



ZERO ONE TECHNOLOGY CO., LTD.

2023 Annual Report

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Notice to readers.

THIS IS A TRANSLATION OF THE 2023 ANNUAL REPORT (THE "ANNUAL REPORT") OF ZERO ONE TECHNOLOGY CO., LTD. (THE "COMPANY"). THIS TRANSLATION IS INTENDED FOR REFERENCE ONLY AND NOTHING ELSE, THE COMPANY HEREBY DISCLAIMS ANY AND ALL LIABILITIES WHATSOEVER FOR THE TRANSLATION. THE CHINESE TEXT OF THE ANNUAL REPORT SHALL GOVERN ANY AND ALL MATTERS RELATED TO THE INTERPRETATION OF THE SUBJECT MATTER STATED HEREIN.

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

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I. Letter to Shareholders

Dear Shareholders,

The results of our operating performance in 2023, business plan for 2024, are illustrated as follows:

1. 2023 Operating Results

(A) Implementation Results of Business Plans

In 2023, the Company’s total revenue stood at NT\$ 13,920,657 thousand, on the increase of NT\$ 1,186,274 thousand compared to the preceding year, a 9.32% in year-over-year increase. The net profit after tax was NT\$ 700,942 thousand, on the increase of NT\$ 88,540 thousand compared to the preceding year, a 14.46% year-over-year growth. Basic earnings per share were NT\$ 4.50.

(B) Financial Status and Profitability Analysis

(1) Financial Status :

In 2023, the Company’s net profit was NT\$ 700,942 thousand. Cash generated by operating activities were NT\$ 802,647 thousand. Cash used in investing and financing activities were NT\$ 934,975 thousand and NT\$ 437,952 thousand, respectively. Cash and cash equivalents decrease NT\$561,802 thousand during the period. Cash and cash equivalents at the end period were NT\$ 492,357 thousand.

(2) Profitability Analysis :

Items	2023 (%)	2022 (%)
Ratio of return on total assets	8.77	7.82
Ratio of return on shareholders’ equity	16.95	15.45
Ratio of operating income to capital stock	51.26	46.39
Ratio of profit before income tax to capital stock	55.93	49.85
Profit ratio	5.04	4.81
Earnings per share (NT\$)	4.50	4.03

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

(1) Print server firmware enhancement

In 2024, we continued to enhance the print server firmware, focusing on two directions:

- a. Cyber threats related to enterprises’ internal information security.
- b. Windows 11 compatibility enhancements.

(2) AI related products:

MagicBox Nano is the AI product of our small TinyML series. It includes MagicBrain MCU AI modules, as well as AI appliances software and hardware development corresponding to different sensor series such as MagicEye, MagicEar, and MagicData.

(3) Development of small on-premises LLM platform

We are committed to optimizing the 7/12B LLM basic model and developing RAG and fine-tune platforms. At the same time, we connect the KM enterprise knowledge base with the on-premises LLM platform to further improve overall efficiency.

(4) Develop innovative solutions for information security control optimization of AOD on-demand cloud smart service streaming management platform.

2. Summary of 2024 Business Plan

(A) Business Plan

Zero One Technology has been engaged in Taiwan's information service agency field for more than 40 years. Our agency brands cover the following four major areas:

- (1) IT infrastructure:
We provide customers with stable and efficient infrastructure, including servers, AI computing infrastructure, networks and storage systems.
- (2) Network and information security:
We are committed to protecting our customers' data and network resources and providing powerful security solutions.
- (3) Cloud platform and integrated applications:
We assist customers in migrating to the cloud and provide support for integrated applications.
- (4) Big data and artificial intelligence applications:
We introduce industry-renowned data analysis and artificial intelligence technology applications to help customers make more informed and progressive business decisions.

In addition, we work with several S&P 500 technology companies, including Akamai, Cisco, F5, Google, Microsoft, NetApp, NVIDIA, Palo Alto, Trend Micro and VMware, among others. In Taiwan, we are one of the most important partners for these enterprises, especially in the digital transformation and upgrading of enterprise data center software and hardware, hybrid cloud platform management, and mid-to-high-end security solutions.

Going forward, we will focus on the following directions to continue growing and value enhancements:

- (1) Strengthen the field of cloud and IT infrastructure built ups:
We will increase investment to create a more comprehensive IT automation service platform and provide more powerful solutions for upstream and downstream customers. At the same time, we will accelerate business development, improve operational efficiency and reduce costs through a strong distribution system.
- (2) Elevate team strength:
We will continue to improve the skills and knowledge of our team to enhance our capability and strength comprehensively in agency brands. At the same time, we will start from the pain points of customers' self-built clouds and the usages in multi-cloud and provide full-process solutions to help customers achieve digital transformation.
- (3) Establishment of platform ecosystem:
We will continue to strive to establish the platform ecosystem and create greater value in collaboration with original suppliers and distribution partners. We believe that these strategies will help keep our duo revenue and profit growth on track and provide better services to our customers.

