

ZERO ONE TECHNOLOGY CO., LTD.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS FOR THE
THREE MONTHS ENDED MARCH 31, 2022 AND 2021 AND
INDEPENDENT AUDITORS' REVIEW REPORT

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INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Zero One Technology Co., Ltd and its subsidiaries (the “Group”) as of March 31, 2022 and 2021, the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months then ended March 31, 2022 and 2021, and the notes to the consolidated financial statements, including a summary of significant accounting policies. 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 International Accounting Standard 34, “Interim Financial Reporting,” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards No. 65 “Review of Financial Information Performed by the Independent Auditor of the Entity”. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the three months then ended March 31, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting,” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche

Taipei, Taiwan
Republic of China

April 27, 2022

Notice to Readers

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

For the convenience of readers, the independent auditors' review 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' review report and consolidated financial statements shall prevail.

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

March 31, 2022, December 31, 2021, and March 31, 2021

(In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2022 (Reviewed)		December 31, 2021 (Audited)		March 31, 2021 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 789,389	10	\$ 1,016,070	13	\$ 779,982	13
Financial assets at fair value through profit or loss (Note 7)	653,010	8	346,392	5	482,943	8
Financial assets at fair value through other comprehensive income (Note 8)	3,540	-	-	-	-	-
Financial assets at amortized cost (Note 9)	1,122,461	15	895,930	12	153,070	3
Notes receivable (Note 11)	156,656	2	288,710	4	363,980	6
Trade receivables (Note 11)	2,679,490	35	2,595,990	34	2,097,294	36
Current tax assets	687	-	831	-	831	-
Inventories (Note 12)	1,350,597	18	1,647,322	21	1,040,624	18
Other current assets	39,981	-	31,218	-	29,414	1
Total current assets	<u>6,795,811</u>	<u>88</u>	<u>6,822,463</u>	<u>89</u>	<u>4,948,138</u>	<u>85</u>
NON-CURRENT ASSETS						
Financial assets at fair value through profit or loss (Note 7)	37,719	1	37,846	-	36,052	1
Financial assets at fair value through other comprehensive income (Note 8)	358,358	5	364,727	5	379,119	7
Financial assets at amortized cost (Notes 9, 10 and 28)	95,721	1	50,565	1	82,734	1
Investment accounted for using equity method (Note 14)	13,031	-	11,541	-	3,700	-
Property, plant and equipment (Notes 15 and 28)	313,603	4	317,114	4	306,276	5
Right-of-use assets (Note 16)	24,204	-	15,146	-	16,927	-
Other intangible assets	1,740	-	2,008	-	1,347	-
Deferred tax assets	41,103	1	44,484	1	36,946	1
Refundable deposits	9,846	-	10,418	-	8,328	-
Prepayments for investments	-	-	-	-	28,072	-
Total non-current assets	<u>895,325</u>	<u>12</u>	<u>853,849</u>	<u>11</u>	<u>899,501</u>	<u>15</u>
TOTAL	<u>\$ 7,691,136</u>	<u>100</u>	<u>\$ 7,676,312</u>	<u>100</u>	<u>\$ 5,847,639</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Trade payables	\$ 2,942,120	38	\$ 3,008,135	39	\$ 2,338,591	40
Other payables (Note 17)	748,457	10	270,077	4	658,529	11
Current tax liabilities	131,938	2	98,067	1	89,028	2
Lease liabilities (Note 16)	10,740	-	7,486	-	9,510	-
Other current liabilities (Note 20)	277,623	4	320,003	4	241,097	4
Total current liabilities	<u>4,110,878</u>	<u>54</u>	<u>3,703,768</u>	<u>48</u>	<u>3,336,755</u>	<u>57</u>
NON-CURRENT LIABILITIES						
Deferred tax liabilities	468	-	488	-	20	-
Lease liabilities (Note 16)	13,816	-	8,046	-	7,799	-
Net defined benefit liabilities (Note 18)	18,446	-	19,224	1	20,288	1
Other non-current liabilities	800	-	800	-	800	-
Total non-current liabilities	<u>33,530</u>	<u>-</u>	<u>28,558</u>	<u>1</u>	<u>28,907</u>	<u>1</u>
Total liabilities	<u>4,144,408</u>	<u>54</u>	<u>3,732,326</u>	<u>49</u>	<u>3,365,662</u>	<u>58</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 19)						
Ordinary shares	1,524,007	20	1,519,707	20	1,263,292	22
Capital surplus	1,236,844	16	1,234,325	16	481,206	8
Retained earnings						
Legal reserve	263,963	3	263,963	3	219,863	4
Unappropriated earnings	431,230	6	831,516	11	425,288	7
Total retained earnings	695,193	9	1,095,479	14	645,151	11
Other equity	55,229	1	58,682	1	80,697	1
Total equity attributable to owners of the Company	<u>3,511,273</u>	<u>46</u>	<u>3,908,193</u>	<u>51</u>	<u>2,470,346</u>	<u>42</u>
NON-CONTROLLING INTERESTS	<u>35,455</u>	<u>-</u>	<u>35,793</u>	<u>-</u>	<u>11,631</u>	<u>-</u>
Total equity	<u>3,546,728</u>	<u>46</u>	<u>3,943,986</u>	<u>51</u>	<u>2,481,977</u>	<u>42</u>
TOTAL	<u>\$ 7,691,136</u>	<u>100</u>	<u>\$ 7,676,312</u>	<u>100</u>	<u>\$ 5,847,639</u>	<u>100</u>

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

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three months ended March 31, 2022 and 2021

(Reviewed, Not Audited)

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

	For the Three Months Ended March 31			
	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Note 20)	\$ 3,072,976	100	\$ 2,895,489	100
OPERATING COSTS (Notes 12 and 21)	<u>2,713,898</u>	<u>88</u>	<u>2,615,755</u>	<u>90</u>
GROSS PROFIT	<u>359,078</u>	<u>12</u>	<u>279,734</u>	<u>10</u>
OPERATING EXPENSES (Note 21)				
Selling and marketing expenses	137,189	5	112,263	4
General and administrative expenses	37,099	1	37,716	1
Research and development expenses	3,142	-	1,584	-
Expected credit loss (Reversal of expected credit loss) (Note 11)	<u>558</u>	<u>-</u>	<u>(3,828)</u>	<u>-</u>
Total operating expenses	<u>177,988</u>	<u>6</u>	<u>147,735</u>	<u>5</u>
PROFIT FROM OPERATIONS	<u>181,090</u>	<u>6</u>	<u>131,999</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	1,768	-	1,024	-
Other income	1,181	-	378	-
Other gains and losses (Note 21)	1,299	-	12,493	-
Finance costs	(81)	-	(53)	-
Share of loss of associates accounted for using equity method	<u>(1,710)</u>	<u>-</u>	<u>(300)</u>	<u>-</u>
Total non-operating income and expenses	<u>2,457</u>	<u>-</u>	<u>13,542</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	183,547	6	145,541	5
INCOME TAX EXPENSE (Note 22)	<u>37,371</u>	<u>1</u>	<u>30,210</u>	<u>1</u>
NET PROFIT	<u>146,176</u>	<u>5</u>	<u>115,331</u>	<u>4</u>

(Continued)

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three months ended March 31, 2022 and 2021

(Reviewed, Not Audited)

