06.10	3	2008.06.13	1,042,759	0.84	1,340,000	0.87	-	-	-	-	-	-	-	-
	Represen- -tative	R.O.C	Prisma Commerce & Networks, Inc. Representative : Jih-Ji Zhou	Male/ 70-80	2020.06.10	3	2008.06.13	0	0	0	0	0	0	0	Taipei Computer Association Director Director of China Electric Mfg. Corp.	Chairman of Prisma Graphic Systems Inc.	-	-	-
Director	Judicial person	R.O.C	K Way Information Corporation	-	2020.06.10	3	2003.06.25	1,322,264	1.06	1,531,091	1.00	-	-	-	-	-	-	-	-
	Represen- -tative	R.O.C	K Way Information Corporation Representative : Zheng-Qiang Sun	Male/ 51-60	2020.06.10	3	2003.06.25 (2020.06.10 Transition to Director)	0	0	0	0	0	0	0	MBA of National Cheng-Chi University General Manager of TMP INTERNATIONAL CORPORATION General Manager of JIN,ZHI- FU Management Co., LTD.	Chairman of OFCO INDUSTRIAL CORPORATION and TIAN,QUAN Investment Corporation Independent Director of Grade Upon Technology Corporation and Revivegen Environmental Technology Co. LTD.	-	-	-
Director	R.O.C	Jui Hsu Chen	Male/ 70-80	2020.06.10	3	2002.05.14	110,884	0.09	72,078	0.05	0	0	0	0	Electronic engineering, NTCU Graduate Institute of Management Science, NCTU Citibank-Taiwan Branch, AVP VP of Bank of Boston-Taiwan Branch General Manager and CFO of D-Link Corporation	Chairman of Chiu Kang Investment Co. Ltd. and Vxis Technology Corp.	-	-	-

Title	Nationality/ Country of Origin	Name	Gender /Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected (Note 1)		Current Shareholding (Note 2)		Spouse & Minor Shareholding (Note 2)		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Independent Director	R.O.C	Ming Hsiung Wu	Male/ 60-70	2020.06.10	3	2017.06.14	0	0	0	0	0	0	0	0	MBA of Electronic Computer, NCTU Chairman of Promaster Technology Corp.	Chairman of Promaster Technology Corp., He, Yang Investment Co. Ltd and Heng Yang Investment Co. Ltd.; Independent Director and Member of Remuneration Committee and Audit Committee of Sentelic Corporation ; The Director of VXIS Technology Corp ; Edom Technology Co., Ltd. and Promaster(Brunei) Technology Corp.	-	-	-
Independent Director	R.O.C	Ming Yuan Lin	Male / 50-60	2020.06.10	3	2017.06.14	0	0	0	0	0	0	0	0	Department Finance and Taxation, National University of Political Science, George Washington University, USA GM and Founder, Catalyst Management inc. GM and Founder, Catalyst Capital group corp.	Director of Catalyst Management inc and Catalyst Capital group corp.	-	-	-
Independent Director	R.O.C	Chien Chen Lin	Male/ 60-70	2020.06.10	3	2017.06.14	0	0	0	0	0	0	0	0	Ph.D., Materials, University of Illinois Professor, Department of Materials Science and Engineering, NCTU	Member of Remuneration Committee and Audit Committee of BizLink Holding Inc.	-	-	-

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

Note 2: The “shareholding ratio” is based on the number of 153,314,712 shares of the issued ordinary shares on March 31, 2023.

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

Note 4: On December 15 ,2022, Judicial person, K Way Information Corporation., reassigned its representative to Sun,Zheng-Qiang.

Note 5:The company’s Directors and Supervisors are major shareholders of the institutional shareholders:

March 31, 2022

Name of Institutional Shareholders	Major Shareholders
Prisma Commerce & Networks, Inc.	Greater China International Investment Co., ltd., British Virgin Islands (100%)
K WAY Information Co.	Chung Hsu Wang(8.965%)、Zi Ran Shu education Co. Ltd.(2.934%)、Fu Yao Kung(5.565%)、Hua Hsuan Juan(5.245%)、Pao Chun Huang(4.505%)、Chuan Cheng Capital Co. Ltd. (3.863%)、Huon Ji Lin (3.192%)、Bing Huang (2.921%)、Su Chiao Huang(2.892%)、Jen Tsung Hsu(3.808%)

Note 6 : Major shareholders of the Company’s major institutional shareholders:

March 31, 2022

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

Directors (2)

Professional qualifications and independence analysis of directors and independent directors

Name & Title	Criteria	Professional Qualification & Experience	Independence Criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Chairman: Peter Lin		1. Please refer to - Director Information (1) for the professional qualifications and experience of directors in this Annual Report. 2. None of the Directors has any of the provisions of Article 30 of the Company Law.	1. None of the Directors and Independent Directors are spouses or relatives within the second degree of kinship, nor do they fall under Article 26-3, Paragraphs 3 and 4 of the Securities and Exchange Act. 2. Directors serving as directors of affiliated companies please refer to this Annual Report - Director Information(1) Each director and independent director's spouse or any relative within the second degree serve as a director, supervisor, or employee of the Company or any of its affiliates. 3. Independent Directors account for 37.5% of all Directors All Independent Directors meet the following criteria : (1) In accordance with related provisions of Article 14-2 of Securities and Exchange Act issued by the Financial Supervisory Commission regarding the set-up and regulations to comply for Independent Directors for public offering companies (Note 1). (2) The person (or use the name of another person), the spouse and minor children do not hold shares in the Company. (3) In the past two years, there has been no remuneration received from the Company or its affiliates for providing any commercial, legal, financial, accounting, etc. services.	1
Director: Morris Jiang				0
Director: The representative of Prisma Commerce & Networks, Inc. :Jih Ji Zhou				0
Director: The representative of K Way information corporation: Zheng Qiang Sun.				2
Director: Jui Hsu Chen				0
Independent Director: Ming Hsiung Wu				1
Independent Director: Chien Chen Lin				1
Independent Director: Ming Yuan Lin				0

Note:

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

Board Diversity (3)

The company has a "Corporate Governance and Nomination Committee" and adopts a candidate nomination system in accordance with the company's Articles of Incorporation. The "Corporate Governance and Nomination Committee" evaluates the experience of each candidate, weighs professional and diverse backgrounds, integrity or relevant professional qualifications, etc., after the evaluation result is sent to the board of directors for approval, it will be sent to the shareholders' meeting for election.

The Board of Directors shall formulate diversity policy by taking into consideration on the company's business operations, operating dynamics and development needs, including but not limited to: 1. Basic requirements and values: gender, age, nationality and culture. 2. Professional background (e.g., law, accounting, industry, finance, marketing or technology), professional skills and industry experience etc.

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

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

Title	Name	Basic Information				Professional				Diversity									
		Gender	Age	Nationality/ Country of Origin	Employee Identity	As an independent director has not exceeded 3 terms	Industry Knowledge	Financial	Marketing	Technology	Operational Judgements	Financial and Accounting Analysis	Management Administration	Crisis Management	Industry Knowledge	International Market Perspective	Ability to Lead	Policy Decisions	
Chairman	Peter Lin	M	70-80	R. O. C.			V	V	V	V	V	V	V	V	V	V	V	V	
Director	Morris Jiang	M	60-70				V	V	V	V	V	V	V	V	V	V	V	V	V
	Prisma Commerce & Networks, Inc. Representative: Jih-Ji Zhou	M	70-80						V	V	V	V	V	V		V	V	V	V
	K Way Information Corporation Representative : Zheng-Qiang Sun.	M	51-60						V	V	V	V	V	V		V	V	V	V
	Jui Hsu Chen	M	70-80				V	V	V	V	V	V	V	V	V	V	V	V	V
Independent Director	Ming Hsiung Wu	M	60-70			V	V	V	V	V	V	V	V	V	V	V	V	V	V
	Chien Chen Lin	M	50-60			V			V	V	V	V	V	V		V	V	V	V
	Ming Yuan Lin	M	60-70			V		V	V		V	V	V	V		V	V	V	V

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

31 March, 2023

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	% (Note)	Share s	%	Share s	%			Title	Name	Relation
GM	Republic of China	Nancy Huang	Female	2018.01.01	149,034	0.10	0	0	0	0	Department of Information Management, Ming Chuan Commercial College	Chairman of Wing Will International Co., Ltd. General Manager of PETAcom Technology Co., Ltd.	—	—	—
Sr. Director of Financial Management Division	Republic of China	Michelle Chin	Female	2000.12.01	130,467	0.09	0	0	0	0	Department of Bank Management, Takming College of Finance	—	—	—	—
General Manager of the Business Divisions	Republic of China	Kevin Chen	Male	2019.02.01	241,601	0.16	1,005	0	0	0	EMBA, NCCU	Director of DigiCosmos Tech. Co., Ltd.	—	—	—

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

C. Remuneration of Directors and Management

(A) Remuneration of Directors

December 31, 2022 ; Unit: NT\$ thousands ; %

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from Non-consolidated Affiliates or Parent Company
		Base Compensation (A)		Retirement pension (B)		Bonus to Directors (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Retirement pension (F)		Profit Sharing- Employee Bonus (G)						
		The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
Directors	Chairman	Peter Lin																				
	Director	Morris Jiang																				
	Director	Jui Hsu Chen																				
	Juridical person	Prisma Commerce & Networks, Inc.																				
	Representative	0	0	0	0	7,729	7,729	42	42	1.27	1.27	5,679	5,679	0	0	0	0	0	0	2.19	2.19	None.
	Juridical person	The representative of Prisma Commerce & Networks, Inc.: Jih-Ji Zhou																				
Juridical person	K Way Information Corporation																					
Representative	K Way Information Corporation Representative : Zheng-Qiang Sun																					
Independent Director		Ming Hsiung Wu																				
		0	0	0	0	4,271	4,271	57	57	0.71	0.71	0	0	0	0	0	0	0	0	0.71	0.71	None.
		Chien Chen Lin																				
	Ming Yuan Lin																					

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

Table of range of remuneration

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

(B) Remuneration of the President and Vice President

December 31, 2022 ; Unit: NT\$ thousands ; %

Title	Name	Salary(A)		Retirement Pension (B)		Bonuses and Allowances (C)		Profit Sharing- Employee Bonus (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation Paid to the President and Vice President from Non-consolidated Affiliates or Parent Company
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
General Manager	Nancy Huang													
General manager of the Business Divisions	Kevin Chen	4,380	4,380	0	0	20,538	20,538	1,021	0	1,021	0	4.23	4.23	None

Table of range of remuneration

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

Employee profit sharing granted to the management team

December 31, 2022 ; Unit: NT\$ thousands ; %

	Title	Name	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	General manager	Nancy Huang	—	1,495	1,495	0.24
	GM of Business Division	Kevin Chen				
	Sr. Director of Financial Management Division	Michelle Chin				

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

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

Unit: NT\$ thousands

Title	Proportion of the total compensation to net profit after tax %			
	2021		2022	
	The Company	All companies in the consolidated financial statement	The Company	All companies in the consolidated financial statement
Directors	2.84	2.84	2.19	2.19
Independent Directors	0.93	0.93	0.71	0.71
General Managers and Deputy General Managers	5.88	5.88	4.23	4.23

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

The Remuneration Committee assists the Board in discharging its responsibilities relating to the Company's compensation and benefits policies, plans and programs, and the evaluation of the directors' compensation. The actual amount of directors' remuneration is currently 1.514% of the current year's profitability, and remuneration is appropriated according to the business performance of the Company in the year and the stipulated percentage of less 3% in Article 19 of the Articles of Incorporation. Procedure for the compensation were determined by the Regulations governing the performance assessment and compensation of directors and supervisors in accordance with operating performance of the company, operational risks and trend of the industries, and the employee's personal achievements, contribution made to the business operation. Evolution items include any unethical misconduct which results in a negative impact on the company's image and reputation, negligent of internal management, or unethical malpractices etc. The procedure for determining remuneration is also based on key performance indicators of the company. Relevant performance indicators and reasonability of remuneration shall be approved by the remuneration committee and the board of the directors and reviewed in relation to business operation and relevant laws and regulations, for a positive correlation with the company, and risk management.

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

D. Implementation of Corporate Governance

(A) Board of Directors

A total of 7 meetings of the Board of Directors were held in 2022. The attendance of director and independent directors were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Chairman	Peter Lin	7	0	100	
Director	Morris Jiang	7	0	100	
Director	Prisma Commerce & Networks, Inc. Representative: Jih-Ji Zhou	6	0	85.71	
Director	K WAY information Co. Representative : Zheng-Qiang Sun (Note)	1	0	100	2022/12/15 New Appointment
Director	K WAY information Co. Representative : Chang-Ze Tseng (Note)	6	0	100	2022/12/15 Retiring
Director	Jui Hsu Chen	6	1	85.71	
Independent director	Ming Hsiung Wu	7	0	100	
Independent director	Chien Chen Lin	7	0	100	
Independent director	Ming Yuan Lin	7	0	100	

Note : On December 15, 2022, K WAY information Co. reassigned its representative to Zheng-Qiang Sun.

Other mentionable items:

1. If there are circumstances referred to as follows, resolutions of the directors' meetings objected to by independent directors or subject to qualified opinion and recorded or declared in writing, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:
 - (1) Circumstances referred to in Article 14-3 of the Securities and Exchange Act:
The Company has set up an audit committee and the provisions of Article 14-3 of the Securities and Exchange Act are not applicable. For related information, please refer to " Audit Committee " in this annual report.
 - (2) If there are resolutions of the directors' meetings objected to by independent directors or subject to qualified opinion and recorded or declared in writing: None
2. Avoidance of conflict of interest by Directors: None.

3. Measures taken toward achievement of Board of Directors

Frequency	Period	The scope of evaluation	Method	Content	Implementation status and evaluation results
It is carried out once a year and at least once every three years by an external professional independent agency or a team of external experts and scholars.	1.Board Internal Performance Evaluation: 2022/01/01 to 2022/12/31 2.Board External Performance Evaluation: 2022/01/01 to 2022/12/31	The internal and external performance evaluation of the board of directors includes the performance evaluation of the board of directors, functional committees (including the audit committee, remuneration committee, corporate governance and nomination committee) and individual directors.	The internal performance evaluation of the board, according to operation of the board of directors, participation of directors, operation of the remuneration committee, self-assessment among directors, assessment of the remuneration committee by its members, by questionnaires. The above conclusion of performance assessment shall be a reference for election or nomination of directors, and personal compensation shall be calculated by the conclusion of directors and members of the functional committee. Every January, after questionnaires are returned, Human Resource Management Center of the company will, in accordance with the aforementioned rules, conduct analysis and report the results to the Board, with an emphasis on any areas with room for improvement. The Company appointed an external independent professional firm, Chainye Management Consulting Co., Ltd. to evaluate the performance of the Company's Board of	It is advisable that performance assessments of board of directors' include the following aspects: 1.The degree of participation in the company's operations. 2.Improvement in the quality of decision making by the board of directors. 3.The composition and structure of the board of directors. 4.The election of the directors and their continuing professional education. 5.Internal controls.	Implementation status: The evaluation results were presented to the Remuneration Committee and the Board of Directors at their meeting held on February 21, 2023. The total average score of the indicators for the year was 4.98, and the evaluation result was excellent (full score of 5).
				It is advisable that performance assessments of board members include the following aspects: 1.Their grasp of the company's goals and missions. 2.Their recognition of director's duties. 3.Their degree of participation in the company's operations. 4.Their management of internal relationships and communication. 5.Their professionalism and continuing professional education. 6.Internal controls.	Implementation status: The evaluation results were presented to the Remuneration Committee and the Board of Directors at their meeting held on February 21, 2023. The total average score of the indicators for the year was 4.25, and the evaluation result was excellent (full score of 5).
				The measurement items of the performance evaluation of the Remuneration Committee include the following aspects: 1.Their degree of participation in the company's operations. 2.Their recognition of the duties of the functional committee. 3.Improvement in the quality of decision making by the functional committee. 4.The composition of the functional committee, and election and appointment of committee members. 5.Internal Controls.	Implementation status: The evaluation results were presented to the Remuneration Committee and the Board of Directors at their meeting held on February 21, 2023. The total average score of the indicators for the year was 4.97, and the evaluation result was excellent (full score of 5).
				The measurement items of the performance	Implementation status:

Frequency	Period	The scope of evaluation	Method	Content	Implementation status and evaluation results
			Directors, individual Board members and functional committees for FY22. The evaluation was conducted by means of the Public Information Observation Post System (PIO) and self-assessment questionnaires for the Board of Directors, Board members and functional committees, as well as actual attendance at the Board of Directors and functional committees of the Company to observe their operations.	<p>evaluation of the Audit Committee include the following aspects:</p> <ol style="list-style-type: none"> 1.Their degree of participation in the company's operations. 2.Their recognition of the duties of the functional committee. 3.Improvement in the quality of decision making by the functional committee. 4.The composition of the functional committee, and election and appointment of committee members. 5.Internal Controls. 	<p>The evaluation results were presented to the Remuneration Committee and the Board of Directors at their meeting held on February 21, 2023.</p> <p>The total average score of the indicators for the year was 4.98, and the evaluation result was excellent (full score of 5).</p>
				<p>The measurement items of the performance evaluation of the the Corporate Governance and Nomination Committee include the following aspects:</p> <ol style="list-style-type: none"> 1.Their degree of participation in the company's operations. 2.Their recognition of the duties of the functional committee. 3.Improvement in the quality of decision making by the functional committee. 4.The composition of the functional committee, and election and appointment of committee members. 5.Internal Controls. 	<p>Implementation status:</p> <p>The evaluation results were presented to the Remuneration Committee and the Board of Directors at their meeting held on February 21, 2023.</p> <p>The total average score of the indicators for the year was 4.96, and the evaluation result was excellent (full score of 5).</p>
				<p>The evaluation covers the composition of the Board of Directors, the extent of participation in the Company's operations, the enhancement of the quality of decisions made by the Board of Directors, internal control and the operation of functional committees.</p>	<p>The evaluation results were presented to the Remuneration Committee and the Board of Directors at their meeting held on February 21, 2023.</p> <p>Evaluation result:</p> <p>The Company's board of directors is considered to have formulated relevant policies and procedures for the operation of the board of directors in accordance with relevant laws and regulations and domestic corporate governance standards in all aspects. The board of directors is composed of directors with relevant professional</p>

Frequency	Period	The scope of evaluation	Method	Content	Implementation status and evaluation results
					<p>capabilities, and the work is assigned according to different professions and experience, and the functions of the board of directors and functional committees can operate effectively.</p> <p>Evaluation Proposal:</p> <ol style="list-style-type: none"> 1. The Nomination Committee should plan to increase the number of female directors in the next election of directors, and promote the selection of directors and senior managers and their training, so as to achieve the goals of director diversity and succession planning. 2. It is proposed that the Company may establish functional committees, such as the Risk Management Committee and the Information Security Committee, in line with the Company's development strategy and corporate governance objectives, in order to strengthen the management mechanism and exemplify the effect of a benchmark company in corporate governance. 3. It is proposed that the future chairman of the board of directors and the convenor of the functional committee can set the work plan and objectives for each term of office or each year of the term of office with the consensus of the directors, so that the board of directors and the functional committee can strengthen their responsibilities for the supervision and management of the Company.

4. Evaluations for the measures taken to strengthen the core objectives and execution of the Board for the current year and the previous year:
 - (1) In 2022, all directors and independent directors will complete 6 hours of annual training.
 - (2) Starting from 2022, the company's interim financial reports will be approved by the audit committee and submitted to the board of directors for discussion and resolution.
 - (3) The Company set up the rules of board performance evaluation. The performance assessment of Board of directors for the members of Board of Directors by self-assessments, report the results to the remuneration committee, and then to Board of Directors, based on the Regulations governing the performance assessment and compensation of directors in accordance with operating performance of the Company. In 2022, an external organization was engaged to conduct an external evaluation of the performance of the Board of Directors as a whole, individual Board members and functional committee boards.

The Internal and External evaluation results for the year 2022 were submitted to the Board and Remuneration Committee on Feb. 21, 2023.
 - (4) The Company has added one female candidate to each of its 112 director and independent director, and is planning an executive development program to implement its goals of director diversity and succession planning.
 - (5) The Company has set up a risk management team and an cyber security team to strengthen the management mechanism and exemplify the effect of a benchmark company in corporate governance.

(B) Audit Committee

1. Audit Committee

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

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

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

A total of seven (5) Audit Committee meetings were held in 2022. The attendance of independent directors is as follows:

Title	Name	Attendance in Person (B)	Proxy	Attendance Rate (%) 【B/A】	Remarks
Independent director	Ming Yuan Lin	5	0	100%	Convenor
Independent director	Ming Hsiung Wu	5	0	100%	
Independent director	Chien Chen Lin	5	0	100%	

Other mentionable items:

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

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

Board Meeting	Content and Follow-up Action	Audit Committee Resolution	Company's response to the Audit Committee opinion
2022 1th -12 Regular Meeting Feb. 23	1. 2021 Compensation for the directors and employees	Approved by all members of the Audit Committee	The Board of Directors approve the proposal with the consent of all directors present.
	2. 2021 operating report \ consolidated and parent company only financial statements.		
	3. 2021 Statement of Internal Control system		
2022 1th -13 Regular Meeting Apr. 13	1. Amendments to the Regulations Governing Acquisition and Disposal of Assets.	Approved by all members of the Audit Committee	The Board of Directors approve the proposal with the consent of all directors present.
2022 1th -14 Regular Meeting Apr. 27	1. Recognition to Loaning funds to subsidiary WingWill International Co., Ltd.	Approved by all members of the Audit Committee	The Board of Directors approve the proposal with the consent of all directors present.
2022 1th -16 Regular Meeting Oct. 26	1. The company's CPA professional fee in 2022.	Approved by all members of the Audit Committee	The Board of Directors approve the proposal with the consent of all directors present.
	2. The company's appointment of accountants and independence assessment case.		
	3. Loaning funds to subsidiary WingWill International Co., Ltd.		
2023 1th -17 Regular Meeting Mar. 21	1. 2022 Statement of Internal Control system	Approved by all members of the Audit Committee	The Board of Directors approve the proposal with the consent of all directors present.
	2. 2022 Compensation for the directors and employees		
	3. 2022 operating report \ consolidated and parent company only financial statements.		
2023 1th -18 Regular Meeting Mar. 22	1. Purchase of Neihu office	Approved by all members of the Audit Committee	The Board of Directors approve the proposal with the consent of all directors present.
	2. The company's appointment of accountants and independence assessment case.		

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

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

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

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

- (2) Members of the Company's Audit Committee are all independent directors. The presentation of business audit is made at least once per year. The presentation content includes business audit execution, internal operational items, audit personnel training and major findings from internal and external audit as well as follow-up actions taken etc. Extraordinary meetings may also be convened at any time should serious anomalies arise.
- (3) The CPA should report to the independent directors at least once a year, covering items regarding the company's overall financial performance and also the financial status, overall operations and internal controls of local and overseas subsidiaries. In addition, a through communication should be carried out to determine if there is any impact on the accounting principles from any major changes in financial policies and amendment in the laws and regulations.
- (4) The communications between the auditor, the independent directors and the CPA functioned well, as not only were regular meetings arranged, emails, telephone calls or random meetings were also meaning of communication.
- (5) The summary of communications between the internal auditor, CPA and the independent directors are listed in the table below.

Date	Attendees	Item	Conclusion
2022.02.23 Independent director meeting	Independent Directors 、 CPA 、 Chief Internal Auditor	<ol style="list-style-type: none"> 1. Report on the findings of the company's audit in 2021. 2. Approved the statement for the company's internal control in 2021. 3. Briefing and communication made by CPA regarding 2021 parent company only and consolidated reports. 	<ol style="list-style-type: none"> 1. Agreed. 2. Submit and report to the Board after review. 3. The communication between independent directors and the CPAs was well, reaching mutual consensus after discussion. 2021 Financial reports were presented at the Audit Committee Meeting and the Board, and disclosed in accordance with the regulations and supervisory authority.
2022.07.27 Independent director meeting	Independent Directors 、 CPA 、 Chief Internal Auditor	<ol style="list-style-type: none"> 1. Briefing and communication made by CPA regarding 2022 Q2 consolidated reports. 	<ol style="list-style-type: none"> 1. Agreed. 2. Submit and report to the Board after review. 3. The communication between independent directors and the CPAs was well, reaching mutual consensus after discussion.
2023.02.21 Independent director meeting	Independent Directors 、 CPA 、 Chief Internal Auditor	<ol style="list-style-type: none"> 1. Report on the findings of the company's audit in 2022. 2. Approved the statement for the company's internal control in 2022. 3. Briefing and communication made by CPA regarding 2022 parent company only and consolidated reports. 	<ol style="list-style-type: none"> 1. Agreed. 2. Submit and report to the Board after review. 3. The communication between independent directors and the CPAs was well, reaching mutual consensus after discussion. 2022 Financial reports were presented at the Audit Committee Meeting and the Board, and disclosed in accordance with the regulations and supervisory authority.

(C) Corporate Governance and Nomination Committee

1. The company set up a Corporate Governance and Nomination Committee in October, 2022, which consists of three directors (including two independent directors).

Title	Name	Professional
Committee convener	Peter Lin	Corporate strategy 、 Marketing 、 Financial
Independent director	Ming Hsiung Wu	Management Administration 、 Marketing
Independent director	Ming Yuan Lin	Management Administration 、 Financial

2. The duties and work items of the Corporate Governance and Nomination Committee are as follows:

- (1) To review and evaluate the soundness of the corporate governance organization and system, and to establish rules and regulations regarding corporate governance and committees.
- (2) Establish criteria for the diversity and independence required of board members and executive officers, and accordingly identify and nominate candidates for directors and executive officers.
- (3) To construct and develop the organizational structure of the Board of Directors and its committees, conduct performance evaluation of the Board of Directors, its committees, and its directors, and evaluate the independence of the independent directors.
- (4) To establish and periodically review directors' continuing education programs and succession plans for directors and senior managers.

The term of office of the current committee members: October 26, 2022 to June 9, 2023, which is the same as the expiration date of the term of the current board of directors. A total of one (1) Corporate Governance and Nomination Committee meetings were held in 2022. The attendance of independent directors is as follows:

Title	Name	Attendance in Person	Proxy
Committee convener	Peter Lin	1	0
Independent director	Ming Hsiung Wu	1	0
Independent director	Ming Yuan Lin	1	0

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

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

Evaluation Item	Implementation Status		Description	Difference from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
<p>3. Composition and Responsibilities of the Board of Directors</p> <p>(1) Has the Company established a diversification policy for the composition of its Board of Directors, and has it been implemented accordingly?</p>	V		<p>(1) In Article 20 of the Company's Corporate Governance Best Practices, it is stated that the composition of the Board should be determined by taking into consideration the company's business operations, major shareholders and the diversity of constitute members, such as their different professional backgrounds, genders or industrial experiences etc., and disclose the diversity policies formulated by the members of the Board on the company website.</p> <p>The nomination of candidates for Directors of the company is based on the nomination system of candidates in accordance with the provisions of the company's Articles of Incorporation. The candidate's experience, professional and diverse backgrounds, integrity or relevant professional qualifications are evaluated. After the resolution of the BoD is passed, it is submitted to the shareholders' meeting for election.</p> <p>The specific management objectives of the board composition diversity policy are that the number of Independent Directors shall account for at least one-third of the total number of Directors, and the Directors with electronic-related educational background shall account for at least one-third of the total number of Directors, and increase the number of female directors.</p> <p>The current BoDs of the company consists of eight (8) directors (please refer to this Annual Report - Information on Directors (1)), which includes 5 Directors and 3 Independent Directors (Independent Directors account for 37.5% of all Directors), and the number of Directors with electronic related education background is</p>	None.

Evaluation Item	Implementation Status		Description	Difference from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
(2) Other than the Remuneration committee and the Audit Committee which are required by law, does the Company plan to set up other Board committees?	V		<p>three (3), and expected that two female directors will be added in the next board of directors. For the implementation of the Board Diversity Policy, please refer to the Board Diversity and Independence in this Annual Report.</p> <p>(2) The Remuneration Committee was set up on December, 2011, and shall be held for twice a year. The Audit Committee was set up on June 10, 2020 and the total number of meetings held in 2021 was two. The Governance & Nomination Committee was set up in 2022. Whether it is necessary to set up other functional committees will be evaluated further and will be based upon the Company's actual needs or in compliance with relevant legal requirements.</p>	None.
(3) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis, reported the results of performance to the Board of Directors, and use the results as reference for directors' remuneration and renewal?	V		<p>(3) A. The Company has stipulated rules and procedures for board of directors performance assessments, and in accordance with the method, the Company conducts annual self-evaluation of the performance of the Board of Directors, functional committees (including the Audit Committee, the Remuneration Committee, the Corporate Governance and Nomination Committee and individual board members on a regular basis, and appoints an external organization to conduct an external evaluation of the performance of the Board of Directors as a whole, individual board members and functional committee boards in 2022.</p> <p>B. The results of the self-assessment of the performance of the Board of Directors, functional committees and individual board members for FY22 were "Excellent"; the results of the external assessment of the performance of the Board of Directors as a whole, individual board members and functional committee boards were "Excellent".</p>	None.

Evaluation Item	Implementation Status		Description	Difference from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
			<p>C. The results of FY22 self-assessment and the results of the external evaluation of the Board of Directors' performance were presented to the Remuneration Committee and the Board of Directors on February 21, 2023. The results of the aforementioned performance evaluation will be used as a reference for the selection or nomination of directors, and the performance evaluation results of directors and functional committee members will be used as a reference for setting their individual compensation. For details of the evaluation results, please refer to the "Measures taken toward achievement of Board of Directors" in this annual report on corporate governance operations.</p>	
(4) Does the Company regularly evaluate its external auditors' independence?	V		<p>(4)The Company has formulated an assessment form for the independence and suitability of accountants with reference to the contents of Bulletin 10 of the Norm of Professional Ethics for Certified Public Accountant of the Republic of China "Integrity, Objectivity and Independence" and Article 47 of the "Certified Accountant Act", including the certified public accountant and its audit team members who have not held the positions of directors, supervisors, managers or any other roles that has a significant impact on the audit case currently or in the past two years, and obtained the independence statement and audit quality index (AQIs) report issued by the accounting firm. The Audit Committee and the Board of Directors assess the independence and suitability of certified public accountants annually. The results of the independence and suitability assessment of the 2023 certified public accountant were submitted for the review and approval by</p>	None.

Evaluation Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
			the Audit Committee and the Board of Directors on October 26, 2022 and March 22, 2023.	
4. Does the Company appoint competent and appropriate corporate governance personnel and corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors, assisting directors' compliance of law, handling matters related to board meetings and shareholders' meetings according to law, and recording minutes of board meetings and shareholders' meetings)?	V		<p>The Chairman appointed the Chairmen's Office to handle matters of the directors relating to Board meetings, Committee's meetings and Shareholders' meetings and record minutes of relevant meetings, etc.</p> <p>The stock affairs department is responsible for handling corporate registration and amendment registration. All application documents need to be approved by the manager.</p>	None.
5. Has the Company established a means of communicating with its Stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities?	V		<p>The company has established a means of communicating with its Stakeholders (such as, suppliers, customers and clients, etc.) on the website, for dealing with their questions and receiving opinions. Financial Management Division will communicate with correspondent banks and debtors. Human Resource Management Center will set up channels for communicate with employees and handle any feedbacks.</p>	None.

Evaluation Item	Implementation Status		Description	Difference from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
6. Has the Company appointed a professional registrar for its Shareholders' Meetings?	V		The Company appointed the Registrar & Transfer Agency Department of Masterlink Securities as our registrar for stock affairs.	None.
7. Information Disclosure				
(1) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status?	V		(1)The Company has set the website(http://www.zerone.com.tw), and assigned a specific unit responsible for collecting and updating company information regularly on the website.	None.
(2) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	V		(2) The Company established a spokesperson system to deal with related matters and has appointed a person in charge to be responsible for the collection and disclosure of company information.	None.
(3) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?	V		(3)The Company announces and reports the financial statements in accordance with Article 36 of Securities and Exchange Act.	None.

Evaluation Item	Implementation Status		Description	Difference from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing liability insurance for directors)?	V		<p>(1)Employee rights and wellness: The company has set a website for employee rights and wellness, and regularly heard the voice of employees.</p> <p>(2)Investor relations: The Company has established a Spokesperson system for handling relevant matters.</p> <p>(3)Supplier relations: The company maintains a good relationship with manufacturers.</p> <p>(4)Rights of stakeholders: Stakeholders shall communicate with the company and put forward proposals to protect their due legal rights and interests.</p> <p>(5)Directors' training records: The company encourages directors to attend trainings required by laws, and discloses training records on Market Observation Post System.</p> <p>(6)Implementation of risk management policy and risk measurement standards: In order to strengthen the Company's stable operation to achieve the purpose of sustainable operation and improve the risk management mechanism, the Company has adopted the risk management policy by the Board of Directors in 2022 as the basis for risk management. The management scope of the Company's risk management policy includes operational risk, financial risk, information security risk, compliance risk and human resource risk, and clearly regulates the organizational structure and rights and responsibilities of risk management to ensure that the risks faced by the Company are known so as to achieve the purpose of sustainable operation within the acceptable tolerance. The risk management team of the Company regularly holds risk management meetings to identify risks in the management area and propose management measures and</p>	None.

Evaluation Item	Implementation Status		Description	Difference from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
			<p>submits the results of risk management check, annual work plan and implementation of management measures to the Board of Directors at least once a year, the latest report date is December 21, 2022, and the content of the report is the risk identification and its management measures in 2023.</p> <p>(7)The implementation of customer relations policies: The company maintains a good relationship with customers in order to create increasing profits.</p> <p>(8)Purchasing liability insurance for directors : The company maintains D&O Insurance for its directors.</p>	
<p>9.The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange</p> <p>The Company placed high emphasis and proactively participated in the Corporate Governance Evaluation. Improvement status for the 2022 non-scoring items are as follows:</p> <p>(1) In 2023, with a general election of directors, there will be one female director and one independent director candidate on the slate.</p> <p>(2) In 2023, we will conduct an internal performance evaluation of our functional committees (including at least the Audit Committee and the Remuneration Committee) and disclose the performance and evaluation results on Company's website or in the annual report.</p>				

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

1. Information on members of the Committee

December 31, 2022

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

Note : Convenor

2. Duties

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

3. Attendance of Members at Remuneration Committee Meetings

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

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

A total of 3 (A) Remuneration Committee meetings were held in 2022. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Convener	Ming Hsiung Wu	3	0	100	-
Committee Member	Chien Chen Lin	3	0	100	
Committee Member	Ming Yuan Lin	3	0	100	

Remuneration Committee Meetings	The content of motions and after-treatment	Resolution Result	The Company dealing with a Dissenting Opinion or Qualified Opinion of committee members
4th-5 2022.02.23	1. To audit 2021 compensation distribution of each director. 2. To audit 2021 employee's compensation distribution of managers. 3. To audit 2022 employees' salaries distribution of managers. 4. To audit Rule for Directors' Performance Evaluation and Remuneration	Approved by all committee members.	To report to Board of Directors, and approved by all attended directors.
4th-6 2022.10.26	1. Review the company's employee stock ownership trust case (general type) and submit the proposal for verification and approval. 2. Review the company's employee stock ownership trust case (bonus type) and submit the proposal for verification and approval. 3. Review the 2022 year-end bonus payment and shareholding trust (bonus type) plan of individual managers and all employees of the Company and its subsidiaries, and submit the proposal for verification and approval. 4. Discuss the work plan of the Remuneration Committee of the Company for 2023 submit the proposal for verification and approval.		
4th-7 2022.12.21	1. Revise the company's employee stock ownership trust case (general type) and submit the proposal for verification and approval. 2. Revise the company's employee stock ownership trust case (bonus type) and submit the proposal for verification and approval.		