(B) Sales forecast and its reference

Each product and expected sales forecasts in 2024 are as follows:

Product category	Sales forecast (Set)
IT infrastructure	1,784,236
Network & information security	2,573,478
Cloud platform & application	4,831,128
Big data & application	1,443,709
Others	138,836
Total	10,771,387

As of December 31, 2023, as the agent products and solutions both meet the needs of the Taiwan market, the team's performance once again broke through the record high. The Company will continue to implement the strategy of expanding the partner ecosystem to increase market share and offer more varieties of products and services. We also focus on the continuous expansion of the proportion of multi-year contracting projects and subscription service in recent years. The average single customer usage should be higher than in previous years. Therefore, it is expected that the sales volume this year will continue to increase compared to the previous years, which will also help with product expansion and the development of the Company's business.

(C) Important policy of production and sales.

- (1) In recent years, under the policies of the Taiwan authorities to vigorously promote enterprise sustainability, information security resilience, and industrial AI, the demand for consulting evaluation and deployment of customers has continued to increase, and the Company has also expanded its investment in consulting services in the above fields so as to improve the Company's profitability.
- (2) We help our vendors and partners expand markets from three divisions, namely, the enhanced integration of different brands, maximized brand potentials through the visibility of the value-added brands, and provide new business models.
- (3) In response to geo-economic developments that have been changed by the trade tensions between the United States and China in recent years, Taiwanese businessmen have continued to move into other emerging markets. The Company has also expanded its investment in overseas market service teams to meet customer needs in response to the various digital business opportunities brought about by this trend.
- (4) Efforts are put in the improvement of operational efficiency and reduce unnecessary expenditures.

3. Future development strategies for the Company

With the progress in science and technology, the development of information, the convenience of communication, the globalization of the industry and the compression of the business cycle and other environmental changes, the challenges faced by the information product agency industry are becoming increasingly severe, with the evolution of Taiwan's technology industry, overseas well-known software and hardware suppliers have also entered the country in a big way, and the competition of vendors in the agent ecology is extremely severe both in terms of the number of opponents and intensity.

In view of the drastic transformation of various industries that the world is facing after the epidemic, Taiwan, being the key player in the technology supply chain, stands in an important and critical position for improving industrial competitiveness. In particular, the degree of informatization and the ability to utilize IT innovation and application will be one of the important key factors for a country or company to succeed.

In order to grasp market opportunities more accurately, apart from strengthening the professional value-added service business, the Company will also enhance the value of positioning of agency products in the customer's digital transformation process, coupled with the stable digital transformation plan of the internal organization, it is believed that the aforementioned will be adequate to achieve the annual business target and improve the Company's gross profit margin.

4. Impacts from external competition, regulatory, and overall management environments. The IT agency industry is affected by a number of factors, and here is a detailed description of these factors:

External Competitive Environment

- International economic capacity: The characteristics of Taiwan's information service market are prone to distortion of the business model, such as excessive emphasis on business opportunities in government bids, reluctance of enterprise customers to invest, industrial division of labor between hard and soft, with a focus on the hard skills, and excessive disparity in the scale of operation of companies. In the past, more emphasis was placed on the cultivation of the local domestic market, and there was a lack of ambition and ability to cultivate the international market.
- Competition from foreign companies: Foreign information service providers have their own business advantages in Taiwan, and it is not easy for domestic companies to pass on their experience, and their foreign language and cultural skills are also insufficient, which in turn makes it more difficult to cultivate world-class information service providers.

Regulatory environment :

- Optimization of laws and regulations: Quoting the 2022 Information Services Industry White Paper of the CISA Information Service Industry Association of R.O.C., it is essential that Taiwan must formulate or optimize regulations related to the development of the digital services industry so as to remove obstacles which hinders the promotion and progress in this regard. In addition, the directions in the development of the information and communication service industry must be clearly identified, digital innovation sandboxes promoted, digital transformation investment credits for small and medium-sized companies should also be provided, and must encourage state-owned companies to take the lead in digital transformation, etc., the above mentioned are suggested to be used for the government ministries or organizations in planning and promoting the development of information and communication policies and the development of industries.
- Communication platform: Establish a digital developed communication platform for industries, government, and academia so that industry associations can make timely suggestions on key issues and create a good mechanism for sufficient communication and dialogues.

Macro-Environment:

- Digital Resilience: Strengthen digital resilience and expand digital influence.
- Talent Cultivation: Cultivate and bring together global digital talents to take root for the development of the digital economy.
- International Exports: Coaching and rewarding international exports of digital services.
- ESG integration: Promote the international integration of ESG and facilitate sustainable development.

In summary, the important policy and legal changes at home and abroad in recent years have not had a significant impact on the Company's financial business, and appropriate measures have been taken, and the Company continues to respond to changes in external competition, laws and regulations and the overall business environment, proactively adjust its strategies, enhance its competitiveness, and continue to focus on international trends to ensure the Company's sustainable development.