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

	For the Three Months Ended March 31			
	2022		2021	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(\$ 3,296)	-	\$ 64,414	2
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	<u>611</u>	<u>-</u>	<u>(96)</u>	<u>-</u>
Other comprehensive income (loss) for the period, net of income tax	<u>(2,685)</u>	<u>-</u>	<u>64,318</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	<u>\$ 143,491</u>	<u>5</u>	<u>\$ 179,649</u>	<u>6</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 146,722	5	\$ 115,828	4
Non-controlling interests	<u>(546)</u>	<u>-</u>	<u>(497)</u>	<u>-</u>
	<u>\$ 146,176</u>	<u>5</u>	<u>\$ 115,331</u>	<u>4</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 143,829	5	\$ 180,160	6
Non-controlling interests	<u>(338)</u>	<u>-</u>	<u>(511)</u>	<u>-</u>
	<u>\$ 143,491</u>	<u>5</u>	<u>\$ 179,649</u>	<u>6</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 0.97</u>		<u>\$ 0.92</u>	
Diluted	<u>\$ 0.95</u>		<u>\$ 0.90</u>	

(Concluded)

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

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three months ended March 31, 2022 and 2021

(Reviewed, Not Audited)

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

	Equity Attributable to Owners of the Company						Other Equity						
	Share Capital			Retained Earnings			Exchange differences on translating the financial statements of foreign operations	Unrealized gain (loss) on Financial Assets at FVTOCI	Unearned Employee benefits	Total	Total	Non-controlling Interests	Total Equity
	Shares (In Thousand)	Ordinary shares	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 :													
Cash dividends - \$3 per share	-	-	-	-	(377,836)	(377,836)	-	-	-	-	(377,836)	-	(377,836)
Net profit (loss) for the three months ended March 31, 2021	-	-	-	-	115,828	115,828	-	-	-	-	115,828	(497)	115,331
Other comprehensive income (loss) for the three months ended March 31, 2021, net of income tax	-	-	-	-	-	-	(67)	64,399	-	64,332	64,332	(14)	64,318
Total comprehensive income (loss) for the three months ended March 31, 2021, net of income tax	-	-	-	-	115,828	115,828	(67)	64,399	-	64,332	180,160	(511)	179,649
Share based payment transaction - employee restricted shares	-	-	-	-	-	-	-	-	1,413	1,413	1,413	-	1,413
Share based payment transaction - employee stock options	-	-	(871)	-	-	-	-	-	-	-	(871)	-	(871)
Cancellation of employee restricted shares	(15)	(150)	150	-	-	-	-	-	-	-	-	-	-
Issuance of ordinary shares under employee stock options	704	7,040	3,170	-	-	-	-	-	-	-	10,210	-	10,210
Disposals of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	19,398	19,398	-	(19,398)	-	(19,398)	-	-	-
BALANCE, MARCH 31, 2021	126,329	\$ 1,263,292	\$ 481,206	\$ 219,863	\$ 425,288	\$ 645,151	\$ 7	\$ 84,578	(\$ 3,888)	\$ 80,697	\$ 2,470,346	\$ 11,631	\$ 2,481,977
BALANCE, JANUARY 1, 2022	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 :													
Cash dividends - \$3.6 per share	-	-	-	-	(547,962)	(547,962)	-	-	-	-	(547,962)	-	(547,962)
Net profit (loss) for the three months ended March 31, 2022	-	-	-	-	146,722	146,722	-	-	-	-	146,722	(546)	146,176
Other comprehensive income (loss) for the three months ended March 31, 2022, net of income tax	-	-	-	-	-	-	428	(3,321)	-	(2,893)	(2,893)	208	(2,685)
Total comprehensive income (loss) for the three months ended March 31, 2022, net of income tax	-	-	-	-	146,722	146,722	428	(3,321)	-	(2,893)	143,829	(338)	143,491
Share based payment transaction - employee restricted shares	-	-	-	-	-	-	-	-	394	394	394	-	394
Share based payment transaction - employee stock options	-	-	205	-	-	-	-	-	-	-	205	-	205
Issuance of ordinary shares under employee stock options	430	4,300	2,314	-	-	-	-	-	-	-	6,614	-	6,614
Disposals of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	954	954	-	(954)	-	(954)	-	-	-
BALANCE, MARCH 31, 2022	152,401	\$ 1,524,007	\$ 1,236,844	\$ 263,963	\$ 431,230	\$ 695,193	\$ 434	\$ 56,472	(\$ 1,677)	\$ 55,229	\$ 3,511,273	\$ 35,455	\$ 3,546,728

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 three months ended March 31, 2022 and 2021

(Reviewed, Not Audited)

(In Thousands of New Taiwan Dollars)

	For the Three Months Ended March 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 183,547	\$ 145,541
Adjustments for:		
Depreciation expenses	7,778	6,034
Amortization expenses	268	235
Expected credit loss (Reversal of expected credit loss)	558	(3,828)
Net gain on fair value changes of financial assets at fair value through profit or loss	(445)	(2,296)
Finance costs	81	53
Interest income	(1,768)	(1,024)
Compensation costs of employee stock options	599	542
Share of loss of associates accounted for using equity method	1,710	300
Reversal of write-down of inventories	(18,622)	(9,079)
Net loss on foreign currency exchange	13,476	6,016
Gain on lease modification	(89)	-
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(336,346)	(120,435)
Notes receivable	132,054	(133,490)
Trade receivables	(80,233)	(180,756)
Inventories	315,090	209,907
Other current assets	22,265	7,616
Trade payables	(81,498)	82,850
Other payables	(77,236)	34,846
Other current liabilities	(42,380)	25,233
Net defined benefit liabilities	(778)	(694)
Cash generated from operations	38,031	67,571
Income tax returned (paid)	5	(195)
Net cash generated from operating activities	<u>38,036</u>	<u>67,376</u>

(Continued)

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended March 31, 2022 and 2021

(Reviewed, Not Audited)

(In Thousands of New Taiwan Dollars)

	For the Three Months Ended March 31	
	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(\$ 17,160)	(\$ 2,428)
Proceeds from sale of financial assets at fair value through other comprehensive income	16,693	17,284
Purchase of financial assets at amortized cost	(1,178,484)	(178,829)
Proceeds from sale of financial assets at amortized cost	908,669	251,151
Acquisition of investments accounted for using equity method	(3,200)	(4,000)
Increase in prepayments for investments	-	(18,072)
Payments for property, plant and equipment	(685)	(1,290)
Increase in refundable deposits	-	(388)
Decrease in refundable deposits	572	-
Interest received	<u>924</u>	<u>2,449</u>
Net cash (used in) generated from investing activities	(<u>272,671</u>)	<u>65,877</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of the principal portion of lease liabilities	(3,114)	(1,995)
Exercise of employee share options	6,614	10,210
Interest paid	(<u>81</u>)	(<u>53</u>)
Net cash generated from financing activities	<u>3,419</u>	<u>8,162</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>4,535</u>	<u>677</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(226,681)	142,092
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>1,016,070</u>	<u>637,890</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 789,389</u>	<u>\$ 779,982</u>

(Concluded)

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

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE THREE MONTHS ENDED MARCH 31, 2022 and 2021

(Reviewed, Not Audited)

(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 Company Act of the Republic of China on June 27, 1980. On January 21, 2000, ZOTC’s shares were listed on the 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 ZOTC.

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 April 27, 2022.

3. APPLICATION OF NEW, AMENDED 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).

The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have a significant effect on the Group’s accounting policies.