Other mentionable items:

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

(F) Promotion of Sustainable Development – Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons:

Promotional Implementation Items	Implementation Status			Difference from Sustainable Development Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
1. Does the company have established a governance structure to promote sustainable development and set up a dedicated department to promote sustainable development, which is authorized and supervised by the board of directors?		V	Under planning	Based on practical needs
2. Does the Company conduct risk assessments on environmental, social, and corporate governance issues related to its operations in accordance with the materiality principle, and implement relevant risk management policies or strategies?	V		In order to improve the risk management mechanism, the Company has adopted the "Risk Management Policy" by the Board of Directors in 2022 as the basis for risk management. The management scope of the company's risk management policy includes operational risk, financial risk, information security risk, compliance risk and human resource risk, and clearly regulates the organizational structure and rights and responsibilities of risk management to ensure that the risks faced by the company are known and achieve the purpose of sustainable operation within tolerable range.	None.
3. Environmental issues (1) Does the Company establish proper environmental management systems based on the characteristics of their industries?		V	(1) Not applicable. Not related to our current business.	None.

Promotional Implementation Items	Implementation Status			Difference from Sustainable Development Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
(2) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?		V	(2) Not applicable. Not related to our current business.	
(3) Does the Company assess the potential risks and opportunities of climate change for its current and future operations and undertake response measures with respect to climate change?		V	(3) Not applicable. Not related to our current business.	
(4) Does the Company calculate the amount of greenhouse gas emission, water consumption, and waste production in the past two years and implement policies to cut down energy and water consumptions, carbon and greenhouse gas emissions, and waste production?	V		(4) According to the operation status and greenhouse check results, the Company has set clear environmental protection and energy-saving goals for the use of various resources and pollution emissions. In addition, the Company has formulated various environmental management systems to further maintain the momentum of improvements to save energy in the lighting of the office area, striving to achieve low pollution, low energy consumption, high energy saving and other environmentally friendly goals. According to the actual operation situation, the goaled implementation locations of various environmental protection and lighting energy-saving information basically covered all the Company's operating sites (including Taipei, Taichung, and Kaohsiung offices). A. The following are the important quantifiable management goals in relation to the environment:	N

Promotional Implementation Items	Implementation Status			Difference from Sustainable Development Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
			<p>a. Carbon reduction goal The impact caused by climate change is one of the common environmental issues in the world, therefore, mitigating the greenhouse effect is a shared responsibility of all countries in the world, so as to achieve carbon neutrality as a long-term carbon management goal. With reference the ISO 14064 specification as the goal, check and establish a baseline of greenhouse gas emissions, and formulate and announce carbon reduction goals for each year, and in order to continuously promote emission reduction, taking 2022 as the base year, the planned goal is to achieve carbon emissions reduction by 2% per unit of revenue in 2023.</p> <p>b. Electricity Saving Goal With reference to the ISO 14064 specification as the goal, the main source of greenhouse gas emissions is identified as electricity use, and reaches more than 95%, so with energy conservation as the carbon reduction method, we continue to promote management methods based on energy management systems, and actively promote various energy conservation plans, the latest period is taking 2022 as the base year, and the planned goal is to achieve electricity consumption reduction per unit of revenue by 2% in 2023.</p> <p>c. Waste Reduction Goal</p>	

Promotional Implementation Items	Implementation Status			Difference from Sustainable Development Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
			<p>Waste is considered as a misplaced resource, in order to improve the effective use of waste, we will continue to explore waste reduction management measures, continue to reduce hazardous business waste, and increase recyclable waste resources with business waste generated. Our aim is to achieve a 2% reduction in total waste per unit by 2023 taking 2022 as the base year.</p> <p>d. Advocate the company's energy-saving and carbon-reduction policies and office energy-saving measures</p> <ul style="list-style-type: none"> ● Set A/C temperature at 25 degree Celsius constantly. ● Turn off the lights at will. ● Water conservation. ● Bring your own handkerchief. ● Bring your own chopsticks and teacups. ● No paper photocopying. ● No ties. ● Turn off the computer when leaving the office and unplug accordingly, and limit the use of some elevators during off-peak hours. <p>B. Measures taken to achieve the goals Implement power-saving plans from the three major aspects of air-conditioning system, electric lightning and other power consumption, and regularly review and replace energy-</p>	

Promotional Implementation Items	Implementation Status			Difference from Sustainable Development Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
			consuming equipment; Taking 2022 as the base year, the actual carbon reduction per unit of greenhouse gas electricity consumption per unit of revenue in 2023 was reduced by 2%.	
<p>4. Social Issues</p> <p>(1) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p> <p>(2) Does the Company establish and deliver reasonable employee welfare programs (including salary, compensated absences, and other benefits) and adjust employee compensation in relation to business performance?</p>	V		<p>(1) In accordance with international human rights norms such as the United Nations Universal Declaration of Human Rights, the United Nations Global Compact and the International Labor Organization Declaration on Fundamental Principles and Rights at Work, our company has established a "human rights policy" to formulate appropriate management methods and procedures, including: no child labor and involuntary labor, prohibition of discrimination, coercion and inhumane treatment, and elimination of any human rights violations and infringements.</p> <p>(2) <u>Employee Remuneration:</u> The Company's year-end bonus system is based on one third (1/3) of the Company's after-tax business profits, and after taking into account of seniority and annual performance appraisal, it is distributed to all colleagues to motivate all colleagues to work together for the Company's goals. Employee remuneration shall be calculated in accordance with the provisions of the Articles of Incorporation of the Company and also when the profit of the Company for the current year is no less than 1%. We put much</p>	None.

Promotional Implementation Items	Implementation Status			Difference from Sustainable Development Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
			<p>effort in increasing salaries for employees by setting aside 3.028% of annual profits for employee compensation to fulfill the purpose of taking a good care for employees' physical, mental and spiritual prosperity.</p> <p><u>Employee Welfare Measures:</u> The company sets up an Employee Welfare Committee, and every year the company allocates welfare benefits for the planning and offering of high-quality benefits for colleagues, such as: annual domestic and foreign travel subsidies for employees, birthday gifts, marriage allowances, maternity allowances, funeral allowances, hospital allowances, three major festivals gift-money and gift boxes, Family Day event, Year-End Gathering and other benefits.</p> <p>In terms of working hour policy, the company offers a flexible system, the flexible working hours for on-duty are from 8:30 a.m. to 9:30 a.m., and the flexible working hours for off-duty are from 5:30 p.m. to 6:30 p.m. For female employees during pregnancy, the flexible working hours for on-duty are relaxed from 8:30 a.m. to 10:00 a.m., and the flexible working hours for off-duty are relaxed from 5:30 p.m. to 7:00 p.m. until the day before delivery. Employees are given the rights to adjust their</p>	

Promotional Implementation Items	Implementation Status		Description	Difference from Sustainable Development Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
			<p>commuting time flexibly.</p> <p>In terms of the entitled leave system, on the basis of a fixed two-day weekly leave, if the newly joined employee passes the probationary assessment, he or she will be given three days of annual leave in advance. If a colleague encounters a situation such as childcare, major injury or illness, major change, etc., and needs a long period of time off, he/she can also apply for leave without pay to cater for the needs of personal and family care.</p> <p><u>Measures to create a friendly child-rearing environment:</u></p> <p>A. During the employee's pregnancy and within one year after giving birth, on-site doctors and nurses are regularly arranged to conduct maternal health protection care interviews and provide relevant assistance for female employees.</p> <p>B. For employees and spouses who give birth, the Company offers a complimentary smart baby camera to new parents and help protect the safety of the baby together.</p> <p>C. Create comfortable breastfeeding (collection) rooms, provide breastfeeding (collection) time in compliance with laws and regulations, and support female</p>	

Promotional Implementation Items	Implementation Status		Description	Difference from Sustainable Development Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
			<p>employees in breastfeeding (collection). D. Negotiate with a number of childcare centers and kindergartens, so as to strive for obtaining preferential prices, and sign exclusive contracts with institutions that provide special childcare measures.</p> <p><u>Diversity and Equality in the Workplace:</u> Achieve equal remuneration conditions and equal promotion opportunities for men and women with equal pay for equal work, and (achieve) more than 50% of female managerial positions so as to promote sustainable and inclusive economic growth. In 2022, the average proportion of female employees was 54%, and the average proportion of female supervisors was 50%.</p> <p>The company values great importance in the rights and welfare of employees, and shares the surplus of profits with employees, maintains a good working environment for comprehensive physical, mental and spiritual care for all ethnic groups: (1) Employed and achieved 100% of the target for disabled colleagues and offered tailor-made suitable job positions and environmental facilities (2) Implement the empowerment of women in</p>	

Promotional Implementation Items	Implementation Status		Description	Difference from Sustainable Development Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
			<p>friendly workplaces, so that colleagues of all genders can work with peace of mind.</p> <p><u>Business performance reflected in employee compensation:</u> According to profit earnings each year (pretax profit before deduction of annual compensation for employees and directors), where the amount of accumulated loss reconciliation has been offset and a surplus exists, the company shall set aside no less than 1% of them as compensation for the employees and no more than 3% of them as compensation for directors. The recipients of such employee compensation include eligible staff who belong to the affiliates</p> <p><u>Overall Remuneration Policy :</u> The Company participates in market salary surveys every year to adjust salaries based on market salary levels, economic trends and individual performance to maintain overall salary competitiveness. In 2022, the average annual salary increase was 4.5% for the Company's Taiwan region including executive and non-supervisory positions, of which the maximum increase for individuals was 20%</p> <p><u>Employee retirement system:</u> In order to help stabilize the life of employees</p>	

Promotional Implementation Items	Implementation Status		Description	Difference from Sustainable Development Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
			<p>after retirement, the Company has formulated labor retirement measures in accordance with the law, and established a Labor Retirement Reserve Supervision Committee that regularly allocates retirement reserves at a rate of 2% of the total salary expenses every month, and deposited the reserve to the designated account of the Central Trust of China to protect labor rights and interests. From July 1, 2005 onwards, the new government retirement method was adopted in parallel, and 6% of the total income of labor wages was allocated to the employee's individual pension account; If there is a voluntary contribution from the employee to the pension, the amount of contribution calculated based on the employee's selection of voluntary contribution rate will be withheld from the employee's monthly salary to the individual pension account of the Labor Insurance Bureau.</p> <p>The Company applies the following provisions in accordance with the Labor Pension Act: 1) Voluntary Retirement: Employees may apply for retirement under one of the following circumstances: (Those who choose to apply the Labor Pension Regulations shall follow the same Regulations) A. Those who have worked for more than 15 years and have reached the age of 55.</p>	

Promotional Implementation Items	Implementation Status			Difference from Sustainable Development Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
			<p>B. Those who have worked for more than 25 years.</p> <p>C. Those who have worked for more than 10 years and have reached the age of 60.</p> <p>(2) Forced Retirement: The Company shall not force employees to retire unless they fall under any of the following circumstances:</p> <p>A. Those who have reached the age of sixty-five.</p> <p>B. Those who suffer from insanity or physical disability and are unable to perform his or her duties at work.</p> <p>The Company may request the central competent authority to adjust the age prescribed in Subparagraph 1 of the preceding paragraph if the specific job entails risk, requires substantial physical strength or otherwise of a special nature; provided, however, that the age shall not be reduced below fifty-five.</p> <p>(3) Pension payment standards:</p> <p>A. The standards of pension payment shall be calculated in accordance with Articles 84-2 and 55 of the Labor Standards Act for those who have worked before and after the application of the Labor Standards Act, and those who elect to continue to apply the pension provisions of the Labor Standards Act or retain the pension provisions before</p>	

Promotional Implementation Items	Implementation Status		Description	Difference from Sustainable Development Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
			<p>the application of the Labor Pension Regulations in accordance with the Labor Standards Act.</p> <p>B. If an employee who has the seniority referred to in the preceding paragraph and is forced to retire in accordance with the provisions of Paragraph 1, Paragraph 2 of Article 35, and whose mental insanity or physical disability is caused by the performance of his or her duties, he or she shall be paid an additional 20% in accordance with the provisions of Paragraph 1, Paragraph 2 of Article 55 of the Labor Standards Act.</p> <p>C. For employees who are subject to the pension provisions of the Labor Pension Act, the Company will contribute 6% of their salary to the employee's personal pension account on a monthly basis.</p> <p>(4) Pension payment: The company shall pay the employee's pension within 30 days from the day the employee retires.</p> <p>(5) For colleagues who are assigned by the Company and transferred to associates, their seniority will be continued with the aim to provide more protection for them and also to achieve the purpose of the Group's talent circulation.</p>	

Promotional Implementation Items	Implementation Status			Difference from Sustainable Development Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
			<p><u>Employee Share Ownership Trusts :</u></p> <p>(1) In terms of the labor retirement system, in addition to the regular allocation of reserves to the statutory retirement account in accordance with the Labor Standards Act and the Labor Pension Standards, the Company has established a Employee Share Ownership Trust Committee. After the full-time employees have completed one year of service, the employees will provide NT\$2,000~5,000 per month, and the Company will jointly allocate NT\$1,000~2,500 and together the collected amount is used to purchase Company shares by adopting dollar cost averaging approach.</p> <p>(2) For key talents who enjoy employee share ownership trust rewards, an additional 25% of bonuses are allocated to purchase the company shares each time rewards are distributed.</p>	
(3) Does the Company provide a healthy and safe work environment and organize training on health and safety for its employees on a regular basis?	V		<p>(3) Occupational Safety and Health Policy: The Company follows the occupational safety and health law to establish policies with the provisions of customers and related organizations, and respects the interests of relevant interested parties for the occupational safety and health requirements to build a healthy and happy workplace. As the company values safe and healthy work</p>	

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

Promotional Implementation Items	Implementation Status			Difference from Sustainable Development Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
			<p>office.</p> <p>4.Mental health: We hold lectures for keep a good mental health enhance professional knowledge, and e-learning, regarding with stress (emotional pressure) management, communication technique, stress-relief, ideal thoughts each year.</p> <p>5.Implementation on employee safety and health education and training: (1) Conduct a 3-hour digital course on general safety and health education and training for new employees. (2) Conduct 3-hour safety and health education and training for in-service personnel every year. (3) Safety and health education and training for emergency rescue personnel (16 hours), 3 hours of retraining every three years.</p> <p>6.Insurance and medical allowance: We arrange labor (including occupational Injury) and health insurance for employees by laws. Also, we arrange casualty and accidental health insurance for them. As for injury and death of employees and their spouse, offspring, and parents, we provide medical allowance and emergency aids.</p> <p>The frequency of disability injuries in 2022 was 0; the number of cases & employees affected for occupational accidents was 0 and 0 respectively.</p>	

Promotional Implementation Items	Implementation Status			Difference from Sustainable Development Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
(4) Does the Company provide its employees with career development and training sessions?	V		(4) The Company deploys comprehensive functional training for managers and colleagues at all levels, including orientation training, new business training, professional advanced training, management trainees and management talent development training, supervisor training, etc., to help colleagues continue to learn and grow through multiple learning methods and cultivate essential capabilities. A total of 811 people completed various trainings in 2022. During regular performance interviews every year, supervisors and employees discuss and set up personal annual capacity development plans. Through the performance management system and regular reviews and feedback, employees are supported in tailoring the best career capacity development plans.	
(5) Does the Company comply with relevant regulations and international standards regarding customer health and safety, right to privacy, marketing and labeling of its products and services and set up relevant consumer or client protection policies and complaint procedures?		V	(5) Not applicable. Not related to our current business.	
(6) Has the company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation?	V		(6) The company has updated the Supplier Code of Conduct in 2022, and has continuously demanded that suppliers must sign the Supplier Sustainability Responsibility Commitment letter and act on the basis of the Zero One's Supplier Code of Conduct, striving towards sustaining a	

Promotional Implementation Items	Implementation Status			Difference from Sustainable Development Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
			safe working environment, dignified labor relations, ethical operations, and perfect environmental protection measures, so as to exert the sustainable influence of Zero One in the supply chain of the information service industry.	
5. Does the Company take reference to the international standards or guidelines for the preparation of reports, and prepare reports that disclose the Company's non-financial information, such as the sustainability report? Has the aforementioned report obtained the assurance or guaranteed opinion of the third-party verification unit?		V	Under planning	Based on practical needs
6. If the Company has adopted its own sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviation from the principles in the Company's operations: The Company has not yet established specific codes of conducts.				
7. Other important information to facilitate better understanding of the company's Corporate Sustainable Development practices The Company holds charity activities such as blood donation events from time to time to fulfill the obligations of corporate social responsibility, and the rest has been explained as above.				

(G) Ethical Corporate Management:

Evaluation Item	Implementation Status		Description	Difference from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies and reason
	Yes	No		
<p>1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures</p> <p>(1) Does the company have a clear ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?</p> <p>(2) Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?</p>	V		<p>(1) In order to consolidate the corporate culture and sound development, the Company has passed the Corporate Governance Best Practice Principles and Procedures and Guidelines for Corporate Governance Best Practice Principles by the Board of Directors in 2022, which clearly prohibit bribery and bribery, providing or accepting improper benefits, providing illegal political contributions, etc., and the directors and senior management have issued a statement of compliance with the policies of the Corporate Governance Best Practice Principles. Within the Company, the Corporate Governance management advocacy courses were conducted and implementation results were reported to the Board of Directors.</p> <p>(2) The Company prevents and control unethical conduct by periodic audit work of internal controls, and the design of electric processes and procedures.</p>	None.

Evaluation Item	Implementation Status		Description	Difference from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies and reason
	Yes	No		
(3) Whether the company has established relevant policies that are duly enforced to prevent unethical conduct, provided implementation procedures, guidelines, consequences of violation and complaint procedures, and periodically reviews and revises such policies?	V		(3) In order to implement the Code of Ethics, Corporate Governance Best Practice Principles formulated by the Company, and to ensure the legitimate rights and interests of whistleblowers and related persons, in accordance with the relevant provisions of the Company's "Code of Conduct for Directors and Managers", "Corporate Governance Best Practice Principles", "Policies and Procedures for Corporate Governance Best Practice Principles" and "Corporate Governance Practice Code", the "Measures for Handling Cases of Reporting Illegal, Unethical or Dishonest Conduct" are formulated, and these measures specify the whistleblowing channels, punishment and accountability, and the system for safeguarding the rights of whistleblowers and reported persons.	
2. Ethic Management Practice				None.
(1) Does the company assess the ethics records of those it has business relationships with and include ethical conduct related clauses in the business contracts?	V		(1) The company has set Codes of Ethical Conduct for employees for prohibiting all forms of improper conduct outside of the company.	
(2) Has the company set up a dedicated unit to promote ethical corporate management under the board of directors, and does it regularly (at least once a year) report to the board of directors on its ethical corporate management policy and program to prevent unethical conduct and monitor their implementation?	V		(2) In order to improve the management of integrity operations, the Company has set up a part-time unit to promote enterprise integrity management as a legal center, equipped with sufficient resources and suitable personnel, and	

Evaluation Item	Implementation Status		Description	Difference from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies and reason
	Yes	No		
(3) Has the company established policies to prevent conflict of interests, provided appropriate communication and complaint channels, and properly implemented such policies?	V		held this unit responsible for the formulation and supervision of the implementation of corporate governance policies and prevention plans, and report the implementation results to the Board of Directors at least once a year. (3) The Company has clearly prohibit bribery, providing or accepting improper benefits, providing illegal political contributions, etc. in the Corporate Governance Best Practice Principles, providing appropriate communication and complaint channels, and properly implemented such policies.	
(4) Does the company have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit compliance with the systems to prevent unethical conduct or hire outside accountants to perform the audits?	V		(4) The Company has established accounting, finance, and internal control systems to ensure integrity in our operations. Financial reports were audited by CPAs, to ensure that the financial statements present fairly.	

Evaluation Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies and reason
	Yes	No	Description	
(5) Does the company provide internal and external ethical conduct training programs on a regular basis?	V		(5) Integrity and honesty are one of the four core values of the Company. The Company has held an internal education campaign on integrity management in December, 2022 and included this training in the online teaching materials for orientational training. In addition, the importance of integrity and honesty has been repeatedly reiterated in both company regulations and internal trainings to facilitate in the internalization of the values to all staff in their daily behaviors, and the management of supervisors in the Company.	
3. Implementation of Complaint Procedures				None.
(1) Does the company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received?	V		(1) The Company has clearly outlined a specific reporting and reward system in the handling measures for reporting cases of illegal, unethical or dishonest conduct, specifying the dedicated investigators to be assigned by the reported subject.	
(2) Whether the company has established standard operation procedures for investigating the complaints received, follow-up measures after investigation are completed, and ensuring such complaints are handled in a confidential manner?	V		(2) The Company has set out the relevant matters in the handling measures for reporting cases of illegal, immoral or dishonest conduct.	
(3) Does the company adopt proper measures to prevent a complainant from retaliation for his/her filing a complaint?	V		(3) The Company has disclosed the content and implementation of the Corporate Governance	

Evaluation Item	Implementation Status		Description	Difference from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies and reason
	Yes	No		
			Best Practice Principles on the website.	
4. Information Disclosure Does the company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and Market Observation Post System (“MOPS”)?	√		The Company has disclosed the content and implementation of the Corporate Governance Best Practice Principles on the website.	None.
5.If the company has established corporate governance policies based on Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation: None.				
6.Other important information to facilitate better understanding of the company’s corporate conduct and ethics compliance practices (e.g., review the company’s corporate conduct and ethics policy). The company demonstrates its commitment to integrity management by emphasizing and participating in trainings for important customers and manufacturers.				

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

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

(J) Internal Control Systems

1.Statement of internal control system

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

Date:2/21/2023

According to the examination on internal control system done by the Company itself in 2022, we hereby state as follows:

- (1) The company's board of directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
- (2) An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
- (3) The company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the Regulations). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities.
- (4) The company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
- (5) Based on the findings of such evaluation, Zero One Technology Co., Ltd. believes that, on December 31, 2022, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
- (6) This Statement is an integral part of Zero One Technology Co., Ltd.'s annual report for the year 2022 and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
- (7) The Company hereby declares that this statement had been approved by the Board of Directors on February 21, 2023. Among the 8 attending Directors, to the contents of this statement.

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

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

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

1. Major Resolutions of Shareholders' Meeting

Date	Major Resolutions
2023.05.30	<p>(1) Proposal: Approval of the 2021 business report and financial statement. Resolution: Proposal was approved as proposed (Please search for details of the resolution on Market Observation Post System). Condition of execution: It was announced as important resolution of the shareholder's meeting, in the form of material information.</p> <p>(2) Proposal: Approval of the proposed distribution of 2021 earnings. Resolution: Proposal was approved as proposed (Please search for details of the resolution on Market Observation Post System). Condition of execution: Ex-dividend date was March 22, 2022 and the distribution date was April 13, 2022 (NT\$3.60343270 per share).</p> <p>(3) Proposal: Discussion on the amendment to the Articles of Incorporation. Resolution: Proposal was approved as proposed (Please search for details of the resolution on Market Observation Post System). Condition of execution: It has been approved and registered by Ministry of Economic Affairs, R.O.C., announced on June 01, 2022 on the company website.</p>

2. Major resolutions of Board Meetings

Date	Major resolutions
2022.02.23	<p>(1) Approval of the 2021 business report, as well as parent and consolidated financial statements. (2) Approval of the proposal for distribution of 2021 earnings.</p>
2022.04.13	<p>(1) Approval of the amendment to the Articles of Incorporation. (2) Approval of the amendment to the Regulations Governing the Acquisition or Disposal of Assets.</p>
2023.02.21	<p>(1) Approval of the 2022 business report, as well as parent and consolidated financial statements. (2) Approval of the proposal for distribution of 2022 earnings. (3) Approval of the amendment to the the Rules of Procedures for Shareholders Meetings. (4) Approved to discuss the re-election of directors for the 15th term of the Company. (5) Approval of the nomination and review of Directors and independent Directors. (6) Approval to the dismissal of non-competence clause for the newly appointed Directors.</p>

- (M) Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors: NA.
- (N) Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit and R&D: NA.

E. Information on CPA Professional Fee

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Audit Fee	Non-audit Fee	Total	Remarks
Deloitte & Touche	Chien-Liang Liu,	2022.1.1-2022.12.31	2,350,000	352,272	2,702,272	Non-audit public fees: 1.Advances 2.Non-Supervisor Salary Information Checklist 3.Correction of tax report 4.Other fees
	Pei-De Chen	2022.1.1-2022.12.31				

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

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

F. Replacement of CPA:NA

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

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

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

Units: Shares

Title	Name	2022		As of Mar. 31, 2023		
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	
Chairman	Peter Lin	(105,000)	0	(30,000)	0	
Director	Morris Jiang	0	0	0	0	
Director	Judicial person	Prisma Commerce & Networks, Inc.	0	0	132,556	0
	Representative	Jih-Ji Zhou	0	0	0	0
Director	Judicial person	K Way Information Corp. (Note 1)	0	0	0	0
	Representative	Zheng-Qiang Sun (Note 1)	0	0	0	0
	Representative	Chang-Ze Tseng (Note 1)	10,000	0	0	0
Director	Jui Hsu Chen	0	0	0	0	
Independent director	Ming Hsiung Wu	0	0	0	0	
Independent director	Chien Chen Lin	0	0	0	0	
Independent director	Ming Yuan Lin	0	0	0	0	
General manager	Nancy Huang	(234,000)	0	48,311	0	
manager	Kevin Chen	103,000	0	12,192	0	
manager	Michelle Chin	53,000	0	(36,857)	0	

Note 1 : Zheng-Qiang Sun has been the representative of K Way Information Corp. director since December 15, 2022.

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

(B) Shares Trading with Related Parties: It's no applicable since the counterparties of sharepledges are not related parties.

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

I. Relationship among the Top Ten Shareholders

As of 3/31/2023 ; Units: Shares ; %

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Ceres investment Co., Ltd.	7,267,251	4.74	—	—	—	—	Peter Lin	These two people are relatives within two degrees	—
							Hui Fen Wang	These two people are relatives within two degrees	
Ceres investment Co., Ltd. Representative : Tsai Han Lin	900,238	0.59	—	—	—	—	Peter Lin	These two people are relatives within two degrees	—
							Hui Fen Wang	These two people are relatives within two degrees	
Ceres Capital Co., Ltd.	7,000,000	4.57	—	—	—	—	Peter Lin	These two people are relatives within two degrees	—
							Hui Fen Wang	These two people are relatives within two degrees	
Ceres Capital Co., Ltd. Representative : Tsai Jung Lin	810,358	0.53	—	—	—	—	Peter Lin	These two people are relatives within two degrees	—
							Hui Fen Wang	These two people are relatives within two degrees	
Peter Lin	5,143,292	3.35	2,954,714	1.93	—	—	Hui Fen Wang	Couples	—
							Ceres Investment Co., Ltd.	Relatives of the chairman of the corporate shareholder within two degrees	
							Ceres Capital Co., Ltd.	Relatives of the chairman of the corporate shareholder within two degrees	
Hui Fen Wang	2,954,714	1.93	5,143,292	3.35	—	—	Peter Lin	Couples	—
							Ceres Investment Co., Ltd.	Relatives of the chairman of the corporate shareholder within two degrees	
							Ceres Capital Co., Ltd.	Relatives of the chairman of the corporate shareholder within two degrees	
Feng Yi Investment Co., Ltd.	5,000,000	3.26	—	—	—	—	Feng Yi Investment Co., Ltd.	Relatives of the chairman of the corporate shareholder within two degrees	—
							Hui Fen Wang	Relatives of the chairman of the corporate shareholder within two degrees	
Morris Jiang	2,742,735	1.79	503,185	0.33	—	—	—	—	—

Feng Yi Investment Co., Ltd. Representative : Chien ta Lin	860,479	0.56	—	—	—	—	Peter Lin	These two people are relatives within two degrees	—
							Hui Fen Wang	These two people are relatives within two degrees	
Trust Property (Trustee: CTBC)	2,310,051	1.51	—	—	—	—	—	—	—
National Yang Ming Chiao Tung University	2,261,017	1.47	—	—	—	—	—	—	—
Union Technology Corp.	1,750,000	1.14	—	—	—	—	—	—	—
K Way Information Corp.	1,531,091	1.00	—	—	—	—	—	—	—
K Way Information Corp. Representative : Chong Xu Wang	—	—	—	—	—	—	—	—	—

J. Ownership of Shares in Affiliated Enterprises

2023/03/31

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Zotech Technology Co., Ltd.	3,500,000	85.37	0	0	3,500,000	85.37
ZeroneWin Investment Co., Ltd.	30,000,000	100.00	0	0	30,000,000	100.00
Asiaone Holdings Ltd	320,000	100.00	0	0	320,000	100.00
Techone(Shanghai)Co.,Ltd.	Not applicable (Note 1)	70.00	Not applicable (Note 1)	0	Not applicable (Note 1)	70.00
WingWill International Co., Ltd.	28,999,000	99.99	0	0	28,999,000	99.99
PetaCom technology Co., Ltd.	50,000,000	100.00	0	0	50,000,000	100.00
TrustONE Security Inc.	9,600,000	32.00	0	0	9,600,000	32.00
Leukocyte-Lab Co. Ltd.	340,000	43.04	0	0	340,000	43.04
Infinitesoft Solutions Inc.	2,780,889	24.33	0	0	2,780,889	24.33

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

IV. Capital Overview

A. Capital and Shares

(A)Source of Capital

Month/Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT\$ thousands)	Shares	Amount (NT\$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
2022.01	10	200,000,000	2,000,000,000	151,874,212	1,518,742,120	Cash capital rising \$250,000,000	None	Note 1
2022.03	10	200,000,000	2,000,000,000	151,970,712	1,519,707,120	Capital increased by employee stock options conversion\$965,000	None	Note 2
2022.04	10	200,000,000	2,000,000,000	152,400,712	1,524,007,120	Capital increased by employee stock options conversion\$4,300,000	None	Note 3
2022.08	10	200,000,000	2,000,000,000	152,647,712	1,526,477,120	Capital increased by employee stock options conversion\$2,470,000	None	Note 4
2022.11	10	200,000,000	2,000,000,000	152,899,712	1,528,997,120	Capital increased by employee stock options conversion\$2,520,000	None	Note 5
2023.03	10	200,000,000	2,000,000,000	153,031,712	1,530,317,120	Capital increased by employee stock options conversion\$1,320,000	None	Note 6

Note1 : No.11101004300
 Note3 : No.11101072880
 Note5 : No. 11101219590

Note2 : No.11101037850
 Note4 : No.11101155630
 Note6 : No. 11230041510

As of April 30, 2023 ; Units: Shares

Share Type	Authorized Capital			Remark
	Issued Shares	Unissued Shares	Total	
Registered Ordinary Shares	153,031,712	46,968,288	200,000,000	Listed Shares

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

(B) Status of Shareholders

As of March 31, 2023 ; Units : Shares

Shareholder structure	Government agency	Financial institution	Other Juridical Persons	Natural Persons	Foreign Institutions & Natural Persons	Total
Quantity						
Number of Shareholders	0	1	324	45,302	67	45,694
Shareholding (shares)	0	31,000	36,343,111	113,509,557	3,431,044	153,314,712
Percentage	0.00%	0.02%	23.70%	74.04%	2.24%	100.00%

(C) Shareholding Distribution Status

1. Common Shares

As of 03/31/2023

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1-999	24,935	1,186,923	0.774%
1,000-5,000	17,341	32,632,153	21.28%
5,001-10,000	1,883	14,486,160	9.45%
10,001-15,000	554	6,886,153	4.49%
15,001-20,000	277	5,081,649	3.31%
20,001-30,000	264	6,650,541	4.34%
30,001-50,000	199	7,851,563	5.12%
50,001-100,000	116	8,158,626	5.32%
100,001-200,000	63	9,160,895	5.98%
200,001-400,000	31	8,589,297	5.60%
400,001-600,000	11	5,428,513	3.54%
600,001-800,000	3	2,205,520	1.44%
800,001-1,000,000	4	3,422,990	2.23%
1,000,001 or over	13	41,573,729	27.12%
Total	45,694	153,314,712	100.00%

2. Preferred Shares: Not applicable.

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

As of 03/31/2023

Shareholder's Name	Share	Shares	Percentage
Ceres investment co., ltd.		7,267,251	4.74%
Ceres Capital Co., Ltd.		7,000,000	4.57%
Peter Lin		5,143,292	3.35%
Feng Yi Investment Co., Ltd.		5,000,000	3.26%
Hui Fen Wang		2,954,714	1.93%
Morris Jiang		2,742,735	1.79%
Trust Property (Trustee: CTBC)		2,310,051	1.51%
National Yang Ming Chiao Tung University		2,261,017	1.47%
Union Technology Corp.		1,750,000	1.14%
K Way Information Corp.		1,531,091	1.00%

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

Unit: NT\$ Dollar

Item	Year			
		2021	2022	03/31/2023
Market Price per Share	Highest Market Price	51.20	49.95	59.30
	Lowest Market Price	36.65	36.75	39.95
	Average Market Price	44.59	41.46	53.42
Net Worth per Share (Note 1)	Before Distribution	25.72	25.80	23.43
	After Distribution	22.11	22.20	—
Earnings per Share	Weighted Average Shares (thousand shares)	126,765	154,816	—
	Earnings Per Share	4.24	4.03	—
Dividends per Share	Cash Dividends	3.60	3.60	—
	Free share distribution	0	0	—
	Accumulated Undistributed Dividends	0	0	—
Return on Investment	Price / Earnings Ratio (Note 2)	10.52	10.29	—
	Price / Dividend Ratio (Note 3)	12.39	11.52	—
	Cash Dividend Yield Rate (Note 4)	8.07	8.68	—

Note 1 : 2022 Financial data after distribution shall be resolved by the Board of Directors next year.
 Note 2: Price / Earnings Ratio = Average Market Price / Earnings per Share
 Note 3: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share
 Note 4: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price
 Note 5: 2022 Earning distribution was approved by the Board of Directors on Feb. 21, 2023.

(F) Dividend Policy and Implementation Status

1. Dividend Policy:

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

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

Cash dividends to shareholders total NT\$ 551,079,763, and NT\$ 3.6 per share, approved by the Board of Directors on February 21, 2023. Due to the change in the number of outstanding

shares, the dividend distribution ratio of shareholders has been changed to NT\$ 3.59835452 per share.

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

(H) Employees' Compensation and Remuneration to Directors

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

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

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

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

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

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

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

Unit : NT\$ Dollar

	2022		
	Board resolution	Estimate	Difference
Employee Compensation	24,000,000	24,000,000	NA
Remuneration to Directors	12,000,000	12,000,000	NA

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

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

Unit : NT\$ Dollar; Shares

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

(I) Repurchase of Company Shares : The company hasn't repurchased any company shares in 2022.

B. Status of Corporate Bonds : None.

C. Status of Preferred Stocks : None.

D. Status of GDR/ADR : None.

E. Employee Stock Options:

(A) Issuance of Employee Stock Options:

As of 04/30/2023

Type of Stock Option	2017 1st Tranche	
Effective registration date and total number of units	December 18, 2017 4,000 Units	
Issue date	January 5, 2018	September 3, 2018
Number of units issued	2,000 Units	2,000 Units
Number of units still available for issuance	0	0
Ratio of the number of issued subscribable shares to the total number of issued shares	1.31%	1.31%
Duration	From 2018/01/05 to 2024/01/04	From 2018/09/03 to 2024/09/02
Conversion measures	Issuance of new shares	Issuance of new shares
Conditional conversion periods and percentages	(1) 2020/01/05: 30% (2) 2021/01/05: 60% (3) 2022/01/05: 100%	(1) 2020/09/03: 30% (2) 2021/09/03: 60% (3) 2022/09/03: 100%
Converted shares	1,365,000 shares	640,500 shares
Exercised amount	21,214,800 dollars	10,679,300 dollars
Number of shares yet to be converted	635,000 shares	1,359,500 shares
Adjusted exercise price for those who have yet to exercise their right	The unit price is NT \$ 13.20 dollars	The unit price is NT \$ 14.40 dollars
Unexercised shares as a percentage of total issued shares (Note)	0.41%	0.89%
Impact on possible dilution of shareholdings	The Company tends to attract and retain outstanding professionals, encourage excellent employees, and strengthen coherence of the Company, for creating benefits for the company and shareholders. Therefore, it has a positive effect on shareholders' equity.	