Sincerely yours,

Chairman Chia Hsin Lin

II. Company introduction

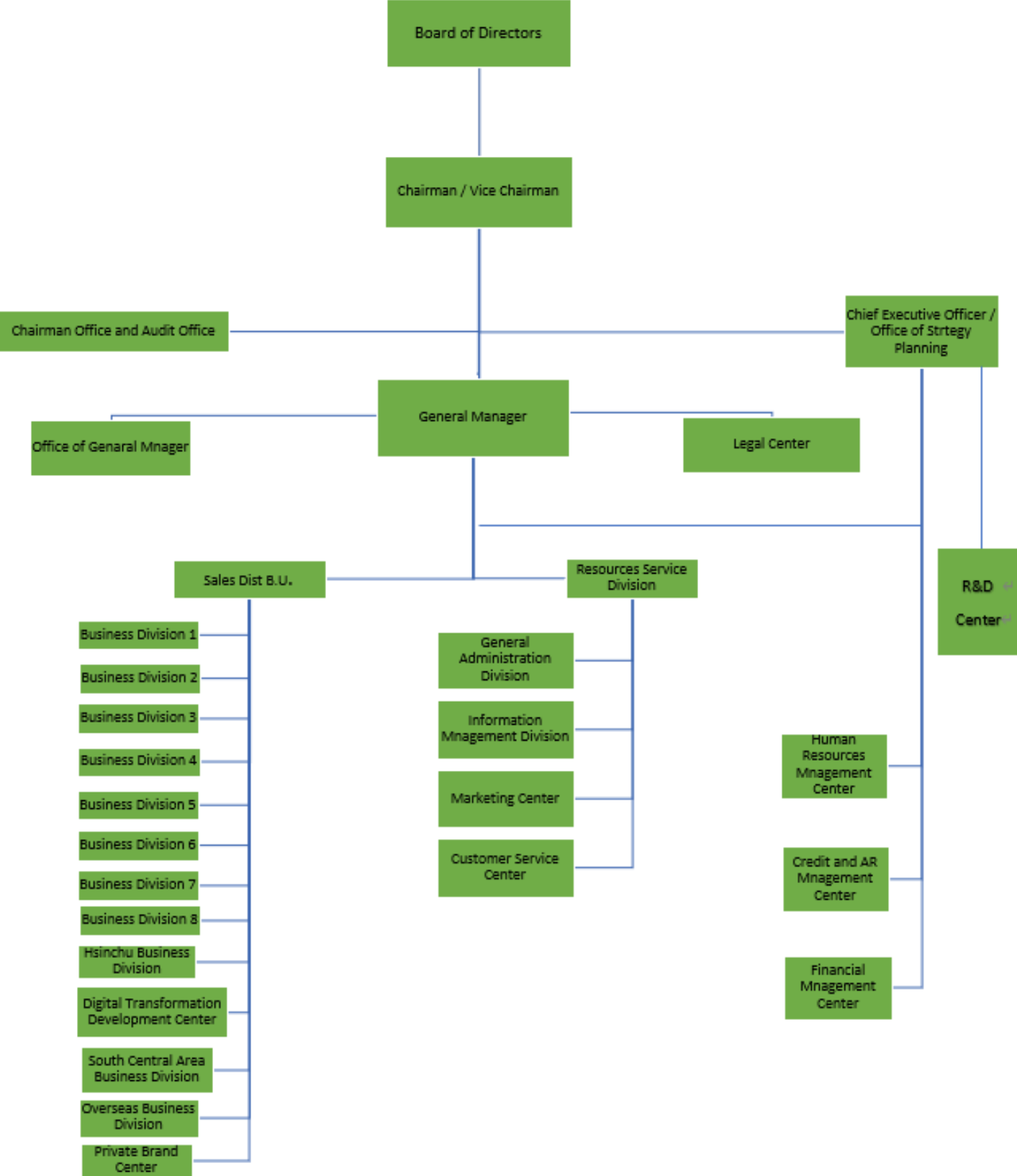
A. Date of Incorporation : June 27, 1980

B. Formation History

Year	Milestones
1980	The Company Founded, with NT\$500,000 capital.
	Invented Cangjie input method and ideographic description sequences method
	Launched Chinese system of Zero one.
1990	Distributed network products of Novell.
1993	Distributed products of Microsoft.
1994	Launched the print server.
1996	Distributed products of Cisco.
1998	Zero One Technology Co., Ltd. went listed by approval of by Securities & Future Institute.
2000	The stock is listed in OTC, NT\$ 275,000,000 capitals, in January 2000.
2001	Launched the Broadband Internet Firewall.
2002	Launched the wireless broadband router.
	Listed on Taiwan Stock Exchange on August 2002. Increased capital to NT\$ 600,000,000.
2003	Issued 1 st domestic secured convertible bond, worth an amount of NT\$ 250,000,000.
2008	Increased paid-in capital to NT\$ 1,020,342,130, as convertible bonds are converted into new shares.
	Decreased paid-in capital to NT\$ 989,962,130 for cancellation of treasury stock.
2011	Decreased paid-in capital to NT\$ 947,442,130 for cancellation and transfer of treasury stock.
2014	Issued 2 nd domestic convertible bonds with an amount of NT\$ 500,000,000.
2015	Issued 1 st employee stock option.
2017	Increased paid-in capital to NT\$ 1,224,803,750, as employee stock options and convertible bonds are converted into new shares.
2018	Increased paid-in capital to NT\$ 1,228,964,660, as employee stock options and convertible bonds are converted into new shares.
2019	As for de-listing of convertible bonds due to maturity, the issuance and cancellation of restricted stock awards, and employee stock options converted into new shares, paid-in capital had increased to NT\$ 1,246,232,120.
2020	The cancellation of employee restricted stock awards and the continuing of employee stock options converted into new shares, the paid-in capital increased to NT\$ 1,256,402,120.
2021	With the cash-raising of capital by issuing new shares and the continuing of employee stock options converted into new shares, the paid-in capital increased to NT\$ 1,524,007,120.
2022	Increased paid-in capital to NT\$ 1,530,317,120, as employee stock options are converted into new shares.
2023	Increased paid-in capital to NT\$ 1,533,147,120, as employee stock options are converted into new shares.
2024	Increased paid-in capital to NT\$ 1,543,687,120, as employee stock options are converted into new shares.