(2) IFRSs issued by the IASB but not yet endorsed and issued into effect by the FSC

New / Revised / Amended Standards and Interpretations	Effective Date Announced by the IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2022 (Note 4)

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

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

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

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

As of the date the consolidated financial statements were authorized for issue, the Group continuously evaluates 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

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" endorsed and issued into effect by the FSC. The consolidated financial statements do not present all the disclosures required for a complete set of annual consolidated financial statements prepared under 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 value, and present value of defined benefits plans deducts net defined benefit liabilities measured at fair value.

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);
- C. Level 3 inputs are unobservable inputs for the asset or liability.

(3) 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 ensure their accounting policies are in 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 Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

See Note 13, Table 4 and Table 5 for the detailed information of subsidiaries, the percentage of ownership and main business.

(4) Other significant accounting policies

Except for the following, please refer to the consolidated financial statements for the year ended 2021.

A. Defined benefits of retirement

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations for the current period, and for amendments in significant plans, settlements, or other significant one-off events.

B. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

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

Please refer to the consolidated financial statements for the year ended December 31, 2021 for main sources of critical accounting judgments, estimates and uncertainty assumptions explanations.

6. CASH AND CASH EQUIVALENTS

	March 31, 2022	December 31, 2021	March 31, 2021
Cash on hand and revolving funds	\$ 285	\$ 164	\$ 268
Checking accounts and demand deposits	789,104	877,506	751,150
Cash equivalents			
Repurchase agreements collateralized by bonds	-	138,400	28,564
	<u>\$ 789,389</u>	<u>\$ 1,016,070</u>	<u>\$ 779,982</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Financial assets – current</u>			
Mandatorily measured at FVTPL			
Domestic convertible bond	\$ 24,879	\$ 30,045	\$ 14,721
Domestic listed ordinary shares	12,641	1,163	1,740
Fund beneficiary certificates	615,490	315,184	466,482
	<u>\$ 653,010</u>	<u>\$ 346,392</u>	<u>\$ 482,943</u>
<u>Financial assets – non-current</u>			
Mandatorily measured at FVTPL			
Domestic listed preferred shares	\$ 14,697	\$ 14,681	\$ 14,515
Fund beneficiary certificates	23,022	23,165	21,537
	<u>\$ 37,719</u>	<u>\$ 37,846</u>	<u>\$ 36,052</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in equity instruments

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Current</u>			
Domestic investment			
Listed ordinary shares	\$ 3,540	\$ -	\$ -
<u>Non-current</u>			
Domestic investment			
Listed and emerging market ordinary shares	\$ 136,773	\$ 141,197	\$ 163,701
Listed preferred shares	152,932	154,877	197,276
Unlisted shares	68,653	68,653	18,142
	<u>\$ 358,358</u>	<u>\$ 364,727</u>	<u>\$ 379,119</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

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Current</u>			
Domestic investment			
Time deposits with original maturities of more than three months (1)	\$ 220,132	\$ 148,570	\$ 153,070
Repurchase agreements collateralized by bonds (2)	<u>902,329</u>	<u>747,360</u>	-
	<u>\$ 1,122,461</u>	<u>\$ 895,930</u>	<u>\$ 153,070</u>
<u>Non-current</u>			
Domestic investment			
Pledged time deposit (3)	\$ 35,216	\$ 35,124	\$ 25,561
Foreign investment			
Perusahaan Listrik Negara corporate bond (USD) (4)	30,411	15,441	-
Southern California Edison corporate bond (USD) (5)	15,567	-	-
British Telecommunications plc corporate bond (USD) (6)	14,527	-	-
Barclays Bank corporate bond (USD) (7)	-	-	14,904
Prudential plc corporate bond (USD) (8)	-	-	29,142
AT&T corporate bond (USD) (9)	-	-	13,127
	<u>\$ 95,721</u>	<u>\$ 50,565</u>	<u>\$ 82,734</u>

- (1) As of March 31, 2022, December 31, 2021 and March 31, 2021, the market interest rate intervals of time deposit with original maturities of more than three months were 0.55%~1.065%, 0.76%~0.815% and 0.63%~0.815%, respectively.
- (2) As of March 31, 2022 and December 31, 2021, the market interest rate intervals of repurchase agreements collateralized by bonds with original maturities of more than three months were 0.30%~0.95% and 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 Barclays Bank corporate bond (USD) by USD 527 thousand with a coupon rate of 4.836% in August 2019, and the Group sold all bonds in July 2021.
- (8) The Group purchased Prudential plc corporate bond (USD) by USD 1,040 thousand with a coupon rate of 4.875% in August 2019, and the Group sold all bonds in July 2021.
- (9) The Group purchased AT&T corporate bond (USD) by USD 460 thousand with a coupon rate of 3.65% in March 2021, and the Group sold all bonds in August 2021.
- (10) 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 March 31, 2022, December 31, 2021 and March 31, 2021.

11. NOTES, TRADE RECEIVABLE AND OVERDUE RECEIVABLES

	March 31, 2022	December 31, 2021	March 31, 2021
Measured at amortized cost			
Notes receivable	\$ 156,656	\$ 288,710	\$ 363,980
Trade receivable	2,684,799	2,600,741	2,104,898
Overdue receivables	-	-	1,474
Deduct: Allowance for impairment loss	(5,309)	(4,751)	(9,078)
	<u>\$ 2,836,146</u>	<u>\$ 2,884,700</u>	<u>\$ 2,461,274</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 measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivable are estimated using a provision matrix by reference to past default experience of the customer, the customer's current financial position, and economic conditions of the industry, as well as forecasts of GDP and prospects of the industry. As the Group's historical data of credit loss indicates that there is no significant difference in terms of the types of loss resulted from different customer groups, therefore, the segregation of customers was not further differentiated in the matrix, and the number of days of trade receivables overdue was used to determine the ratio of the expected credit loss.

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 profits or losses.

The following table details the loss allowance of trade receivable:

March 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	\$ 2,785,132	\$ 16,402	\$ 38,612	\$ -	\$ 1,309	\$ 2,841,455
Loss allowance (Lifetime ECLs)	(276)	(271)	(3,453)	-	(1,309)	(5,309)
Amortized cost	<u>\$ 2,784,856</u>	<u>\$ 16,131</u>	<u>\$ 35,159</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,836,146</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

March 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	\$ 2,464,817	\$ 3,116	\$ 945	\$ -	\$ 1,474	\$ 2,470,352
Loss allowance (Lifetime ECLs)	(6,266)	(934)	(404)	-	(1,474)	(9,078)
Amortized cost	\$ 2,458,551	\$ 2,182	\$ 541	\$ -	\$ -	\$ 2,461,274

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

	For the Three Months Ended March 31, 2022	For the Three Months Ended March 31, 2021
Balance at January 1	\$ 4,751	\$ 12,906
Add: Net remeasurement of loss allowance	558	-
Deduct: Reversal of loss allowance	-	(3,828)
Balance at March 31	\$ 5,309	\$ 9,078

12. INVENTORIES

	March 31, 2022	December 31, 2021	March 31, 2021
Raw materials	\$ 3,178	\$ 2,914	\$ 3,577
Work in process	2,822	2,777	3,700
Finished goods	120	513	243
Commodities	1,344,477	1,641,118	1,033,104
	\$ 1,350,597	\$ 1,647,322	\$ 1,040,624