Note : Total issued shares indicate that number of issued shares of the Company registered by Ministry of Economic Affairs is 153,031,712 at present.

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

As of 04/30/2023

	Title	Name	No. of Stock Options	Stock Options as a Percentage of Shares Issued (%) (Note 1)	Exercised				Unexercised						
					No. of Shares Converted	Strike Price (NT\$)	Amount (NT\$ thousands)	Converted Shares as a Percentage of Shares Issued (%) (Note 1)	No. of Shares Converted	Strike Price (NT\$)	Amount (NT\$ thousands)	Converted Shares as a Percentage of Shares Issued (%) (Note 1)			
Executive officers	General manager	Nancy Huang	1,350,000	0.88	680,000	9,064,000	0.44	670,000	13.2	9,348,000	0.44				
	General manager of the Business Divisions	Kevin Chen										11.5	12.4	13.4	14.4
	Senior Director of the Financial Management Division	Michelle Chin										14.2	15.4		
Employee	Senior Vice General Manager	Ben Dai	2,400,000	1.57	1,856,500	26,168,900	1.21	543,500	13.2	7,969,800	0.36				
	Executive Assistant of the General Manager's Office	Gary Wang										11.5	11.7	12.4	12.5
	Vice General Manager	Polina Yuan										13.1	13.9	13.4	14.2
	Vice General Manager	Fanny Cheng										15.0	15.4	15.5	15.7
	Director	Kammy Chuang										16.8	16.9	17.2	17.8
	Director	Charles Lin										18.4			
	Senior Director	Jack Yang													
	Product Director	Bonbon Wang													
	Senior Manager	Roy Kuo													
	Sales Director	May Chen													

Note 1 : Total issued shares indicate that number of issued shares of the Company registered by Ministry of Economic Affairs is 153,031,712 at present.

F. Restricted Employee Shares:

(A) Issuance of New Restricted Shares:

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

Custody of the new restricted employee shares	The vested shares should be deposited in trust of stock, assigned the Company or appointed proxy to sign and edit the relevant trust agreement with the trust organization, and deal with related matters for trust for employees who received the vested shares.
Treatment of the new restricted shares for which the grantee fails to meet the vesting conditions after receiving or subscribing to the shares	Restricted employee new shares as redeemed by the Company without charge will be cancelled.
Number of new restricted employee shares that have been retired or bought back	27,000 shares
Number of new restricted shares that have vested	506,000 shares
Number of unvested new restricted shares	167,000 shares
The ratio of the number of unvested new restricted shares to the total number of issued shares (%)	0.11
The effect on shareholders' equity	The dilution for future EPS is limited and therefore has no major impact on shareholder's equity.

Note : Total issued shares indicate that number of issued shares of the Company registered by Ministry of Economic Affairs is 153,031,712 at present.

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

As of 04/30/2023

Executive Officers	Title	Name	No. of New Restricted Shares	New Restricted Shares as a Percentage of Shares Issued(%) (Note 1)	Released				Unreleased			
					No. of Shares	Issued Price (NT\$)	Amount (NT\$ thousands)	Released Restricted Shares as a Percentage of Shares Issued (%) (Note 1)	No. of Shares	Strike Price (NT\$)	Amount (NT\$ thousands)	Unreleased Restricted Shares as a Percentage of Shares Issued(%) (Note 1)
	General manager	Nancy Huang	324,000	0.21	243,000	N.A.	10	0.16	81,000	N.A.	10	0
	General manager of the Business Divisions	Kevin Chen										
	Sr. Director of the Financial Mgt. Division	Michelle Chin										
Employees	Senior Vice General Manager	Ben Dai	200,000	0.13	150,000	N.A.	10	0.10	50,000	N.A.	10	0.03
	Executive Assistant of the General Manager's Office	Gary Wang										
	Vice General Manager	Polina Yuan										
	Vice General Manager	Fanny Cheng										
	Director	Kammy Chuang										
	Director	Charles Lin										
	Senior Director	Jack Yang										
	Product Director	Bonbon Wang										
	Senior Manager	Roy Kuo										
Sales Director	May Chen											

Note 1: Total issued shares indicate that the number of issued shares of the Company registered by Ministry of Economic Affairs is 153,031,712 at present.

G. Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.

H. Financing Plans and Implementation

In 2023 Q1, with respect to each uncompleted public issue or private placement of securities, and to such issues and placements that were completed in the most recent 3 years but have not yet fully yielded the planned benefits, the company doesn't have the plan for each such public issue and private placement.

V. Operational Highlights

A. Business Activities

(A) The scope of business:

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

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

2. Revenue distribution

2022

Units: NT\$ Thousands

Product category	Total Sales	(%) of Total Sales
IT infrastructure	3,837,346	30.14
Network & information security	5,577,966	43.80
Cloud platform & application	2,636,355	20.70
Big data & application	674,940	5.30
Others	7,776	0.06
Total	12,734,383	100.00

3. The main products and services of the Company

(1) Big data analysis and AI application :

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

(2) System application:

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

(3) Integrated communication equipment:

Mobile office application and distance conference systems, Intelligent Video Analysis solutions

(4) Virtualization application:

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

(5) Cloud application:

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

(6) Information security:

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

(7) Network equipment:

Switches, wireless networks, routers, network management systems, network equipment of data center, software- defined networking, network equipment of telecom service providers, network load balancing.

(8) Storage device:

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

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



(B) Industry overview

1. Situations and the development of the industry

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

(1) Information equipment:

In recent years, with the rise of new technology platforms, such as cloud, big data analysis, AI, mobile 5G and Internet of Things applications, a wave of digital transformation is starting to take place over the world. With the global industry is facing the rapid evolution of AI technology and the new business model of Web 3.0 dominating the economic market, various changes are accelerating the transformation challenges faced by enterprises. According to the observation of Taiwanese enterprises and digital transformation made by the Institute For Information Industry, Taiwanese enterprises have a high awareness of digital transformation, but they do not have sufficient countermeasures. While facing the wave of digital transformation, and at the same time under the intensified industrial competition and the impact of innovative technologies, small and medium-sized enterprises are also confronted with the dilemma of innovation (succession gap and innovative change), it is necessary to accelerate the application of digital innovation and technology, so as not to lose market competitive advantages and opportunities. By continuously increasing its IT budget and expenditure, accelerating the in-depth application of various new IT technologies has gradually promoted the positive momentum of the industry and effectively increased the competitiveness of enterprises.

(2) Cloud services and applications :

With the increasing maturity of the development of cloud services, in terms of cloud management services (MSP), in order to meet the new requirements of enterprise customers for cloud computing technology, cloud service efficiency and cloud architecture security, the Company superimposes cloud native architecture capabilities on the basis of the whole site service capabilities, creates a new service model, reconstructs the underlying architecture of development applications through the cloud native platform, achieves high resource elasticity and high availability, and helps customers achieve intelligent resource scheduling, simplify operation and maintenance processes and achieve cost control. In 2022, the cloud management business has been successfully practiced in industries such as traditional industries, high-tech manufacturing companies, and medical care, maintaining strong development resilience. Taiwanese enterprises have also achieved a record high status in valuing the degree of importance and the willingness to adopt cloud services, subscription services are favored by users, and agency brands have begun to derive diversified cloud subscription solutions, which can be expected to gradually improve revenue performance and become a new source of revenue.

(3) Network & information security:

Trend Micro released its 2022 Information Security General Review Report, pointing out that the overall number of security threat detections increased significantly by 55% in 2022, and hackers indiscriminately attacked consumers and enterprises in all industries, resulting in a 242% increase in the number of blocked malware files. Looking at Taiwan's information security profile over the past year, a total of four information security threats have been detected in the top five in the world, including ransomware attacks, malicious connections, mobile phone information security incidents and internal and external attacks on smart home connectivity, warning that governments, enterprises and the general public need to strengthen relevant information security protection. In particular, in recent years, Taiwan's important role in the global semiconductor industry has also led to a significant increase in the demand for information security protection in Taiwan's supply chains such as wafers, components and production lines. Taiwan has long been the main target of hacker attacks, and as a representative of many internationally renowned information security brands, our Company can offer many years of accumulated offense and defense experience, and it is without any questions, our goal and obligation to promote various information security solutions for key industries.

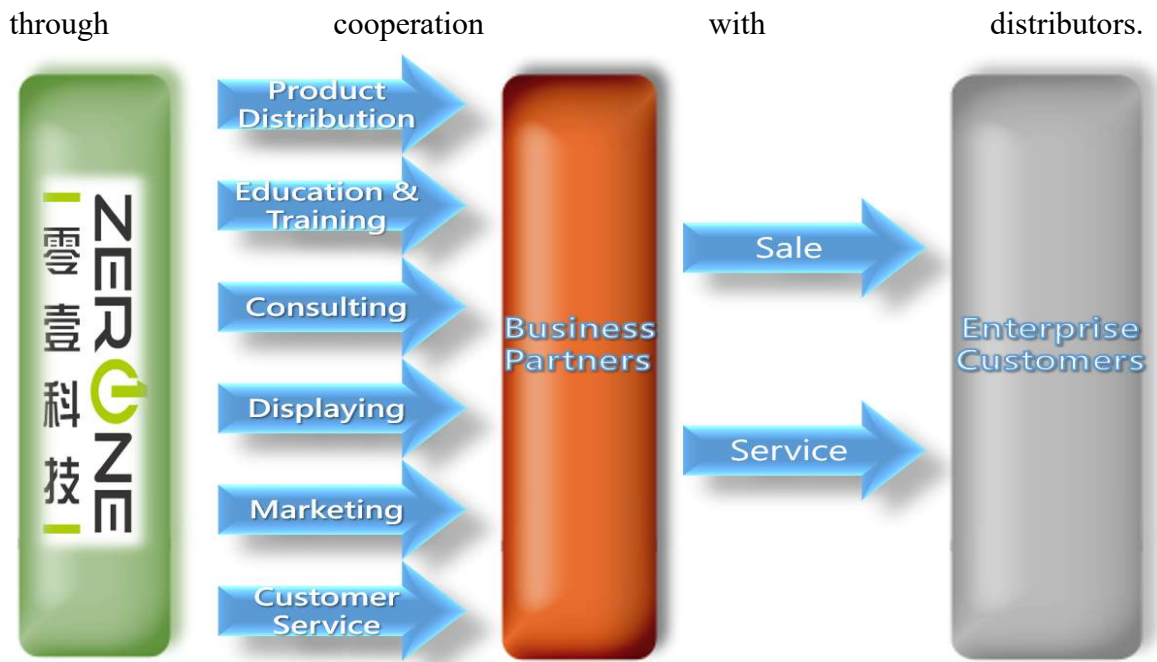
(4) Big data and application:

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

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

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

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



3. Each trend of products

(1) Information Equipments:

From the analysis of streaming services and marginal computing, the trend of promoting miniaturized cloud service data centers, marginal computing is based on intelligent connection, real-time response and data security, promoting the connection of terminal devices and marginal devices, forming an intelligent environment, and building more diversified computing structures, products, software and hardware services between the cloud and terminals. Applications of 5G increase the requirements of the semiconductor markets and new technologies which make information equipment purchased and upgraded and inducing the deployment of automation. As the industries go through the process of networking and digitization, a good collection of industrial data will be taken. In response to and solving the problems of operations of manufacturing industries. Industrial APPs will become attention of vendors in need.

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

(2) Cloud services and applications:

Enterprise resilience and operational resilience are top priorities for organizations in their digital transformation strategies in 2022, and enterprises in Asia Pacific are adopting a zero trust strategy to embark on a zero trust journey to control access to sensitive information and functions with maximum benefits. More than three-quarters (80%) of Taiwan's OTC & listed companies say they are considering, evaluating or deploying a zero trust plan, and while the growth in 2022 is modest, it still shows that the zero trust trend is continuing and reflects positive signs for the enterprise. Another key trend is the adoption of zero trust in cloud storages. Respondents were asked where they would like to use zero trust principles and technologies, with 62% mentioning cloud storage, the same as globally. Over the past decade, machine learning has required large servers, complex models, and teams of extremely high calibre of professionals of which will be required to invest significantly in terms of time and resources. Today, some AI applications can be backhauled from endpoint devices to the cloud via the network, with computing resources on the cloud; edge computing will never replace cloud computing, and it can quickly improve the

functions of cloud computing. By optimization of resources from engineers, save much energy and time can be saved. The successful application of these advanced technologies will be a supporting result for the service providers to move towards cloud services.

(3) Network and information security:

Accidental incidents of information security are increasing, and data loss has increased with each passing day, the launch and popularization of application of many emerging technologies affect development and progress of the market of information security of Taiwan. At present, more enterprises are storing important business data in the cloud and use hybrid cloud. Hence, some key business systems are preserved in the local deployment environment, and most of the data shall be transferred to the cloud. Although, this approach can increase flexibility of enterprises and reduce costs, hybrid environment may trigger conflict with rules of security, and become difficult to be controlled.

As for increasing attacks, ensuring data and system resilience is critical for enterprises. However, due to the shortage of labors for internet security, enterprises don't have enough professionals to ensure security. Hackers can easily launch attacks on systems with no patches installed. Therefore, Trend Micro recommends that organizations should adopt a platform-based approach to managing the cyber attack side to address the shortage of security talents and the blind spot in security coverage, while at the same time, minimizing the cost of adopting a single-dimension solution. A platform-based information security solution should include the following functions:

Asset Management: Examine an asset and determine its importance, potential vulnerabilities, threat activity level, and assess how much threat intelligence has been collected from that asset.

Cloud protection: Ensure that information security is implemented in the cloud infrastructure configuration to prevent hackers from exploiting known weaknesses and vulnerabilities to carry out malicious attacks.

Appropriate information security procedures: Prioritize software updates to reduce vulnerability attacks. In addition, technologies such as virtual patching can help organizations preemptively safeguard and minimize vulnerabilities before vendors release official security updates.

Visibility related to attack side: Monitor the different technologies and networks within the enterprise, as well as their associated security systems at all times. However, fragmented and disjointed data sources can make cross-correlation analysis difficult, and a platform-based approach to information security can help monitor and consolidate data to facilitate analysis within the enterprise.

During the past, enterprises adopt services of information security management to conduct surveillance and upgrade of equipment, and surveillance of the security incidents. With the rapid update of attacks and viruses, service providers begin to use new technologies, such as artificial intelligence and machine learning, to provide automatic detection, responses and digital forensics. Enterprises also change from a passive method to active ones in their defensive mode, and further extend from handling of the incidents of information securities before and after incidents happen, including advanced information security testing, threat intelligence, the practice of incident responses, network security trainings and other services of "Threat Life-Cycle Management".

(4) Big data and application:

Besides the cloud computing and the Internet of Things, the big data market has become competitive among enterprises. Enterprises have invested many funds to obtain data sources and done data analysis. However, it is undeniable that many enterprises have the problem of limited interdisciplinary capabilities and cannot assure how to induce data monetization. A larger number of multi-dimensional data, households, and unstructured data generated from enterprises and even governments through information networking equipment leads to the question as to how to capture and apply, after it is collected, and before the identification of artificial intelligence, and including another factor that part of

monetization is in need of manpower to train artificial intelligence, all the above-mentioned problems must be considered now. With the gradual actualization of the application of artificial intelligence in businesses, the data labels originally completed by engineers in the laboratory have shown "exponential growth", which is overwhelmed by data engineers in the information service industry, and professional data management products and visual analysis services have brought new business opportunities to the information service industry.

4. Situations of competition of products

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

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

The four major areas of brand classification

IT Infrastructure

bmc FUJITSU
logitech NetApp Synology

Cloud Service & Application

Akamai FASTER FORWARD 隨選雲 AvePoint®
BROBRIDGE Google Cloud Premier Partner Microsoft
NUTANIX vmware

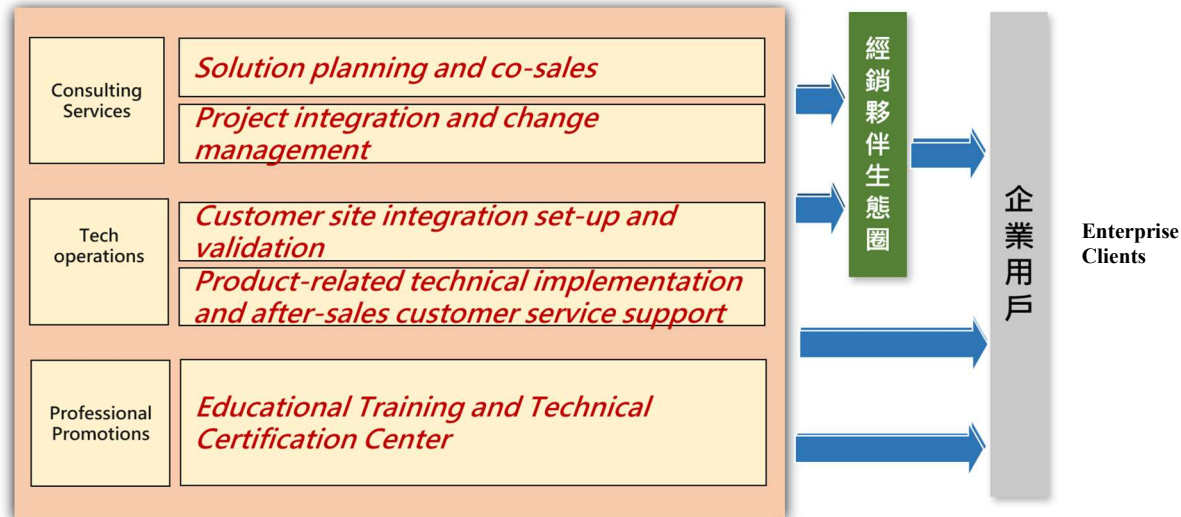
Networking & Information Security

aryaka CARBONITE CISCO CYCRAFT 奧義智慧科技 datto
FIREMON FORESCOUT HYCU Leukocyte-Lab
LUCENT SKY MANDIANT NETSCOUT NOZOMI NETWORKS OPSWAT
ONE IDENTITY PNTL Progress paloalto Quest
radware THALES Trellix TREND MICRO TrustONE
TrustMev VEEAM VERITAS

Big Data & Application

AXIS COMMUNICATIONS SENSTAR AUTOMATION ANYWHERE
INFINITIES NVIDIA ORing
VIVOTEK splunk tableau

Zero One's service foundry strategy



(1) Advantages:

- A retailer of network value-added products.
- Cooperation with more than 2,500 distribution partners for network value-added products and solutions.
- The most professional and outstanding teams grouped by product managers.
- With a completed network solution of the brand-name product.
- A retailer has education & training center, and exhibition center of demo machines.
- A platform of services of innovative promotion.
- Consulting services for professional planning.
- Support services of professional technology.
- The business sites of Taipei, Taichung, Kaohsiung were established for providing perfect services to customers in Taiwan.

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

(C) Overview of technology and research and development

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

The Company's main business is network information and communication agency and technical support services, and the R&D personnel also focus on network information and communication related technologies. As most of the products we represent are the main products of major international corporations, the research and development of our company and our subsidiaries can bring positive benefits to generating sales.

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

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

and development capabilities, but also the ability to broaden the depth and breadth of profit-making sources.

On top of the the original AIoT product, in response to the needs and suggestions of existing customers, and the function of power control and adjustment, a micro grid (micro grid) system was developed in 2023, and the original AI Edge product line was further enhanced from the equipment device to a one-stop-solution of the application end. ZOTECH Co. Ltd. continues the business model of equipment R&D and manufactures and sells products to the world. In addition, ZOTECH Co. Ltd. turns the exclusive knowledge of each industry into technical specifications, and use appropriate hardware and AI model training to master the technology of software and hardware integration, thus in turn realizes the win-win-win strategy of generating profits in self-made products and partners and customers.

2..During 2022 and as of the date of publication of this annual report, expenses of research and the development:

Amounts in thousands of NT		
Items\Year	2022	2023Q1
Expenses of research & development	13,756	4,708
Operating revenues	12,734,383	3,720,158
Ratio of expenses of research & development to operating revenues (%)	0.11	0.13

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

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

1. Print Server :
 - A)Soft firmware optimization
 - B)Project designs in response to customers' needs (NRE)
 - C)Compatibility testing and modification of new printer models
2. AIoT product Z920K series
 - A) Testing kits for installations on sites, Calibration tools
 - B) Data collection function of solar fields
 - C) Initial research of micro grids, electricity control related algorithms
3. MagicBox AI Edge series
 - A) MagicNDT: OCR/ADR and integration of digitalized robotic arms
 - B) MagicEye: AI and system management functions required for occupational safety and health, senior care
 - C) MagicEar: noise reduction and the diagnosis of equipment health

(D)The development of the business plan in short term and long term

1. The short-term plan
 - (1) To maintain relationship with top 200 distribution partners, and higher satisfaction of customers.
 - (2) To establish a closer relationship with manufacturers.
 - (3) To focus on the promotion of niche products to maintain high gross margin.
 - (4) To concentrate the resources for operation of product lines and win stable profits.
 - (5) To accomplish execution of the business.
 - (6) To strictly control operating expenses.
2. The long-term plan
 - (1) To introduce a product lines with much support of providing completed solutions as an object.
 - (2) To operate a promotion approach for business, based on projects of solutions.

- (3) As for a guideline to helping customers become successful, we establish relationship with customers, in order to enhance loyalty of customers.
- (4) To establish innovative promotion, services platform, and regulations to improve operating efficiency.
- (5) To establish R&D standard operating procedures to ensure quality of products.
- (6) To continue employee education and training for enhancing professional knowledge.
- (7) To educate a technical team for providing services of consulting and planning.
- (8) To continue to require for and execute operating details

B. Markets and sales Overview

(A) Market analysis

1. Areas of selling or providing products and services

Units: Amounts in thousands of NT dollars

Area \ Year	2021		2022	
	Amount	%	Amount	%
Taiwan	12,707,655	98.68	12,598,512	98.93
Other	170,522	1.32	135,871	1.07
Net operating revenues	12,878,177	100.00	12,734,383	100.00

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

As many enterprise application services require better specification IT equipment, and in response to the new wave of geopolitical turmoil caused by the transfer of business locations from Taiwanese companies, there will be a wave of IT equipment upgrading and procurement needs. Each IT spending category will also continue to grow in 2023.

3. Niche of Competition

The company has focused on operation of solutions of software and hardware of the network, organizing value-added channels for solutions of domestic products of the network for a long time, and continually evaluating and introducing each solution of the network as for leading brands. Our business philosophy is to help customers become successful, in addition to providing completed solutions of the network, and professional services of technical support. A long term and perfect relationship with partners by providing products to distribution partners and educational training of technology for enhancing knowledge and sales capabilities of products of partners. Owing to keeping a good relationship with distribution partners, operating capabilities of the company is recognized by the business markets, through completed product portfolio and strong abilities of technical support. The viewpoints for explanation of competition niche are as follows:

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

The company has had completed solutions of hardware and software of the network, for helping customers solve all issues of the projects, and meeting different types of requirements.

The company provides leading brand-name products, with a certain reputation and reliability in the market, of all areas in the business community.

(2) Completed value-added distribution channel:

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

(3) Innovative marketing platform:

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

(4) Innovative service models:

The company has drawn upon the concept of cooperative chain combined with capabilities of distribution partners to organize the only platform of information services in the industry. The platform provides all information services, including warranty, maintenance, installation, and solutions, etc., with the function of summary and notification of network anomaly traffic detection of the infrastructure outsourcing (IO). As for an enterprise with limited manpower and budget, the company may sacrifice quality of network performance under cost consideration. Therefore, services of network monitoring enable enterprises to control connection status of network devices, and immediately receive notification of disconnection of the network by a simple and convenient method

(5) Well-equipped education and training center:

At present, the company has the most well-equipped education and training center - with three classrooms for up to 250 people. Through the education and training center, we provide distribution partners' business and engineers with education and training on products and technologies, in addition, we also provide product technical certification courses and technical certification exams so that distribution partners can get the best trust and technical support in front of enterprise users through complete original certification education and training.

(6) Planning services of professional consulting:

The company has had the teams of professional consulting services, and been good at different fields of solutions, which not only assist technical support of distribution partners but also train paid internship of technical support, of the network, and provided value-added services for create a competitive advantage for unique services distinct from other retailers. The company draws out strategies of innovative services and platform, points out the above competitive advantages analyzed by observation of it, based on its competitiveness, and provides services distinct from partners to maintain unique competitive advantages of the company.

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

(1) Factors of advantages of the development for prospects

a. Invention of new technologies increase requirements of users

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

b. To create new opportunities in a digital era

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

(2) Disadvantages and countermeasures of the development for prospects.

a. Cutthroat competition of the Same Trade Concerned leads to decrease profits
Countermeasure strategy:

(a) To focus on core competitive advantages and provide services of differentiation.

(b) To discard the produce line of low profit margin products without value-added.

(c) To provide niche products in the niche markets and provide integrated solutions.

(d) Switch from traditional sales of single-function products to solution-oriented approach.

(e) To concentrate on the channel of distribution, and enhance satisfaction of

customers.

(f) To develop new type of the retailer, for creation of drawing up a blue ocean strategy.

b. Information products with a short life cycle and higher inventory risks.

To make sound business decisions:

(a) To control time for completion of the project.

(b) To strictly execute surveillance and control for inventories, inspect inventories for safety stock based on market demand.

(c) To establish a good relationship with manufacturers, and receive new information of products.

(d) To make manufacturers agree with our policy of sales return.

(e) To increase product turnover and sales speed is the core value of the company.

(f) To strictly control and manage procedures of the procurement.

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

1. Important use of major products

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

2. Production Procedures of Main Products: The company is mainly an agent of software and hardware products related to the ICT field and provides products information services, non-manufacturing, therefore this is not applicable.

(C) Supply Status of Main Materials

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

(D)Major Suppliers & clients

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

Units: NT\$ Thousands

Item	2021				2022				2023 Q1			
	Company Name	Amount	Percent (%)	Relation with Issuer	Company Name	Amount	Percent (%)	Relation with Issuer	Company Name	Amount	Percent (%)	Relation with Issuer
1	CISCO BV	4,803,495	34.97	NA	CISCO BV	2,995,005	24.28	NA	NetApp	599,626	20.16	NA
2	NetApp	3,564,451	25.95	NA	NetApp	2,825,470	22.91	NA	CISCO BV	586,408	19.71	NA
3	-	-	-	-	Trend Micro	1,341,310	10.87	NA	Trend Micro	369,314	12.41	NA
—	Others	5,367,723	39.08	-	Others	5,172,514	41.94	-	Others	1,419,416	47.72	-
—	Net Total Supplies	13,735,669	100.00	-	Net Total Supplies	12,334,299	100.00	-	Net Total Supplies	2,974,764	100.00	-

Note : The explanation of the reason for increases or decreases : The change in the percentage of suppliers in the first quarter of FY111 and FY112 was due to an increase in purchases for Trend Micro projects as a result of higher demand for information security.

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

Units: NT\$ Thousands

Item	2021				2022				2023 Q1			
	Company Name	Amount	Percent (%)	Relation with Issuer	Company Name	Amount	Percent (%)	Relation with Issuer	Company Name	Amount	Percent (%)	Relation with Issuer
1	HWACOM SYSTEMS INC.	2,254,113	17.50	NA	-	-	-	-	HWACOM SYSTEMS INC.	545,332	14.66	NA
-	Others	10,624,064	82.50	-	-	-	-	-	KINMAX TECHNOLOGY INC.	410,250	11.03	NA
-	-	-	-	-	Others	12,734,383	100.00	-	Others	2,764,576	74.31	-
-	Net Sales	12,878,177	100.00	-	Net Sales	12,734,383	100.00	-	Net Sales	3,720,158	100.00	-

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

(E) Production in the last two Years

Units: NT\$ Thousand; set

Output		2021		2022	
		Quantity (Note 2)	Amount	Quantity (Note 2)	Amount
Major Products					
Distributed Products	1.IT infrastructure	6,526,658	4,356,803	5,200,624	3,483,972
	2.Network & information security	2,718,961	7,111,184	3,923,530	6,063,192
	3.Cloud platform & application	92,745,853	1,970,379	116,997,705	2,400,884
	4.Big data & application	37,706	492,386	51,910	608,468
	5.Others	1,223	2,926	3	112
Total		102,030,401	13,933,678	126,173,772	12,556,628

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

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

(F) Shipments and Sales in the Last Two Years

Units: NT\$ Thousand; set

Shipments & Sales		2021				2022			
		Local		Export		Local		Export	
Major Products		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Distributed Products	1.IT infrastructure	6,008,823	4,886,012	222,636	177,084	4,322,605	3,769,006	105,954	68,341
	2.Network & information security	2,222,735	5,025,562	395,599	32,237	3,397,393	5,463,658	372,039	114,308
	3.Cloud platform & platform	91,842,163	2,204,609	125,116	34,999	114,394,210	2,607,742	70	28,613
	4.Big data & application	30,986	476,112	105	37,399	47,973	674,940	-	-
	5.Others	993	4,163	-	-	3	6,103	-	1,672
Total		100,105,700	12,596,458	743,456	281,719	122,162,184	12,521,449	478,063	212,934

C. Human Resources

As of April 30, 2023

Year		2021	2022	As of April 30, 2023
Number of Employees	Executive officers	21	21	21
	Employee	271	291	314
	Total	292	312	335
Average Age		38.34	38.07	38.22
Average Years of Service		5.96	5.81	6.19
Education	Ph.D.	0%	0%	0%
	Master Degree	11.99%	12.18%	13.21%
	Bachelor's Degree	84.59%	83.65%	82.48%
	Senior High School	3.42%	4.17%	4.31%
	Below Senior High	-	-	-

D. Environmental Protection Expenditure:

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

E. Labor Relations

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

1. employee welfare policy

The company has set up an Employees' welfare committee, and each year the company allocates welfare funds to plan and provide quality benefits for employees.

(1) employee benefit plans

A. For traveling

(a) Employees' welfare committee of the Company holds annual activities of domestic and international traveling, with NT\$ 15,000 ~ 20,000 of reimbursement for traveling each person.

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

B. Birthday, wedding and funeral

The Company regularly holds birthday celebrations and pays birthday gifts of NT\$500, and provides wedding gifts of NT\$3,600 to NT\$20,000. Funeral subsidies of NT\$10,000 to NT\$20,000, hospital condolence payments of NT\$5,000 to NT\$10,000 and emergency relief funds for colleagues.

C. Childbirth allowance

For employees and their spouses, the Company offers a subsidy of NT\$ 6,000 per childbirth.

If a colleague has a miscarriage at or above 12 weeks of pregnancy, the Company will give a condolence fund of NT\$3,000.

D. Clubs Grants

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

E. Other allowance

The Company provides cash gifts and gifts for Mid-Autumn Festival, Dragon

Boat Festival, Labor Day and Chinese New Year.

(2) Insurance

Except for the statutory labor and health insurance, and distribution of labor pension, each employee is insured for group and casualty insurance, as well as travel accident insurance on a business trip. During the epidemic period, the Company also purchased epidemic prevention insurance and vaccine insurance for all colleagues to fully protect the health of employees.

Aspects of health and safety

- A. Annual physical examination of employees shall be held, as the Company pays attention to the result of physical examination of employees. If the employee agrees, the Company assists the employees, who have had abnormal results or special situations of physical examination, in tracking and observing for treatment, and assuring the employee keeping healthy.
- B. For enhancing recognition of awareness of firefighting and disaster prevention, and preventing that the employee being too nervous to trigger an accident from conflagration and other disasters, the Company shall hold annual courses of fire safety for increasing general knowledge of firefighting.
- C. The building of the headquarter of the Company is equipped with AED, and regular safety seminars and CPR courses are held to instruct the employee in usage, in case of emergency.

(3) Working hours and vacation:

- A. In terms of working hours system, the company provides a beneficial system of flexible commuting options, with flexible working hours from 8:30 a.m. to 9:30 a.m. and flexible clock-out time from 5:30 p.m. to 6:30 p.m. During pregnancy, the flexible working hours will be relaxed from 8:30 a.m. to 10 a.m., the flexible clock-out time will be relaxed from 5:30 p.m. to 7 p.m., and the flexible relaxation period will be extended to the day before delivery. Employees can adjust their commuting time flexibly.
- B. In terms of the vacation system, on the basis of a fixed two-day weekly vacation, when new employees pass the probation, they will be given three days of special leave (annual leave) in advance. Colleagues who need a longer period of leave due to childcare, major injuries, major accidents, etc., can also apply for leave without pay so that they are able to fulfill the needs of personal and family care.

(4) Measures for creating a friendly child-rearing environment:

- A. During the employee's pregnancy and within one year after giving birth, on-site doctors and nurses are arranged regularly to conduct maternal labor health protection care interviews in the workplace and provide relevant assistance.
- B. When employees and their spouses give birth, the Company offers a smart baby camera to the new parents to help protect the safety of the baby together.
- C. Create comfortable breastfeeding (collection) rooms, provide breastfeeding (collection) time in compliance with regulations, and support female employees in breastfeeding (collection).
- D. Negotiate with a number of childcare centers and kindergartens, so as to strive for preferential prices, and sign exclusive contracts with institutions which provide special childcare measures.

(5) Equality for Workplace Diversity and Improvement for Gender Pay Gap:

The Company attaches great importance to the rights and benefits of employees, and shares profits and surplus with employees, so as to maintain a great working environment that includes comprehensive physical, mental and spiritual care for all ethnic groups.

- A. Actualization of men and women's equal pay for equal work and equal promotion opportunities, and the consistence of more than 50% female executive positions help promote sustainable and inclusive economic growth.

In 2022, the average proportion of female employees was 54%, and the average proportion of female supervisors was 50%.

- B. Recruited handicapped colleagues and achieved 100% of the target and tailor-made suitable job duties and environmental facilities.
- C. Implement the empowerment of women in a friendly workplace, so that colleagues of all genders can work with peace of mind.

(6) Survey for employee satisfaction

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

(7) Hardware equipment

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

2. On-the-job training of employees

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

3. Employee Retirement Scheme

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

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

(1) Voluntary Retirement

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

- A. Where the worker attains the age of 55 and has worked for 15 years.
- B. Where the worker has worked for more than 25 years.
- C. Where the worker attains the age of 60 and has worked for 10 years.

(2) Mandatory Retirement

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

A. Where the worker attains the age of sixty-five.

B. Where the worker is unable to perform his/ her duties due to disability.

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

(3) Pension Payment Standard

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

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

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

(4) Payment of Pension

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

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

4. Employee Stock Ownership Trust, ESOT

In terms of the labor retirement system, apart from the provisions of the Labor Laws and the Labor Pension Act which a fixed amount of reserve is allocated regularly to the legal retirement account, the Company has set up a shareholding trust committee, and after the full-time employee reaches the service term of one year, the employee will withdraw \$2,000~5,000 per month and the company will allocate \$1,000~2,500, both funds are used to purchase the company's shares regularly in a fixed amount. Key personnel are entitled to a bonus stock ownership trust, which provides an additional 25% bonus to purchase company stock with each bonus payment.

5. The agreement between the labor and the employer

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

6. Measures adopted to maintain all types of employee benefits

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

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

motivation and retention.

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

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

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

(1) Continue last year's 3A plan - the focus this year was to strengthen charity and employee de-stress aspects from Learning, Health and Charity respectively by encouraging employees to participate in company seminars, Switch game activities, stair climbing activities, blood donation, personal charity activities for points-collection, and the points can be used to redeem prizes after the end of the program. A total of 334 people participated, employees participated enthusiastically with outstanding results.

(2) Held two blood donation activities to encourage employees to participate in blood donation in response to public welfare, and donated a total of 311 bags in two sessions, and the task reached the target.