III. Corporate Governance Report

A. Organization
 (A) Organizational Chart



Major Corporate Functions

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

B. Information on Directors and Management Team

(A) Directors (1)

March 31, 2023 ; Unit: Shares ; %

Title	Nationality/ Country of Origin	Name	Gender/A ge	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected (Note 1)		Current Shareholding (Note 2)		Spouse & Minor Shareholding (Note 2)		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	R.O.C	Peter Lin	Male/ 70-80	2023.05.30	3	1989.12.15	5,143,292	3.35	5,033,292	3.25	2,954,714	1.91	0	0	Master of Electronics, NCTU Chairman of Chinese Foundation For Digitization Technology	Chairman of Zerone Win Investment Co., Ltd. ; The director of. Maverick Digital Co., Ltd. The supervisor of Taiwan Insto Technologies Co., Ltd and Himalaya VC Management Corp.	-	-	-
Director	R.O.C	Morris Jiang	Male/ 70-80	2023.05.30	3	1994.10.06	2,742,735	1.79	2,707,735	1.75	466,185	0.30	0	0	Chinese Culture University Deputy General Manager of Zero One Technology Co., Ltd.	Chairman of PETAcom, DigiCosmos Tech. Co., Ltd., TerraONE Tech CO., LTD., LinkONE Digital CO., LTD and UNICOMP INFORMATION CO., LTD.	-	-	-
Director	R.O.C	Nancy Huang	Female/ 50-60	2023.05.30	3	2023.05.30	149,034	0.10	305,347	0.20	0	0	0	0	Bachelor of Business Administration, Ming Chuan University	Chairman of Wing Will International Co., Ltd. Director of PETAcom Technology Co., Ltd. and UNICOMP INFORMATION CO., LTD.	-	-	-
Director	Judicial person	R.O.C	Prisma Commerce & Networks, Inc.	-	2023.05.30	3	2008.06.13	1,340,000	0.87	1,340,000	0.87	-	-	-	-	-	-	-	-
	Represen- tative	R.O.C	Prisma Commerce & Networks, Inc. Representative : Jih-Ji Zhou	Male/ 70-80	2023.05.30	3	2008.06.13	0	0	0	0	0	0	0	Taipei Computer Association Director Director of China Electric Mfg. Corp.	Chairman of Prisma Graphic Systems Inc.	-	-	-
Director	Judicial person	R.O.C	K Way Information Corporation	-	2020.06.10	3	2003.06.25	1,322,264	1.06	1,531,091	1.00	-	-	-	-	-	-	-	-
	Represen- tative	R.O.C	K Way Information Corporation Representative : Zheng-Qiang Sun	Male/ 51-60	2020.06.10	3	2003.06.25 (2020.06.10 Transition to Director)	0	0	0	0	0	0	0	MBA of National Cheng-Chi University General Manager of TMP INTERNATIONAL CORPORATION General Manager of JIN,ZHI- FU Management Co., LTD.	Chairman of OFCO INDUSTRIAL CORPORATION and TIAN,QUAN Investment Corporation Independent Director of Grade Upon Technology Corporation and Revivegen Environmental Technology Co. LTD.	-	-	-