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

	For the Three Months Ended March 31, 2022	For the Three Months Ended March 31, 2021
Cost of inventories sold	\$ 2,732,520	\$ 2,624,834
Reversal of write-down of inventories	(18,622)	(9,079)
	\$ 2,713,898	\$ 2,615,755

13. SUBSIDIARIES

(1) Subsidiaries included in the consolidated financial statements

The consolidated entities were as follows:

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			March 31, 2022	December 31, 2021	March 31, 2021	
ZOTC	Zotech Co., Ltd.	Manufacturing for computer equipment	85.37%	85.37%	85.37%	-
	Zerone Win Investment Co., Ltd.	Investment	100.00%	100.00%	100.00%	-
	Asiaone Holdings Ltd.	Holding company	100.00%	100.00%	100.00%	-

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			March 31, 2022	December 31, 2021	March 31, 2021	
Zerone Win Investment Co., Ltd.	WingWill International Co., Ltd.	Services of cloud information software	87.93%	87.93%	87.93%	-
	Petacom Technology Co., Ltd.	Services of distribution of information product	100.00%	100.00%	100.00%	-
	DigiCosmos Tech. Co., Ltd.	Services of information security consulting	50.00%	50.00%	-	Note
Asiaone Holdings Ltd.	Techone (Shanghai) Co., Ltd.	Technical service for network technology	70.00%	70.00%	70.00%	-

(Concluded)

Note: 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.

The above subsidiaries are not significant subsidiaries. The financial statements have not been reviewed by CPAs. The management of the Group holds the view that there is not any material impact given the fact that the financial statements of the above subsidiaries have not been reviewed by CPAs.

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

14. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates	March 31, 2022	December 31, 2021	March 31, 2021
Individual Insignificant Associate			
TrustONE Security Inc.	\$ 3,710	\$ 1,397	\$ 3,700
Leukocyte-Lab Co. Ltd.	9,321	10,144	-
	<u>\$ 13,031</u>	<u>\$ 11,541</u>	<u>\$ 3,700</u>
	<u>Percentage of Equity Holding and Voting Rights</u>		
Name of Associates	March 31, 2022	December 31, 2021	March 31, 2021
TrustONE Security Inc.	32%	32%	32%
Leukocyte-Lab Co. Ltd.	37.5%	37.5%	-

The Group invested in TrustOne Security Inc. in February 2021 with the investment amount of \$4,000 thousand and share-holding ratio of 32%. 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, which engages mainly in information security management, sale and consulting service, with the investment amount of \$11,500 thousand, and share-holding ratio of 37.5%.

The investment was accounted for using the equity method and the share of profit or loss and other comprehensive income of the invested company was calculated on the basis of the financial statements that have not been reviewed by CPAs. The management of the Group holds the view that the calculations of the financial statements that were not reviewed by the CPAs have not resulted in any material impacts.

15. PROPERTY, PLANT AND EQUIPMENT

	March 31, 2022	December 31, 2021	March 31, 2021
Land	\$ 234,892	\$ 234,892	\$ 234,892
Buildings	52,432	52,887	54,248
Machinery equipment	126	143	194
Office equipment	8,993	10,135	8,947
Delivery equipment	368	490	860
Other equipment	<u>16,792</u>	<u>18,567</u>	<u>7,135</u>
	<u>\$ 313,603</u>	<u>\$ 317,114</u>	<u>\$ 306,276</u>

Except for depreciation recognized, property, plant and equipment of the Group were not significantly increased, disposed nor impaired for the three months ended March 31, 2022 and 2021.

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

Property, plant and equipment used by the Group and pledged as collateral for bank borrowings are set out in Note 28.

16. LEASE ARRANGEMENTS

(1) Right-of-use assets

	March 31, 2022	December 31, 2021	March 31, 2021
Carrying amounts of right-of-use assets			
Buildings	\$ 24,112	\$ 15,003	\$ 16,634
Office equipment	<u>92</u>	<u>143</u>	<u>293</u>
	<u>\$ 24,204</u>	<u>\$ 15,146</u>	<u>\$ 16,927</u>
	For the Three Months Ended March 31, 2022	For the Three Months Ended March 31, 2021	
Additions to right-of-use assets	<u>\$ 13,502</u>	<u>\$ 6,226</u>	
Depreciation charge for right-of-use assets			
Buildings	\$ 3,254	\$ 2,262	
Office equipment	<u>50</u>	<u>51</u>	
	<u>\$ 3,304</u>	<u>\$ 2,313</u>	

(2) Lease liabilities

	March 31, 2022	December 31, 2021	March 31, 2021
Carrying amounts of lease liabilities			
Current	\$ <u>10,740</u>	\$ <u>7,486</u>	\$ <u>9,510</u>
Non-current	\$ <u>13,816</u>	\$ <u>8,046</u>	\$ <u>7,799</u>

Range of discount rate for lease liabilities was as follows:

	March 31, 2022	December 31, 2021	March 31, 2021
Buildings	0.75%~4.75%	0.75%~4.75%	0.94~4.75%
Office equipment	1.20%	1.20%	1.20%

(3) Other lease information

	For the Three Months Ended March 31, 2022	For the Three Months Ended March 31, 2021
Expenses relating to short-term leases	\$ 217	\$ 111
Expenses relating to low-value asset leases	\$ 13	\$ 12
Total cash (outflow) for leases	(\$ 3,425)	(\$ 2,171)

17. OTHER PAYABLE

	March 31, 2022	December 31, 2021	March 31, 2021
Dividends Payable	\$ 547,962	\$ -	\$ 377,836
Salaries and bonuses payable	59,614	135,443	45,164
Compensation of employees, directors and supervisors payable	53,781	43,071	44,634
Others	87,100	91,563	190,895
	<u>\$ 748,457</u>	<u>\$ 270,077</u>	<u>\$ 658,529</u>

18. RETIREMENT BENEFIT PLANS

For the three months ended March 31, 2022 and 2021, the pension expenses of defined benefit plans were \$29 thousand and \$66 thousand, respectively, and these were calculated based on the pension cost rate determined by the actuarial calculation on December 31, 2021 and 2020, respectively.

19. EQUITY

(1) Ordinary Shares

	March 31, 2022	December 31, 2021	March 31, 2021
Shares authorized (in thousands of shares)	200,000	200,000	150,000
Authorized capital	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ 1,500,000</u>
Shares issued and fully paid (in thousands of shares)	152,401	151,971	126,329
Issued capital	<u>\$ 1,524,007</u>	<u>\$ 1,519,707</u>	<u>\$ 1,263,292</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

	March 31, 2022	December 31, 2021	March 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	\$ 1,162,149	\$ 1,159,835	\$ 409,121
Treasury stock transactions	25,343	25,343	25,343
From exercised and invalid employees stock options	24,320	21,459	17,290
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	68	68	-

(Continued)

	March 31, 2022	December 31, 2021	March 31, 2021
Vested employees restricted shares	\$ 4,621	\$ 4,621	\$ 2,414
<u>May not be used for any purpose</u>			
Employees restricted shares	3,805	3,805	6,012
Employees stock options	<u>16,538</u>	<u>19,194</u>	<u>21,026</u>
	<u>\$ 1,236,844</u>	<u>\$ 1,234,325</u>	<u>\$ 481,206</u>

(Concluded)

Note: Such capital surplus may be used to offset a deficit; in addition, when ZOTC has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of ZOTC's 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' and directors' compensation, refer to compensation of employees and 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 earnings for 2021 and 2020 are 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 cash dividends listed above were approved by the board of directors on February 23, 2022 and February 24, 2021, respectively. The appropriations of earnings for 2020 have been approved by ZOTC's shareholder's meeting held on August 4, 2021. The appropriations of earnings for 2021 are subject to the resolution of the shareholders' meeting to be held on May 26, 2022.