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

(4) Help purchased each employee the epidemic prevention insurance and vaccine insurance. In 2022, a total of 206 employees who were diagnosed and quarantined received claims and 73 employees received claims due to family members who were diagnosed and quarantined.

(5) Support local farmers, The Company purchases mangos and eggs to give to cheer with employees.

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

F. Cyber Security Management

(A) Cyber security management strategy and structure

1. Enterprise Information Security Team

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

(1) Objective

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

2. Information Security Policy

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

(1) Implement information security management to ensure the continuation of operations
All colleagues shall implement the information security system, and execute to the fullest detail, and continuously monitor, review and audit various information systems to ensure their confidentiality, integrity and usability. Protect information assets from risks such as leakage, destruction or loss due to external threats or improper management of internal personnel, and focus on 'risk management', understand asset threats and weaknesses, select appropriate protection measures,

reduce risks to acceptable levels, build a secure network environment, and achieve the goal of continuous operation.

(2) Strengthen security training and improve service quality

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

(3) Proactively respond to emergency situations to swiftly shield damages and reduce losses.

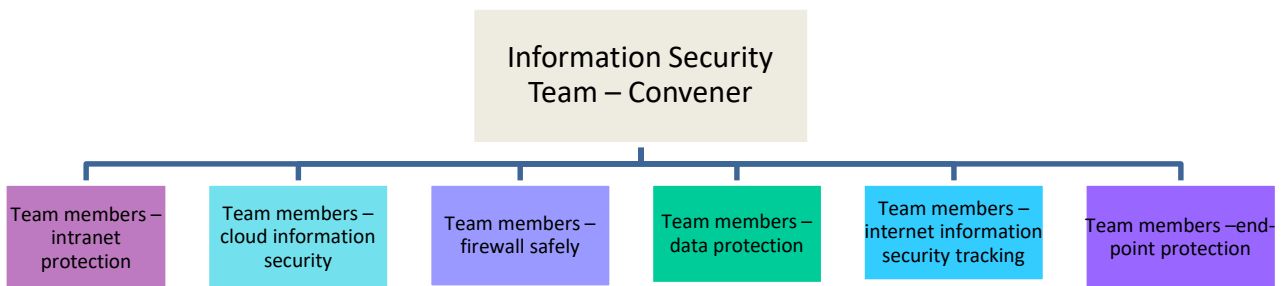
In addition to the maintenance and operation of equipment during weekdays, we also constantly monitor system vulnerability detection services, and web security detection services. Equipment policy planning is adjusted to be in line with emergency response processes, and regular quarterly reviews are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

3. Information security organization

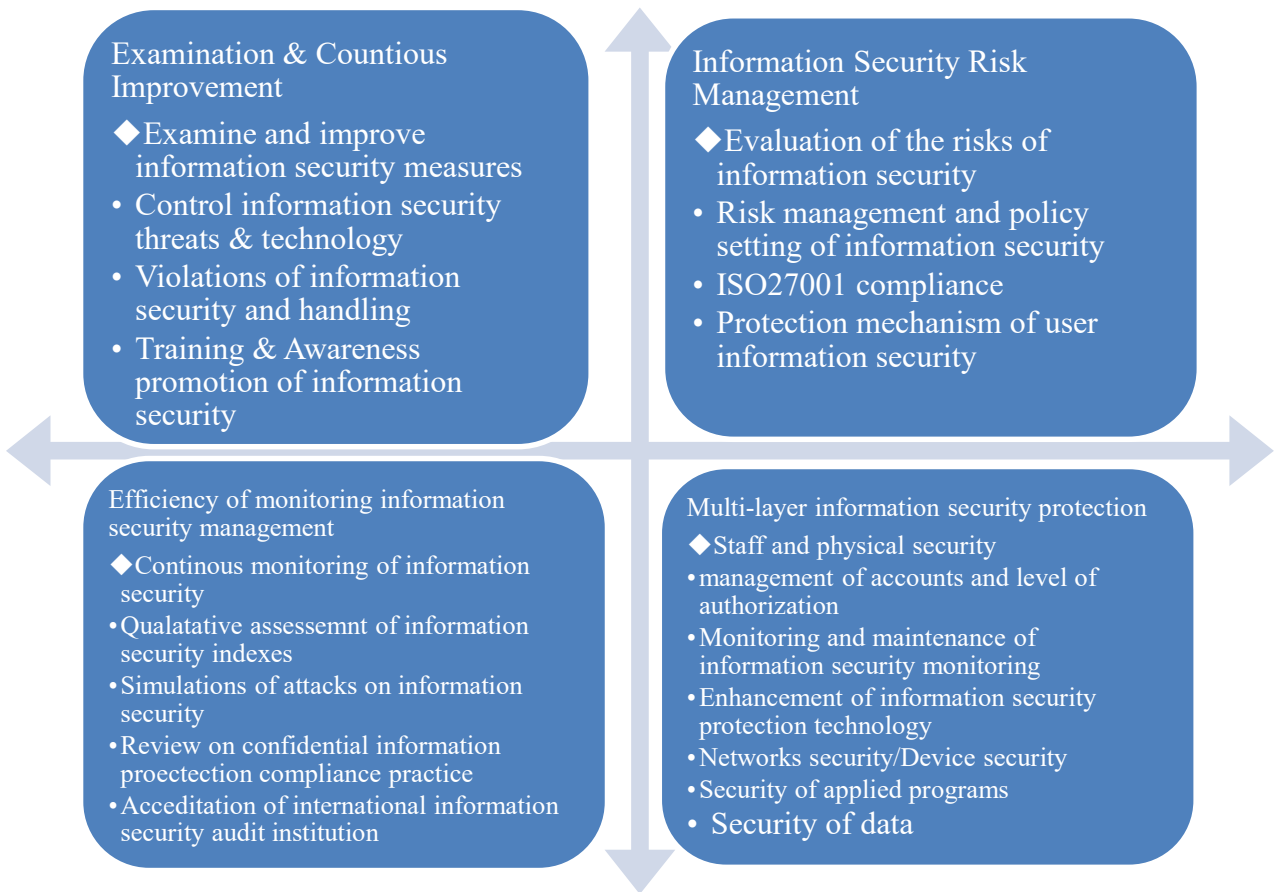
(1) The head of the information unit is responsible for promoting, coordinating, and supervising the various matters regarding information security; the supervisor of each business unit is responsible for supervising the security of the information operation to which he/she is in charge of.

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

4. Information Security Team Organization Chart

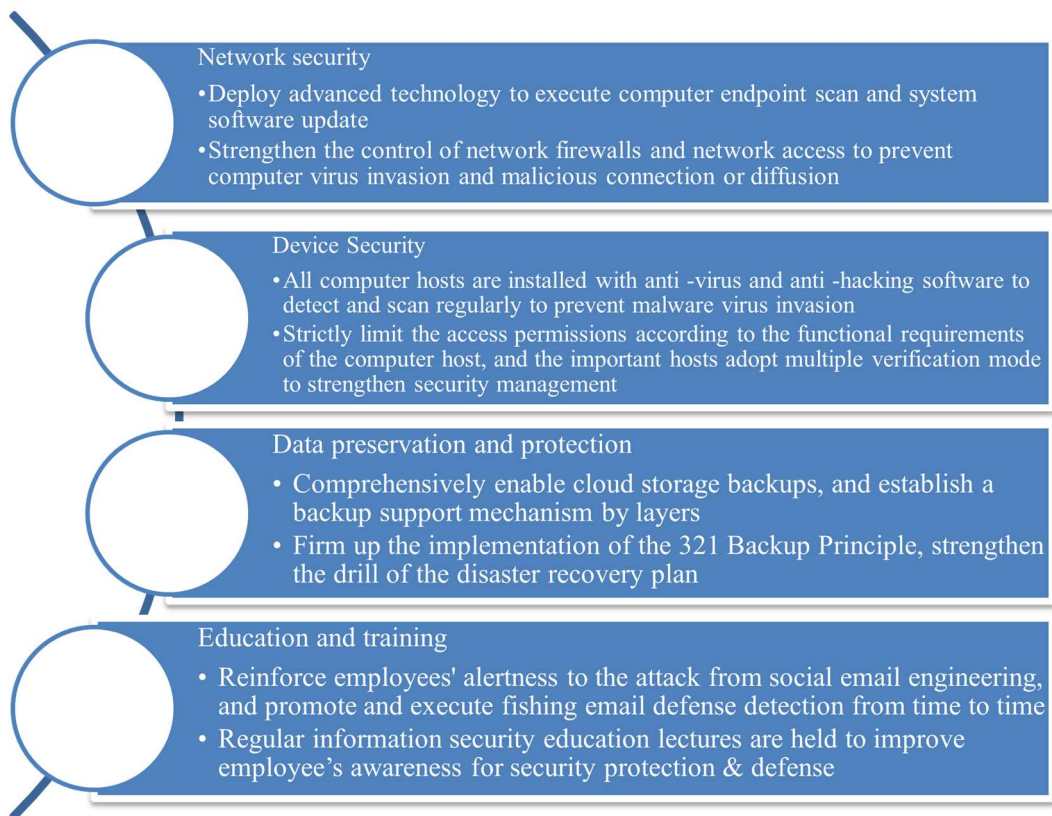


(B) Information security risk management and continuous improvement structure



(C) Specific Management Programs

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



(D) significant information security incidents

The Company did not have any significant information security incidents in 2022.

(E) Information Security Risks and Countermeasures

1. The results of the annual implementation plan of information security protection measures plan are as follows:
 - (1) All host computer information security anti-virus/anti-hack software update endpoint deployments were completed in Q1, cloud SaaS service was used for real-time monitoring, and endpoint protection was strengthened. Apexone also added XDR* tracking footprints.
*XDR (Extended Detection and Response) collects and cross-correlates data across multiple layers of defense automatically, including: email, endpoint, servers, cloud workload, and network. In doing so, faster threat detection through information security analysis can be formed and made available, thus improving investigation and response time.
 - (2) We added MDR trend information security expert monitoring events and the part of instant notification server in Q2. With experts' assistance in the defense helps to ensure no omissions or false alarms, thus improving information security protection capabilities.
 - (3) A second firewall for security protection is established on the host server side to provide stricter control access channels and limit permissions. The remote connection of the host must go through the authentication and permission of the jump server (agent) to establish the connection, and the multi-factor OTP verification must be enabled.
 - (4) Comprehensively improve the security of the network domain structure, strengthen and check the access control capabilities (executed more than 2 times)
 - (5) Check and take all hosts for risk assessment, strengthen defense and limit access (unscheduled/monthly check & take)
 - (6) Two seminars on Information security education awareness promotion were held: one online seminar on May 18 and the other physical one held on November 9, 2022.
 - (7) Invited experts from our information security partners to conduct an information security defense attack and defense drill in November 2022.
 - (8) Revise and review the disaster recovery plan, formulate quarterly drill test plan and simulation script. A drill was conducted in June/October/December 2022 respectively to strengthen and master the recovery procedures.

F. Important Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Distributor Agreement	Akamai	2022.05.17~2023.05.16	Authorized to distributing cloud services products	Territory : Taiwan
	AvePoint	2023.01.01~2023.12.31	Authorized to distributing AvePoint products	
	CISCO	2022.08.01~2023.07.31	Authorized to distributing Network telecommunications equipment	
	F5	2022.10.01~2023.09.30	Authorized to distributing products of F5	
	ForeScout	2023.01.06~2023.01.05	Authorized to distributing products of ForeScout	
	Google Cloud	2022.10.23~2023.10.22	Authorized to distributing products of Google Cloud	
	Microsoft	2021.09.01~2024.08.31	Authorized to distributing software products of MOLP, SELECT	
	NVIDIA	2022.05.29~ 2023.05.28	Authorized to distributing products of Nvidia	
	NetApp	2022.08.01~2025.07.31	Authorized to distributing the data service of hybrid cloud	
	Nutanix	2022.07.06~2023.07.05	Authorized to distributing products of Nutanix	
	Palo Alto	2022.09.22~2023.09.21	Authorized to distributing products of information security	
	Synology	2022.05.31~2023.05.30	Authorized to distributing products of cloud storage equipment	
	Trend Micro	2023.01.01~2023.12.31	Authorized to distributing products of anti-virus software or enterprise authorized	
	VIVOTEK	2023.03.15~ 2024.03.15	Authorized to distributing products of VIVOTEK	
	VMware	2022.04.01~2023.03.31	Authorized to distributing products of VMware	
	Veeam	2022.04.27~ 2023.04.26	Authorized to distributing virtual backup products	
Veritas	2022.10.03~ 2023.10.02	Authorized to distributing products of Veritas		

VI. Financial Information

A. Five-Year Financial Summary

(A) Condensed Balance Sheet

1. Consolidated Condensed Balance Sheet—Based on IFRS

Units: NT\$ Thousands

Item	Year	Financial Summary for The Last Five Years (Note1)					As of March31, 2023 (Note3)
		2018	2019	2020	2021	2022	
Current assets		3,779,240	4,489,720	4,649,078	6,822,463	7,100,822	6,820,777
Property, Plant and Equipment (Note 2)		313,715	314,412	308,367	317,114	312,295	311,222
Intangible assets		950	1,395	1,238	2,008	4,357	3,829
Other assets (Note 2)		41,095	47,850	55,534	54,902	57,195	59,751
Total assets		4,393,847	5,225,352	5,471,676	7,676,312	8,015,013	7,761,164
Current liabilities	Before distribution	2,166,142	2,771,478	2,774,855	3,703,768	4,002,340	4,107,903
	After distribution	2,350,745	3,021,052	3,152,691	3,155,806	3,454,378	—
Non-current liabilities		23,115	27,685	27,409	28,558	29,295	26,791
Total liabilities	Before distribution	2,189,257	2,799,163	2,802,264	3,732,326	4,031,635	4,134,694
	After distribution	2,373,860	3,048,737	3,180,100	3,184,364	3,483,673	—
Equity attributable to shareholders of the parent		2,196,297	2,420,304	2,657,270	3,908,193	3,948,295	3,592,039
Capital stock		1,228,965	1,246,352	1,256,402	1,519,707	1,530,317	1,533,147
Capital surplus		446,515	470,136	478,757	1,234,325	1,240,628	1,241,099
Retained earnings	Before distribution	537,661	696,340	887,761	1,095,479	1,151,012	776,097
	After distribution	353,058	446,766	509,925	547,517	603,050	—
Other equity interest		(16,844)	7,476	34,350	58,682	26,338	41,696
Treasury stock		—	—	—	—	—	—
Non-controlling interest		8,293	5,885	12,142	35,793	35,083	34,431
Total equity	Before distribution	2,204,590	2,426,189	2,669,412	3,943,986	3,983,378	3,626,470
	After distribution	2,019,987	2,176,615	2,291,576	3,396,024	3,435,416	—

Note 1 : Financial data from 2018 to 2022 has been audited and reviewed by the CPA.

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

Note 3 : Financial data in 2023 Q1 has been reviewed by the CPA.

Note 4 : The earning distribution of 2022 was approved by Board of Director on February 21, 2023.

2. Parent Condensed Balance Sheet–Based on IFRS

Units: NT\$ Thousands

Item	Year	Financial Summary for The Last Five Years (Note1)				
		2018	2019	2020	2021	2022
Current assets		3,652,816	4,385,048	4,501,049	6,492,351	6,732,557
Property, Plant and Equipment (Note 2)		312,926	313,991	307,276	315,903	310,439
Intangible assets		902	1,358	765	1,691	4,198
Other asset (Note 2)		38,998	44,606	40,257	47,598	50,430
Total assets		4,370,583	5,198,062	5,416,016	7,573,970	7,881,856
Current liabilities	Before distribution	2,151,171	2,750,082	2,735,367	3,638,907	3,906,618
	After distribution	2,335,774	2,999,656	3,113,203	3,090,945	3,358,656
Non-current liabilities		23,115	27,676	23,379	26,870	26,943
Total liabilities	Before distribution	2,174,286	2,777,758	2,758,746	3,665,777	3,933,561
	After distribution	2,358,889	3,027,332	3,136,582	3,117,815	3,385,599
Capital stock		1,228,965	1,246,352	1,256,402	1,519,707	1,530,317
Capital surplus		446,515	470,136	478,757	1,234,325	1,240,628
Retained earnings	Before distribution	537,661	696,340	887,761	1,095,479	1,151,012
	After distribution	353,058	446,766	509,925	547,517	603,050
Other equity interest		(16,844)	7,476	34,350	58,682	26,338
Treasury stock		—	—	—	—	—
Total equity	Before distribution	2,196,297	2,420,304	2,657,270	3,908,193	3,948,295
	After distribution	2,011,694	2,170,730	2,279,434	3,360,231	3,400,333

Note 1 : Financial data from 2018 to 2022 has been audited and reviewed by the CPA.

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

Note 3 : The earning distribution of 2022 was approved by Board of Director on February 21, 2023.

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

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

Units: NT\$ Thousands

Item	Year	Financial Summary for The Last Five Years (Note 1)					As of March 31, 2023 (Note 2)
		2018	2019	2020	2021	2022	
Operating revenue		6,647,352	8,915,170	9,834,318	12,878,177	12,734,383	3,720,158
Gross profit		681,744	896,158	1,046,126	1,295,511	1,488,061	411,104
Income from operations		280,582	399,789	504,640	626,171	709,914	209,296
Non-operating income and expenses		34,373	43,013	49,335	47,026	52,994	12,855
Income before tax		314,955	442,802	553,975	673,197	762,908	222,151
Income from operations of continued segments - after tax		252,037	349,155	440,398	536,122	612,402	177,984
Income from discontinued operations		—	—	—	—	—	—
Net income (Loss)		252,037	349,155	440,398	536,122	612,402	177,984
Other comprehensive income (income after tax)		(7,173)	26,728	21,860	69,253	(43,539)	15,167
Total comprehensive income		244,864	375,883	462,258	605,375	568,863	193,151
Net income attributable to shareholders of the parent		252,939	351,313	441,623	537,359	613,580	178,658
Net income attributable to non-controlling interest		(902)	(2,158)	(1,225)	(1,237)	(1,178)	(674)
Comprehensive income attributable to Shareholders of the parent		245,766	377,991	463,499	606,656	570,013	193,803
Comprehensive income attributable to non-controlling interest		(902)	(2,108)	(1,241)	(1,281)	(1,150)	(652)
Earnings per share		2.06	2.85	3.55	4.24	4.03	1.17

Note1 : Financial data from 2018 to 2022 has been audited and reviewed by the CPA.

Note2 : Financial data in 2023 Q1 has been reviewed by the CPA.

Note3 : No discontinued operation.

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

Units: NT\$ Thousands

Item	Year	Financial Summary for The Last Five Years (Note 1)				
		2018	2019	2020	2021	2022
Operating revenue		6,551,970	8,826,659	9,658,778	12,630,074	12,363,039
Gross profit		649,278	865,943	997,244	1,226,060	1,363,653
Income from operations		282,640	409,151	511,320	635,269	680,584
Non-operating income & expenses		32,837	35,264	43,589	39,503	76,099
Income before tax		315,477	444,415	554,909	674,772	756,683
Income from operations of continued segments - after tax		252,939	351,313	441,623	537,359	613,580
Income from discontinued operations		—	—	—	—	—
Net income (Loss)		252,939	351,313	441,623	537,359	613,580
Other comprehensive income (income after tax)		(7,173)	26,678	21,876	69,297	(43,567)
Total comprehensive income		245,766	377,991	463,499	606,656	570,013
Earnings per share		2.06	2.85	3.55	4.24	4.03

Note 1 : Financial data from 2018 to 2022 have all been inspected and authenticated by CPAs.

Note 2 : No discontinuing operation.

(C) Auditors' Opinions in the last five years

Year	Accounting Firm	CPA	Audit Opinion
2018	Deloitte & Touche, Taiwan	Wen Chin Lin, Hsin Wei Tai	An unqualified opinion
2019			
2020		Cheng Ming Lee Pei De Chen	
2021		Chien Liang Liu Pei De Chen	
2022			

B. Five-Year Financial Analysis

(A) Consolidated Financial Analysis – Based on IFRS

Item		Financial Analysis for the Last Five Years (Note 1)					As of March 31,2023 (Note2)
		2018	2019	2020	2021	2022	
Financial structure (%)	Debt Ratio	49.83	53.55	51.21	48.62	50.30	53.27
	Ratio of long-term capital to property, plant and equipment	702.74	772.16	874.55	1,243.71	1,284.90	1,173.84
Solvency (%)	Current ratio	174.47	180.41	167.54	184.20	177.42	166.04
	Quick ratio	130.09	126.59	121.91	139.56	127.67	134.96
	Interest earned ratio (times)	880.76	214.40	261.20	286.25	615.75	721.52
Operating performance	Accounts receivable turnover (times)	3.75	4.54	4.71	5.13	4.41	4.88
	Average collection period	97.33	80.39	77.49	71.15	82.76	74.79
	Inventory turnover (times)	8.33	7.09	6.86	8.02	6.23	8.28
	Accounts payable turnover (times)	4.11	4.35	4.11	4.41	3.54	4.24
	Average days in sales	43.81	51.48	53.21	45.51	58.58	44.08
	Property, plant and equipment turnover (times)	21.31	28.39	31.58	41.18	40.46	47.73
	Total asset turnover (times)	1.66	1.85	1.84	1.96	1.62	1.89
Profitability	Return on total assets (%)	6.30	7.29	8.27	8.18	7.82	9.03
	Return on stockholders' equity (%)	11.73	15.07	17.29	16.21	15.45	18.71
	Pre-tax income to paid-in capital (%)	25.63	35.53	44.09	44.30	49.85	57.96
	Profit ratio (%)	3.79	3.92	4.48	4.16	4.81	4.78
	Earnings per share (NT\$)	2.06	2.85	3.55	4.24	4.03	1.17
Cash flow	Cash flow ratio (%)	2.54	16.57	10.24	9.34	(2.93)	3.05
	Cash flow adequacy ratio(%)	76.96	116.34	88.33	67.68	33.74	47.58
	Cash reinvestment ratio(%)	(4.47)	7.97	1.22	(0.77)	(15.93)	3.28
Leverage	Operating leverage	245.39	210.71	189.63	197.58	199.47	183.99
	Financial leverage	100.13	100.52	100.42	100.38	100.18	100.04

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%):

1. Ratio of Interest earned ratio : mainly due to the significant reduction in interest expense of 2022.
2. Ratio of Inventory turnover and average days in sales : mainly due to longer lead times due to increased stock availability and shortage of materials for large project orders of 2022.
3. Cash flow adequacy and cash reinvestment ratio : The Company has no capital shortage due to the increased efficiency of capital utilization for investments earning higher interest rates

Note 1: Financial data from 2018 to 2022 have all been inspected and authenticated by CPAs.

Note 2: 2023 Q1 financial data has been reviewed by CPAs.

Note 3: The calculation formula goes as follows.

1. Financial Structure

(1) Debt Ratio = total liabilities / total assets

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

2. Solvency

(1) Current ratio = current assets / current liabilities

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

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

3. Operating ability

(1) Receivables (including accounts receivable and notes receivable arising from business operations) turnover rate = net sales / average receivables (including accounts receivable and notes receivable arising from business operations) for each period

(2) Average collection days for receivables = 365 / receivables turnover rate

(3) Inventory turnover rate = cost of sales / average inventory

(4) Payables (including accounts payable and notes payable arising from business operations) turnover rate = cost of sale / average payables (including accounts payable and notes payable arising from business operations) for each period

(5) Average days of sale = 365 / inventory turnover rate

(6) Property, plant and equipment turnover rate = net sales / average net worth of property, plant and equipment

(7) Total asset turnover rate = net sales / average total asset

4. Profitability

(1) Return on assets = [net income + interest expenses (1- tax rate)] / average total assets

(2) Return on equity = net income / average total equity

(3) Profit margin before tax = net income / net sales

(4) Earnings per share = (profit and loss attributable to owners of the parent – dividends on preferred shares) / weighted average number of issued shares

5. Cash flow

(1) Cash flow ratio = Net cash flow from operating activities / current liabilities

(2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (capital expenditures + inventory increase + cash dividend)

(3) Cash flow reinvestment ratio = (Net cash flow from operating activities – cash dividend) / gross property, plant and equipment value + long-term investment + other non-current asset + working capital)

6. Leveraging:

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

(2) Financial leverage = operating income / (operating income – interest expenses)

(B) Parent Financial Analysis–Based on IFRS

Items for Analysis		Fiscal Year	Financial Analysis for the Last Five Years (Note1)				
			2018	2019	2020	2021	2022
Financial Structure (%)	Debt Ratio		49.75	53.44	50.94	48.40	49.91
	Ratio of long-term capital to property, plant and equipment		701.86	771.32	872.39	1,245.66	1,280.52
Solvency (%)	Current ratio		169.81	159.45	164.55	178.41	172.34
	Quick ratio		125.51	2022.25	118.97	133.73	121.85
	Interest earned ratio (times)		882.22	217.37	272.35	300.10	715.53
Operating performance	Accounts receivable turnover (times)		3.72	4.53	4.69	5.12	4.39
	Average collection period		98.12	80.57	77.83	71.29	83.14
	Inventory turnover (times)		8.43	7.11	6.85	8.02	6.17
	Accounts payable turnover (times)		4.14	4.34	4.07	4.39	3.51
	Average days in sales		43.30	51.34	53.28	45.51	59.16
	Property, plant and equipment turnover (times)		21.08	28.16	31.09	40.53	39.48
	Total assets turnover (times)		1.65	1.84	1.82	1.94	1.60
Profitability	Return on total assets (%)		6.39	7.38	8.35	8.30	7.95
	Return on stockholders' equity (%)		11.82	15.21	17.40	16.37	15.62
	Pre-tax income to paid-in capital (%)		25.67	35.66	44.17	44.40	49.45
	Profit ratio (%)		3.86	3.98	4.57	4.25	4.96
	Earnings per share (NT\$)		2.06	2.85	3.55	4.24	4.03
Cash flow	Cash flow ratio (%)		5.28	14.16	10.15	9.84	(4.16)
	Cash flow adequacy ratio (%)		84.69	118.29	90.26	71.51	33.45
	Cash reinvestment ratio (%)		(1.98)	8.00	1.00	(0.48)	(17.21)
Leverage	Operating leverage		235.57	199.17	179.29	182.89	186.46
	Financial leverage		100.13	100.50	100.40	100.36	100.16
	Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%): <ol style="list-style-type: none"> Ratio of Interest earned ratio : mainly due to the significant reduction in interest expense of 2022. Ratio of Inventory turnover and average days in sales : mainly due to longer lead times due to increased stock availability and shortage of materials for large project orders of 2022. Cash flow adequacy and cash reinvestment ratio : The Company has no capital shortage due to the increased efficiency of capital utilization for investments earning higher interest rates 						

Note1 : Financial data from 2018 to 2022 have all been inspected and authenticated by CPAs.

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

Zero One Technology Company Ltd.

Audit Committee's Review Report

The Board of Directors has prepared the company's 2022 Consolidated, and Parent Company Only Financial Statements. The CPAs of Deloitte & Touche, Chien Liang Liu and Pei De Chen, were retained to audit ZOTC's Financial Statements. The Business Report, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee of ZERO ONE Technology Company Limited. According to Article 14-4 of Securities and Exchange Act, and Article 219 of the Company Act, we hereby submit this report.

Sincerely,

The 2023 Annual Shareholders' Meeting

The Audit Committee of ZERO ONE TECHNOLOGY
COMPANY LIMITED

Convenor : Ming Yuan Lin

21 February 2023

- D. Consolidated Financial Statements for the Years Ended December 31, 2022 and 2021, and Independent Auditors' Report: Please refer to page 110 to 163 of the annual report.
- E. Parent company only Financial Statements for the Years Ended December 31, 2022 and 2021, and Independent Auditors' Report: Please refer to page 164 to 227 of the annual report.
- F. If the Company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the Company's financial situation: None.

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

A. Analysis of Financial Status

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

Units: NT\$ Thousands

Item	Year	2021	2022	difference		
				Amount	%	Note
Current Assets		6,822,463	7,100,822	278,359	4.08%	
Property, Plant and Equipment		317,114	312,295	-4,819	-1.52%	
Intangible Assets		2,008	4,357	2,349	116.98%	
Other Assets		54,902	57,195	2,293	4.18%	
Total Assets		7,676,312	8,015,013	338,701	4.41%	
Current Liabilities		3,703,768	4,002,340	298,572	8.06%	
Noncurrent Liabilities		28,558	29,295	737	2.58%	
Total Liabilities		3,732,326	4,031,635	299,309	8.02%	
Total Equity Attributable to Owners Of The Company		3,908,193	3,948,295	40,102	1.03%	
Capital Stock		1,519,707	1,530,317	10,610	0.70%	
Capital Surplus		1,234,325	1,240,628	6,303	0.51%	
Retained Earnings		1,095,479	1,151,012	55,533	5.07%	
Other Equity		58,682	26,338	-32,344	-55.12%	(1)
Treasury Stock		—	—	—	—	
Non-Controlling Interest		35,793	35,083	-710	-1.98%	
Total Stockholders' Equity		3,943,986	3,983,378	39,392	1.00%	
1. Analysis of changes in financial ratios: (Changes by 20% or more and NTD 10 million or more)						
(1) Other equity: As a result of the increase in the unrealized gain (loss) on investments in equity instruments designated as at fair value.						
2. Countermeasures : N.A.						

B. Analysis of financial performance

Units: NT\$ Thousands

Item	Year	2021	2022	Differences Amount	Differences %	Note
Gross operating profit		1,295,511	1,488,061	192,550	14.86%	
Profit from operations		626,171	709,914	83,743	13.37%	
Non-business income and expenditure		47,026	52,994	5,968	12.69%	
Pre-tax profit		673,197	762,908	89,711	13.33%	
Net profit (losses)		536,122	612,402	76,280	14.23%	
Other comprehensive (loss) income for the year, net of income tax		69,253	(43,539)	-112,792	-162.87%	(1)
Total comprehensive (loss) income		605,375	568,863	-36,512	-6.03%	
1. Analysis of changes in financial ratios: (changes by 20% or more and NTD 10 million or more)						
(1) Other consolidated comprehensive income for the period: This is due to the increase in unrealized gain (loss) in equity instruments designated as at fair value through other comprehensive income in 2022.						
2. The anticipated sales volume and its impacts on the financial and business operations and countermeasures for the coming year :						
(1) The Company will continue to focus on IT infrastructure, cloud platform and application, network and information security, AI big data and application and value-added service sales in the agent product section, as most of are in project sales and value-added service categories, and the unit price of products is high, therefore, the expected sales volume this year will not differ too much different from previous years.						
(2) That fact that the Company's business direction has not changed significantly in 2022, and the financial structure remains solid, the expected results of business have no material impact on future finance and business operations.						

C. Analysis of Cash Flow

(A) Cash Flow Analysis for the Current Year

Units: NT Thousands

Balance of cash at start of term (1)	Net cash flow from business activities throughout the year (2)	Net cash flow from Investing and Financing activities throughout the year (3)	Balance of cash (shortage) (1)+(2)+(3)	Remedies for shortage in cash	
				Investment plan	Wealth management plan
1,016,070	(117,221)	155,310	1,054,159	—	—

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

(1) Business activities: Net cash used NT\$ 117,221 thousand.

(2) Investing activities: Net cash generated NT\$ 668,346 thousand; It is generated mainly by disposal of financial instrument.

(3) Financing activities: Net cash used NT\$ 513,036 thousand; (with Effect of foreign Exchange 35,450); It is generated mainly by the payment of cash dividends.

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

(B) Cash Flow Analysis for the Coming Year

Units: NT Thousands

Balance of cash at start of term (1)	Expected net cash flow from business activities throughout the year (2)	Expected net cash flow from Investing and Financing activities throughout the year (3)	Expected balance of cash (shortage) (1)+(2)+(3)	Expected remedies for shortage in cash	
				Investment plan	Wealth management plan
1,054,159	650,923	(529,005)	1,176,077	—	—

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

(1) Business activities: Since the increase of operating revenues is expected, cash generated from operating revenue shall be NT\$ 650,923 thousand.

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

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

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

D. Effect of significant capital expenditures on financial operations in the most recent year: None.

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

(A) Investment Policy

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

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

Units: NT Thousands

Item	Main Businesses	Income (Loss) Amount	Reasons for Gain or Loss	Action Plan
Asiaone Holdings Ltd.	Holding company	2,051	Investment profit or loss recognized	None.
Zerone Win Investment Co., Ltd.	Investment	7,244	Holding company established in 2017, profit or loss recognized based on the operational status of investees.	
Zotech Technology Co., Ltd.	Service for telecom equipment	7,090	Due to the change in company operational strategy.	
WingWill International Co., Ltd.	Services of cloud information software	(1,374)	Due to focusing on expanding the team and market influence.	Positive business growth is ongoing and expected to contribute to the profits of the parent company in the future.
DigiCosmos Tech. Co., Ltd.	R&D, sale and service of information software	(3,213)	Newly established in 2021. In 2022, the team was committed to recruiting, and nearly even by 2023.	
TrustONE Security Inc.	R&D, sale and service of information software	(3,166)	Mainly due to efforts in product improvement and market development.	
Leukocyte-Lab Co. Ltd.	IT Security Mgt& R&D, sales & consulting service.	(4,845)	Caused by the delay of Project due to the pandemic	
InfinitesSoft Solutions Inc.	Software Development, Information and Computer Services	(3,594)	Caused by the delay of Project due to the pandemic	
Techone(Shanghai)Co.,Ltd.	Technical service for network technology	2,065	Steady growth in profits as product line and service expanded.	None.
PetaCom technology Co., Ltd.	Services of distribution of information product	19,863	Increase in service income.	

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

F. Analysis of Risk Management

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

Units: NT Thousands

Remarks	Effects on gain or loss				Future plan
	Balance of loan	Level of interest rates of loans	Interest expenses (Thousand)	Effects of changes in retained earnings	
Changes in interest rates	Balance of loan is zero thousand in 2022.	-	1,241	0.008 dollars	By regularly evaluating the interest rate of the bank loans, and its effects on gain or loss of the Company, we shall acquire a favorable interest rate of loans by actual requirements.
Changes in foreign exchange rates	The Company is mainly on domestic sales. The Company's distributed product line includes a large proportion of import from foreign manufacturers. Therefore, the recent annual exchange rate of US dollar has a considerable impact on the Company's profitability.	Foreign exchange gains are 27,037 thousand in 2022.		0.18 dollars	Imported materials are calculated in US dollars. In order to reduce risks of the foreign exchange rate, financial assets in US dollars will be purchased to balance liabilities in US dollars. If Taiwan currency appreciates as expected, then the foreign currency exposure proportion shall be increased to no more than 50% of the average value of US\$ liabilities.
Inflation	The Company belongs to the service industry of information software, distributing foreign authorized products for domestic sales. Inflation of domestic raw materials has no significant impact on the Company.				

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

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

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

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

As of the print date of the annual report, the Company has lent loan to holding company (Wing Will International Co., Ltd.), with a limit of NT\$ 20 million as approved by the Board on October 26, 2022, according to the "Regulations Governing Loaning of Funds and Making of Endorsement /Guarantees", and announced related information on time.

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

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

1. Products

- (1) Print Server: Development of communication protocols for dedicated printers, integration of hardware chips, etc.
- (2) The second generation Z920K Sub-G networking device+ micro-grid system etc..

2. MagicBox related R&D programs (2nd year)

- (1) Load more basic AI models, including
 - a. Application of Acoustic AI in Quality Detection of Soundless Boxes
 - b. Application of image AI in NDT ADR (focus on data and training)
 - c. Application of AI imaging in the field of health care (focus on senior care)
 - d. Optimization of small NLP LLM model and AI hardware of Edge
- (2) The research and selection of AI chips
- (3) Necessary connection of decision-making platforms: Social media (Line, what's app)以及 PaaS/SaaS platforms
- (4) Pre- and post-processing of image and sound (continuation) GPUs, Audio Codec, and new SoC accelerators, among others

The total amount of R&D expenses expected to be invested in the above projects in 2023 is approximately NT\$13 million.

