

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

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DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF
AFFILIATES

The entities that are required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 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	<u>\$ 8,015,013</u>	<u>100</u>	<u>\$ 7,676,312</u>	<u>100</u>
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	<u>\$ 8,015,013</u>	<u>100</u>	<u>\$ 7,676,312</u>	<u>100</u>

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

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 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	(1,785)	(1,534)
Cash generated from operations	34,029	451,108
Income tax paid	(151,250)	(105,136)
Net cash (used in) generated from operating activities	(117,221)	345,972

(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 they arise.

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

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

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

Investments in equity instruments

	December 31, 2022	December 31, 2021
<u>Current</u>		
Domestic		
Listed ordinary shares	\$ 2,790	\$ -
<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)	-	747,360
	<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)	30,164	-
	<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>

Name of Associates	Percentage of Equity Holding and Voting Rights	
	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	<u>\$ 14,129</u>	<u>\$ 7,486</u>
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	<u>\$ 660</u>	<u>\$ 1,095</u>
Expenses relating to low-value asset leases	<u>\$ 168</u>	<u>\$ 50</u>
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>	(\$ 39,411)	<u>\$ 20,982</u>
Service cost			
Current service cost	159	-	159
Interest expense (income)	<u>302</u>	(201)	<u>101</u>
Recognized in profits or losses	<u>461</u>	(201)	<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	(365)	-	(365)
Recognized in other comprehensive income	<u>273</u>	(497)	(224)
Contribution from employer	<u>-</u>	(1,794)	(1,794)
Balance at December 31, 2021	<u>\$ 61,127</u>	(\$ 41,903)	<u>\$ 19,224</u>
Balance at January 1, 2022	<u>\$ 61,127</u>	(\$ 41,903)	<u>\$ 19,224</u>
Interest expense (income)	<u>382</u>	(268)	<u>114</u>
Recognized in profits or losses	<u>382</u>	(268)	<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>910</u>
Recognized in other comprehensive income	(923)	(3,228)	(4,151)
Contribution from employer	<u>-</u>	(1,899)	(1,899)
Balance at December 31, 2022	<u>\$ 60,586</u>	(\$ 47,298)	<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:

	<u>2022</u>	<u>2021</u>
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:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
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:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
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.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
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 (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 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

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

(3) Employee benefits expense

	2022	2021
Post-employment benefits		
Defined contribution plans	\$ 14,410	\$ 12,302
Defined benefit plans (Note 18)	114	260
	<u>14,524</u>	<u>12,562</u>
Share-based payment		
Equity-settled (Note 24)	2,400	4,748
Other employee benefits	504,511	472,292
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	512,817	486,408
	<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

	2022	2021
Compensation of employee	3.0%	4%
Compensation of director	1.5%	2%

Amount

	2022	2021
	<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	<u>\$ 762,908</u>	<u>\$ 673,197</u>
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:

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

Information about employee stock options was as follows:

	<u>2022</u>		<u>2021</u>	
	Number of Options (In Thousands)	Weighted Average Exercise Price (\$)	Number of Options (In Thousands)	Weighted Average Exercise Price (\$)
<u>Employee stock options</u>				
Balance, begin of period	3,034	\$ 15.93	4,468	\$ 16.70
Options exercised	(1,061)	14.20	(1,346)	14.76
Invalid options	-	-	(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 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,	December 31,
		2022	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,	December 31,
		2022	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,	December 31,
	2022	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-DEMOMINATED 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>	\$ 856,285
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>	\$ 773,485
General administration division costs and directors' compensation				(147,314)
Non-operating income and expenses				<u>47,026</u>
Profit before income tax				<u>\$ 673,197</u>

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	<u>7,776</u>	<u>4,163</u>
	<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 INVESTEEES
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. $(3,983,378 \times 60\% = 2,390,027)$

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.