20. REVENUE

(1) Income from contracts with clients

	For the Three Months Ended March 31, 2022	For the Three Months Ended March 31, 2021
Sales revenue	\$ 3,050,447	\$ 2,881,322
Service revenue	<u>22,529</u>	<u>14,167</u>
	<u>\$ 3,072,976</u>	<u>\$ 2,895,489</u>

(2) Remaining balance of the contracts

	March 31, 2022	December 31, 2021	March 31, 2021
Notes receivable (Note 11)	<u>\$ 156,656</u>	<u>\$ 288,710</u>	<u>\$ 363,980</u>
Trade receivable (Note 11)	<u>\$ 2,679,490</u>	<u>\$ 2,595,990</u>	<u>\$ 2,097,294</u>
Contract liability (Other current liabilities)	<u>\$ 31,994</u>	<u>\$ 52,817</u>	<u>\$ 31,953</u>

21. NET INCOME

(1) Other gains and losses

	For the Three Months Ended March 31, 2022	For the Three Months Ended March 31, 2021
Net foreign exchange profit	<u>\$ 878</u>	<u>\$ 10,197</u>
Net gain arising on financial assets measured at FVTPL	445	2,296
Gain on lease modification	89	-
Others	<u>(113)</u>	<u>-</u>
	<u>\$ 1,299</u>	<u>\$ 12,493</u>

(2) Depreciation & amortization

	For the Three Months Ended March 31, 2022	For the Three Months Ended March 31, 2021
Property, plant and equipment	<u>\$ 4,474</u>	<u>\$ 3,721</u>
Right-of-use assets	3,304	2,313
Intangible assets	<u>268</u>	<u>235</u>
	<u>\$ 8,046</u>	<u>\$ 6,269</u>
An analysis of depreciation by function		
Operating expenses	<u>\$ 7,778</u>	<u>\$ 6,034</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 268</u>	<u>\$ 235</u>

(3) Employee benefits expense

	For the Three Months Ended March 31, 2022	For the Three Months Ended March 31, 2021
Post-employment benefits		
Defined contribution plans	<u>\$ 3,298</u>	<u>\$ 2,901</u>
Defined benefit plans (Note 18)	<u>29</u>	<u>66</u>
	<u>3,327</u>	<u>2,967</u>
Share-based payment		
Equity-settled	<u>599</u>	<u>542</u>
Other employee benefits	<u>120,037</u>	<u>103,140</u>
Total employee benefits expense	<u>\$ 123,963</u>	<u>\$ 106,649</u>
An analysis of employee benefits expense by function		
Operating costs	<u>\$ 161</u>	<u>\$ 892</u>
Operating expenses	<u>123,802</u>	<u>105,757</u>
	<u>\$ 123,963</u>	<u>\$ 106,649</u>

(4) Compensation of employees and directors

ZOTC shall allocate compensation of employees and directors at the range between 1%~15% and no more than 3% of annual profits during the period, respectively. The estimate of compensation of employees and directors for the three months ended March 31, 2022 and 2021 is as follows:

Estimate Rate

	For the Three Months Ended March 31, 2022	For the Three Months Ended March 31, 2021
Compensation of employees	4%	4%
Compensation of directors	1.5%	2%

Amount

	For the Three Months Ended March 31, 2022	For the Three Months Ended March 31, 2021
Compensation of employees	\$ 7,764	\$ 6,143
Compensation of directors	\$ 2,911	\$ 3,071

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

The compensation of employees and directors for the years ended December 31, 2021 and 2020, which were approved by the Company's board of directors on February 23, 2022 and February 24, 2021, respectively, are as follows:

	For Fiscal Year 2021	For Fiscal Year 2020
	Cash	Cash
Compensation of employees	\$ 28,714	\$ 23,613
Compensation of directors	14,357	11,807

There is no difference between the actual amounts of employees' and director's compensation paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2021 and 2020.

Information on the employees' and director's compensation resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

22. INCOME TAXES

(1) Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Three Months Ended March 31, 2022	For the Three Months Ended March 31, 2021
Current tax		
In respect of the current period	\$ 33,973	\$ 29,562
Adjustments for previous years	37	-
Deferred tax		
In respect of the current period	3,361	648
Income tax expense recognized in profit or loss	\$ 37,371	\$ 30,210

(2) Income tax assessment

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

<u>Company</u>	<u>Year of Assessment</u>
The Company	2019
Zotech Co., Ltd.	2020
Zerone Win Investment Co., Ltd.	2020
WingWill International Co., Ltd.	2020
Petacom Technology Co., Ltd	2020

23. EARNINGS PER SHARE

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

Net Profit for the Period

	<u>For the Three Months Ended March 31, 2022</u>	<u>For the Three Months Ended March 31, 2021</u>
Earnings used in the computation of basic and diluted earnings per share	<u>\$ 146,722</u>	<u>\$ 115,828</u>

Shares

	<u>For the Three Months Ended March 31, 2022</u>	<u>For the Three Months Ended March 31, 2021</u>
Weighted average number of ordinary shares used in the computation of basic earnings per share	151,861	125,420
Effect of potentially dilutive ordinary shares:		
Compensation of employees	558	486
Employee stock options	1,883	2,344
Employee restricted shares	<u>297</u>	<u>424</u>
Weighted average number of ordinary shares outstanding used in the computation of diluted earnings per share	<u>154,599</u>	<u>128,674</u>

If the Group offered to settle the compensation paid to employees in cash or shares, the Group assumed that the entire amount of the compensation will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included 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 ZOTC 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 ZOTC's ordinary shares, the exercise price of options will be adjusted by the regulated formula, accordingly.

Information on employee stock options was as follows:

Employee stock options	For the Three Months Ended March 31, 2022		For the Three Months Ended March 31, 2021	
	Number of Options (In Thousands of Units)	Weighted Average Exercise Price (\$)	Number of Options (In Thousands of Units)	Weighted Average Exercise Price (\$)
Balance at January 1	3,034	\$ 15.93	4,468	\$ 16.70
Options exercised	(430)	15.38	(704)	14.50
Options forfeited	-	-	(88)	17.82
Options outstanding at March 31	<u>2,604</u>	14.73	<u>3,676</u>	17.10
Options exercisable at March 31	<u>1,877</u>		<u>1,818</u>	

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

March 31, 2022		December 31, 2021		March 31, 2021	
Range of Exercise Price (\$)	Weighted- Over-Age Remaining Contractual Life (Year)	Range of Exercise Price (\$)	Weighted- Over-Age Remaining Contractual Life (Year)	Range of Exercise Price (\$)	Weighted- Over-Age Remaining Contractual Life (Year)
\$ -	-	\$ -	-	\$ 11.70 (Note)	0.42
11.50 (Note)	0.43	12.50 (Note)	0.68	13.40 (Note)	1.43
14.20 (Note)	1.76	15.40 (Note)	2.01	16.80 (Note)	2.76
15.50 (Note)	2.42	16.90 (Note)	2.67	18.40 (Note)	3.42

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

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

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

The compensation cost recognized (reversed) were \$205 thousand and (\$871) thousand for the three months ended March 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 received the vested shares from the Company, it will redeem and cancel the issued employee restricted shares as employees breach the labor contract and working regulations, for the employee restricted shares that don't meet the vesting conditions.