Title	Nationality/ Country of Origin	Name	Gender/A ge	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected (Note 1)		Current Shareholding (Note 2)		Spouse & Minor Shareholding (Note 2)		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	R.O.C	Jui Hsu Chen	Male/ 70-80	2020.06.10	3	2002.05.14	110,884	0.09	72,078	0.05	0	0	0	0	Electronic engineering, NTCU Graduate Institute of Management Science, NCTU Citibank-Taiwan Branch, AVP VP of Bank of Boston-Taiwan Branch General Manager and CFO of D-Link Corporation	Chairman of Chiu Kang Investment Co. Ltd. and Vxis Technology Corp.	-	-	-
Independent Director	R.O.C	Mandy Huang	Female/ 50-60	2023.05.30	3	2023.05.30	0	0	0	0	0	0	0	0	EMBA of Business Administration., National Taiwan University Master of Management of Technology Innovation and Entrepreneurship, NCTU Special assistant to the general manager of ITE Tech. Inc. Chairman of Promaster Technology Corp. Marketing Manager of Vanguard International Semiconductor Corporation	Independent Director of SENSORTEK TECHNOLOGY CORP. and QISDA CORPORATION Chairman of CHOICE DELIGHTS INCORPORATED., AURAS TECHNOLOGY CO., LTD.	-	-	-
Independent Director	R.O.C	Ming Hsiung Wu	Male/ 60-70	2023.05.30	3	2017.06.14	0	0	0	0	0	0	0	MBA of Electronic Computer, NCTU Chairman of Promaster Technology Corp.	Chairman of Promaster Technology Corp., He, Yang Investment Co. Ltd and Heng Yang Investment Co. Ltd.; Independent Director and Member of Remuneration Committee and Audit Committee of Sentelic Corporation ; The Director of VXIS Technology Corp ; Edom Technology Co., Ltd. and Promaster(Brunei) Technology Corp.	-	-	-	
Independent Director	R.O.C	Simon Yeh	Male/ 50-60	2023.05.30	3	2023.05.30	0	0	0	0	0	0	0	Master of Law, SCU Bachelor of Electronics, NCTU COO of PChome eBay Co., Ltd. Prosecutor attorney of New Taipei City	Managing Partner of Davinci Personal Data and High-Tech Law Firm Director of Davinci CONSULTING CO. Director of SINOPAC FINANCIAL HOLDINGS COMPANY LIMITED Director fo Computer Audit Association Adjunct Associate Professor of Law, SCU Consulting committee of Personal Data Protection Act Of National Development Council Copyright consultant and Mediation Committee of Taiwan Intellectual Property Office	-	-	-	

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

Note 1: The “shareholding ratio” is based on the 153,314,712 shares of the issued ordinary shares in the period of election on May 30, 2023.

Note 2: The “shareholding ratio” is based on the number of 154,609,212 shares of the issued ordinary shares on March 31, 2024.

Note 3: The company conducted a comprehensive re-election on May 30, 2023. The directors who resigned when their term expired on May 30, 2023: Kaiwei Information (Co., Ltd.) and its representatives Mr. Sun,Zheng-Qiang., Mr. Chen Jui Hsu, Mr. Lin Chien Chen, and Mr. Lin Ming Yuan (from the above table) The information will only be disclosed until the expiration date of his term as a director of the Company).

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

March 31, 2024

Name of Institutional Shareholders	Major Shareholders
Prisma Commerce & Networks, Inc.	Greater China International Investment Co., ltd., British Virgin Islands (100%)

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

March 31, 2024

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

Directors (2)

Professional qualifications and independence analysis of directors and independent directors

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

Note:

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

Board Diversity

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

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

The specific management objectives of the board composition diversity policy are that the number of Independent Directors shall account for at least one-third of the total number of Directors, and the Directors with electronic-related educational background shall account for at least one-third of the total number of Directors and increase the number of female directors, all the above goals have been achieved .

The current BoDs of the company consists of seven (7) directors (please refer to this Annual Report - Information on Directors (1)), which includes 4 Directors and 3 Independent Directors (Independent Directors account for 42.86% of all Directors, increased by 5% compared with the previous session) and the number of Directors with electronic related education background is three (3), and two female directors were added to the current board of directors.

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

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

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

31 March, 2024

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	% (Note)	Share s	%	Share s	%			Title	Name	Relation
CEO&CSO	Republic of China	Nancy Huang	Female	2023.06.17	305,347	0.20	0	0	0	0	General Manager of ZERO ONE TECHNOLOGY CO., LTD. Department of Information Management, Ming Chuan Commercial College	Chairman of Wing Will International Co., Ltd. Director of PETAcom Technology Co., Ltd. Director of UNICOMP INFORMATION CO., LTD.	—	—	—
General Manager	Republic of China	Kevin Chen	Male	2023.06.17	349,117	0.23	1,005	0	0	0	General Manager of the Business Divisions EMBA, NCCU	Director of DigiCosmos Tech. Co., Ltd. Director of UNICOMP INFORMATION CO., LTD.	—	—	—
Director of Financial Management Division	Republic of China	Chang, Mei-Yun	Female	2023.06.17	6,000	0.00	0	0	0	0	Sr. Director of Financial Management Division of BESTCOM INFOTECH CORP. Manager of SYNNEX TECHNOLOGY INTERNATIONAL CORPORATION Account Department of Providence University	Director of UNICOMP INFORMATION CO., LTD.	—	—	—

Note: The “shareholding ratio” column of shareholding is based on the outstanding ordinary shares’ number of 154,609,212 on March 31, 2024.