- (D) Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales.
 There were no significant changes in policies and regulations relating to corporate finance and sales as of the date of publication of the annual report in 2022 and 2023. In the event of significant change in policies and regulations relating to corporate finance and sales, the Company would consult with or engage legal practitioners and or public accountants to assess the impact and develop a response plan, in order to obey the laws and reduce effects of changes in policies and regulations relating to corporate finance and sales.
- (E) Effects of and Response to Changes in Technology (including Information security risk) and the Industry Relating to Corporate Finance and Sales.
 In response to the intensification of market inflation and geopolitical and economic conditions in the post-epidemic era, which gradually affects consumption at all levels, the company will work with suppliers and channel partners to target market inflation. Develop different coping strategies to achieve optimal benefits. One of the strategies is to use the advantages of the platform ecosystem to develop an efficient and subscription approach to the tough Challenges posed by the inflationary environment in the market. Information technology can help enterprises save a lot of costs and improve the efficiency of many existing work processes. For example, applying artificial intelligence can have It effectively reduces the repetitive work common to some enterprises and facilitates the use of resources within the enterprise. In addition, it can also use brand new technology innovation to launch new services or products that can help enterprises reduce costs and increase revenue, such as platforms and laborers that provide automation technology Intelligent application services and more. At the same time, by finding more partners, expanding each other's network, we can customize sustainable development services for enterprises, thereby effectively reducing market inflation for customers of earnings decay.
- (F) The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures.
 The Company has always obeyed the law, put much effort in strengthening corporate governance, and maintain a good corporate image. So far, there has not been a situation that will change the corporate image, so it has not caused the impact of corporate crisis management.
- (G) Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans: None.
- (H) Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans: None.
- (I) Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration:
 The major sales customers of the Company and its subsidiaries are diversified, individual revenues of the sales customers are not more than 10%, so no risk of concentration of sales exist. The major top 3 suppliers are 58.06% of the total amount for purchases, which are internationally famous suppliers of information software and hardware. The Company and its subsidiaries are also the major distributor of the manufacturer, and maintain a long-term relationship with them, by reduction of the risk of concentrated purchases through diversification of sales products and continuous development of new products.
- (J) Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%: None.
- (K) Effects of, Risks Relating to and Response to the Changes in Management Rights: None.

(L) Litigation or Non-litigation Matters:

1. List major litigious, non-litigious or administrative disputes that: The Company have been involved or concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the annual report shall disclose the fact of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the previous year: There is no dispute could materially affect shareholders' equity or the prices of the Company's securities.
2. List major litigious, non-litigious or administrative disputes that: involve the Company and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the Company; and (2) have been concluded by means of a final and unappealable judgment or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the annual report shall disclose the fact of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the previous 2 years: None.

(M) Other Major Risks and countermeasures: None.

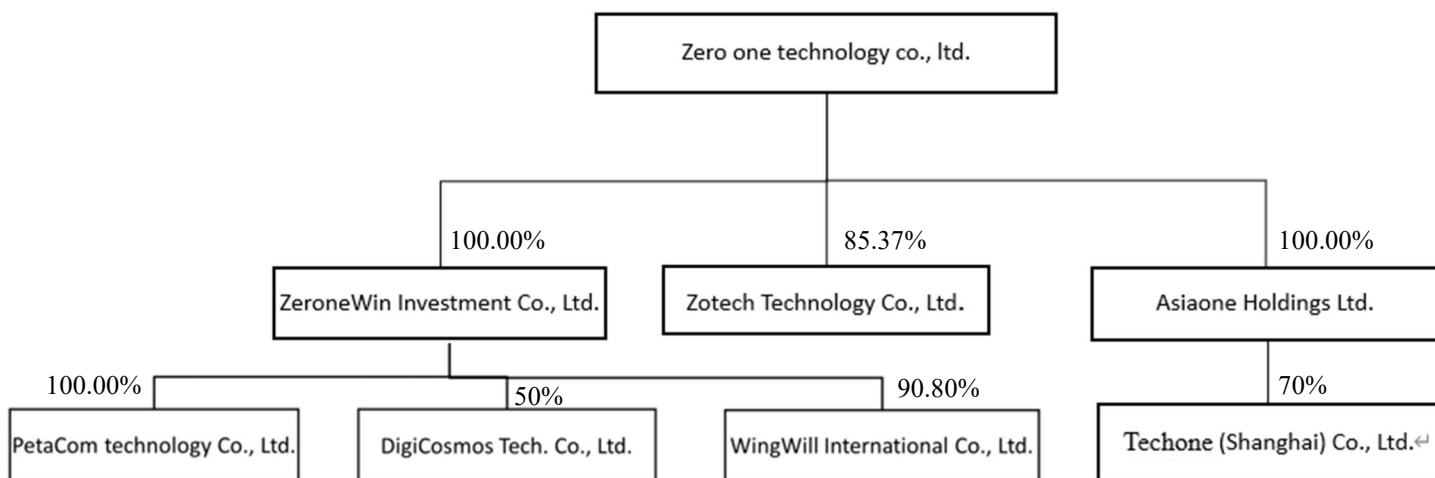
G. Other material matters: None.

VIII. Special Disclosure

A. Summary of affiliated companies in recent years :

(A) Consolidated business report of affiliated companies:

1. Affiliated companies' chart



2. Summary of each affiliated company

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

(B) Consolidated financial statements of affiliated companies : Please refer to Page. 110 to 163

(C) Report of affiliated companies : Not applicable.

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

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

D. Other supplementary information : None.

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

ZERO ONE TECHNOLOGY CO., LTD.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS FOR THE
YEARS ENDED DECEMBER 31, 2022 AND 2021 AND
INDEPENDENT AUDITORS' REPORT

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

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DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities that are required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2022 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 of affiliates.

Very truly yours,

Zero One Technology Co., Ltd.

By

Chia Hsin, Lin
Chairman

February 21, 2023

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, 2022 and 2021, 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, 2022 and 2021, 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 the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. 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, 2022 are stated as follows:

Authenticity of the Occurrence of Operating Income

The operating income of Zero One Technology Co., Ltd. mainly comes from the sales of enterprise computer software and hardware. Considering that there may be greater risks of fraud in income recognition and that the management could be under pressure to meet expected financial goals; therefore, we consider such revenue of significant growth rates and those from clients with substantial operating income a key audit matter.

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

1. Conduct tests of controls to understand the Group's revenue recognition process and the design and implementation of related controls.
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 an anomaly 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, 2022 and 2021 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 Standards on Auditing of 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 Standards on Auditing of 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, 2022 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 21, 2023

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, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,054,159	13	\$ 1,016,070	13
Financial assets at fair value through profit or loss (Notes 4 and 7)	1,005,507	13	346,392	5
Financial assets at fair value through other comprehensive income (Notes 4 and 8)	2,790	-	-	-
Financial assets at amortized cost (Notes 4 and 9)	148,570	2	895,930	12
Notes receivable (Notes 4 and 11)	328,738	4	288,710	4
Trade receivables (Notes 4, 11 and 27)	2,566,305	32	2,595,990	34
Current tax assets (Note 4)	7	-	831	-
Inventories (Notes 4, 5 and 12)	1,960,605	25	1,647,322	21
Other current assets	34,141	-	31,218	-
Total current assets	<u>7,100,822</u>	<u>89</u>	<u>6,822,463</u>	<u>89</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss (Notes 4 and 7)	35,146	-	37,846	-
Financial assets at fair value through other comprehensive income (Notes 4 and 8)	318,221	4	364,727	5
Financial assets at amortized cost (Notes 4, 9, 10 and 28)	134,483	2	50,565	1
Investments accounted for using equity method (Notes 4 and 14)	27,628	-	11,541	-
Property, plant and equipment (Notes 4, 15 and 28)	312,295	4	317,114	4
Right-of-use assets (Notes 4 and 16)	24,866	-	15,146	-
Intangible assets	4,357	-	2,008	-
Deferred tax assets (Notes 4 and 22)	49,065	1	44,484	1
Refundable deposits	8,130	-	10,418	-
Total non-current assets	<u>914,191</u>	<u>11</u>	<u>853,849</u>	<u>11</u>
TOTAL	\$ 8,015,013	100	\$ 7,676,312	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Trade payables (Note 27)	\$ 3,334,007	42	\$ 3,008,135	39
Other payables (Note 17)	256,928	3	270,077	4
Current tax liabilities (Note 4)	98,157	1	98,067	1
Lease liabilities (Notes 4 and 16)	14,129	-	7,486	-
Other current liabilities (Note 20)	299,119	4	320,003	4
Total current liabilities	<u>4,002,340</u>	<u>50</u>	<u>3,703,768</u>	<u>48</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 22)	4,241	-	488	-
Lease liabilities (Notes 4 and 16)	10,966	-	8,046	-
Net defined benefits liabilities - non-current (Notes 4 and 18)	13,288	-	19,224	1
Guarantee deposits received	800	-	800	-
Total non-current liabilities	<u>29,295</u>	<u>-</u>	<u>28,558</u>	<u>1</u>
Total liabilities	<u>4,031,635</u>	<u>50</u>	<u>3,732,326</u>	<u>49</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 19)				
Ordinary shares	1,530,317	19	1,519,707	20
Capital surplus	1,240,628	16	1,234,325	16
Retained earnings				
Legal reserve	322,518	4	263,963	3
Unappropriated earnings	828,494	10	831,516	11
Total retained earnings	<u>1,151,012</u>	<u>14</u>	<u>1,095,479</u>	<u>14</u>
Other equity	26,338	-	58,682	1
Total equity attributable to owners of the Company	<u>3,948,295</u>	<u>49</u>	<u>3,908,193</u>	<u>51</u>
NON-CONTROLLING INTERESTS	<u>35,083</u>	<u>1</u>	<u>35,793</u>	<u>-</u>
Total equity	<u>3,983,378</u>	<u>50</u>	<u>3,943,986</u>	<u>51</u>
TOTAL	\$ 8,015,013	100	\$ 7,676,312	100

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, 2022 AND 2021

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 20 and 27)	\$ 12,734,383	100	\$ 12,878,177	100
OPERATING COSTS (Notes 12, 21 and 27)	<u>11,246,322</u>	<u>88</u>	<u>11,582,666</u>	<u>90</u>
GROSS PROFIT	<u>1,488,061</u>	<u>12</u>	<u>1,295,511</u>	<u>10</u>
OPERATING EXPENSES (Notes 18 and 21)				
Selling and marketing expenses	605,477	5	511,997	4
General and administrative expenses	146,371	1	153,995	1
Research and development expenses	13,756	-	10,029	-
Expected credit impairment loss (gain) (Note 11)	<u>12,543</u>	<u>-</u>	<u>(6,681)</u>	<u>-</u>
Total operating expenses	<u>778,147</u>	<u>6</u>	<u>669,340</u>	<u>5</u>
PROFIT FROM OPERATIONS	<u>709,914</u>	<u>6</u>	<u>626,171</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	23,014	-	4,763	-
Other income	16,054	-	16,385	-
Other gains and losses (Note 21)	26,772	-	29,505	-
Net gain on derecognition of financial assets at amortized cost (Note 9)	-	-	2,692	-
Finance costs	(1,241)	-	(2,360)	-
Share of loss of associates accounted for using equity method	<u>(11,605)</u>	<u>-</u>	<u>(3,959)</u>	<u>-</u>
Total non-operating income and expenses	<u>52,994</u>	<u>-</u>	<u>47,026</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	762,908	6	673,197	5
INCOME TAX EXPENSE (Notes 4 and 22)	<u>150,506</u>	<u>1</u>	<u>137,075</u>	<u>1</u>
NET PROFIT	<u>612,402</u>	<u>5</u>	<u>536,122</u>	<u>4</u>

(Continued)

	2022		2021	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ 4,151	-	\$ 224	-
Unrealized gain (loss) on investments in equity instruments designated as at fair value through other comprehensive income	(47,090)	(1)	69,170	1
Income tax relating to remeasurement of defined benefit plans	(830)	-	(45)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	<u>230</u>	<u>-</u>	(<u>96</u>)	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	(<u>43,539</u>)	(<u>1</u>)	<u>69,253</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 568,863</u>	<u>4</u>	<u>\$ 605,375</u>	<u>5</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 613,580	5	\$ 537,359	4
Non-controlling interests	(<u>1,178</u>)	<u>-</u>	(<u>1,237</u>)	<u>-</u>
	<u>\$ 612,402</u>	<u>5</u>	<u>\$ 536,122</u>	<u>4</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 570,013	4	\$ 606,656	5
Non-controlling interests	(<u>1,150</u>)	<u>-</u>	(<u>1,281</u>)	<u>-</u>
	<u>\$ 568,863</u>	<u>4</u>	<u>\$ 605,375</u>	<u>5</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 4.03</u>		<u>\$ 4.24</u>	
Diluted	<u>\$ 3.96</u>		<u>\$ 4.13</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, 2022 AND 2021
(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	Unappropriated Earnings	Total							
BALANCE, JANUARY 1, 2021	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 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
Appropriation of the 2021 earnings													
Legal reserve	-	-	-	58,555	(58,555)	-	-	-	-	-	-	-	-
Cash dividends – NT \$3.6 per share	-	-	-	-	(547,962)	(547,962)	-	-	-	-	(547,962)	-	(547,962)
Net profit for the year ended December 31, 2022	-	-	-	-	613,580	613,580	-	-	-	-	613,580	(1,178)	612,402
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	3,321	3,321	161	(47,049)	-	(46,888)	(43,567)	28	(43,539)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	616,901	616,901	161	(47,049)	-	(46,888)	570,013	(1,150)	568,863
Changes in equity of associates accounted for using equity method	-	-	1,027	-	-	-	-	-	-	-	1,027	-	1,027
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	(439)	(439)	-	-	-	-	(439)	439	-
Share based payment transaction – employee restricted shares	-	-	-	-	-	-	-	-	1,577	1,577	1,577	-	1,577
Share based payment transaction – employee stock options	-	-	823	-	-	-	-	-	-	-	823	-	823
Issuance of ordinary shares under employee stock options	1,061	10,610	4,453	-	-	-	-	-	-	-	15,063	-	15,063
Disposals of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	(12,967)	(12,967)	-	12,967	-	12,967	-	-	-
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	1	1
BALANCE, DECEMBER 31, 2022	153,032	\$ 1,530,317	\$ 1,240,628	\$ 322,518	\$ 828,494	\$ 1,151,012	\$ 167	\$ 26,665	(\$ 494)	\$ 26,338	\$ 3,948,295	\$ 35,083	\$ 3,983,378

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, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 762,908	\$ 673,197
Adjustments for:		
Depreciation expenses	32,318	25,028
Amortization expenses	1,335	1,224
Expected credit impairment loss (gain)	12,543	(6,681)
Net loss (gain) on fair value change of financial assets at fair value through profit or loss	243	(10,079)
Finance costs	1,241	2,360
Net gain on derecognition of financial assets at amortized cost	-	(2,692)
Interest income	(23,014)	(4,763)
Dividend income	(12,459)	(11,784)
Compensation costs of employee stock options	2,400	4,748
Share of loss of associates accounted for using equity method	11,605	3,959
Write-down of inventories	36,123	33,480
Net (gain) loss on foreign currency exchange	(52,412)	989
Gain on lease modification	(90)	-
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(656,658)	22,105
Notes receivable	(40,028)	(58,220)
Trade receivables	16,565	(681,031)
Inventories	(358,465)	(454,675)
Other current assets	(1,565)	19,098
Trade payables	339,768	766,624
Other payables	(15,660)	25,616
Other current liabilities	(20,884)	104,139
Net defined benefit liabilities	(<u>1,785</u>)	(<u>1,534</u>)
Cash generated from operations	34,029	451,108
Income tax paid	(<u>151,250</u>)	(<u>105,136</u>)
Net cash (used in) generated from operating activities	(<u>117,221</u>)	(<u>345,972</u>)

(Continued)

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(\$ 47,243)	(\$ 55,570)
Proceeds from sale of financial assets at fair value through other comprehensive income	29,404	86,841
Purchase of financial assets at amortized cost	(1,267,916)	(957,088)
Disposal of financial assets at amortized cost	1,937,639	319,835
Acquisition of investments accounted for using equity method	(12,200)	(15,500)
Payments for property, plant and equipment	(5,553)	(8,894)
Decrease (increase) in refundable deposits	2,288	(2,478)
Payments for intangible assets	(2,150)	(980)
Interest received	21,711	5,863
Dividends received	<u>12,366</u>	<u>11,700</u>
Net cash generated from (used in) investing activities	<u>668,346</u>	(<u>616,271</u>)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of principal portion of lease liabilities	(14,347)	(9,565)
Dividends paid	(547,962)	(377,836)
Proceeds from issuance of shares	-	997,430
Exercise of employee stock options	15,063	19,857
Partial disposal of interests in subsidiaries	-	25,000
Interest paid	(1,241)	(2,360)
Increase in non-controlling interests	<u>1</u>	<u>-</u>
Net cash (used in) generated from financing activities	(<u>548,486</u>)	<u>652,526</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>35,450</u>	(<u>4,047</u>)
NET INCREASE IN CASH AND CASH EQUIVALENTS	38,089	378,180
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,016,070</u>	<u>637,890</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,054,159</u>	<u>\$ 1,016,070</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, 2022 and 2021
(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 (ROC) 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 21, 2023.

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 2023

<u>New / Revised / Amended Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

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

Note 2: The amendments will be 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 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group had assessed that the application of above standards and interpretations would not have a material impact on the Group’s financial position and financial performance.

(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
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
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, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

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: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

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 5 and Table 6 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.

The amount of acquisition cost in excess of the net fair value share of the net identifiable assets and liabilities of the associated company at the date of acquisition of the consolidated company is classified as goodwill, which is the carrying amount of the investment and is not amortized; The share of net fair value of the net fair value of the assets and liabilities of the associates enjoyed by the consolidated company at the acquisition date in excess of the acquisition cost is recognized in profit or loss for the period.

When associates issue new shares, if the consolidated company does not subscribe according to the shareholding ratio, thus resulting in a change in the shareholding ratio, and consequently the net equity value of the investment increases or decreases, the increase or decrease is adjusted to the capital reserve - the equity method shall be used to recognize the change in the net equity value of the associates and the investment using the equity method. However, if the ownership interest in the associates is reduced due to the failure to subscribe for or acquire the shares in accordance with the shareholding ratio, the amount recognized in other comprehensive profits and losses related to the associates shall be reclassified according to the reduction ratio, and the accounting treatment shall be based on the same basis that the associates must follow if it directly disposes of the relevant assets or liabilities; If the adjustment in the preceding paragraph is to debited to the capital reserve, but the balance of the capital reserve generated by the investment using the equity method is insufficient, the difference shall be debited to retained earnings.

When the share of the losses of the consolidated company to the associates equals or exceeds its equity in the associates (including the carrying amount of the investment in the associates under the equity method and other long-term interests that are substantially part of the consolidated company's net investment in the associates), it will cease to recognize further losses. The consolidated company recognizes additional losses and liabilities only to the extent that it has incurred statutory obligations, presumptive obligations or has made payments on behalf of associates.

In assessing impairments, the consolidated company treats the overall carrying amount (including goodwill) of the investment as a single asset and compare with the recoverable amount and carrying amount and then conducts impairment tests. The recognized impairment loss is not apportioned to any assets, including goodwill, that forms part of the carrying amount of the investment. Any reversal of the impairment loss shall be recognized to the extent that the recoverable amount of the investment is subsequently increased.

(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.

(16) 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 in the ROC, 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 the Income Tax Act in the ROC.

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 estimates and underlying assumptions are reviewed on an ongoing basis by the management. 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, 2022	December 31, 2021
Cash on hand and revolving funds	\$ 144	\$ 164
Checking accounts and demand deposits	418,049	877,506
Cash equivalents		
Time deposits	214,830	-
Repurchase agreements collateralized by bonds	421,136	138,400
	<u>\$ 1,054,159</u>	<u>\$ 1,016,070</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, 2022	December 31, 2021
Demand deposits	0.05%~0.70%	0.005%~0.25%
Time deposits	4.39%~4.45%	-
Repurchase agreements collateralized by bonds	4.10%~4.30%	0.30%~0.39%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2022	December 31, 2021
<u>Financial assets – current</u>		
Mandatorily measured at FVTPL		
Domestic convertible bonds	\$ 39,885	\$ 30,045
Domestic listed ordinary shares	5,587	1,163
Fund beneficiary certificates	960,035	315,184
	<u>\$ 1,005,507</u>	<u>\$ 346,392</u>
<u>Financial assets – non-current</u>		
Mandatorily measured at FVTPL		
Domestic listed preference shares	\$ 13,532	\$ 14,681
Fund beneficiary certificates	21,614	23,165
	<u>\$ 35,146</u>	<u>\$ 37,846</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

<u>Investments in equity instruments</u>		
	December 31, 2022	December 31, 2021
<u>Current</u>		
Domestic		
Listed ordinary shares	<u>\$ 2,790</u>	<u>\$ -</u>
<u>Non-current</u>		
Domestic		
Listed ordinary shares	\$ 116,290	\$ 141,197
Listed preferred shares	162,981	154,877
Unlisted shares	38,950	68,653
	<u>\$ 318,221</u>	<u>\$ 364,727</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, 2022	December 31, 2021
<u>Current</u>		
Domestic investment		
Time deposits with original maturities of more than three months (1)	\$ 148,570	\$ 148,570
Repurchase agreements collateralized by bonds (2)	<u>-</u>	<u>747,360</u>
	<u>\$ 148,570</u>	<u>\$ 895,930</u>
<u>Non-current</u>		
Domestic investment		
Pledged time deposit (3)	\$ 39,491	\$ 35,124
Foreign investment		
Perusahaan Listrik Negara corporate bond (USD) (4)	32,584	15,441
Southern California Edison corporate bond (USD) (5)	16,664	-
British Telecommunications plc corporate bond (USD) (6)	15,580	-
TSMC Arizona corporate bond (USD) (7)	<u>30,164</u>	<u>-</u>
	<u>\$ 134,483</u>	<u>\$ 50,565</u>

- (1) As of December 31, 2022 and 2021 the market interest rate intervals of time deposit over 3 months portion were 0.76%~1.44% and 0.76%~0.815%, 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 Perusahaan Listrik Negara corporate bond (USD) by USD 505 thousand with a coupon rate of 4.875% and USD 559 thousand with a coupon rate of 5.25%, in January 2022 and May 2021, respectively.
- (5) The Group purchased Southern California Edison corporate bond (USD) by USD 544 thousand with a coupon rate of 4% in January 2022.
- (6) The Group purchased British Telecommunications plc corporate bond (USD) by USD 508 thousand with a coupon rate of 4.25% in February 2022.
- (7) The Group purchased TSMC Arizona corporate bond (USD) by USD 982 thousand with a coupon rate of 3.875% in December 2022.
- (8) 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.
- (9) 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.
- (10) The Group purchased AT&T corporate bond (USD) by USD 460 thousand with a coupon rate of 3.65% in March 2021. 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.
- (11) 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, 2022 and 2021.

11. NOTES, TRADE AND OVERDUE RECEIVABLE

	December 31, 2022	December 31, 2021
Measured at amortized cost		
Notes receivable	\$ 328,738	\$ 288,710
Trade receivable	2,582,290	2,600,741
Overdue receivable	1,309	-
Less: Allowances for impairment loss - trade receivable	(15,985)	(4,751)
Less: Allowances for impairment loss - overdue receivable	(1,309)	-
	<u>\$ 2,895,043</u>	<u>\$ 2,884,700</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 receivables. 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, 2022

	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	\$ 2,863,953	\$ 11,597	\$ 27,523	\$ 7,493	\$ 1,771	\$ 2,912,337
Loss allowance (Lifetime ECLs)	(5,109)	(2,332)	(5,594)	(2,488)	(1,771)	(17,294)
Amortized cost	<u>\$ 2,858,844</u>	<u>\$ 9,265</u>	<u>\$ 21,929</u>	<u>\$ 5,005</u>	<u>\$ -</u>	<u>\$ 2,895,043</u>

December 31, 2021

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

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

	2022	2021
Balance at January 1	\$ 4,751	\$ 12,906
Add: Net remeasurement of loss allowance	12,543	-
Less: Amounts written off	-	(1,474)
Less: Reversal of loss allowance	-	(6,681)
Balance at December 31	\$ 17,294	\$ 4,751

12. INVENTORIES

	December 31, 2022	December 31, 2021
Raw materials	\$ 2,022	\$ 2,914
Work in process	2,103	2,777
Finished goods	1,021	513
Commodities	1,955,459	1,641,118
	\$ 1,960,605	\$ 1,647,322

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

	2022	2021
Cost of inventories sold	\$ 11,201,611	\$ 11,549,186
Write-down of inventories	36,123	33,480
	\$ 11,237,734	\$ 11,582,666

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, 2022	December 31, 2021	
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.	Wing Will International Co., Ltd.	Services of cloud information software	99.99%	87.93%	B
	Petacom Technology Co., Ltd.	Services of information product agent	100.00%	100.00%	-
	DigiCosmos Tech. Co., Ltd.	Consulting service for information security	50.00%	50.00%	C

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Re-mark
			December 31, 2022	December 31, 2021	
Asiaone Holdings Ltd.	Techone (Shanghai) Co., Ltd.	Technical service of network technology	70.00%	70.00%	-

(Concluded)

- A. These are not significant subsidiaries.
- B. In July 2022, the capital reduction was carried out to cover the loss and cash capital increase, resulting in the shareholding ratio of the consolidated company increasing from 87.93% to 99.99%, and the difference (\$439 thousand) caused by the adjustment of the shareholding ratio was recognized in the retained earnings.
- C. 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, 2022	December 31, 2021
Individual Insignificant Associate		
TrustONE Security Inc.	\$ 1,430	\$ 1,397
Leukocyte-Lab Co. Ltd.	6,327	10,144
InfinitesSoft Solutions Inc.	19,871	-
	<u>\$ 27,628</u>	<u>\$ 11,541</u>
	<u>Percentage of Equity Holding and Voting Rights</u>	
Name of Associates	December 31, 2022	December 31, 2021
TrustONE Security Inc.	32%	32%
Leukocyte-Lab Co. Ltd.	34.78%	37.5%
InfinitesSoft Solutions Inc.	24.33%	-

The Group invested in TrustONE Security Inc. in February 2021 with the investment amount of \$4,000 thousand, and share-holding ratio of 32%. The Group subscribed for additional new shares of \$3,200 pro rata in January 2022. TrustONE Security Inc. 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%. The Group did not participate in cash capital increase of this company in November 2022, resulting in the share-holding ratio reduced to 34.78%. This company engages mainly in IT security management, sale and consulting service.

The Group acquire the shares of InfinitesSoft Solutions Inc. for \$9,000 thousand in June, 2022, and the share-holding ratio increased from 15% to 24.33%. Since the Group has significant influence over InfinitesSoft Solutions Inc., it has been transferred from financial assets at fair value through other comprehensive profit or loss to investments using the equity method. InfinitesSoft Solutions Inc. engages mainly in software development, and services of information and computer software.

15. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and equipment	Office equipment	Delivery equipment	Other equipment	Total
<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>
<u>Cost</u>							
Balance at January 1, 2022	\$ 234,892	\$ 128,185	\$ 9,768	\$ 48,036	\$ 2,458	\$ 41,090	\$ 464,429
Additions	-	-	-	4,549	-	1,004	5,553
Disposals	-	-	(461)	(763)	-	(10)	(1,234)
Reclassification	-	-	-	(42)	-	7,567	7,525
Net Exchange Difference	-	-	-	17	-	(2)	15
Balance at December 31, 2022	<u>\$ 234,892</u>	<u>\$ 128,185</u>	<u>\$ 9,307</u>	<u>\$ 51,797</u>	<u>\$ 2,458</u>	<u>\$ 49,649</u>	<u>\$ 476,288</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2022	\$ -	\$ 75,298	\$ 9,625	\$ 37,901	\$ 1,968	\$ 22,523	\$ 147,315
Disposals	-	-	(461)	(763)	-	(10)	(1,234)
Depreciation	-	1,817	69	6,021	490	9,509	17,906
Reclassification	-	-	-	(398)	-	398	-
Net Exchange Difference	-	-	-	7	-	(1)	6
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 77,115</u>	<u>\$ 9,233</u>	<u>\$ 42,768</u>	<u>\$ 2,458</u>	<u>\$ 32,419</u>	<u>\$ 163,993</u>
Carrying amounts at December 31, 2022	<u>\$ 234,892</u>	<u>\$ 51,070</u>	<u>\$ 74</u>	<u>\$ 9,029</u>	<u>\$ -</u>	<u>\$ 17,230</u>	<u>\$ 312,295</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

	December 31, 2022	December 31, 2021
Carrying amounts of right-of-use assets		
Buildings	\$ 24,866	\$ 15,003
Office equipment	<u>-</u>	<u>143</u>
	<u>\$ 24,866</u>	<u>\$ 15,146</u>
	<u>2022</u>	<u>2021</u>
Additions to right-of-use assets	<u>\$ 25,396</u>	<u>\$ 12,020</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 14,339	\$ 9,686
Office equipment	<u>73</u>	<u>201</u>
	<u>\$ 14,412</u>	<u>\$ 9,887</u>

(2) Lease liabilities

	December 31, 2022	December 31, 2021
Carrying amounts of lease liabilities		
Current	\$ 14,129	\$ 7,486
Non-current	<u>\$ 10,966</u>	<u>\$ 8,046</u>

Ranges of discount rate for lease liabilities was as follows:

	December 31, 2022	December 31, 2021
Buildings	0.75%~4.75%	0.75%~4.75%
Office equipment	-	1.20%

(3) Other lease information

	2022	2021
Expenses relating to short-term leases	\$ 660	\$ 1,095
Expenses relating to low-value asset leases	\$ 168	\$ 50
Total cash (outflow) for leases	<u>(\$ 15,531)</u>	<u>(\$ 10,921)</u>

17. OTHER PAYABLE

	December 31, 2022	December 31, 2021
Salaries and bonuses payable	\$ 129,450	\$ 135,443
Compensation of employees and directors payable	36,881	43,071
Sales tax payable	17,299	32,224
Others	<u>73,298</u>	<u>59,339</u>
	<u>\$ 256,928</u>	<u>\$ 270,077</u>

18. RETIREMENT BENEFIT PLANS

(1) Defined contribution plans

The plan under the ROC 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 ROC 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, 2022	December 31, 2021
Present value of defined benefit obligation	\$ 60,586	\$ 61,127
Fair value of plan assets	(47,298)	(41,903)
Net defined benefit liability	<u>\$ 13,288</u>	<u>\$ 19,224</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, 2021	<u>\$ 60,393</u>	<u>(\$ 39,411)</u>	<u>\$ 20,982</u>
Service cost			
Current service cost	159	-	159
Interest expense (income)	<u>302</u>	<u>(201)</u>	<u>101</u>
Recognized in profits or losses	<u>461</u>	<u>(201)</u>	<u>260</u>
Remeasurements			
Return on plan assets (excluding amounts included in interest, net)	-	(497)	(497)
Actuarial loss arising from changes in demographic assumptions	1,269	-	1,269
Actuarial gain arising from changes in financial assumptions	(631)	-	(631)
Actuarial gain arising from experience adjustments	<u>(365)</u>	<u>-</u>	<u>(365)</u>
Recognized in other comprehensive income	<u>273</u>	<u>(497)</u>	<u>(224)</u>
Contribution from employer	<u>-</u>	<u>(1,794)</u>	<u>(1,794)</u>
Balance at December 31, 2021	<u>\$ 61,127</u>	<u>(\$ 41,903)</u>	<u>\$ 19,224</u>
Balance at January 1, 2022	<u>\$ 61,127</u>	<u>(\$ 41,903)</u>	<u>\$ 19,224</u>
Interest expense (income)	<u>382</u>	<u>(268)</u>	<u>114</u>
Recognized in profits or losses	<u>382</u>	<u>(268)</u>	<u>114</u>
Remeasurements			
Return on plan assets (excluding amounts included in interest, net)	-	(3,228)	(3,228)
Actuarial gain arising from changes in financial assumptions	(1,833)	-	(1,833)
Actuarial loss arising from experience adjustments	<u>910</u>	<u>-</u>	<u>910</u>
Recognized in other comprehensive income	<u>(923)</u>	<u>(3,228)</u>	<u>(4,151)</u>
Contribution from employer	<u>-</u>	<u>(1,899)</u>	<u>(1,899)</u>
Balance at December 31, 2022	<u>\$ 60,586</u>	<u>(\$ 47,298)</u>	<u>\$ 13,288</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	2022	2021
Selling and marketing expenses	\$ 58	\$ 146
General and administrative expenses	<u>56</u>	<u>114</u>
	<u>\$ 114</u>	<u>\$ 260</u>

Through the defined benefit plans under the ROC Labor Standards Act, the Company is exposed to the following risks:

- A. Investment risk: The pension funds are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the government's designated authorities or under the mandated management. However, under the ROC Labor Standards Act, 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, 2022	December 31, 2021
Discount rate	1.250%	0.625%
Future salary increase rate	3.000%	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:

	December 31, 2022	December 31, 2021
Discount rate		
increases by 0.25%	(\$ 1,151)	(\$ 1,252)
decreases by 0.25%	<u>\$ 1,186</u>	<u>\$ 1,294</u>
Future salary increase rate		
increases by 0.25%	<u>\$ 1,148</u>	<u>\$ 1,247</u>
decreases by 0.25%	(\$ 1,119)	(\$ 1,214)

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.

	December 31, 2022	December 31, 2021
Contribution amounts within 1 year	<u>\$ 1,956</u>	<u>\$ 1,843</u>
Average due period of the defined benefit obligation	7.7 Years	8.3 Years

19. EQUITY

(1) Ordinary Shares

	December 31, 2022	December 31, 2021
Authorized shares (in thousands)	<u>200,000</u>	<u>200,000</u>
Authorized capital	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Issued and paid shares (in thousands)	<u>153,032</u>	<u>151,971</u>
Issued capital	<u>\$ 1,530,317</u>	<u>\$ 1,519,707</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

	December 31, 2022	December 31, 2021
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u> (Note)		
Premium on shares issued above par value	\$ 1,164,288	\$ 1,159,835
Treasury stock transactions	25,343	25,343
From exercised and invalid employees stock options	28,456	21,459
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	68	68
Vested employees restricted shares	6,712	4,621
<u>May be used to offset a deficit only</u>		
Share of changes in equities of associates	1,027	-
<u>May not be used for any purpose</u>		
Employees restricted shares	1,714	3,805
Employees stock options	<u>13,020</u>	<u>19,194</u>
	<u>\$ 1,240,628</u>	<u>\$ 1,234,325</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 2021 and 2020 were as follows:

	For Fiscal Year 2021	For Fiscal Year 2020
Legal reserve	\$ 58,555	\$ 44,100
Cash dividends	\$ 547,962	\$ 377,836
Cash dividends per share (\$)	\$ 3.6	\$ 3

The above appropriations of earnings have been approved by ZOTC's board of directors on February 23, 2022 and February 24, 2021. The remaining appropriations of earnings were approved by shareholder's meeting held on May 26, 2022 and August 4, 2021, respectively,

The appropriations of earnings for 2022 had been proposed by ZOTC's board of directors on February 21, 2023. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (\$)
Legal reserve	\$ 60,350	
Cash dividends	551,080	\$ 3.6

The above appropriation for cash dividends was resolved by ZOTC's board of directors; the other proposed appropriations are subject to the resolution of the shareholders' meeting to be held on May 30, 2023.