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

Compensation costs by issuance of employee restricted shares recognized were \$394 thousand and \$1,413 thousand for the three months ended March 31, 2022 and 2021, respectively. As of March 31, 2022 and for the same period in 2021, the unearned employee benefit totaled \$1,677 thousand and \$3,888 thousand, accounted for as the 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%

25. CAPITAL RISK MANAGEMENT

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

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

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

26. FINNANCIAL 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:

	March 31, 2022		December 31, 2021		March 31, 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial Assets</u>						
Financial assets at amortized cost						
— Foreign corporate bonds	\$ 60,505	\$ 54,944	\$ 15,441	\$ 15,585	\$ 57,173	\$ 59,632

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

A. Fair value hierarchy

March 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets measured at</u> <u>FVTPL</u>				
Domestic convertible bonds	\$ 24,879	\$ -	\$ -	\$ 24,879
Domestic listed shares	27,338	-	-	27,338
Fund beneficiary certificates	<u>628,968</u>	<u>-</u>	<u>9,544</u>	<u>638,512</u>
Total	<u>\$ 681,185</u>	<u>\$ -</u>	<u>\$ 9,544</u>	<u>\$ 690,729</u>

Financial assets measured at
FVTOCI

Equity investments				
– Domestic listed shares and emerging market shares	\$ 293,245	\$ -	\$ -	\$ 293,245
– Domestic Unlisted shares	<u>-</u>	<u>-</u>	<u>68,653</u>	<u>68,653</u>
Total	<u>\$ 293,245</u>	<u>\$ -</u>	<u>\$ 68,653</u>	<u>\$ 361,898</u>

December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<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 certificates	<u>328,782</u>	<u>-</u>	<u>9,567</u>	<u>338,349</u>
Total	<u>\$ 374,671</u>	<u>\$ -</u>	<u>\$ 9,567</u>	<u>\$ 384,238</u>

Financial assets measured at
FVTOCI

Equity investments				
– Domestic listed shares and emerging market shares	\$ 296,074	\$ -	\$ -	\$ 296,074
– Domestic Unlisted shares	<u>-</u>	<u>-</u>	<u>68,653</u>	<u>68,653</u>
Total	<u>\$ 296,074</u>	<u>\$ -</u>	<u>\$ 68,653</u>	<u>\$ 364,727</u>

March 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets measured at</u> <u>FVTPL</u>				
Domestic convertible bonds	\$ 14,721	\$ -	\$ -	\$ 14,721
Domestic listed shares	16,255	-	-	16,255
Fund beneficiary certificates	<u>479,097</u>	<u>-</u>	<u>8,922</u>	<u>488,019</u>
Total	<u>\$ 510,073</u>	<u>\$ -</u>	<u>\$ 8,922</u>	<u>\$ 518,995</u>

Financial assets measured at
FVTOCI

Equity investments				
– Domestic listed shares and emerging market shares	\$ 348,885	\$ -	\$ 12,092	\$ 360,977
– Domestic Unlisted shares	<u>-</u>	<u>-</u>	<u>18,142</u>	<u>18,142</u>
Total	<u>\$ 348,885</u>	<u>\$ -</u>	<u>\$ 30,234</u>	<u>\$ 379,119</u>

There were no transfers between Level 1 and Level 2 for three months ended March 31, 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

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Financial assets</u>			
Measured at FVTPL			
Mandatorily measured at FVTPL	\$ 690,729	\$ 384,238	\$ 518,995
Financial assets measured at amortized cost (Note 1)	4,853,563	4,882,817	3,498,554
Financial assets measured at FVTOCI			
— Investments in equity instruments	361,898	364,727	379,119
<u>Financial liabilities</u>			
Measured at amortized cost (Note 2)	3,691,377	3,279,012	2,997,920

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.

A. Market risk

The financial risk which the Group needs to manage as a result of operating activities is changes in foreign currency risks.

a. Foreign currency risk

The Group's purchases are denominated in foreign currencies. Consequently, the Group is exposed to foreign currency risks. Exchange rate exposures are managed within approved policy parameters utilizing foreign investments.

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 for the three months ended March 31, 2022 and 2021 would decrease by \$12,916 thousand and increase by \$34,194 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 is as follows:

	March 31, 2022	December 31, 2021	March 31, 2021
Interest rate risks at fair value			
– Financial assets	\$ 1,077,996	\$ 944,802	\$ 134,330
– Financial liabilities	24,556	15,532	17,309
Interest rate risks at cash flows			
– Financial assets	929,290	1,017,599	881,188

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 for the three months ended March 31, 2022 and 2021 would increase by \$1,162 thousand and \$1,101 thousand, respectively.

c. Other price risk

The Group is exposed to price risks arising from shares, corporate bonds and fund beneficiary certificates. 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 had been 5% higher, pre-tax profit for the three months ended March 31, 2022 and 2021 would have increased by \$34,536 thousand and \$25,950 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the other comprehensive income for the three months ended March 31, 2022 and 2021 would have increased by \$18,095 thousand and \$18,956 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

B. Credit risk

A 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 and financial guarantees provided by the Group is arising from the carrying amount of the respective recognized financial assets as stated in the condensed 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 many 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 Group's concentration of credit risk was mainly in the Group's five largest customers, which accounted for 37%, 33% and 42% of trade receivable, respectively, as of March 31, 2022, December 31, 2021 and March 31, 2021.

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 principal and interest of cash flows.

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

March 31, 2022

	<u>Less than 1 Year</u>	<u>1-5 Years</u>
<u>Non-derivative financial liabilities</u>		
No interest-bearing liabilities	\$ 3,690,577	\$ -
Lease liabilities	<u>11,004</u>	<u>13,968</u>
	<u>\$ 3,701,581</u>	<u>\$ 13,968</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>

March 31, 2021

	<u>Less than 1 Year</u>	<u>1-5 Years</u>
<u>Non-derivative financial liabilities</u>		
No interest-bearing liabilities	\$ 2,997,120	\$ -
Lease liabilities	<u>9,684</u>	<u>7,899</u>
	<u>\$ 3,006,804</u>	<u>\$ 7,899</u>

As of March 31, 2022, December 31, 2021 and March 31, 2021, the Group's unused short-term credit of limit of the bank were \$1,600,000 thousand, \$1,600,000 thousand and \$1,250,000 thousand, respectively.

27. RELATED PARTIES TRANSACTIONS

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

Compensation of key management personnel

	<u>For the Three Months Ended March 31, 2022</u>	<u>For the Three Months Ended March 31, 2021</u>
Short-term employee benefits	<u>\$ 41,267</u>	<u>\$ 32,465</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 were provided as collateral for bank or securities firms borrowings, tariff guarantee for imported commodities:

	March 31, 2022	December 31, 2021	March 31, 2021
Property, plant and equipment, Net	\$ 205,884	\$ 206,231	\$ 207,273
Pledged Time Deposits (Financial assets at amortized cost – non-current)	<u>35,216</u>	<u>35,124</u>	<u>25,561</u>
	<u>\$ 241,100</u>	<u>\$ 241,355</u>	<u>\$ 232,834</u>

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- (1) As of March 31, 2022, the group opens NT\$ 87,000 thousand of cashier order for payment guaranteed for Microsoft Taiwan Corporation.
- (2) As of March 31, 2022, the group opens NT\$ 50,000 thousand of cashier order for payment guaranteed for Microsoft Regional Sales Corporation.