C. Remuneration of Directors and Management

(A) Remuneration of Directors

December 31, 2023 ; Unit: NTS thousands ; %

Title	Name	Remuneration								Sum of A+B+C+D and Ratio to Net Income		Relevant Remuneration Received by Directors Who are Also Employees						Sum of A+B+C+D+E+F+G and Ratio to Net Income		Compensation Paid to Directors from Non-consolidated Affiliates or Parent Company				
		Base Compensation (A)		Retirement pension (B)		Bonus to Directors (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Retirement pension (F)		Profit Sharing- Employee Bonus (G)								
		The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	Cash	Stock	Cash	Stock		The company	Companies in the consolidated financial statements		
Directors (Note 1)	Chairman	Peter Lin		0	0	0	0	8,383	8,383	15	15	8,398	8,398	18,976	18,976	0	0	0	0	0	0	27,374	27,374	None.
	Director	Morris Jiang																						
	Director	Jui Hsu Chen																						
	Director	Nancy Huang																						
	Juridical person	K Way Information Corporation																						
	Representative	K Way Information Corporation Representative : Zheng-Qiang Sun																						
	Juridical person	Prisma Commerce & Networks, Inc.																						
Representative	The representative of Prisma Commerce & Networks, Inc.: Jih-Ji Zhou																							
Independent Director (Note1)	Ming Hsiung Wu		0	0	0	0	4,617	4,617	54	54	4,671	4,671	0	0	0	0	0	0	0	0	4,671	4,671	None.	
	Mandy Huang																							
	Simon Yeh																							
	Chien Chen Lin																							
	Ming Yuan Lin																							

Note 1: The company conducted a comprehensive re-election on May 30, 2023. The directors who resigned when their term expired on May 30, 2023: K Way Information (Co., Ltd.) and its representatives Mr. Sun, Zheng-Qiang, Mr. Chen Jui Hsu, Mr. Lin Chien Chen, and Mr. Lin Ming Yuan ; New directors Nancy Huang, Mandy Huang and Simon Yeh took office on May 30, 2023.

Note 2: The remuneration policy, system, standards and structures and the connection between factors such as duties, risks, time devoted and the amount paid to independent directors: The Company allocates less than 1% of the current year's annual profits for the compensation to independent directors, and will provide reasonable reward by taking into account of the Company's operating results and the contribution they made. The procedures to determine the compensation is based on the Company's "Rules for Distribution of Compensation to Directors and Supervisors." Apart from referencing the company's overall operational efficiencies, future management risk and developing trend of the industry, the personal efficiency achievement rate, contribution to the overall performance, and devotion to company performance, achievement rate, profitability rate, operational efficiency and contribution are also collectively evaluated before calculating the compensation ratio. Relevant performance appraisals and the soundness of the compensation are reviewed and approved by the Remuneration committee and the Board in accordance with the charter of relevant laws and requirements, so as to achieve the balance of the Company's sustainability and risk management.

Table of range of remuneration

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements H	The company	Companies in the consolidated financial statements I
Under NT\$ 1,000,000	Chien Chen Lin, Ming Yuan Lin, Jui Hsu Chen, K Way Information Corporation, K Way Information Corporation Representative : Zheng-Qiang Sun, Nancy Huang, Mandy Huang, Simon Yeh	Chien Chen Lin, Ming Yuan Lin, Jui Hsu Chen, K Way Information Corporation, K Way Information Corporation Representative : Zheng-Qiang Sun, Nancy Huang, Mandy Huang, Simon Yeh	Chien Chen Lin, Ming Yuan Lin, Jui Hsu Chen, K Way Information Corporation, K Way Information Corporation Representative : Zheng-Qiang Sun, Mandy Huang, Simon Yeh	Chien Chen Lin, Ming Yuan Lin, Jui Hsu Chen, K Way Information Corporation, K Way Information Corporation Representative : Zheng-Qiang Sun, Mandy Huang, Simon Yeh
NT\$1,000,000~less than NT\$2,000,000	Ming Hsiung Wu, Prisma Commerce & Networks, Inc., Prisma Commerce & Networks, Inc. Representative : Jih-Ji Zhou	Ming Hsiung Wu, Prisma Commerce & Networks, Inc., Prisma Commerce & Networks, Inc. Representative : Jih-Ji Zhou	Ming Hsiung Wu, Prisma Commerce & Networks, Inc., Prisma Commerce & Networks, Inc. Representative : Jih-Ji Zhou	Ming Hsiung Wu, Prisma Commerce & Networks, Inc., Prisma Commerce & Networks, Inc. Representative : Jih-Ji Zhou
NT\$2,000,000~less than NT\$3,500,000	Morris Jiang 、 Peter Lin	Morris Jiang 、 Peter Lin	Nancy Huang	Nancy Huang
NT\$3,500,000~less than NT\$5,000,000	—	—	Morris Jiang	Morris Jiang
NT\$5,000,000~less than NT\$10,000,000	—	—	Peter Lin	Peter Lin
NT\$10,000,000~less than NT\$15,000,000	—	—	—	—
NT\$15,000,000~less than NT\$30,000,000	—	—	—	—
NT\$30,000,000~less than NT\$50,000,000	—	—	—	—
NT\$50,000,000~less than NT\$100,000,000	—	—	—	—
More than NT\$100,000,000	—	—	—	—
Total	13 Persons	13 Persons	13 Persons	13 Persons