20. REVENUE

(1) Income from contracts with clients

	2022	2021
Sales revenue	\$ 12,635,610	\$ 12,808,819
Service revenue	98,773	69,358
	<u>\$ 12,734,383</u>	<u>\$ 12,878,177</u>

(2) Remaining balance of the contracts

	December 31, 2022	December 31, 2021
Notes receivable (Note 11)	\$ 328,738	\$ 288,710
Trade receivable (Note 11)	\$ 2,566,305	\$ 2,595,990
Contract liability (Other current liabilities)	\$ 51,304	\$ 52,817

21. Net income

(1) Other gains and losses

	2022	2021
Net foreign exchange gain	\$ 27,038	\$ 19,426
Net (loss) gain arising on financial assets measured at FVTPL	(243)	10,079
Gain on lease modification	90	-
Miscellaneous disbursement	(113)	-
	<u>\$ 26,772</u>	<u>\$ 29,505</u>

(2) Depreciation & amortization

	<u>2022</u>	<u>2021</u>
Property, plant and equipment	\$ 17,906	\$ 15,141
Right-of-use assets	14,412	9,887
Intangible assets	<u>1,335</u>	<u>1,224</u>
	<u>\$ 33,653</u>	<u>\$ 26,252</u>
An analysis of depreciation by function		
Operating costs	\$ 32	\$ -
Operating expenses	<u>32,286</u>	<u>25,028</u>
	<u>\$ 32,318</u>	<u>\$ 25,028</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 1,335</u>	<u>\$ 1,224</u>

(3) Employee benefits expense

	<u>2022</u>	<u>2021</u>
Post-employment benefits		
Defined contribution plans	\$ 14,410	\$ 12,302
Defined benefit plans (Note 18)	<u>114</u>	<u>260</u>
	<u>14,524</u>	<u>12,562</u>
Share-based payment		
Equity-settled (Note 24)	<u>2,400</u>	<u>4,748</u>
Other employee benefits	<u>504,511</u>	<u>472,292</u>
Total employee benefits expense	<u>\$ 521,435</u>	<u>\$ 489,602</u>
Employee benefits expense summarized by function		
Operating cost	\$ 8,618	\$ 3,194
Operating expenses	<u>512,817</u>	<u>486,408</u>
	<u>\$ 521,435</u>	<u>\$ 489,602</u>

(4) Compensation for employees and directors

ZOTC shall allocate compensation to employees and Directors of ZOTC not less than 1%~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, 2022 and 2021, with resolution of the board of directors on February 21, 2023 and February 23, 2022, were as follows:

Estimate Rate

	<u>2022</u>	<u>2021</u>
Compensation of employee	3.0%	4%
Compensation of director	1.5%	2%

Amount

	<u>2022</u>	<u>2021</u>
	<u>Cash</u>	<u>Cash</u>
Compensation of employee	\$ 24,000	\$ 28,714
Compensation of director	12,000	14,357

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 2021, and 2020 has no difference compared to the recognized amount of the parent company only financial statements in 2021 and 2020.

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>2022</u>	<u>2021</u>
Current tax		
In respect of the current year	\$ 160,282	\$ 142,855
Surtax on undistributed retained earnings	24	972
Adjustments for previous years	(8,142)	(285)
	<u>152,164</u>	<u>143,542</u>
Deferred tax		
In respect of the current year	(1,658)	(6,467)
Income tax expense recognized in profit or loss	<u>\$ 150,506</u>	<u>\$ 137,075</u>

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

	<u>2022</u>	<u>2021</u>
Profit before income tax	\$ 762,908	\$ 673,197
Income tax expense calculated at the statutory rate	\$ 159,070	\$ 134,639
Tax-exempt income	(4,744)	(6,851)
Tax effect of expenses not deductible for tax	5,892	3,808
Surtax on undistributed retained earnings	24	972
Unrecognized deductible temporary difference	(4)	(602)
Unrecognized tax loss carryforward	3,585	5,394
Investment tax credits	(4,500)	-
The adjustment of current income tax expenses for previous years	(8,142)	(285)
Others	(675)	-
Total income tax expense recognized in profit or loss	<u>\$ 150,506</u>	<u>\$ 137,075</u>

(2) Deferred tax balances

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

2022

	<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>				
Temporary differences				
Allowance for inventory valuation losses	\$ 34,531	\$ 7,224	\$ -	\$ 41,755
Defined benefit plans	3,845	(357)	(830)	2,658
Loss carryforward	1,488	(1,488)	-	-
Others	4,620	32	-	4,652
	<u>\$ 44,484</u>	<u>\$ 5,411</u>	<u>(\$ 830)</u>	<u>\$ 49,065</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized foreign exchange gains	\$ 59	\$ 3,343	\$ -	\$ 3,402
Others	429	410	-	839
	<u>\$ 488</u>	<u>\$ 3,753</u>	<u>\$ -</u>	<u>\$ 4,241</u>

2021

	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	\$ 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>
<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>

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

	December 31, 2022	December 31, 2021
Loss carryforward	<u>\$ 60,751</u>	<u>\$ 46,247</u>

(4) Information about unused loss carry-forward

Loss carryforwards as of December 31, 2022 comprised of:

Unused Amount	Expiry Year
\$ 1,886	2027
5,853	2028
7,599	2029
6,858	2030
24,100	2031
<u>14,455</u>	2032
<u>\$ 60,751</u>	

(5) Income tax assessment

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

Name	Year of Assessment
The Company	2020
Zotech Co., Ltd.	2020
Zerone Win Investment Co., Ltd.	2020
Wing Will International Co., Ltd.	2020
Petacom Technology Co., Ltd.	2020
DigiCosmos Tech. Co., Ltd.	Note

Note: It was established in May 2021.

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>2022</u>	<u>2021</u>
Earnings used in the computation of basic/diluted earnings per share	<u>\$ 613,580</u>	<u>\$ 537,359</u>

Shares

Units: Thousand shares

	<u>2022</u>	<u>2021</u>
Weighted average number of ordinary shares used in the computation of basic earnings per share	152,325	126,765
Effect of potentially dilutive ordinary shares :		
Employees' compensation	693	739
Employee stock options	1,566	2,295
Employee restricted shares	<u>232</u>	<u>367</u>
Weighted average number of ordinary shares outstanding in computation of diluted earnings per share	<u>154,816</u>	<u>130,166</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, 2,000, 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>2022</u>		<u>2021</u>	
<u>Employee stock options</u>	<u>Number of Options (In Thousands)</u>	<u>Weighted Average Exercise Price (\$)</u>	<u>Number of Options (In Thousands)</u>	<u>Weighted Average Exercise Price (\$)</u>
Balance, begin of period	3,034	\$ 15.93	4,468	\$ 16.70
Options exercised	(1,061)	14.20	(1,346)	14.76
Invalid options	<u>-</u>	-	(<u>88</u>)	16.35
Balance, end of period	<u>1,973</u>	15.15	<u>3,034</u>	15.93
Options exercisable, end of the period	<u>1,973</u>		<u>1,595</u>	

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

December 31, 2022		December 31, 2021	
Range of Exercise Price (\$)	Weighted-Over-Age Remaining Contractual Life (Years)	Range of Exercise Price (\$)	Weighted-Over-Age Remaining Contractual Life (Years)
\$ -	-	\$ 12.50 (Note)	0.68
14.20 (Note)	1.01	15.40 (Note)	2.01
15.50 (Note)	1.67	16.90 (Note)	2.67

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, and September 2016 as follows:

	September, 2018	January, 2018	September, 2016
Securities price of the vested date	20.65 Dollars	19.85 Dollars	16.95 Dollars
Exercised price	20.65 Dollars	19.85 Dollars	16.95 Dollars
Foreseeable volatility rate	32.96%	33.81%	38.26%
Duration	6 Years	6 Years	6 Years
Foreseeable dividend rate	0%	0%	0%
Risk-free interest rate	0.72%	0.74%	0.56%

The compensation cost recognized were \$823 thousand and \$1,459 thousand for the years ended December 31, 2022 and 2021, 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 are allotted with new shares, the share restrictions before the vested conditions are met are as follows:

1. The new shares with employee restricted shares shall not be sold, transferred, donated, pledged, requested to be bought back by the Group, or otherwise disposed with other methods.
2. The right to attend, propose, speak, and vote at the shareholders' meeting shall be exercised in accordance with the trust custody contract.

3. Participation in allotment, dividend distribution and cash capital increase subscription is not allowed; In case of fifteen business days before the closing date of the Group's allotment, dividend and share subscription base date to the base date of rights distribution, employees who have fulfilled the vested conditions are not eligible for the rights of share allotment, dividends and subscriptions of their unrestricted shares during this period.

4. If the Group handles capital reduction such as cash capital reduction that is not due to statutory capital reduction, the new shares of the employee restrict shares shall be canceled in accordance with the capital reduction ratio. In the case of cash capital reduction, the returned cash must be delivered to the trust, and can only be delivered to employees after the vested conditions are met, but if the vested conditions are not met, the Group will take back the cash.

5. After the new shares with employee restricted shares are issued, they should be delivered to the trust immediately, and before the vested conditions are fulfilled, the trustee shall not be requested to return the new shares with restricted employee shares for any reason or method.

After employees have been allocated of new shares with employee restricted shares given by the Group, the Group has the right to take back their shares without giving any compensation and handle the new shares with employee restricted shares that have been allocated but have not yet met the vested conditions in the event where the employees violate the labor contract or work rules.

When the employee fails to meet the vested conditions, the Group will take back the new shares with restricted shares granted without giving any compensation according to law and cancel them.

Compensation costs by issuance of employee restricted shares recognized were \$1,577 thousand and \$3,230 thousand in 2022 and 2021 respectively. As of December 31, 2022 and 2021, unearned employee benefits totaled \$494 thousand and \$2,071 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 and hardware, 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 assets and liabilities not measured at fair value recognized in the consolidated financial statements approximate or cannot be measured their fair values:

	December 31, 2022		December 31, 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial Assets</u>				
Measured at amortized cost				
– Foreign corporate bonds	\$ 94,992	\$ 77,938	\$ 15,441	\$ 15,585

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

A. Fair value hierarchy

December 31, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Domestic convertible bonds	\$ 39,885	\$ -	\$ -	\$ 39,885
Domestic listed shares	19,119	-	-	19,119
Fund beneficiary certificates	972,458	-	9,191	981,649
Total	<u>\$ 1,031,462</u>	<u>\$ -</u>	<u>\$ 9,191</u>	<u>\$ 1,040,653</u>

Financial assets at FVTOCI

<u>Equity investments</u>				
– Domestic listed shares	\$ 282,061	\$ -	\$ -	\$ 282,061
– Domestic unlisted shares	-	-	38,950	38,950
Total	<u>\$ 282,061</u>	<u>\$ -</u>	<u>\$ 38,950</u>	<u>\$ 321,011</u>

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>

Financial assets at FVTOCI

<u>Equity investments</u>				
– Domestic listed 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>

There were no transfers between Level 1 and Level 2 in 2022 and 2021, respectively.

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

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

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

(3) Categories of financial instruments

	December 31, 2022	December 31, 2021
<u>Financial assets</u>		
Financial assets measured at FVTPL		
Mandatorily measured at FVTPL	\$ 1,040,653	\$ 384,238
Financial assets measured at amortized cost (Note 1)	4,240,385	4,882,817
Financial assets measured at FVTOCI		
– Investments in equity instruments	321,011	364,727
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	3,591,735	3,279,012

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, 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 5% against the relevant currency, the Group's net profit in 2022 and 2021 would increase by \$22,919 thousand and decrease \$533 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, 2022	December 31, 2021
Interest rate risks at fair value		
— Financial assets	\$ 774,604	\$ 944,802
— Financial liabilities	25,095	15,532
Interest rate risks at cash flows		
— Financial assets	562,464	1,017,599

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 and all other variables were held constant, the Group's pre-tax profit in 2022 and 2021 would increase by \$2,812 thousand and \$5,088 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, pre-tax profit in 2022 and 2021 would have increased by \$52,033 thousand and \$19,212 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 by \$16,051 thousand and \$18,236 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, 2022 and 2021, the Group's five largest customers accounted all for 34% and 33% of trade receivable, respectively.

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, 2022

	<u>Less than 1 Year</u>	<u>1-5 Years</u>
<u>Non-derivative financial liabilities</u>		
No interest-bearing liabilities	\$ 3,590,935	\$ -
Lease liabilities	<u>14,344</u>	<u>11,044</u>
	<u>\$ 3,605,279</u>	<u>\$ 11,044</u>

December 31, 2021

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

As of December 31, 2022 and 2021, the Group's unused short-term credit of limit of the bank were \$1,600,000 thousand.

27. RELATED PARTIES TRANSACTIONS

Transactions and balances between the Company and its subsidiaries, which were related parties of the Company, 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.

(1) The names and relationship of related party

<u>Name of the related party</u>	<u>Relationship with the Group</u>
TrustONE Security Inc.	Associate
Leukocyte-Lab Co. Ltd.	Associate
Infinitesoft Solutions Inc.	Associate (since June 29, 2022)
K Way Information Corp.	Other related party

(2) Operating revenue

<u>Line Items</u>	<u>Types of related parties</u>	<u>2022</u>	<u>2021</u>
Sales revenue	Associates	\$ 250	\$ 147
	Other related parties	<u>844</u>	<u>327</u>
		<u>\$ 1,094</u>	<u>\$ 474</u>

Prices and payment terms for transactions with related parties and non-related parties were similar.

(3) Purchases

<u>Types of related parties</u>	<u>2022</u>	<u>2021</u>
Associates	<u>\$ 11,283</u>	<u>\$ 1,194</u>

(4) Receivables from related parties (excluding loans and contract assets to related parties)

Line Items	Types of related parties	December 31, 2022	December 31, 2021
Trade receivable	Associates	\$ 5	\$ -
	Other related parties	590	343
		<u>\$ 595</u>	<u>\$ 343</u>

For the year ended December 31, 2022 and 2021 no impairment loss was recognized for trade receivables from related parties.

(5) Payables to related parties

Line Items	Types of related parties	December 31, 2022	December 31, 2021
Trade payable	Associates	<u>\$ 1,506</u>	<u>\$ 582</u>

(6) Compensation of key management personnel

	2022	2021
Short-term employee benefits	<u>\$ 49,261</u>	<u>\$ 47,431</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:

	December 31, 2022	December 31, 2021
Property, plant and equipment, Net	\$ 204,843	\$ 206,231
Pledged time deposits (Financial assets at amortized cost – non-current)	39,491	35,124
	<u>\$ 244,334</u>	<u>\$ 241,355</u>

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- (1) As of December 31, 2022, the Group issued \$87,000 thousand of cashier order for payment guaranteed for Microsoft Taiwan Corporation.
- (2) As of December 31, 2022, 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, 2022

Financial assets	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Monetary items</u>			
USD	\$ 25,590	30.71 (USD:NTD)	<u>\$ 785,869</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	40,516	30.71 (USD:NTD)	<u>\$ 1,244,246</u>

December 31, 2021

	Foreign Currencies	Exchange Rate	Carrying Amount
<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>

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

	2022		2021	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	29.805 (USD:NTD)	\$ <u>27,038</u>	28.009 (USD:NTD)	\$ <u>19,426</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: Table 3.
- 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 4.

(2) Information on investees: Table 5.

(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 6.
- 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: None.

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>2022</u>				
Revenues from external customers	\$12,358,692	\$ 375,691	\$ -	\$12,734,383
Inter-segment revenues	-	138,442	(138,442)	-
Segment revenues	<u>\$12,358,692</u>	<u>\$ 514,133</u>	<u>(\$ 138,442)</u>	<u>\$12,734,383</u>
Segment profit (loss)	<u>\$ 790,035</u>	<u>\$ 66,250</u>	<u>\$ -</u>	<u>\$ 856,285</u>
General administration division costs and directors' compensation				(146,371)
Non-operating income and expenses				<u>52,994</u>
Profit before income tax				<u>\$ 762,908</u>
<u>2021</u>				
Revenues from external customers	\$12,625,630	\$ 252,547	\$ -	\$12,878,177
Inter-segment revenues	-	52,306	(52,306)	-
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>	<u>\$ 773,485</u>
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>

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>2022</u>	<u>2021</u>
IT Infrastructure	\$ 3,837,346	\$ 5,063,096
Network & Information Security	5,577,966	5,057,799
Cloud Platform & Application	2,636,355	2,239,608
Big Data & Application	674,940	513,511
Other	7,776	4,163
	<u>\$ 12,734,383</u>	<u>\$ 12,878,177</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>2022</u>	<u>2021</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Taiwan	\$ 12,598,512	\$ 12,707,655	\$ 339,177	\$ 332,400
Others	<u>135,871</u>	<u>170,522</u>	<u>2,341</u>	<u>1,868</u>
	<u>\$ 12,734,383</u>	<u>\$ 12,878,177</u>	<u>\$ 341,518</u>	<u>\$ 334,268</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>2022</u>	<u>2021</u>
HwaCom Systems Inc.	N.A. (Note)	<u>\$2,254,113</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, 2022

Table 1

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 2)	Ending Balance	Amount Actually Drawn	Interest Rate (%)	Nature for Financing (Note 3)	Transaction Amount	Reasons for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrower (Note 4)	Aggregate Financing Limit (Note 5)	Note
													Item	Value			
0	ZOTC	Zerone Win Investment Co., Ltd.	Other receivables from related parties	Yes	\$ 50,000	\$ -	\$ -	3%	2	\$ -	Operating Capital	\$ -	—	\$ -	\$ 394,830	\$ 789,659	
0	ZOTC	Wing Will International Co., Ltd.	Other receivables from related parties	Yes	20,000	20,000	-	3%	2	-	Operating Capital	-	—	\$ -	394,830	789,659	

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
DECEMBER 31, 2022

Table 2

(In Thousands of New Taiwan Dollars)

Holding Company	Marketable Securities Type and Issuer's Name (Note 1)	Security Issuer's Relationship with the Holding Company	Financial Statement Account	December 31, 2022				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	47,267,987	\$ 650,654	-	\$ 650,654	
	Taishin Ta-Chong Money Market Fund	—	Financial assets at FVTPL — current	20,808,963	300,296	-	300,296	
	KGI Kaefer Fund	—	Financial assets at FVTPL — non-current	170,199	3,689	-	3,689	
	KGI Taiwan Multi-Asset Income Fund	—	Financial assets at FVTPL — non-current	1,198,020	12,423	-	12,423	
	KGI Taiwan Select-Asset Income Fund	—	Financial assets at FVTPL — non-current	500,325	5,502	-	5,502	
	Corporate bond							
	M.J. International Co. Ltd. — 1st convertible bonds	—	Financial assets at FVTPL — current	20 (Units)	1,950	-	1,950	
	Chailease Holding Company Limited — 1st convertible bonds	—	Financial assets at FVTPL — current	180 (Units)	17,658	-	17,658	
	Taishin Financial Holding Co., Ltd. — 1st exchangeable bonds	—	Financial assets at FVTPL — current	60 (Units)	6,012	-	6,012	
	Giant Manufacturing Co., Ltd. — 1st convertible bonds	—	Financial assets at FVTPL — current	100 (Units)	9,630	-	9,630	
	Topco Technologies Corp. — 1st convertible corporate bonds	—	Financial assets at FVTPL — current	45 (Units)	4,635	-	4,635	
	Perusahaan Listrik Negara corporate bond (USD)	—	Financial assets at amortized cost — non-current	10 (Units)	32,584	-	25,240	
	Southern California Edison corporate bond (USD)	—	Financial assets at amortized cost — non-current	5 (Units)	16,664	-	12,016	
	British Telecommunications plc corporate bond (USD)	—	Financial assets at amortized cost — non-current	5 (Units)	15,580	-	11,196	
	TSMC Arizona corporate bond (USD)	—	Financial assets at amortized cost — non-current	5 (Units)	30,164	-	29,486	

(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, 2022				Note
				Shares/Units	Carrying Values	Percentage of Ownership (%)	Market Prices/ Net value of equities	
ZOTC	Stock							
	Fubon Financial Holding Co., Ltd.	—	Financial assets at FVTPL — current	68,510	\$ 3,857	-	\$ 3,857	
	Cathay Financial Holding Co., Ltd.	—	Financial assets at FVTPL — current	43,257	1,730	-	1,730	
	Cathay Financial Holding Co., Ltd. Preferred Shares A	—	Financial assets at FVTPL — non- current	166,000	9,396	-	9,396	
	Union Bank of Taiwan Preferred Shares A	—	Financial assets at FVTPL — non- current	80,000	4,136	-	4,136	
	Sino-American Silicon Products Inc.	—	Financial assets at FVTOCI— current	20,000	2,790	-	2,790	
	K Way Information Corp.	Director of ZOTC	Financial assets at FVTOCI— non- current	655,000	18,176	2.14	18,176	
	China Electric Mfg. Corp.	—	Financial assets at FVTOCI— non- current	2,689,200	35,497	0.83	35,497	
	Unex Technology Corp.	—	Financial assets at FVTOCI— non- current	175,000	1,412	1.68	1,412	
	Da-Chang Start-Up Investment Co. Ltd	—	Financial assets at FVTOCI— non- current	3,000,000	29,980	2.73	29,980	
	Cathay Financial Holding Co., Ltd. Preferred Shares A	—	Financial assets at FVTOCI— non- current	134,000	7,584	-	7,584	
	Union Bank of Taiwan Preferred Shares A	—	Financial assets at FVTOCI— non- current	70,000	3,619	-	3,619	
	Fubon Financial Holding Co., Ltd. Preferred Shares B	—	Financial assets at FVTOCI— non- current	400,000	23,000	-	23,000	
	Taishin Financial Holding Co., Ltd. Preferred Shares E	—	Financial assets at FVTOCI— non- current	240,000	12,384	-	12,384	
	Taishin Financial Holding Co., Ltd. Exchangeable Preferred Shares F	—	Financial assets at FVTOCI— non- current	1,350,000	23,153	-	23,153	
	CTBC Financial Holding Co., Ltd. Preferred Shares B	—	Financial assets at FVTOCI— non- current	90,000	5,337	-	5,337	
	Cathay Financial Holding Co., Ltd. Preferred Shares B	—	Financial assets at FVTOCI— non- current	230,000	12,558	-	12,558	
	WPG Holdings Limited Preferred Shares A	—	Financial assets at FVTOCI— non- current	700,000	34,300	-	34,300	
	United Orthopedic Corporation Preferred Shares A	—	Financial assets at FVTOCI— non- current	200,000	9,840	-	9,840	
	QST International Corporation Preferred Shares A	—	Financial assets at FVTOCI— non- current	45,000	2,021	-	2,021	
	Miiicasa Holdings (Cayman) Inc.	—	Financial assets at FVTOCI— non- current	2,500,000	-	3.45	-	

(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, 2022				Note
				Shares/Units	Carrying Values	Percentage of Ownership (%)	Market Prices/ Net value of equities	
ZOTC	Duofu Co., Ltd.	—	Financial assets at FVTOCI – non-current	10,000	\$ -	0.22	\$ -	
	Jotangi Technology Co., Ltd.		Financial assets at FVTOCI – non-current	796,250	-	9.32	-	
Zerone Win Investment Co.	Stock WPG Holdings Limited Preferred Stock A	—	Financial assets at FVTOCI – non-current	240,000	11,759	-	11,759	
	Shin Kong Financial Holding Co., Ltd. Preferred Stock A	—	Financial assets at FVTOCI – non-current	50,000	1,795	-	1,795	
	Tatung System Technologies Inc.	—	Financial assets at FVTOCI – non-current	1,500,000	58,650	1.69	58,650	
	GrandTech C.G. Systems Inc.	—	Financial assets at FVTOCI – non-current	74,000	3,967	0.12	3,967	
	FiduciaEdge Technologies Co., Ltd.	—	Financial assets at FVTOCI – non-current	500,000	7,500	4.09	7,500	
	GrandTech Cloud Services Inc.	—	Financial assets at FVTOCI – non-current	727	58	-	58	
Petacom Technology Co. Ltd.	Beneficiary certificates Taishin 1699 Money Market Fund	—	Financial assets at FVTPL – current	660,000	9,085	-	9,085	
Zotech Co. Ltd.	Stock WPG Holdings Limited Preferred Shares A	—	Financial assets at FVTOCI – non-current	200,000	9,800	-	9,800	
	Taishin Financial Holding Exchangeable Preferred Shares F	—	Financial assets at FVTOCI – non-current	340,000	5,831	-	5,831	

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 5 & Table 6.

(Concluded)

ZERO ONE TECHNOLOGY CO., LTD.AND SUBSIDIARIES
MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022

Table 3

(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount (Note)	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount (Note)
ZOTC	<u>Beneficiary certificates</u>													
	Taishin 1699 Money Market Fund	Financial assets at FVTPL—current	—	—	7,310,743	\$ 100,001	54,576,112	\$ 750,000	14,618,868	\$ 200,131	\$ 200,000	\$ 131	47,267,987	\$ 650,654
	Taishin Ta-Chong Money Market Fund	Financial assets at FVTPL—current	—	—	6,968,447	100,000	20,808,963	300,000	6,968,447	100,064	100,000	64	20,808,963	300,296
	FSITC Taiwan Money Market	Financial assets at FVTPL—current	—	—	6,463,581	100,000	25,835,709	400,000	32,299,290	500,323	500,000	323	-	-

Note: The beginning balance and ending balance included adjustments of unrealized gains or loss on financial assets.

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2022

Table 4

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Transactions Details			
				Financial Statement Account	Amount (Note 4)	Transaction Terms	Percentage of Consolidated Total Revenues or Total Assets (Note 3)
0	ZOTC	Wing Will International Co., Ltd.	1	Sales revenue	\$ 60,409	Note 5	-
				Trade receivable	21,982	Note 5	-
0	ZOTC	Petacom Technology Co., Ltd.	1	Sales revenue	28,641	Note 5	-
				Cost of goods sold	16,469	Note 5	-
				Trade payable	9,800		
0	ZOTC	Techone (Shanghai) Co., Ltd.	1	Sales revenue	16,522	Note 5	-
				Cost of goods sold	17,143	Note 5	-
1	Petacom Technology Co., Ltd.	Techone (Shanghai) Co., Ltd.	3	Sales revenue	8,663	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, 2022

Table 5

(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses	Investment Amount		As of December 31, 2022			Net Income (Loss) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2022	December 31, 2021	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	\$ 44,199	\$ 8,306	\$ 7,090	Subsidiary
	Zerone Win Investment Co., Ltd.	Taiwan	Investment	300,000	300,000	30,000,000	100.00	324,049	7,244	7,244	Subsidiary
	Asiaone Holdings Ltd.	Republic of Seychelles	Holding company	10,063	10,063	320,000	100.00	13,908	2,051	2,051	Subsidiary
Zerone Win Investment Co., Ltd.	Wing Will International Co., Ltd.	Taiwan	Services of cloud information software	54,499	25,500	28,999,000	99.99	24,464	(1,440)	(1,374)	Sub-subsubsidiary
	Petacom Technology Co., Ltd.	Taiwan	Services of information product agent	50,000	50,000	50,000,000	100.00	70,616	19,863	19,863	Sub-subsubsidiary
	DigiCosmos Tech. Co., Ltd.	Taiwan	Consulting service for information security	25,000	25,000	2,500,000	50.00	21,669	(6,426)	(3,213)	Sub-subsubsidiary
	TrustONE Security Inc.	Taiwan	R&D, sale and service of information software	7,200	4,000	7,200,000	32.00	1,430	(11,567)	(3,166)	Associate
	Leukocyte-Lab Co. Ltd.	Taiwan	IT Security Mgt& R&D, sales & consulting service etc.	11,500	11,500	240,000	34.78	6,327	(7,630)	(4,845)	Associate
	InfinitesSoft Solutions Inc.	Taiwan	Software development, and services of information and computer software	37,800	28,800	2,780,889	24.33	19,871	(4,894)	(3,594)	Associate

Note: Please refer to Table 6 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, 2022

Table 6

(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, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of 31 December, 2022	Accumulated Repatriation of Investment Income as of 31 December, 2022	Note
					Outward	Inward							
Techone (Shanghai) Co., Ltd.	Technical service of network technology	\$ 13,224 (RMB 3,000)	(Note 1)	\$ 9,118	\$ -	\$ -	\$ 9,118	\$ 2,950	70%	\$ 2,065	\$ 13,617	\$ -	—

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2022	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	\$ 2,390,027

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, 2022.

Note 3 : According to the "Principles for the Review of Investment or Technical Cooperation in the Mainland Area" stipulated by the Investment Commission, Ministry of Economic Affairs, the limit is 60% of net worth of the Company or the consolidated financial statements. (3,983,378×60%=2,390,027)

Note 4 : For foreign currency conversion, gain (loss) are converted by the average exchange rate in 2022. Other amounts are converted

ZERO ONE TECHNOLOGY CO., LTD.
PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE
YEARS ENDED DECEMBER 31, 2022 AND 2021 AND
INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying parent company only financial statements of Zero One Technology Co., Ltd. (the "Company"), which comprise the parent company only balance sheets as of December 31, 2022 and 2021, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2022 and 2021, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's parent company only financial statements for the year ended December 31, 2022 are stated as follows:

Authenticity of the Occurrence of Operating Income

The operating income of Zero One Technology Co., Ltd. mainly comes from the sales of enterprise computer software and hardware. Considering that there may be greater risks of fraud in income recognition and that the management could be under pressure to meet expected financial goals; therefore, we consider such revenue of significant growth rates and those from clients with substantial operating income a key audit matter.

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

1. Conduct tests of controls to understand the Group's revenue recognition process and the design and implementation of related controls.
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 an anomaly in the subjects of the payment reconciliation and the amounts of the receipts, so as to confirm the authenticity of these incomes.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business

activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2022 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 21, 2023

Notice to Readers

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

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

ZERO ONE TECHNOLOGY CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS

DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 801,767	10	\$ 783,779	10
Financial assets at fair value through profit or loss (Notes 4 and 7)	996,422	13	331,209	4
Financial assets at fair value through other comprehensive income (Note 4 and 8)	2,790	-	-	-
Financial assets at amortized cost (Notes 4 and 9)	146,570	2	893,930	12
Notes receivable (Notes 4 and 11)	319,273	4	288,710	4
Trade receivables (Notes 4, 11 and 26)	2,489,921	31	2,538,701	34
Inventories (Notes 4, 5 and 12)	1,945,996	25	1,620,945	21
Other current assets (Note 26)	29,818	-	35,077	1
Total current assets	<u>6,732,557</u>	<u>85</u>	<u>6,492,351</u>	<u>86</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss (Notes 4 and 7)	35,146	-	37,846	-
Financial assets at fair value through other comprehensive income (Notes 4 and 8)	218,861	3	240,575	3
Financial assets at amortized cost (Notes 4, 9, 10 and 27)	129,849	2	45,964	1
Investments accounted for using the equity method (Notes 4 and 13)	382,156	5	380,841	5
Property, plant and equipment (Notes 4, 14 and 27)	310,439	4	315,903	4
Right-of-use assets (Notes 4 and 15)	18,220	-	11,201	-
Intangible assets	4,198	-	1,691	-
Deferred tax assets (Notes 4 and 21)	47,114	1	40,779	1
Refundable deposits	3,316	-	6,819	-
Total non-current assets	<u>1,149,299</u>	<u>15</u>	<u>1,081,619</u>	<u>14</u>
TOTAL	\$ 7,881,856	100	\$ 7,573,970	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Trade payables (Note 26)	\$ 3,300,605	42	\$ 2,973,433	39
Other payables (Notes 16 and 26)	233,505	3	254,086	4
Current tax liabilities (Note 4)	93,531	1	96,370	1
Lease liabilities (Notes 4 and 15)	9,941	-	5,162	-
Other current liabilities (Note 19)	269,036	4	309,856	4
Total current liabilities	<u>3,906,618</u>	<u>50</u>	<u>3,638,907</u>	<u>48</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 21)	4,241	-	476	-
Lease liabilities (Notes 4 and 15)	8,614	-	6,370	-
Net defined benefit liabilities (Notes 4 and 17)	13,288	-	19,224	-
Guarantee deposit received	800	-	800	-
Total non-current liabilities	<u>26,943</u>	<u>-</u>	<u>26,870</u>	<u>-</u>
Total liabilities	<u>3,933,561</u>	<u>50</u>	<u>3,665,777</u>	<u>48</u>
EQUITY (Notes 4 and 18)				
Ordinary shares	1,530,317	19	1,519,707	20
Capital surplus	1,240,628	16	1,234,325	16
Retained earnings				
Legal reserve	322,518	4	263,963	4
Unappropriated earnings	828,494	11	831,516	11
Total retained earnings	<u>1,151,012</u>	<u>15</u>	<u>1,095,479</u>	<u>15</u>
Other equity	26,338	-	58,682	1
Total equity	<u>3,948,295</u>	<u>50</u>	<u>3,908,193</u>	<u>52</u>
TOTAL	\$ 7,881,856	100	\$ 7,573,970	100

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

ZERO ONE TECHNOLOGY CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 ,19 and 26)	\$ 12,363,039	100	\$ 12,630,074	100
OPERATING COSTS (Notes 12 and 26)	<u>10,999,386</u>	<u>89</u>	<u>11,404,014</u>	<u>90</u>
GROSS PROFIT	<u>1,363,653</u>	<u>11</u>	<u>1,226,060</u>	<u>10</u>
OPERATING EXPENSES (Notes 17 and 20)				
Selling and marketing expenses	528,509	5	451,247	4
General and administrative expenses	132,444	1	142,206	1
Research and development expenses	9,573	-	4,019	-
Expected credit impairment loss (gain) (Note 11)	<u>12,543</u>	<u>-</u>	<u>(6,681)</u>	<u>-</u>
Total operating expenses	<u>683,069</u>	<u>6</u>	<u>590,791</u>	<u>5</u>
PROFIT FROM OPERATIONS	<u>680,584</u>	<u>5</u>	<u>635,269</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 26)	22,834	-	4,682	-
Other income (Note 26)	11,886	-	13,679	-
Other gains and losses (Note 20)	26,053	1	29,304	-
Net gain on derecognition of financial assets at amortized cost (Note 9)	-	-	2,692	-
Finance costs	<u>(1,059)</u>	<u>-</u>	<u>(2,256)</u>	<u>-</u>
Share of profit or loss of subsidiaries accounted for using the equity method	<u>16,385</u>	<u>-</u>	<u>(8,598)</u>	<u>-</u>
Total non-operating income and expenses	<u>76,099</u>	<u>1</u>	<u>39,503</u>	<u>-</u>

(Continued)

	<u>2022</u>		<u>2021</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
PROFIT BEFORE INCOME TAX	\$ 756,683	6	\$ 674,772	5
INCOME TAX EXPENSE (Notes 4 and 21)	<u>143,103</u>	<u>1</u>	<u>137,413</u>	<u>1</u>
NET PROFIT	<u>613,580</u>	<u>5</u>	<u>537,359</u>	<u>4</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	4,151	-	224	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(31,230)	-	37,493	1
Share of other comprehensive income (loss) of subsidiaries accounted for using the equity method	(15,819)	-	31,693	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	(830)	-	(45)	-
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive income (loss) of subsidiaries accounted for using the equity method	<u>161</u>	<u>-</u>	<u>(68)</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>(43,567)</u>	<u>-</u>	<u>69,297</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 570,013</u>	<u>5</u>	<u>\$ 606,656</u>	<u>5</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 4.03</u>		<u>\$ 4.24</u>	
Diluted	<u>\$ 3.96</u>		<u>\$ 4.13</u>	

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

ZERO ONE TECHNOLOGY CO., LTD.
**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