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Group and the related exchange rates between foreign currencies and respective functional currencies were as follows:

March 31, 2022

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 46,718	28.625 (USD:NTD)	\$ <u>1,337,303</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	37,694	28.625 (USD:NTD)	\$ <u>1,078,991</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>

March 31, 2021

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 21,139	28.535 (USD:NTD)	\$ <u>603,201</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	45,105	28.535 (USD:NTD)	\$ <u>1,287,071</u>

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

Foreign currencies	For the three months ended March 31, 2022		For the three months ended March 31, 2021	
	Exchange rate	Net Foreign exchange gain (loss)	Exchange rate	Net Foreign exchange gain (loss)
USD	27.994 (USD:NTD)	\$ 878	28.366 (USD:NTD)	\$ 10,197

31. SEPARATELY DISCLOSED ITEMS

(1) Information about significant transactions:

- A. Financing provided to others: Table 1.
- B. Endorsements/guarantees provided: None.
- C. Marketable securities held (excluding investments in subsidiaries, associates and joint ventures): Table 2.
- D. Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None.
- E. Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital : None.
- F. Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- G. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- H. Receivables 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. Other: Intercompany relationships and significant intercompany transactions: Table 3.

(2) Information on investees: Table 4.

(3) Information on investment in mainland China :

- A. Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 5.
- B. Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: 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 shareholders: List of all shareholders with ownership of 5 percent or greater showing the name, the number of shares and percentage of ownership held by each shareholder: Table 6.

32. SEGMENT INFORMATION

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

(1) Segments revenue & operating results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segments:

	The business division of brands distribution	Other	Eliminations	Total
<u>For the three months ended</u>				
<u>March 31, 2022</u>				
Revenues from external customers	\$ 3,012,490	\$ 60,486	\$ -	\$ 3,072,976
Inter-segment revenues	-	28,680	(28,680)	-
Segment revenues	<u>\$ 3,012,490</u>	<u>\$ 89,166</u>	<u>(\$ 28,680)</u>	<u>3,072,976</u>
Segment profit (loss)	<u>\$ 191,862</u>	<u>\$ 26,327</u>	<u>\$ -</u>	\$ 218,189
General administration division costs and compensation of directors				(37,099)
Non-operating income and expenses				<u>2,457</u>
Net income before tax				<u>\$ 183,547</u>
<u>For the three months ended</u>				
<u>March 31, 2021</u>				
Revenues from external customers	\$ 2,847,769	\$ 47,720	\$ -	\$ 2,895,489
Inter-segment revenues	-	9,882	(9,882)	-
Segment revenues	<u>\$ 2,847,769</u>	<u>\$ 57,602</u>	<u>(\$ 9,882)</u>	<u>2,895,489</u>
Segment profit (loss)	<u>\$ 168,001</u>	<u>\$ 1,714</u>	<u>\$ -</u>	\$ 169,715
General administration division costs and compensation of directors				(37,716)
Non-operating income and expenses				<u>13,542</u>
Net income before tax				<u>\$ 145,541</u>

Segment profit represented the profit before tax earned by each segment without allocation of general administration division costs and compensation of directors, and 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 segment assets and liabilities

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) Revenue from major products and services

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

	For the three months ended March 31, 2022	For the three months ended March 31, 2021
IT Infrastructure	\$ 832,640	\$ 1,034,650
Network & Information Security	1,370,109	1,258,842
Cloud Platform & Application	688,703	450,738
Big Data & Application	180,348	150,769
Other	1,176	490
	<u>\$ 3,072,976</u>	<u>\$ 2,895,489</u>

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
FINANCING PROVIDED TO OTHERS
FOR THE THREE MONTHS ENDED MARCH 31, 2022

Table 1

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

No.	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 Amounts	Reason for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrower (Note 4)	Aggregate Financing Limit (Note 5)	Note
													Item	Value			
0	ZOTC	Zerone Win Investment Co., Ltd.	Other receivables from related parties	Yes	\$ 50,000	\$ 50,000	\$ -	3%	2	\$ -	Operating capital	\$ -	—	\$ -	\$ 351,127	\$ 702,255	
0	ZOTC	WinWill International Co., Ltd.	Other receivables from related parties	Yes	20,000	20,000	10,000	3%	2	-	Operating capital	-	—	-	351,127	702,255	

Note 1 : The number column is organized as follows :

- (1) Number 0 represents the issuer.
- (2) The investee companies are 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 financing limit for each borrower shall not exceed 10% of the lender's net worth as stated in its latest financial statement audited or reviewed by CPAs.

Note 5 : Aggregate financing limit shall not exceed 20% of the lender's net worth as stated in its latest financial statement audited or reviewed by CPAs.

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
MARCH 31, 2022

Table 2

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

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company	Financial Statement Account	March 31, 2022				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
ZOTC	Beneficiary certificate							
	Taishin 1699 Money Market Fund	—	Financial assets at FVTPL — current	14,618,868	\$ 200,102	-	\$ 200,102	
	Taishin Ta-Chong Money Market Fund	—	Financial assets at FVTPL — current	6,968,447	100,056	-	100,056	
	FSITC Taiwan Money Market	—	Financial assets at FVTPL — current	19,386,817	300,139	-	300,139	
	KGI Kaefer Fund	—	Financial assets at FVTPL — non-current	170,199	3,638	-	3,638	
	KGI Taiwan Multi-Asset Income Fund	—	Financial assets at FVTPL — non-current	1,198,020	13,478	-	13,478	
	KGI Taiwan Select-Asset Income Fund	—	Financial assets at FVTPL — non-current	500,325	5,906	-	5,906	
	Corporate bond							
	M.J. International Co. Ltd. — 1 st convertible bond	—	Financial assets at FVTPL — current	20 (Units)	2,059	-	2,059	
	AcBel Polytech Inc. — 1 st convertible bond	—	Financial assets at FVTPL — current	20 (Units)	2,300	-	2,300	
	Chailease Holding Company Limited — 1 st convertible bond	—	Financial assets at FVTPL — current	190 (Units)	20,520	-	20,520	
	Perusahaan Listrik Negara corporate bond (USD)	—	Financial assets at amortized cost — non-current	10 (Units)	30,411	-	27,973	
	Southern California Edison corporate bond (USD)	—	Financial assets at amortized cost — non-current	5 (Units)	15,567	-	13,732	
	British Telecommunications plc corporate bond (USD)	—	Financial assets at amortized cost — non-current	5 (Units)	14,527	-	13,239	
	Stock							
Fubon Financial Holding Co., Ltd.	—	Financial assets at FVTPL — current	165,248	12,641	-	12,641		

(Continued)