(B) Remuneration of the President and Vice President

December 31, 2023 ; Unit: NT\$ thousands ; %

Title	Name	Salary(A)		Retirement Pension (B)		Bonuses and Allowances (C)		Profit Sharing- Employee Bonus (D)				Sum of A+B+C+D+E+F+G and ratio to net income		Compensation Paid to the President and Vice President from Non-consolidated Affiliates or Parent Company
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
CEO&CSO	Nancy Huang	4,500	4,500	0	0	19,415	19,415	1,020	0	1,020	0	24,935 3.61%	24,935 3.61%	None
General Manager	Kevin Chen													

Table of range of remuneration

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

(C) Employee profit sharing granted to the management team

December 31, 2023 ; Unit: NT\$ thousands ; %

	Title	Name	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	CEO&CSO	Nancy Huang	0	857	857	0.12
	General Manager	Kevin Chen				
	Sr. Director of Financial Management Division	Michelle Chin (Note)				
	Sr. Director of Financial Management Division	Chang, Mei-Yun (Note)				

Note : Michelle Chin retired on Jun 16, 2023. ; Chang, Mei-Yun took office on Jun 17, 2023.

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

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

Unit: NT\$ thousands

Title	Proportion of the total compensation to net profit after tax %			
	2022		2023	
	The Company	All companies in the consolidated financial statement	The Company	All companies in the consolidated financial statement
Directors	2.19	2.19	3.96	3.96
Independent Directors	0.71	0.71	0.68	0.68
General Managers and Deputy General Managers	4.23	4.23	3.61	3.61

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

The Remuneration Committee assists the Board in discharging its responsibilities relating to the Company's compensation and benefits policies, plans and programs, and the evaluation of the directors' compensation. The actual amount of directors' remuneration is currently 2% of the current year's profitability, and remuneration is appropriated according to the business performance of the Company in the year and the stipulated percentage of less 3% in Article 19 of the Articles of Incorporation. Procedure for the compensation were determined by the Regulations governing the performance assessment and compensation of directors and supervisors in accordance with operating performance of the company, operational risks and trend of the industries, and the employee's personal achievements, contribution made to the business operation. Evolution items include any unethical misconduct which results in a negative impact on the company's image and reputation, negligent of internal management, or unethical malpractices etc. The procedure for determining remuneration is also based on key performance indicators of the company. Relevant performance indicators and reasonability of remuneration shall be approved by the remuneration committee and the board of the directors and reviewed in relation to business operation and relevant laws and regulations, for a positive correlation with the company, and risk management. The policy for managers' remuneration is based on the company's salary considerations and has taken into account as industry standards and personal performance evaluation items, which include financial indicators (such as the company's revenue, achievement rate for profit before tax and after tax) and non-financial related indicators (such as taking on the role as trainer and any gross misconduct of the department in terms of legal and compliance and operational risks incidents) are also included in the evaluation.

D. Implementation of Corporate Governance

(A) Board of Directors

A total of 9 meetings of the Board of Directors were held in 2023, The company conducted a comprehensive re-election on May 30, 2023, the attendance of director and independent directors were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Chairman	Peter Lin	9	0	100	re-election
Director	Morris Jiang	9	0	100	re-election
Director	Prisma Commerce & Networks, Inc. Representative: Jih-Ji Zhou	8	1	88.89	re-election
Director	Nancy Huang	6	0	100	New Appointment
Independent director	Ming Hsiung Wu	9	0	100	re-election
Independent director	Mandy Huang	6	0	100	New Appointment
Independent director	Simon Yeh	6	0	100	New Appointment
Director	K WAY information Co. Representative : Zheng-Qiang Sun	3	0	100	Resigned
Director	Jui Hsu Chen	3	0	100	Resigned
Independent director	Chien Chen Lin	2	0	66.67	Resigned
Independent director	Ming Yuan Lin	3	0	100	Resigned

Other mentionable items:

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

Name of Directors	Motion content	Reasons for avoidance due to interests	Participation in voting	Note
Nancy Huang	Resigned from General Mnager	Having an interest in themselves	Not participate in voting	112.6.16 BOD
Nancy Huang	Assigned to CEO&CSO	Having an interest in themselves	Not participate in voting	112.6.16 BOD