	Share Capital		Capital Surplus	Retained Earnings			Other Equity				
	Shares			Legal Reserve	Unappropriated		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 Equity
	(In Thousand)	Issued Capital			Earnings	Total					
BALANCE, JANUARY 1, 2021	125,640	\$ 1,256,402	\$ 478,757	\$ 219,863	\$ 667,898	\$ 887,761	\$ 74	\$ 39,577	(\$ 5,301)	\$ 34,350	\$ 2,657,270
Appropriation of the 2020 earnings	-	-	-	44,100	(44,100)	-	-	-	-	-	-
Legal reserve	-	-	-	44,100	(44,100)	-	-	-	-	-	-
Cash dividends -NT \$3 per share	-	-	-	-	(377,836)	(377,836)	-	-	-	-	(377,836)
Net profit for the year ended December 31, 2021	-	-	-	-	537,359	537,359	-	-	-	-	537,359
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	179	179	(68)	69,186	-	69,118	69,297
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	537,538	537,538	(68)	69,186	-	69,118	606,656
Issuance of shares for cash	25,000	250,000	747,430	-	-	-	-	-	-	-	997,430
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	-	-	68	-	-	-	-	-	-	-	68
Share based payment transaction – employee restricted shares	-	-	-	-	-	-	-	-	3,230	3,230	3,230
Share based payment transaction – employee stock options	-	-	1,518	-	-	-	-	-	-	-	1,518
Cancellation of employee restricted shares	(15)	(150)	150	-	-	-	-	-	-	-	-
Issuance of ordinary shares under employee stock options	1,346	13,455	6,402	-	-	-	-	-	-	-	19,857
Disposals of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	48,016	48,016	-	(48,016)	-	(48,016)	-
BALANCE, DECEMBER 31, 2021	151,971	1,519,707	1,234,325	263,963	831,516	1,095,479	6	60,747	(2,071)	58,682	3,908,193
Appropriation of the 2021 earnings	-	-	-	58,555	(58,555)	-	-	-	-	-	-
Legal reserve	-	-	-	58,555	(58,555)	-	-	-	-	-	-
Cash dividends – NT \$3.6 per share	-	-	-	-	(547,962)	(547,962)	-	-	-	-	(547,962)
Net profit for the year ended December 31, 2022	-	-	-	-	613,580	613,580	-	-	-	-	613,580
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	3,321	3,321	161	(47,049)	-	(46,888)	(43,567)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	616,901	616,901	161	(47,049)	-	(46,888)	570,013
Changes in equity of associates accounted for using equity method	-	-	1,027	-	-	-	-	-	-	-	1,027
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	(439)	(439)	-	-	-	-	(439)
Share based payment transaction – employee restricted shares	-	-	-	-	-	-	-	-	1,577	1,577	1,577
Share based payment transaction – employee stock options	-	-	823	-	-	-	-	-	-	-	823
Issuance of ordinary shares under employee stock options	1,061	10,610	4,453	-	-	-	-	-	-	-	15,063
Disposals of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	(12,967)	(12,967)	-	12,967	-	12,967	-
BALANCE, DECEMBER 31, 2022	153,032	\$ 1,530,317	\$ 1,240,628	\$ 322,518	\$ 828,494	\$ 1,151,012	\$ 167	\$ 26,665	(\$ 494)	\$ 26,338	\$ 3,948,295

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

ZERO ONE TECHNOLOGY CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 756,683	\$ 674,772
Adjustments for:		
Depreciation expenses	26,739	22,066
Amortization expenses	1,177	1,068
Expected credit impairment loss (gain)	12,543	(6,681)
Net loss (gain) on fair value change of financial assets at fair value through profit or loss	338	(10,050)
Finance costs	1,059	2,256
Net gain on derecognition of financial assets at amortized cost	-	(2,692)
Interest income	(22,834)	(4,682)
Dividend income	(8,433)	(8,468)
Compensation costs of employee stock options	2,400	4,748
Share of (gain) loss of subsidiaries accounted for using the equity method	(16,385)	8,598
Write-down of inventories	37,613	26,162
Gain on lease modification	(1)	-
Net (gain) loss on foreign currency exchange	(51,720)	705
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(662,851)	26,656
Notes receivable	(30,563)	(58,220)
Trade receivables	35,660	(662,489)
Inventories	(371,723)	(440,071)
Other current assets	1,607	18,400
Trade payables	341,068	750,339
Other payables	(23,092)	23,479
Other current liabilities	(40,820)	98,947
Net defined benefit liabilities	(1,785)	(1,534)
Cash generated from operations	(13,320)	463,309
Income tax paid	(149,342)	(105,075)
Net cash (used in) generated from operating activities	<u>(162,662)</u>	<u>358,234</u>

(Continued)

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(\$ 40,988)	(\$ 19,690)
Proceeds from sale of financial assets at fair value through other comprehensive income	28,682	47,240
Purchase of financial assets at amortized cost	(1,261,282)	(950,487)
Disposal of financial assets at amortized cost	1,931,038	308,260
Acquisition of investments accounted for using the equity method	-	(151,000)
Payments for property, plant and equipment	(4,112)	(8,112)
Decrease (increase) in refundable deposits	3,503	(2,538)
Decrease (increase) decrease in other receivables-related parties	5,000	(5,000)
Payments for intangible assets	(2,150)	(980)
Interest received	21,580	5,734
Other dividends received	<u>8,433</u>	<u>8,468</u>
Net cash generated (used in) from investing activities	<u>689,704</u>	<u>(768,105)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of principal portion of lease liabilities	(9,633)	(7,308)
Dividends paid	(547,962)	(377,836)
Proceeds from issuance of shares	-	997,430
Exercise of employee stock options	15,063	19,857
Interest paid	<u>(1,059)</u>	<u>(2,256)</u>
Net cash (used in) generated from financing activities	<u>(543,591)</u>	<u>629,887</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>34,537</u>	<u>(3,673)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	17,988	216,343
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>783,779</u>	<u>567,436</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 801,767</u>	<u>\$ 783,779</u>

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

ZERO ONE TECHNOLOGY CO., LTD.
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. GENERAL

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

The parent company only financial statements are expressed by the functional currency (New Taiwan dollars) of the Company.

2. THE DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying parent company only financial statements were approved by the Board of Directors and issued on February 21, 2023.

3. APPLICATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

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

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

(2) The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2023

<u>New / Revised / Amended Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

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

Note 2: The amendments will be 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 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the parent company only financial statements were authorized for issue, the Company had assessed that the application of above standards and interpretations would not have a material impact on the Company’s financial position and financial performance.

(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
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
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, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

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: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

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

(2) Basis of preparation

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

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

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

When preparing the parent company only financial statements, the Company account for subsidiaries by using the equity method. In order to agree with the amount of net income, other comprehensive income and equity attributable to shareholders of the parent company in the consolidated financial statements, the differences of the accounting treatment between the parent company only basis and the consolidated basis are adjusted under the heading of investments accounted for using equity method, share of profits of subsidiaries, share of other comprehensive income of subsidiaries and the related equity items in the parent company only financial statements.

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

Current assets include:

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

Current liabilities include:

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

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

(4) Foreign currencies

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

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

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

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

(5) Inventories

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriated to group similar or related items. The net realizable value is the estimated selling price of inventories less the estimated costs necessary to make the sale under normal situations. Inventories are recorded at the weighted-average cost on the balance sheet date.

(6) Investment in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

Subsidiaries are the entities controlled by the Company.

Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Company also recognizes the Company's share of the change in other equity of the subsidiary.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company's loss of control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amounts of the investment and the fair value of the consideration paid or received is recognized directly in equity.

(7) Property, plant and equipment

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

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

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

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

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

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

(9) Financial instruments

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

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

A. Financial assets

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

a. Measurement category

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

(a) Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The dividends, interest earned and net gain or loss recognized in profit or loss on the financial asset. Fair value is determined in the manner described in Note 25.

(b) Financial assets at amortized cost

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

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

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

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

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

(c) Investments in equity instruments at FVTOCI

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

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

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

b. Impairment of financial assets

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

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

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

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

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

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

c. De-recognition of financial assets

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

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

B. Equity Instruments

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

C. Financial liabilities

a. Subsequent measurement

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

b. De-recognition of financial liabilities

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

(10) Revenue recognition

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

Revenue from sale of goods

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

(11) Leases

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

A. The Company as lessor

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

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

B. The Company as lessee

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

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

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

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

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

(12) Costs of loans

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

(13) Employee benefit

A. Short-term employee benefits.

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

B. Retirement benefits

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

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

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

(14) Share-based payment arrangements

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

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

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

(15) Taxation

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

A. Current tax

The Company recognizes current earnings (losses) in accordance with the Income Tax Act in 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 the Income Tax Act in the Republic of China.

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

B. Deferred tax

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

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

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

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

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

C. Current and deferred tax for the year

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

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis by the management. 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, 2022	December 31, 2021
Cash on hand and revolving funds	\$ 121	\$ 152
Checking accounts and demand deposits	165,680	645,227
Cash equivalents		
Time deposits	214,830	-
Repurchase agreements collateralized by bonds	421,136	138,400
	<u>\$ 801,767</u>	<u>\$ 783,779</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, 2022	December 31, 2021
Demand deposits	0.330%~0.455%	0.005%~0.25%
Time deposits	4.39%~4.45%	-
Repurchase agreements collateralized by bonds	4.10%~4.30%	0.30%~0.39%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2022	December 31, 2021
<u>Financial assets – current</u>		
Mandatorily measured at FVTPL		
Domestic convertible bonds	\$ 39,885	\$ 30,045
Domestic listed ordinary shares	5,587	1,163
Fund beneficiary certificates	950,950	300,001
	<u>\$ 996,422</u>	<u>\$ 331,209</u>
<u>Financial assets – non-current</u>		
Mandatorily measured at FVTPL		
Domestic listed preference shares	\$ 13,532	\$ 14,681
Fund beneficiary certificates	21,614	23,165
	<u>\$ 35,146</u>	<u>\$ 37,846</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in equity instruments

	December 31, 2022	December 31, 2021
<u>Current</u>		
Domestic investment		
Listed ordinary shares	\$ 2,790	\$ -
<u>Non-current</u>		
Domestic investment		
Listed ordinary shares	\$ 53,673	\$ 77,277
Listed preference shares	133,796	130,945
Unlisted shares	31,392	32,353
	<u>\$ 218,861</u>	<u>\$ 240,575</u>

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

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31, 2022	December 31, 2021
<u>Current</u>		
Domestic investment		
Time deposits with original maturities of more than three months (1)	\$ 146,570	\$ 146,570
Repurchase agreements collateralized by bonds (2)	<u>-</u>	<u>747,360</u>
	<u>\$ 146,570</u>	<u>\$ 893,930</u>
<u>Non-current</u>		
Domestic investment		
Pledged time deposit (3)	\$ 34,857	\$ 30,523
Foreign investment		
Perusahaan Listrik Negara corporate bond (USD) (4)	32,584	15,441
Southern California Edison corporate bond (USD) (5)	16,664	-
British Telecommunications plc corporate bond (USD) (6)	15,580	-
TSMC Arizona corporate bond (USD) (7)	<u>30,164</u>	<u>-</u>
	<u>\$ 129,849</u>	<u>\$ 45,964</u>

- (1) As of December 31, 2022 and 2021 the market interest rate intervals of time deposit over 3 months portion were 0.785%~1.44% and 0.77%~0.815%, respectively.
- (2) As of December 31, 2021, the market interest rate of repurchase agreements collateralized by bonds over 3 months portion was 0.30%~0.40%.
- (3) Please refer to Note 27 for more details on financial assets at amortized cost under pledge.
- (4) The Company purchased Perusahaan Listrik Negara corporate bond (USD) by USD 505 thousand with a coupon rate of 4.875% and USD 559 thousand with a coupon rate of 5.25%, in January 2022 and May 2021, respectively.
- (5) The Company purchased Southern California Edison corporate bond (USD) by USD 544 thousand with a coupon rate of 4% in January 2022.
- (6) The Company purchased British Telecommunications plc corporate bond (USD) by USD 508 thousand with a coupon rate of 4.25% in February 2022.
- (7) The Company purchased TSMC Arizona corporate bond (USD) by USD 982 thousand with a coupon rate of 3.875% in December 2022.
- (8) The Company purchased Barclays Bank corporate bond (USD) by USD 527 thousand, with a coupon rate of 4.836%, in August, 2019. As for adjustment portion of investments, the 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.
- (9) The Company purchased Prudential plc corporate bond (USD) by USD 1,040 thousand, with a coupon rate of 4.875%, in August, 2019. As for adjustment portion of investments, the 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.
- (10) The Company purchased AT&T corporate bond (USD) by USD 460 thousand with a coupon rate of 3.65% in March 2021. 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.
- (11) Please refer to Note 10 for relevant credit risk management and impairment assessment information for financial assets at amortized cost.

10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

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

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

The Company assesses the information of investment risk provided by external rating agencies and evaluates the 12-month expected credit loss or lifetime expected credit loss. The bonds that the Company invested are all of investment grade, and the credit risk of the bond-issuers is low and is capable to settle the contractual cash flows. The Company does not anticipate that the corporate bonds invested will have any material expected credit loss resulted from default within the 12 months after the date of the financial statements, and thus did not recognize allowance for loss as of December 31, 2022 and 2021.

11. NOTES, TRADE AND OVERDUE RECEIVABLE

	December 31, 2022	December 31, 2021
Measured at amortized cost		
Notes receivable	\$ 319,273	\$ 288,710
Trade receivable	2,505,906	2,543,452
Overdue receivable	1,309	-
Less: Allowances for impairment loss - trade receivable	(15,985)	(4,751)
Less: Allowances for impairment loss - overdue receivable	(1,309)	-
	<u>\$ 2,809,194</u>	<u>\$ 2,827,411</u>

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

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

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

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

The following table details the loss allowance of trade receivable:

December 31, 2022

	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	\$ 2,778,104	\$ 11,597	\$ 27,523	\$ 7,493	\$ 1,771	\$ 2,826,488
Loss allowance (Lifetime ECLs)	(5,109)	(2,332)	(5,594)	(2,488)	(1,771)	(17,294)
Amortized cost	<u>\$ 2,772,995</u>	<u>\$ 9,265</u>	<u>\$ 21,929</u>	<u>\$ 5,005</u>	<u>\$ -</u>	<u>\$ 2,809,194</u>

December 31, 2021

	Not Past Due	1-30 Days Past Due	31-60 Days Past Due	61-90 Days Past Due	More Than 90 Days Past Due	Total
Gross carrying amount	\$ 2,793,363	\$ 19,768	\$ 12,883	\$ 5,297	\$ 851	\$ 2,832,162
Loss allowance (Lifetime ECLs)	(435)	(776)	(1,625)	(1,064)	(851)	(4,751)
Amortized cost	<u>\$ 2,792,928</u>	<u>\$ 18,992</u>	<u>\$ 11,258</u>	<u>\$ 4,233</u>	<u>\$ -</u>	<u>\$ 2,827,411</u>

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

	<u>2022</u>	<u>2021</u>
Balance at January 1	\$ 4,751	\$ 12,906
Add: Net remeasurement of loss allowance	12,543	-
Less: Amounts written off	-	(1,474)
Less: Reversal of loss allowance	-	(6,681)
Balance at December 31	<u>\$ 17,294</u>	<u>\$ 4,751</u>

12. INVENTORIES

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Commodities	<u>\$ 1,945,996</u>	<u>\$ 1,620,945</u>

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

	<u>2022</u>	<u>2021</u>
Cost of inventories sold	\$ 10,961,773	\$ 11,377,852
Write-down of inventories	37,613	26,162
	<u>\$ 10,999,386</u>	<u>\$ 11,404,014</u>

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in subsidiaries

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Zotech Co., Ltd.	\$ 44,199	\$ 37,348
Zerone Win Investment Co., Ltd.	324,049	331,797
Asiaone Holdings Ltd.	13,908	11,696
	<u>\$ 382,156</u>	<u>\$ 380,841</u>

	<u>Percentage of owners' equity and voting right</u>	
<u>Name of subsidiaries</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Zotech Co., Ltd.	85.37%	85.37%
Zerone Win Investment Co., Ltd.	100.00%	100.00%
Asiaone Holdings Ltd.	100.00%	100.00%

14. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and equipment	Office equipment	Delivery equipment	Other equipment	Total
<u>Cost</u>							
Balance at January 1, 2021	\$ 234,892	\$ 128,185	\$ 8,040	\$ 38,963	\$ 2,458	\$ 18,730	\$ 431,268
Additions	-	-	-	5,258	-	2,854	8,112
Disposals	-	-	(1,110)	(639)	-	-	(1,749)
Reclassification	-	-	-	1,600	-	13,400	15,000
Balance at December 31, 2021	<u>\$ 234,892</u>	<u>\$ 128,185</u>	<u>\$ 6,930</u>	<u>\$ 45,182</u>	<u>\$ 2,458</u>	<u>\$ 34,984</u>	<u>\$ 452,631</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2021	\$ -	\$ 73,482	\$ 8,040	\$ 30,734	\$ 1,476	\$ 10,260	\$ 123,992
Disposals	-	-	(1,110)	(639)	-	-	(1,749)
Depreciation	-	1,816	-	5,919	492	6,258	14,485
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 75,298</u>	<u>\$ 6,930</u>	<u>\$ 36,014</u>	<u>\$ 1,968</u>	<u>\$ 16,518</u>	<u>\$ 136,728</u>
Carrying amounts at December 31, 2021	<u>\$ 234,892</u>	<u>\$ 52,887</u>	<u>\$ -</u>	<u>\$ 9,168</u>	<u>\$ 490</u>	<u>\$ 18,466</u>	<u>\$ 315,903</u>
<u>Cost</u>							
Balance at January 1, 2022	\$ 234,892	\$ 128,185	\$ 6,930	\$ 45,182	\$ 2,458	\$ 34,984	\$ 452,631
Additions	-	-	-	4,112	-	-	4,112
Disposals	-	-	(461)	(651)	-	-	(1,112)
Reclassification	-	-	-	807	-	6,718	7,525
Balance at December 31, 2022	<u>\$ 234,892</u>	<u>\$ 128,185</u>	<u>\$ 6,469</u>	<u>\$ 49,450</u>	<u>\$ 2,458</u>	<u>\$ 41,702</u>	<u>\$ 463,156</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2022	\$ -	\$ 75,298	\$ 6,930	\$ 36,014	\$ 1,968	\$ 16,518	\$ 136,728
Disposals	-	-	(461)	(651)	-	-	(1,112)
Depreciation	-	1,817	-	5,700	490	9,094	17,101
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 77,115</u>	<u>\$ 6,469</u>	<u>\$ 41,063</u>	<u>\$ 2,458</u>	<u>\$ 25,612</u>	<u>\$ 152,717</u>
Carrying amounts at December 31, 2022	<u>\$ 234,892</u>	<u>\$ 51,070</u>	<u>\$ -</u>	<u>\$ 8,387</u>	<u>\$ -</u>	<u>\$ 16,090</u>	<u>\$ 310,439</u>

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

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

Please refer to Note 27 for more details on property, plant and equipment under pledge.

15. LEASE ARRANGEMENTS

(1) Right-of-use assets

	December 31, 2022	December 31, 2021
Carrying amounts of right-of-use assets		
Buildings	\$ 18,220	\$ 11,058
Office equipment	<u>-</u>	<u>143</u>
	<u>\$ 18,220</u>	<u>\$ 11,201</u>
	2022	2021
Additions to right-of-use assets	<u>\$ 16,727</u>	<u>\$ 12,020</u>
Depreciation charge for right-of-use assets	\$ 9,565	\$ 7,380
Buildings	<u>73</u>	<u>201</u>
Office equipment	<u>\$ 9,638</u>	<u>\$ 7,581</u>

(2) Lease liabilities

	December 31, 2022	December 31, 2021
Carrying amounts of lease liabilities		
Current	\$ 9,941	\$ 5,162
Non-current	\$ 8,614	\$ 6,370
Range of discount rate for lease liabilities was as follows:		
	December 31, 2022	December 31, 2021
Buildings	0.75%~1.20%	0.75%~1.20%
Office equipment	-	1.20%

(3) Other lease information

	2022	2021
Expenses relating to short-term leases	\$ 146	\$ 634
Expenses relating to low-value asset leases	\$ 149	\$ 31
Total cash (outflow) for leases	(\$ 10,100)	(\$ 8,080)

16. OTHER PAYABLE

	December 31, 2022	December 31, 2021
Salaries and bonuses payable	\$ 115,468	\$ 124,199
Compensation of employees and directors payable	36,000	43,071
Others	82,037	86,816
	\$ 233,505	\$ 254,086

17. RETIREMENT BENEFIT PLANS

(1) Defined contribution plans

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

(2) Defined benefit plans

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

Amounts recognized in respect of these defined benefit plans in the parent company only balance sheets were as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligation	\$ 60,586	\$ 61,127
Fair value of plan assets	(47,298)	(41,903)
Net defined benefit liability	\$ 13,288	\$ 19,224

Movements in net defined benefit liabilities were as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability/assets
Balance at January 1, 2021	<u>\$ 60,393</u>	<u>(\$ 39,411)</u>	<u>\$ 20,982</u>
Service cost			
Current service cost	159	-	159
Interest expense (income)	<u>302</u>	<u>(201)</u>	<u>101</u>
Recognized in profits or losses	<u>461</u>	<u>(201)</u>	<u>260</u>
Remeasurements			
Return on plan assets (excluding amounts included in interest, net)	-	(497)	(497)
Actuarial loss arising from changes in demographic assumptions	1,269	-	1,269
Actuarial gain arising from changes in financial assumptions	(631)	-	(631)
Actuarial gain arising from experience adjustments	<u>(365)</u>	<u>-</u>	<u>(365)</u>
Recognized in other comprehensive income	<u>273</u>	<u>(497)</u>	<u>(224)</u>
Contribution from employer	<u>-</u>	<u>(1,794)</u>	<u>(1,794)</u>
Balance at December 31, 2021	<u>\$ 61,127</u>	<u>(\$ 41,903)</u>	<u>\$ 19,224</u>
Balance at January 1, 2022	<u>\$ 61,127</u>	<u>(\$ 41,903)</u>	<u>\$ 19,224</u>
Interest expense (income)	<u>382</u>	<u>(268)</u>	<u>114</u>
Recognized in profits or losses	<u>382</u>	<u>(268)</u>	<u>114</u>
Remeasurements			
Return on plan assets (excluding amounts included in interest, net)	-	(3,228)	(3,228)
Actuarial gain arising from changes in financial assumptions	(1,833)	-	(1,833)
Actuarial loss arising from experience adjustments	<u>910</u>	<u>-</u>	<u>910</u>
Recognized in other comprehensive income	<u>(923)</u>	<u>(3,228)</u>	<u>(4,151)</u>
Contribution from employer	<u>-</u>	<u>(1,899)</u>	<u>(1,899)</u>
Balance at December 31, 2022	<u>\$ 60,586</u>	<u>(\$ 47,298)</u>	<u>\$ 13,288</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	2022	2021
Selling and marketing expenses	\$ 58	\$ 146
General and administrative expenses	<u>56</u>	<u>114</u>
	<u>\$ 114</u>	<u>\$ 260</u>

Through the defined benefit plans under the ROC Labor Standards Act, the Company is exposed to the following risks:

- A. Investment risk: The pension funds are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the government's designated authorities or under the mandated management. However, under the ROC Labor Standards Act, the rate of return on the Company's assets shall not be less than the average interest rate on a two-year time deposit published by the local banks and the government is responsible for any shortfall in the event that the rate of return is less than the required rate of return.

- B. Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the debt investments of the plan assets.
- C. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31, 2022	December 31, 2021
Discount rate	1.250%	0.625%
Future salary increase rate	3.000%	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:

	December 31, 2022	December 31, 2021
Discount rate		
increases by 0.25%	(\$ 1,151)	(\$ 1,252)
decreases by 0.25%	\$ 1,186	\$ 1,294
Future salary increase rate		
increases by 0.25%	\$ 1,148	\$ 1,247
decreases by 0.25%	(\$ 1,119)	(\$ 1,214)

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.

	December 31, 2022	December 31, 2021
Contribution amounts within 1 year	\$ 1,956	\$ 1,843
Average duration of the defined benefit obligation	7.7 Years	8.3 Years

18. EQUITY

(1) Ordinary Shares

	December 31, 2022	December 31, 2021
Authorized shares (in thousands)	200,000	200,000
Authorized capital	\$ 2,000,000	\$ 2,000,000
Issued and paid shares (in thousands)	153,032	151,971
Issued capital	\$ 1,530,317	\$ 1,519,707

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

	December 31, 2022	December 31, 2021
<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	\$ 1,164,288	\$ 1,159,835
Treasury stock transactions	25,343	25,343
From exercised and invalid employees stock options	28,456	21,459
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	68	68
Vested employees restricted shares	6,712	4,621
<u>May be used to offset a deficit only</u>		
Share of changes in equities of associates	1,027	-
<u>May not be used for any purpose</u>		
Employees restricted shares	1,714	3,805
Employees stock options	<u>13,020</u>	<u>19,194</u>
	<u>\$ 1,240,628</u>	<u>\$ 1,234,325</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 20 (4).

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

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

The appropriations of 2021 and 2020 earnings were as follows:

	For Fiscal Year 2021	For Fiscal Year 2020
Legal reserve	<u>\$ 58,555</u>	<u>\$ 44,100</u>
Cash dividends	<u>\$ 547,962</u>	<u>\$ 377,836</u>
Cash dividends per share (\$)	<u>\$ 3.6</u>	<u>\$ 3</u>

The above appropriations of earnings have been approved by ZOTC's board of directors on February 23, 2022 and February 24, 2021. The remaining appropriations of earnings were approved by shareholder's meeting held on May 26, 2022 and August 4, 2021, respectively.

The appropriations of earnings for 2022 have been proposed by ZOTC's board of directors on February 21, 2023. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (\$)
Legal reserve	\$ 60,350	
Cash dividends	551,080	\$ 3.6

The above appropriation for cash dividends was resolved by ZOTC's board of directors; the other proposed appropriations are subject to the resolution of the shareholders' meeting to be held on May 30, 2023.

19. REVENUE

(1) Income from contracts with clients

	2022	2021
Sales revenue	\$ 12,277,629	\$ 12,562,027
Service revenue	85,410	68,047
	<u>\$ 12,363,039</u>	<u>\$ 12,630,074</u>

(2) Remaining balance of the contracts

	December 31, 2022	December 31, 2021
Notes receivable (Note 11)	\$ 319,273	\$ 288,710
Trade receivable (Note 11)	\$ 2,489,921	\$ 2,538,701
Contract liability (Other current liabilities)	\$ 26,246	\$ 45,161

20. NET INCOME

(1) Other Gains and losses

	2022	2021
Net foreign exchange gain	\$ 26,390	\$ 19,254
Net (loss) gain arising on financial assets measured at FVTPL	(338)	10,050
Gain on lease modification	1	-
	<u>\$ 26,053</u>	<u>\$ 29,304</u>

(2) Depreciation & amortization

	2022	2021
Property, plant and equipment	\$ 17,101	\$ 14,485
Right-of-use assets	9,638	7,581
Intangible assets	1,177	1,068
	<u>\$ 27,916</u>	<u>\$ 23,134</u>
An analysis of depreciation by function		
Operating expenses	\$ 26,739	\$ 22,066
An analysis of amortization by function		
Operating expenses	\$ 1,177	\$ 1,068

(3) Employee benefits expense

	2022	2021
Post-employment benefits		
Defined contribution plans	\$ 12,409	\$ 10,489
Defined benefit plans (Note 17)	114	260
	<u>12,523</u>	<u>10,749</u>

(Continued)

	<u>2022</u>	<u>2021</u>
Share-based payment		
Equity-settled (Note 23)	<u>2,400</u>	<u>4,748</u>
Other employee benefits		
Salaries expense	389,469	372,491
Others	<u>53,176</u>	<u>44,186</u>
	<u>442,645</u>	<u>416,677</u>
Total employee benefits expense	<u>\$ 457,568</u>	<u>\$ 432,174</u>
Employee benefits expense summarized by function		
Operating expenses	<u>\$ 457,568</u>	<u>\$ 432,174</u>

(Concluded)

(4) Compensation for employees and remuneration of directors

ZOTC shall allocate compensation to employees and Directors of ZOTC not less than 1%~15% and not more than 3% of surplus earnings during the period, respectively, and the amount of employees' and Directors' compensation for the years ended December 31, 2022 and 2021, with resolution of the board of directors on February 21, 2023 and February 23, 2022, were as follows:

Estimate Rate

	<u>2022</u>	<u>2021</u>
Compensation of employee	3.0%	4%
Compensation of director	1.5%	2%

Amount

	<u>2022</u>	<u>2021</u>
	<u>Cash</u>	<u>Cash</u>
Compensation of employee	\$ 24,000	\$ 28,714
Compensation of director	12,000	14,357

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 2021, and 2020 has no difference compared to the recognized amount of the parent company only financial statements in 2021 and 2020.

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

21. INCOME TAXES

(1) Income tax recognized in profit or loss

The major components of income tax expenses were as follows:

	<u>2022</u>	<u>2021</u>
Current tax		
In respect of the current year	\$ 154,715	\$ 141,121
Surtax on undistributed retained earnings	-	953
Adjustments for previous years	<u>(8,212)</u>	<u>(289)</u>
	<u>146,503</u>	<u>141,785</u>
Deferred tax		
In respect of the current year	<u>(3,400)</u>	<u>(4,372)</u>
Income tax expense recognized in profit or loss	<u>\$ 143,103</u>	<u>\$ 137,413</u>

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

	<u>2022</u>	<u>2021</u>
Profit before income tax	\$ <u>756,683</u>	\$ <u>674,772</u>
Income tax expense calculated at the statutory rate	\$ 151,337	\$ 134,954
Tax-exempt income	(2,946)	(2,854)
Tax effect of expenses not deductible for tax	7,424	4,649
Surtax on undistributed retained earnings	-	953
Investment tax credits	(4,500)	-
The adjustment of current income tax expenses for previous years	(<u>8,212</u>)	(<u>289</u>)
Total income tax expense recognized in profit or loss	\$ <u>143,103</u>	\$ <u>137,413</u>

(2) Deferred tax balances

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

2022

	<u>Beginning Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in Other Comprehensive Income</u>	<u>Ending Balance</u>
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for inventory valuation losses	\$ 32,314	\$ 7,522	\$ -	\$ 39,836
Defined benefit plans	3,845	(357)	(830)	2,658
Others	<u>4,620</u>	<u>-</u>	<u>-</u>	<u>4,620</u>
	<u>\$ 40,779</u>	<u>\$ 7,165</u>	<u>(\$ 830)</u>	<u>\$ 47,114</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized foreign exchange gains	\$ 47	\$ 3,355	\$ -	\$ 3,402
Others	<u>429</u>	<u>410</u>	<u>-</u>	<u>839</u>
	<u>\$ 476</u>	<u>\$ 3,765</u>	<u>\$ -</u>	<u>\$ 4,241</u>

2021

	<u>Beginning Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in Other Comprehensive Income</u>	<u>Ending Balance</u>
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for inventory valuation losses	\$ 27,081	\$ 5,233	\$ -	\$ 32,314
Defined benefit plans	4,197	(307)	(45)	3,845
Others	<u>4,698</u>	<u>(78)</u>	<u>-</u>	<u>4,620</u>
	<u>\$ 35,976</u>	<u>\$ 4,848</u>	<u>(\$ 45)</u>	<u>\$ 40,779</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized foreign exchange gains	\$ -	\$ 47	\$ -	\$ 47
Others	<u>-</u>	<u>429</u>	<u>-</u>	<u>429</u>
	<u>\$ -</u>	<u>\$ 476</u>	<u>\$ -</u>	<u>\$ 476</u>

(3) Income tax assessment

The Company's tax returns through 2020 had been assessed by the tax authorities.

22. EARNINGS PER SHARE

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

Net Profit for the Year

	<u>2022</u>	<u>2021</u>
Earnings used in the computation of basic/diluted earnings per share	<u>\$ 613,580</u>	<u>\$ 537,359</u>

Shares

Units: Thousand shares

	<u>2022</u>	<u>2021</u>
Weighted average number of ordinary shares used in the computation of basic earnings per share	152,325	126,765
Effect of potentially dilutive ordinary shares :		
Employees' compensation	693	739
Employee stock options	1,566	2,295
Employee restricted shares	<u>232</u>	<u>367</u>
Weighted average number of ordinary shares outstanding in computation of diluted earnings per share	<u>154,816</u>	<u>130,166</u>

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

23. SHARE-BASED PAYMENT ARRANGEMENTS

(1) Employee stock option plan

In August 2015, September 2016, January 2018, and September 2018, 1,000, 1,860, 2,000, 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>2022</u>		<u>2021</u>	
	Number of Options (In Thousands)	Weighted Average Exercise Price (\$)	Number of Options (In Thousands)	Weighted Average Exercise Price (\$)
Employee stock options				
Balance, begin of period	3,034	\$ 15.93	4,468	\$ 16.70
Options exercised	(1,061)	14.20	(1,346)	14.76
Invalid options	<u>-</u>	-	(88)	16.35
Balance, end of period	<u>1,973</u>	15.15	<u>3,034</u>	15.93
Options exercisable, end of the period	<u>1,973</u>		<u>1,595</u>	

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

December 31, 2022		December 31, 2021	
Range of Exercise Price (\$)	Weighted-Over-Age Remaining Contractual Life (Years)	Range of Exercise Price (\$)	Weighted-Over-Age Remaining Contractual Life (Years)
\$ -	-	\$ 12.50 (Note)	0.68
14.20 (Note)	1.01	15.40 (Note)	2.01
15.50 (Note)	1.67	16.90 (Note)	2.67

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

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

	September, 2018	January, 2018	September, 2016
Securities price of the vested date	20.65 Dollars	19.85 Dollars	16.95 Dollars
Exercised price	20.65 Dollars	19.85 Dollars	16.95 Dollars
Foreseeable volatility rate	32.96%	33.81%	38.26%
Duration	6 Years	6 Years	6 Years
Foreseeable dividend rate	0%	0%	0%
Risk-free interest rate	0.72%	0.74%	0.56%

The compensation cost recognized were \$823 thousand and \$1,459 thousand for the years ended December 31, 2022 and 2021, respectively.

(2) Employee restricted shares

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

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

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 are allotted with new shares, the share restrictions before the vested conditions are met are as follows:

1. The new shares with employee restricted shares shall not be sold, transferred, donated, pledged, requested to be bought back by the Company, or otherwise disposed with other methods.

2. The right to attend, propose, speak, and vote at the shareholders' meeting shall be exercised in accordance with the trust custody contract.

3. Participation in allotment, dividend distribution and cash capital increase subscription is not allowed; In case of fifteen business days before the closing date of the Company's allotment, dividend and share subscription base date to the base date of rights distribution, employees who have fulfilled the vested conditions are not eligible for the rights of share allotment, dividends and subscriptions of their unrestricted shares during this period.

4. If the Company handles capital reduction such as cash capital reduction that is not due to statutory capital reduction, the new shares of the employee restrict shares shall be canceled in accordance with the capital reduction ratio. In the case of cash capital reduction, the returned cash must be delivered to the trust, and can only be delivered to employees after the vested conditions are met, but if the vested conditions are not met, the Company will take back the cash.

5. After the new shares with employee restricted shares are issued, they should be delivered to the trust immediately, and before the vested conditions are fulfilled, the trustee shall not be requested to return the new shares with restricted employee shares for any reason or method.

After employees have been allocated of new shares with employee restricted shares given by the Company, the Company has the right to take back their shares without giving any compensation and handle the new shares with employee restricted shares that have been allocated but have not yet met the vested conditions in the event where the employees violate the labor contract or work rules.

When the employee fails to meet the vested conditions, the Company will take back the new shares with restricted shares granted without giving any compensation according to law and cancel them.

Compensation costs by issuance of employee restricted shares recognized were \$1,577 thousand and \$3,230 thousand in 2022 and 2021 respectively. As of December 31, 2022 and 2021, unearned employee benefits totaled \$494 thousand and \$2,071 thousand respectively, accounted for as a decrease in other equity.