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company	Financial Statement Account	March 31, 2022				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	Cathay Financial Holdings Preferred Shares A	—	Financial assets at FVTPL – non-current	166,000	\$ 10,425	-	\$ 10,425	
	Union Bank of Taiwan Preferred Shares A	—	Financial assets at FVTPL – non-current	80,000	4,272	-	4,272	
	Sino-American Silicon Products Inc.	—	Financial assets at FVTOCI – current	20,000	3,540	-	3,540	
	K Way Information Corp.	Director of ZOTC	Financial assets at FVTOCI – non-current	655,000	20,142	2.14	20,142	
	China Electric Mfg. Corp.	—	Financial assets at FVTOCI – non-current	2,689,200	51,498	0.83	51,498	
	Unex Technology Corp.	—	Financial assets at FVTOCI – non-current	175,000	2,404	1.68	2,404	
	Da-Chang Start-Up Investment Co. Ltd.	—	Financial assets at FVTOCI – non-current	3,000,000	29,949	2.73	29,949	
	Cathay Financial Holding Co., Ltd. Preferred Shares A	—	Financial assets at FVTOCI – non-current	134,000	8,415	-	8,415	
	Union Bank of Taiwan Preferred Shares A	—	Financial assets at FVTOCI – non-current	70,000	3,738	-	3,738	
	Fubon Financial Holding Co., Ltd. Preferred Shares B	—	Financial assets at FVTOCI – non-current	400,000	25,120	-	25,120	
	Taishin Financial Holding Co., Ltd. Preferred Shares E	—	Financial assets at FVTOCI – non-current	240,000	12,840	-	12,840	
	CTBC Financial Holding Co., Ltd. Preferred Shares B	—	Financial assets at FVTOCI – non-current	90,000	5,733	-	5,733	
	Cathay Financial Holding Co., Ltd. Preferred Shares B	—	Financial assets at FVTOCI – non-current	230,000	14,444	-	14,444	
	Kwong Lung Enterprise Co., Ltd. Preferred Shares A	—	Financial assets at FVTOCI – non-current	240,000	12,024	-	12,024	
	WPG Holdings Limited Preferred Shares A	—	Financial assets at FVTOCI – non-current	700,000	35,280	-	35,280	
	United Orthopedic Corporation Preferred Shares A	—	Financial assets at FVTOCI – non-current	200,000	8,950	-	8,950	
	QST International Corporation Preferred Shares A	—	Financial assets at FVTOCI – non-current	45,000	2,077	-	2,077	
	Miiicasa Holdings (Cayman) Inc.	—	Financial assets at FVTOCI – non-current	2,500,000	-	3.45	-	

(Continued)

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company	Financial Statement Account	March 31, 2022				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Zerone Win Investment Co., Ltd.	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	-	
	WPG Holdings Limited Preferred Shares A	—	Financial assets at FVTOCI – non-current	240,000	12,096	-	12,096	
	Shin Kong Financial Holding Co., Ltd. Preferred Shares A	—	Financial assets at FVTOCI – non-current	50,000	2,135	-	2,135	
	Tatung System Technologies Inc.	—	Financial assets at FVTOCI – non-current	1,500,000	60,750	1.69	60,750	
	LEO Systems, Inc.	—	Financial assets at FVTOCI – non-current	20,000	540	0.02	540	
	GrandTech C.G. Systems Inc.	—	Financial assets at FVTOCI – non-current	70,000	3,843	0.12	3,843	
	InfinitesSoft Solutions Inc.	—	Financial assets at FVTOCI – non-current	1,714,286	28,800	15.00	28,800	
	FiduciaEdge Technologies Co., Ltd.	—	Financial assets at FVTOCI – non-current	500,000	7,500	4.09	7,500	
Petacom Technology Co., Ltd.	Beneficiary certificate Taishin 1699 Money Market Fund	—	Financial assets at FVTPL – current	1,110,000	15,193	-	15,193	
Zotech Co., Ltd.	Stock WPG Holdings Limited Preferred Shares A	—	Financial assets at FVTOCI – non-current	200,000	10,080	-	10,080	

(Concluded)

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

Note 2 : Relevant information about investments in equity of subsidiaries and associates, please refer to Table 4 and Table 5.

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2022

Table 3 (In Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Transactions Details			Percentage of Consolidated Total Revenues or Total Assets (Note 3)
				Financial Statement Account	Amount (Note 4)	Transaction Terms	
0	ZOTC	WingWill International Co., Ltd.	1	Sales revenue	\$ 9,527	Note 5	-
				Trade receivable	9,174	Note 5	-
				Other receivable	10,094	Note 5	-
0	ZOTC	Petacom Technology Co., Ltd.	1	Sales revenue	7,224	Note 5	-
				Trade receivable	6,416	Note 5	-
0	ZOTC	Techone (Shanghai) Co., Ltd.	1	Trade receivable	7,509	Note 5	-
1	Petacom Technology Co., Ltd.	Techone (Shanghai) Co., Ltd.	3	Sales revenue	5,938	Note 5	-
				Trade receivable	6,146	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 THREE MONTHS ENDED MARCH 31, 2022

Table 4

(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses	Investment Amount		As of March 31, 2022			Net Income (Loss) of the Investee	Share of Profits/Losses of Investee	Note
				March 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	\$ 39,827	\$ 2,734	\$ 2,334	Subsidiary
	Zerone Win Investment Co., Ltd.	Taiwan	Investment	300,000	300,000	30,000,000	100.00	326,718	(6,501)	(6,501)	Subsidiary
	Asiaone Holdings Ltd.	Republic of Seychelles	Holding company	10,063	10,063	320,000	100.00	12,252	129	129	Subsidiary
Zerone Win Investment Co., Ltd.	WingWill International Co., Ltd.	Taiwan	Services of cloud information software	25,500	25,500	8,793,103	87.93	(6,187)	(3,941)	(3,465)	Sub-subsiary
	Petacom Technology Co., Ltd.	Taiwan	Services of distribution of information product	50,000	50,000	50,000,000	100.00	51,949	(805)	(805)	Sub-subsiary
	DigiCosmos Tech. Co., Ltd.	Taiwan	Services of information security consulting	25,000	25,000	2,500,000	50.00	24,361	(1,042)	(521)	Sub-subsiary
	TrustOne Security Inc.	Taiwan	R&D, sale and service of information software	7,200	4,000	7,200,000	32.00	3,710	(2,770)	(887)	Associate
	Leukocyte-Lab Co. Ltd.	Taiwan	Information security management and consulting service	11,500	11,500	240,000	37.50	9,321	(2,195)	(823)	Associate

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

ZERO ONE TECHNOLOGY CO., LTD.AND SUBSIDIARIES
INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 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 March 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of March 31, 2022	Accumulated Repatriation of Investment Income as of March 31, 2022	Note
					Outward	Inward							
Techone (Shanghai) Co., Ltd.	Technical service for network technology	\$ 13,518 (RMB 3,000)	(Note 1)	\$ 9,118	\$ -	\$ -	\$ 9,118	\$ 170	70%	\$ 119	\$ 11,937	\$ -	—

Accumulated Outward Remittance for Investments in Mainland China as of March 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	\$ 2,106,764

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 not reviewed by CPAs on March 31, 2022.

Note 3 : Determined by sixty percent (60%) of the Company's consolidated net worth, reviewed by CPAs on March 31, 2022 (3,511,273×60%=2,106,764).

Note 4 : For foreign currency conversion, gain (loss) are converted by the average exchange rate in 2022 Q1. Other amounts are converted into New Taiwan Dollars by the exchange rate on March 31, 2022.

ZERO ONE TECHNOLOGY CO., LTD.
 INFORMATION ON MAJOR SHAREHOLDERS
 MARCH 31, 2022

Table 6

Shareholders	Shares	
	Number of Shares	Ownership Percentage
Ceres Investment Co., Ltd.	9,772,251	6.41%
Ceres Capital Co., Ltd.	9,500,000	6.23%

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