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

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

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

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

24. CAPITAL RISK MANAGEMENT

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

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

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

25. FINANCIAL INSTRUMENTS

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

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

	December 31, 2022		December 31, 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial Assets</u>				
Measured at amortized cost				
– Foreign corporate bonds	\$ 94,992	\$ 77,938	\$ 15,441	\$ 15,585

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

A. Fair value hierarchy

December 31, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at</u>				
<u>FVTPL</u>				
Domestic convertible bonds	\$ 39,885	\$ -	\$ -	\$ 39,885
Domestic listed shares	19,119	-	-	19,119
Fund beneficiary certification	963,373	-	9,191	972,564
Total	<u>\$ 1,022,377</u>	<u>\$ -</u>	<u>\$ 9,191</u>	<u>\$ 1,031,568</u>

Financial assets measured at

FVTOCI

Equity investments				
– Domestic listed shares	\$ 190,259	\$ -	\$ -	\$ 190,259
– Domestic unlisted shares	-	-	31,392	31,392
Total	<u>\$ 190,259</u>	<u>\$ -</u>	<u>\$ 31,392</u>	<u>\$ 221,651</u>

December 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at</u>				
<u>FVTPL</u>				
Domestic convertible bonds	\$ 30,045	\$ -	\$ -	\$ 30,045
Domestic listed shares	15,844	-	-	15,844
Fund beneficiary certification	313,599	-	9,567	323,166
Total	<u>\$ 359,488</u>	<u>\$ -</u>	<u>\$ 9,567</u>	<u>\$ 369,055</u>

Financial assets measured at

FVTOCI

Equity investments				
– Domestic listed shares	\$ 208,222	\$ -	\$ -	\$ 208,222
– Domestic unlisted shares	-	-	32,353	32,353
Total	<u>\$ 208,222</u>	<u>\$ -</u>	<u>\$ 32,353</u>	<u>\$ 240,575</u>

There were no transfers between Level 1 and Level 2 in 2022 and 2021, respectively.

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

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

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

(3) Categories of financial instruments

	December 31, 2022	December 31, 2021
<u>Financial assets</u>		
Measured at FVTPL		
Mandatorily measured at FVTPL	\$ 1,031,568	\$ 369,055
Financial assets measured at amortized cost (Note 1)	3,890,696	4,587,999
Financial assets measured at FVTOCI		
– Investments in equity instruments	221,651	240,575
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	3,534,910	3,228,319

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

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

(4) Financial risk management objectives and policies

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

A. Market risk

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

a. Foreign currency risk

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

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities of non-functional currency calculated (including those eliminated on consolidation) at the end of the reporting period are set out in Note 29.

Sensitivity analysis

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

The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. If the New Taiwan dollar appreciates 5% against the relevant currency, the Company's net profit in 2022 and 2021 would increase by \$23,194 thousand and decrease \$381 thousand, respectively.

b. Interest rate risk

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

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

	December 31, 2022	December 31, 2021
Interest rate risks at fair value		
— Financial assets	\$ 770,532	\$ 940,739
— Financial liabilities	18,555	11,532
Interest rate risks at cash flows		
— Financial assets	307,533	782,782

Sensitivity analysis

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

If interest rates had been 50 basis points higher and all other variables were held constant, the Company's pre-tax profit in 2022 and 2021 would increase by \$1,538 thousand and \$3,914 thousand, respectively. Exposure is triggered by risks of cash flows of the Company's variable interest rates of deposits.

c. Other price risk

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

Sensitivity analysis

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

If equity prices had been 5% higher, pre-tax profit in 2022 and 2021 would have increased by \$51,578 thousand and \$18,453 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 by \$11,083 thousand and \$12,029 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

B. Credit risk

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

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

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

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

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

The credit risk of the Company concentrates on top 5 customers of the Company. As of December 31, 2022 and 2021, the Company's five largest customers accounted all for 35% and 34% of trade receivable, respectively.

C. Liquidity risk

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

Liquidity & interest rate risk table

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

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

December 31, 2022

	<u>Less than 1 Year</u>	<u>1-5 Years</u>
<u>Non-derivative financial liabilities</u>		
No interest-bearing liabilities	\$ 3,534,110	\$ -
Lease liabilities	<u>10,061</u>	<u>8,670</u>
	<u>\$ 3,544,171</u>	<u>\$ 8,670</u>

December 31, 2021

	<u>Less than 1 Year</u>	<u>1-5 Years</u>
<u>Non-derivative financial liabilities</u>		
No interest-bearing liabilities	\$ 3,227,519	\$ -
Lease liabilities	<u>5,232</u>	<u>6,432</u>
	<u>\$ 3,232,751</u>	<u>\$ 6,432</u>

As of December 31, 2022 and 2021, the Company's unused short-term credit of limit of the bank were \$1,600,000 thousand.

26. RELATED PARTIES TRANSACTIONS

The details of transactions between the Company and related parties are disclosed as follows.

(1) The name and relationship of related party

<u>Name of the related party</u>	<u>Relationship with the Company</u>
Zotech Co., Ltd.	Subsidiary
Zerone Win Investment Co., Ltd.	Subsidiary
Petacom Technology Co., Ltd.	Subsidiary
Wing Will International Co., Ltd.	Subsidiary
DigiCosmos Tech. Co., Ltd.	Subsidiary
Asiaone Holdings Ltd.	Subsidiary
Techone (Shanghai) Co., Ltd.	Subsidiary
TrustONE Security Inc.	Associate
Leukocyte-Lab Co. Ltd.	Associate
InfinitesSoft Solutions Inc.	Associate (since June 29, 2022)
K Way Information Corp.	Other related party

(2) Operating revenue

<u>Line Items</u>	<u>Types of related parties</u>	<u>2022</u>	<u>2021</u>
Sales revenue	Subsidiaries	\$ 105,661	\$ 45,786
	Associates	250	147
	Other related parties	<u>844</u>	<u>327</u>
		<u>\$ 106,755</u>	<u>\$ 46,260</u>
Service revenue	Subsidiaries	<u>\$ 4,453</u>	<u>\$ 3,997</u>

Prices and payment terms for transactions with related parties and non-related parties were similar.

(3) Purchases

<u>Types of related parties</u>	<u>2022</u>	<u>2021</u>
Subsidiaries	\$ 34,521	\$ 17,373
Associates	<u>11,283</u>	<u>1,194</u>
	<u>\$ 45,804</u>	<u>\$ 18,567</u>

(4) Receivables from related parties (excluding loans and contract assets to related parties)

<u>Line Items</u>	<u>Types of related parties</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Trade receivable	Subsidiaries	\$ 24,636	\$ 10,459
	Associates	5	-
	Other related parties	590	343
Other receivable	Subsidiaries	-	<u>48</u>
		<u>\$ 25,231</u>	<u>\$ 10,850</u>

For the year ended December 31, 2022 and 2021 no impairment loss was recognized for trade receivables from related parties.

(5) Payables to related parties

<u>Line Items</u>	<u>Types of related parties</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Trade payable	Subsidiaries	\$ 13,692	\$ 16,059
	Associates	1,506	582
Other Payables	Subsidiaries	<u>74</u>	<u>9</u>
		<u>\$ 15,272</u>	<u>\$ 16,650</u>

(6) Loans to related parties (Recognized as other current assets)

<u>Types of related parties / Name</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiaries	\$ -	\$ 5,000
<u>Interest income</u>		
<u>Types of related parties / Name</u>	<u>2022</u>	<u>2021</u>
Subsidiaries	<u>\$ 204</u>	<u>\$ 48</u>

(7) Non-operating income

<u>Line Items</u>	<u>Types of related parties</u>	<u>2022</u>	<u>2021</u>
Rental income	Subsidiaries	<u>\$ 790</u>	<u>\$ 981</u>

(8) Compensation of key management personnel

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	<u>\$ 47,725</u>	<u>\$ 45,768</u>

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

27. ASSETS PLEDGED AS COLLATERAL

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

	December 31, 2022	December 31, 2021
Property, plant and equipment, Net	\$ 204,843	\$ 206,231
Pledged time deposits (Financial assets at amortized cost – non-current)	<u>34,857</u>	<u>30,523</u>
	<u>\$ 239,700</u>	<u>\$ 236,754</u>

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- (1) As of December 31, 2022, the Company issued \$87,000 thousand of cashier order for payment guaranteed for Microsoft Taiwan Corporation.
- (2) As of December 31, 2022, the Company issued \$50,000 thousand of cashier order for payment guaranteed for Microsoft Regional Sales Corporation.

29. FOREIGN-CURRENCY-DEMONINATED ASSETS AND LIABILITIES THAT HAVE SIGNIFICANT INFLUENCE

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

December 31, 2022

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 25,031	30.71 (USD:NTD)	\$ <u>768,702</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	40,136	30.71 (USD:NTD)	\$ <u>1,232,577</u>

December 31, 2021

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 45,791	27.68 (USD:NTD)	\$ <u>1,267,495</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	45,516	27.68 (USD:NTD)	\$ <u>1,259,883</u>

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

	2022		2021	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	29.805 (USD:NTD)	\$ <u>26,390</u>	28.009 (USD:NTD)	\$ <u>19,254</u>

30. SEPARATELY DISCLOSED ITEMS

(1) Significant Transactional Items

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

(2) Information on investees: Table 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: None.

ZERO ONE TECHNOLOGY CO., LTD.
FINANCING PROVIDED TO OTHERS
FOR THE YEARS ENDED DECEMBER 31, 2022

Table 1

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 2)	Ending Balance	Amount Actually Drawn	Interest Rate (%)	Nature for Financing (Note 3)	Transaction Amount	Reasons for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrower (Note 4)	Aggregate Financing Limit (Note 5)	Note
													Item	Value			
0	ZOTC	Zerone Win Investment Co., Ltd.	Other receivables from related parties	Yes	\$ 50,000	\$ -	\$ -	3%	2	\$ -	Operating Capital	\$ -	—	\$ -	\$ 394,830	\$ 789,659	
0	ZOTC	Wing Will International Co., Ltd.	Other receivables from related parties	Yes	20,000	20,000	-	3%	2	-	Operating Capital	-	—	\$ -	394,830	789,659	

Note 1 : The number column is organized as follows :

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

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

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

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

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

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

ZERO ONE TECHNOLOGY CO., LTD.
MARKETABLE SECURITIES HELD
DECEMBER 31, 2022

Table 2

(In Thousands of New Taiwan Dollars)

Holding Company	Marketable Securities Type and Issuer's Name (Note 1)	Security Issuer's Relationship with the Holding Company	Financial Statement Account	December 31, 2022				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	47,267,987	\$ 650,654	-	\$ 650,654	
	Taishin Ta-Chong Money Market Fund	—	Financial assets at FVTPL — current	20,808,963	300,296	-	300,296	
	KGI Kaefer Fund	—	Financial assets at FVTPL — non- current	170,199	3,689	-	3,689	
	KGI Taiwan Multi-Asset Income Fund	—	Financial assets at FVTPL — non- current	1,198,020	12,423	-	12,423	
	KGI Taiwan Select-Asset Income Fund	—	Financial assets at FVTPL — non- current	500,325	5,502	-	5,502	
	Corporate bond							
	M.J. International Co. Ltd. — 1st convertible bonds	—	Financial assets at FVTPL — current	20 (Units)	1,950	-	1,950	
	Chailease Holding Company Limited — 1st convertible bonds	—	Financial assets at FVTPL — current	180 (Units)	17,658	-	17,658	
	Taishin Financial Holding Co., Ltd. — 1st exchangeable bonds	—	Financial assets at FVTPL — current	60 (Units)	6,012	-	6,012	
	Giant Manufacturing Co., Ltd. — 1st convertible bonds	—	Financial assets at FVTPL — current	100 (Units)	9,630	-	9,630	
	Topco Technologies Corp. — 1st convertible corporate bonds	—	Financial assets at FVTPL — current	45 (Units)	4,635	-	4,635	
	Perusahaan Listrik Negara corporate bond (USD)	—	Financial assets at amortized cost — non-current	10 (Units)	32,584	-	25,240	
	Southern California Edison corporate bond (USD)	—	Financial assets at amortized cost — non-current	5 (Units)	16,664	-	12,016	
	British Telecommunications plc corporate bond (USD)	—	Financial assets at amortized cost — non-current	5 (Units)	15,580	-	11,196	
	TSMC Arizona corporate bond (USD)	—	Financial assets at amortized cost — non-current	5 (Units)	30,164	-	29,486	

(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, 2022				Note
				Shares/Units	Carrying Values	Percentage of Ownership (%)	Market Prices/ Net value of equities	
ZOTC	Stock							
	Fubon Financial Holding Co., Ltd.	—	Financial assets at FVTPL – current	68,510	\$ 3,857	-	\$ 3,857	
	Cathay Financial Holding Co., Ltd.	—	Financial assets at FVTPL – current	43,257	1,730	-	1,730	
	Cathay Financial Holding Co., Ltd. Preferred Shares A	—	Financial assets at FVTPL – non- current	166,000	9,396	-	9,396	
	Union Bank of Taiwan Preferred Shares A	—	Financial assets at FVTPL – non- current	80,000	4,136	-	4,136	
	Sino-American Silicon Products Inc.	—	Financial assets at FVTOCI – current	20,000	2,790	-	2,790	
	K Way Information Corp.	Director of ZOTC	Financial assets at FVTOCI – non- current	655,000	18,176	2.14	18,176	
	China Electric Mfg. Corp.	—	Financial assets at FVTOCI – non- current	2,689,200	35,497	0.83	35,497	
	Unex Technology Corp.	—	Financial assets at FVTOCI – non- current	175,000	1,412	1.68	1,412	
	Da-Chang Start-Up Investment Co. Ltd	—	Financial assets at FVTOCI – non- current	3,000,000	29,980	2.73	29,980	
	Cathay Financial Holding Co., Ltd. Preferred Shares A	—	Financial assets at FVTOCI – non- current	134,000	7,584	-	7,584	
	Union Bank of Taiwan Preferred Shares A	—	Financial assets at FVTOCI – non- current	70,000	3,619	-	3,619	
	Fubon Financial Holding Co., Ltd. Preferred Shares B	—	Financial assets at FVTOCI – non- current	400,000	23,000	-	23,000	
	Taishin Financial Holding Co., Ltd. Preferred Shares E	—	Financial assets at FVTOCI – non- current	240,000	12,384	-	12,384	
	Taishin Financial Holding Co., Ltd. Exchangeable Preferred Shares F	—	Financial assets at FVTOCI – non- current	1,350,000	23,153	-	23,153	
	CTBC Financial Holding Co., Ltd. Preferred Shares B	—	Financial assets at FVTOCI – non- current	90,000	5,337	-	5,337	
	Cathay Financial Holding Co., Ltd. Preferred Shares B	—	Financial assets at FVTOCI – non- current	230,000	12,558	-	12,558	
	WPG Holdings Limited Preferred Shares A	—	Financial assets at FVTOCI – non- current	700,000	34,300	-	34,300	
	United Orthopedic Corporation Preferred Shares A	—	Financial assets at FVTOCI – non- current	200,000	9,840	-	9,840	
	QST International Corporation Preferred Shares A	—	Financial assets at FVTOCI – non- current	45,000	2,021	-	2,021	
	Miiicasa Holdings (Cayman) Inc.	—	Financial assets at FVTOCI – non- current	2,500,000	-	3.45	-	

(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, 2022				Note
				Shares/Units	Carrying Values	Percentage of Ownership (%)	Market Prices/ Net value of equities	
ZOTC	Duofu Co., Ltd.	—	Financial assets at FVTOCI – non-current	10,000	\$ -	0.22	\$ -	
	Jotangi Technology Co., Ltd.		Financial assets at FVTOCI – non-current	796,250	-	9.32	-	
Zerone Win Investment Co.	Stock WPG Holdings Limited Preferred Stock A	—	Financial assets at FVTOCI – non-current	240,000	11,759	-	11,759	
	Shin Kong Financial Holding Co., Ltd. Preferred Stock A	—	Financial assets at FVTOCI – non-current	50,000	1,795	-	1,795	
	Tatung System Technologies Inc.	—	Financial assets at FVTOCI – non-current	1,500,000	58,650	1.69	58,650	
	GrandTech C.G. Systems Inc.	—	Financial assets at FVTOCI – non-current	74,000	3,967	0.12	3,967	
	FiduciaEdge Technologies Co., Ltd.	—	Financial assets at FVTOCI – non-current	500,000	7,500	4.09	7,500	
	GrandTech Cloud Services Inc.	—	Financial assets at FVTOCI – non-current	727	58	-	58	
Petacom Technology Co. Ltd.	Beneficiary certificates Taishin 1699 Money Market Fund	—	Financial assets at FVTPL – current	660,000	9,085	-	9,085	
Zotech Co. Ltd.	Stock WPG Holdings Limited Preferred Shares A	—	Financial assets at FVTOCI – non-current	200,000	9,800	-	9,800	
	Taishin Financial Holding Co., Ltd. Exchangeable Preferred Shares F	—	Financial assets at FVTOCI – non-current	340,000	5,831	-	5,831	

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
MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022

Table 3

(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount (Note)	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount (Note)
ZOTC	<u>Beneficiary certificates</u>													
	Taishin 1699 Money Market Fund	Financial assets at FVTPL—current	—	—	7,310,743	\$ 100,001	54,576,112	\$ 750,000	14,618,868	\$ 200,131	\$ 200,000	\$ 131	47,267,987	\$ 650,654
	Taishin Ta-Chong Money Market Fund	Financial assets at FVTPL—current	—	—	6,968,447	100,000	20,808,963	300,000	6,968,447	100,064	100,000	64	20,808,963	300,296
	FSITC Taiwan Money Market	Financial assets at FVTPL—current	—	—	6,463,581	100,000	25,835,709	400,000	32,299,290	500,323	500,000	323	-	-

Note: The beginning balance and ending balance included adjustments of unrealized gains or loss on financial assets.

ZERO ONE TECHNOLOGY CO., LTD.
INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2022

Table 4

(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses	Investment Amount		As of December 31, 2022			Net Income (Loss) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2022	December 31, 2021	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	\$ 44,199	\$ 8,306	\$ 7,090	Subsidiary
	Zerone Win Investment Co., Ltd.	Taiwan	Investment	300,000	300,000	30,000,000	100.00	324,049	7,244	7,244	Subsidiary
	Asiaone Holdings Ltd.	Republic of Seychelles	Holding company	10,063	10,063	320,000	100.00	13,908	2,051	2,051	Subsidiary
Zerone Win Investment Co., Ltd.	Wing Will International Co., Ltd.	Taiwan	Services of cloud information software	54,499	25,500	28,999,000	99.99	24,464	(1,440)	(1,374)	Sub-subsubsidiary
	Petacom Technology Co., Ltd.	Taiwan	Services of information product agent	50,000	50,000	50,000,000	100.00	70,616	19,863	19,863	Sub-subsubsidiary
	DigiCosmos Tech. Co., Ltd.	Taiwan	Consulting service for information security	25,000	25,000	2,500,000	50.00	21,669	(6,426)	(3,213)	Sub-subsubsidiary
	TrustONE Security Inc.	Taiwan	R&D, sale and service of information software	7,200	4,000	7,200,000	32.00	1,430	(11,567)	(3,166)	Associate
	Leukocyte-Lab Co. Ltd.	Taiwan	IT Security Mgt& R&D, sales & consulting service etc.	11,500	11,500	240,000	34.78	6,327	(7,630)	(4,845)	Associate
	InfinitesSoft Solutions Inc.	Taiwan	Software development, and services of information and computer software	37,800	28,800	2,780,889	24.33	19,871	(4,894)	(3,594)	Associate

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

ZERO ONE TECHNOLOGY CO., LTD.
INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022

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, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of 31 December, 2022	Accumulated Repatriation of Investment Income as of 31 December, 2022	Note
					Outward	Inward							
Techone (Shanghai) Co., Ltd.	Technical service of network technology	\$ 13,224 (RMB 3,000)	(Note 1)	\$ 9,118	\$ -	\$ -	\$ 9,118	\$ 2,950	70%	\$ 2,065	\$ 13,617	\$ -	—

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2022	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	\$ 2,390,027

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, 2022.

Note 3 : According to the "Principles for the Review of Investment or Technical Cooperation in the Mainland Area" stipulated by the Investment Commission, Ministry of Economic Affairs, the limit is 60% of net worth of the Company or the consolidated financial statements. (3,983,378×60%=2,390,027)

Note 4 : For foreign currency conversion, gain (loss) are converted by the average exchange rate in 2022. Other amounts are converted into New Taiwan Dollars by the exchange rate on December 31, 2022.

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ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2022

STATEMENT 1 (In Thousands of New Taiwan Dollars)

Item	Description	Amount
Cash on hand and revolving funds		\$ 121
Checking accounts and demand deposits	New Taiwan dollar	143,636
	USD 714 thousand @ 30.71; EUR 3 thousand @ 32.72	22,044
Time deposits	USD 6,995 thousand@ 30.71; annual interest rate at 4.39%~4.45%; Expired by February 4, 2023	214,830
Repurchase agreements collateralized by bonds	USD 13,713 thousand@ 30.71; annual interest rate at 4.10%~4.30%; Expired by January 16, 2023	<u>421,136</u>
		<u>\$ 801,767</u>

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF FINANCIAL ASSETS AT FVTPL – CURRENT
DECEMBER 31, 2022

Statement 2

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

Name of financial instruments	Description	Units	Par value (Dollars)	Total	Acquisition Cost	Fair value	
						Units (Dollars)	Total
Taishin 1699 Money Market Fund	Fund beneficiary certificates	47,267,987	10	\$ 472,680	\$ 650,000	\$ 13.7652	\$ 650,654
Taishin Ta-Chong Money Market Fund	Fund beneficiary certificates	20,808,963	10	208,090	300,000	14.4311	300,296
M.J. International Co. Ltd. – 1st convertible bonds	Convertible bond	20 (Units)	100,000	2,000	2,026	97.5	1,950
Chailease Holding Company Limited – 1st convertible bonds	Convertible bond	180 (Units)	100,000	18,000	18,180	98.1	17,658
Taishin Financial Holding Co., Ltd. – 1st exchangeable bonds	Exchangeable bond	60 (Units)	100,000	6,000	6,060	100.2	6,012
Giant Manufacturing Co., Ltd. – 1st convertible bonds	Convertible bond	100 (Units)	100,000	10,000	10,100	96.3	9,630
Topco Technologies Corp. – 1st convertible bonds	Convertible bond	45 (Units)	100,000	4,500	4,536	103	4,635
Fubon Financial Holding Co., Ltd.	Stock	68,510	10	685	4,906	56.3	3,857
Cathay Financial Holding Co., Ltd.	Stock	43,257	10	433	<u>1,514</u>	40	<u>1,730</u>
					997,322		<u>\$ 996,422</u>
Add (Less) : Valuation adjustment					(<u>900</u>)		
					<u>\$ 996,422</u>		

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF NOTES RECEIVABLE
DECEMBER 31, 2022

Statement 3

(In Thousands of New Taiwan Dollars)

The firm name	Description	Amount
Non-related parties		
Stark Technology Inc.	Payment for goods	\$ 63,253
Openpower Information Co., Ltd.	Payment for goods	58,651
Apex Fong Yi Technology Co., Ltd.	Payment for goods	35,379
Genesis Technology Inc.	Payment for goods	17,416
WeiCloud Technology Co., Ltd	Payment for goods	16,915
Others (Note)	Payment for goods	<u>127,659</u>
		319,273
Less: Allowances for impairment loss		<u>-</u>
		<u>\$ 319,273</u>

Note : The amount of individual company included in others does not exceed 5% of the account balance.

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF TRADE RECEIVABLE
DECEMBER 31, 2022

Statement 4 (In Thousands of New Taiwan Dollars)

<u>The Company's name</u>	<u>Description</u>	<u>Amount</u>
Kinmax Technology Inc.	Payment for goods	\$ 278,213
Hwacom Systems Inc.	Payment for goods	265,441
Kyndryl Taiwan Corporation	Payment for goods	141,764
High Performance Information Co., Ltd	Payment for goods	136,818
Others (Note)	Payment for goods	<u>1,683,670</u>
		2,505,906
Less: Allowances for impairment loss		<u>15,985</u>
Total		<u>\$ 2,489,921</u>

Note : The amount of individual company included in others does not exceed 5% of the account balance.

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF INVENTORIES
DECEMBER 31, 2022

Statement 5

(In Thousands of New Taiwan Dollars)

<u>Items</u>	<u>Book value</u>	<u>Net realizable value (Note)</u>
Commodities	<u>\$ 1,945,996</u>	<u>\$ 2,011,654</u>

Note : The net realizable value is the estimated selling price of inventories less the estimated costs necessary to make the sale under normal situations.

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF FINANCIAL ASSETS AT FVTPL – NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2022

Statement 6

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

Name	Beginning Balance		Addition		Decrease		Valuation for the current year	Balance, December 31, 2022		Remark
	Shares	Book value	Shares	Amount	Shares	Amount		Shares	Book value	
KGI Kaefer Fund	170,199	\$ 3,669	-	\$ -	-	\$ -	\$ 20	170,199	\$ 3,689	
KGI Taiwan Multi-Asset Income Fund	1,198,020	13,598	-	-	-	-	(1,175)	1,198,020	12,423	
KGI Taiwan Select-Asset Income Fund	500,325	5,898	-	-	-	-	(396)	500,325	5,502	
Cathay Financial Holding Co., Ltd. Preferred Shares A	166,000	10,441	-	-	-	-	(1,045)	166,000	9,396	
Union Bank of Taiwan Preferred Shares A	80,000	<u>4,240</u>	-	<u>-</u>	-	<u>-</u>	(<u>104</u>)	80,000	<u>4,136</u>	
		<u>\$ 37,846</u>		<u>\$ -</u>		<u>\$ -</u>	(<u>\$ 2,700</u>)		<u>\$ 35,146</u>	

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF FINANCIAL ASSETS AT FVTOCI—NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2022

Statement 7

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

Name	Beginning Balance		Addition		Decrease		Valuation for the current year	Ending Balance		Remark
	Shares	Book value	Shares	Amount	Shares	Amount		Shares	Book value	
K Way Information Corp.	655,000	\$ 17,980	-	\$ -	-	\$ -	\$ 196	655,000	\$ 18,176	
China Electric Mfg. Corp	2,689,200	59,297	-	-	-	-	(23,800)	2,689,200	35,497	
Unex Technology Corp.	175,000	2,404	-	-	-	-	(992)	175,000	1,412	
Da-Chang Start-Up Investment Co. Ltd.	3,000,000	29,949	-	-	-	-	31	3,000,000	29,980	
Cathay Financial Holding Co., Ltd. Preferred Shares A	134,000	8,429	-	-	-	-	(845)	134,000	7,584	
Union Bank of Taiwan Preferred Shares A	70,000	3,710	-	-	-	-	(91)	70,000	3,619	
Fubon Financial Holding Co., Ltd. Preferred Shares B	400,000	25,240	-	-	-	-	(2,240)	400,000	23,000	
Taishin Financial Holding Co., Ltd. Preferred Shares E	240,000	12,744	-	-	-	-	(360)	240,000	12,384	
CTBC Financial Holding Co., Ltd. Preferred Shares B	90,000	5,778	-	-	-	-	(441)	90,000	5,337	
Cathay Financial Holding Co., Ltd. Preferred Shares B	230,000	14,605	-	-	-	-	(2,047)	230,000	12,558	
Kwong Lung Enterprise Co., Ltd. Preferred Shares A	270,000	13,378	-	-	270,000	13,482	104	-	-	
WPG Holdings Limited Preferred Shares A	700,000	34,685	-	-	-	-	(385)	700,000	34,300	
United Orthopedic Corporation Preferred Shares A	200,000	9,230	-	-	-	-	610	200,000	9,840	
QST International Corp. Preferred Shares A	70,000	3,146	-	-	25,000	1,160	35	45,000	2,021	
Taishin Financial Holding Co., Ltd. Exchangeable Preferred Shares F	-	-	1,350,000	23,828	-	-	(675)	1,350,000	23,153	
Miiicasa Holdings (Cayman) Inc.	2,500,000	-	-	-	-	-	-	2,500,000	-	
Duofu Co., Ltd	10,000	-	-	-	-	-	-	10,000	-	
Jotangi Technology Co., Ltd.	796,250	-	-	-	-	-	-	796,250	-	
		<u>\$ 240,575</u>		<u>\$ 23,828</u>		<u>\$ 14,642</u>	<u>(\$ 30,900)</u>		<u>\$ 218,861</u>	

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2022

Statement 8

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

Name	Beginning Balance		Addition		Decrease		Increase (Decrease) in Using the Equity Method (Note 1)	Ending Balance			Net value of equity	Collateral/Pledge
	Shares	Amount	Shares	Amount	Shares	Amount		Shares	Percentage of ownership%	Amount		
Zotech Co., Ltd.	3,500,000	\$ 37,348	-	\$ -	-	\$ -	\$ 6,851	3,500,000	85.37	\$ 44,199	\$ 44,199	None
Zerone Win Investment Co., Ltd.	30,000,000	331,797	-	-	-	-	(7,748)	30,000,000	100.00	324,049	324,049	None
Asiaone Holdings Ltd.	320,000	<u>11,696</u>	-	<u>-</u>	-	<u>-</u>	<u>2,212</u>	320,000	100.00	<u>13,908</u>	13,908	None
		<u>\$ 380,841</u>		<u>\$ -</u>		<u>\$ -</u>	<u>\$ 1,315</u>			<u>\$ 382,156</u>		

Note 1 : Including

1. Share of profit or loss of subsidiaries accounted for using the equity method	\$ 16,385
2. Changes in equity from investees accounted for using the equity method	588
3. Share of other comprehensive income (loss) of subsidiaries accounted for using equity method.	(15,819)
4. Exchange differences on translation of the financial statements of foreign operations	<u>161</u>
	<u>\$ 1,315</u>

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF TRADE PAYABLES
DECEMBER 31, 2022

Statement 9

(In Thousands of New Taiwan Dollars)

<u>The Company's name</u>	<u>Amount</u>
CISCO SYSTEMS INTERNATIONAL B.V.	\$ 480,374
Trend Micro Inc.	466,774
NetApp B.V.	291,214
Others (Note)	<u>2,062,243</u>
	<u>\$ 3,300,605</u>

Note : The amount of individual company included in others does not exceed 5% of the account balance.

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF OTHER CURRENT LIABILITIES
DECEMBER 31, 2022

Statement 10

(In Thousands of New Taiwan Dollars)

<u>Items</u>	<u>Amount</u>
Receipts under custody	\$ 216,926
Contract liability—current	26,246
Temporary receipts	<u>25,864</u>
	<u>\$ 269,036</u>

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2022

Statement 11

(In Thousands of New Taiwan Dollars)

Items	Description	Amount
Sales revenue	Selling hardware and software suite	\$ 12,295,309
Service revenue		<u>85,410</u>
		12,380,719
Less: sales returns		8,292
sales discounts		<u>9,388</u>
		<u>\$ 12,363,039</u>

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF OPERATING COST
FOR THE YEAR ENDED DECEMBER 31, 2022

Statement 12

(In Thousands of New Taiwan Dollars)

Items	Amount
Costs of goods sold	
Inventory, beginning of year	\$ 1,782,512
Add : Purchases	10,913,938
Inventory, ending of year	(2,145,176)
Others	<u>406,055</u>
Total costs of sales and purchases	10,957,329
Write-down of inventories	37,613
Losses on scrap of inventories	4,429
Inventory shrinkage	<u>15</u>
	<u>\$ 10,999,386</u>

Note : The above statement indicates that the amount of all items regarding inventories is recognized by original costs of inventories, with no deduction of allowance for inventory valuation losses.

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

Statement 13

(In Thousands of New Taiwan Dollars)

Items	Selling and marketing expenses	General and administrative expenses	Research & Development Expenses	Expected credit losses	Total
Payroll Expenses	\$ 315,443	\$ 80,726	\$ 8,223	\$ -	\$ 404,392
Entertainment expense	71,388	150	-	-	71,538
Insurance expense	36,263	9,401	647	-	46,311
Depreciation expense	12,730	13,972	37	-	26,739
Expected credit losses	-	-	-	12,543	12,543
Others (Note)	<u>92,685</u>	<u>28,195</u>	<u>666</u>	<u>-</u>	<u>121,546</u>
	<u>\$ 528,509</u>	<u>\$ 132,444</u>	<u>\$ 9,573</u>	<u>\$ 12,543</u>	<u>\$ 683,069</u>

Note : The amount of each item in others does not exceed 5% of the account balance.

ZERO ONE TECHNOLOGY CO., LTD.

STATEMENT OF EMPLOYEE BENEFIT, DEPRECIATION AND AMORTIZATION BY FUNCTION

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Statement 14

(In Thousands of New Taiwan Dollars)

	2022			2021		
	Classified as Operating Cost	Classified as Operating Expenses	Total	Classified as Operating Cost	Classified as Operating Expenses	Total
Employee benefit expenses (Note)						
Salary and bonus	\$ -	\$ 379,770	\$ 379,770	\$ -	\$ 362,756	\$ 362,756
Labor and health insurance	-	27,915	27,915	-	23,682	23,682
Pension	-	12,523	12,523	-	10,749	10,749
Directors' compensation	-	12,099	12,099	-	14,483	14,483
Others	-	25,261	25,261	-	20,504	20,504
	<u>\$ -</u>	<u>\$ 457,568</u>	<u>\$ 457,568</u>	<u>\$ -</u>	<u>\$ 432,174</u>	<u>\$ 432,174</u>
Depreciation	<u>\$ -</u>	<u>\$ 26,739</u>	<u>\$ 26,739</u>	<u>\$ -</u>	<u>\$ 22,066</u>	<u>\$ 22,066</u>
Amortization	<u>\$ -</u>	<u>\$ 1,177</u>	<u>\$ 1,177</u>	<u>\$ -</u>	<u>\$ 1,068</u>	<u>\$ 1,068</u>

Note 1: As of December 31, 2022 and 2021, the Company had 320 and 291 employees, respectively, and there were 6 non-employee directors for both years. The calculation basis is consistent to employee benefit expenses.

Note 2: (1) Average employee benefit expenses for 2022 and 2021 were \$1,419 thousand and \$1,466 thousand, respectively.

(2) Average salary and bonus for 2022 and 2021 were \$1,209 thousand and \$1,273 thousand, respectively.

(3) The change in the average salary and bonus is (5.03)%.

Note 3: The Company's compensation policies (including directors, managers and employees) are as follows:

(1) Directors: Accordingly to Article 19 of the Company's Articles of Incorporation, the compensation for directors shall be no more than 3% of annual profits. The Company allocates 1.5% of the current year's annual profits for the compensation to directors, and will provide reasonable reward by taking into account of the Company's operating results and the contribution they made. The procedures to determine the compensation is based on the Company's "Rules for Distribution of Compensation to Directors." Apart from referencing the company's overall operational efficiencies, future management risk and developing trend of the industry, the personal efficiency achievement rate, contribution to the overall

performance, and devotion to company performance, achievement rate, profitability rate, operational efficiency and contribution are also collectively evaluated before calculating the compensation ratio. Relevant performance appraisals and the soundness of the compensation are reviewed and approved by the Remuneration Committee and the Board in accordance with the charter of relevant laws and requirements, so as to achieve the balance of the Company's sustainability and risk management.

(2) Managers: Based on the Company's compensation policy to managers, criteria such as industry standards and personal performance evaluation items, which include financial indicators (such as the Company's revenue, achievement rate for profit before tax and after tax) and non-financial related indicators (such as taking on the role as trainer and any gross misconduct of the department in terms of legal and compliance and operational risks incidents) are also included in the evaluation. The procedures to determine and distribute the compensation is based on the Company's performance appraisal evaluation guidelines. Relevant performance appraisals and the soundness of the compensation are reviewed and approved by the Remuneration Committee and the Board in accordance with the charter of relevant laws and requirements, so as to achieve the balance of the Company's sustainability and risk management.

Employees: The Company conducts annual market survey regularly by analyzing salary, bonus and annual income statistics. Salary adjustment is processed based on Company's work rules and the results of individual performance appraisals so as to ensure the fairness of internal and external practices which meets the market standards.