3. Measures taken toward achievement of Board of Directors

Frequency	Period	The scope of evaluation	Method	Content	Implementation status and evaluation results
It is carried out once a year and at least once every three years by an external professional independent agency or a team of external experts and scholars.	Board Internal Performance Evaluation: 2023/01/01 to 2023/12/31	The internal performance evaluation of the board of directors includes the performance evaluation of the board of directors, functional committees (including the audit committee, remuneration committee, corporate governance and nomination committee) and individual directors.	The internal performance evaluation of the board, according to operation of the board of directors, participation of directors, operation of the remuneration committee, self-assessment among directors, assessment of the remuneration committee by its members, by questionnaires. The above conclusion of performance assessment shall be a reference for election or nomination of directors, and personal compensation shall be calculated by the conclusion of directors and members of the functional committee. Every January, after questionnaires are returned, Human Resource Management Center of the company will, in accordance with the aforementioned rules, conduct analysis and report the results to the Board, with an emphasis on any areas with room for improvement. The Company appointed an external independent professional firm, Chainye Management Consulting Co., Ltd. to evaluate the performance of the	It is advisable that performance assessments of board of directors' include the following aspects: 1.The degree of participation in the company's operations. 2.Improvement in the quality of decision making by the board of directors. 3.The composition and structure of the board of directors. 4.The election of the directors and their continuing professional education. 5.Internal controls.	Implementation status: The evaluation results were presented to the Remuneration Committee and the Board of Directors at their meeting held on February 27, 2023. The total average score of the indicators for the year was 4.93, and the evaluation result was excellent (full score of 5).
				It is advisable that performance assessments of board members include the following aspects: 1.Their grasp of the company's goals and missions. 2.Their recognition of director's duties. 3.Their degree of participation in the company's operations. 4.Their management of internal relationships and communication. 5.Their professionalism and continuing professional education. 6.Internal controls.	Implementation status: The evaluation results were presented to the Remuneration Committee and the Board of Directors at their meeting held on February 27, 2023. The total average score of the indicators for the year was 4.97, and the evaluation result was excellent (full score of 5).
				The measurement items of the performance evaluation of the Remuneration Committee include the following aspects: 1.Their degree of participation in the company's operations. 2.Their recognition of the duties of the functional committee. 3.Improvement in the quality of decision making by the functional committee. 4.The composition of the functional committee, and election and appointment of committee members. 5.Internal Controls.	Implementation status: The evaluation results were presented to the Remuneration Committee and the Board of Directors at their meeting held on February 27, 2023. The total average score of the indicators for the year was 4.99, and the evaluation result was excellent (full score of 5).

Frequency	Period	The scope of evaluation	Method	Content	Implementation status and evaluation results
			Company's Board of	<p>The measurement items of the performance evaluation of the Audit Committee include the following aspects:</p> <ol style="list-style-type: none"> 1.Their degree of participation in the company's operations. 2.Their recognition of the duties of the functional committee. 3.Improvement in the quality of decision making by the functional committee. 4.The composition of the functional committee, and election and appointment of committee members. 5.Internal Controls. 	<p>Implementation status: The evaluation results were presented to the Remuneration Committee and the Board of Directors at their meeting held on February 27, 2023. The total average score of the indicators for the year was 4.99, and the evaluation result was excellent (full score of 5).</p>
				<p>The measurement items of the performance evaluation of the the Corporate Governance and Nomination Committee include the following aspects:</p> <ol style="list-style-type: none"> 1.Their degree of participation in the company's operations. 2.Their recognition of the duties of the functional committee. 3.Improvement in the quality of decision making by the functional committee. 4.The composition of the functional committee, and election and appointment of committee members. 5.Internal Controls. 	<p>Implementation status: The evaluation results were presented to the Remuneration Committee and the Board of Directors at their meeting held on February 27, 2023. The total average score of the indicators for the year was 4.85, and the evaluation result was excellent (full score of 5).</p>

4. Evaluations for the measures taken to strengthen the core objectives and execution of the Board for the current year and the previous year:
 - (1) In 2023, all directors and independent directors will complete 6 hours of annual training.
 - (2) Starting from 2023, the company's interim financial reports will be approved by the audit committee and submitted to the board of directors for discussion and resolution.
 - (3) The Company set up the rules of board performance evaluation. The performance assessment of Board of directors for the members of Board of Directors by self-assessments, report the results to the remuneration committee, and then to Board of Directors, based on the Regulations governing the performance assessment and compensation of directors in accordance with operating performance of the Company. The Internal evaluation results for the year 2023 were submitted to the Board and Remuneration Committee on Feb. 27, 2024.
 - (4) The Company has added one female candidate to each of its 112 director and independent director, and is planning an executive development program to implement its goals of director diversity and succession planning.
 - (5) The Company has set up a risk management team and an cyber security team to strengthen the management mechanism and exemplify the effect of a benchmark company in corporate governance.

(B) Audit Committee

1. Audit Committee

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

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

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

A total of seven (7) Audit Committee meetings were held in 2023. The attendance of independent directors is as follows:

Title	Name	Attendance in Person (B)	Proxy	Attendance Rate (%) 【B/A】	Remarks
Independent director	Ming Yuan Lin	3	0	100.0%	The term ends on May 29, 2023.
Independent director	Chien Chen Lin	3	1	66.7%	The term ends on May 29, 2023.
Independent director	Ming Hsiung Wu	7	0	100.0%	
Independent director	Mandy Huang	4	0	100.0%	The term starts from May 29, 2023.
Independent director	Simon Yeh	4	0	100.0%	The term starts from May 29, 2023.

Other mentionable items:

- If a member of the Audit Committee expresses an opinion during a meeting, the dates of the Board of Directors meetings, sessions, contents of motion, resolutions of the Audit Committee meetings and the Company's response to the Audit Committee opinion should be specified.
 - Items listed in Article 14-5 of the Securities and Exchange Act.

Board Meeting	Content and Follow-up Action	Audit Committee Resolution	Company's response to the Audit Committee opinion
2023 1th -17 Regular Meeting Feb. 21	1. 2022 Statement of Internal Control system	Approved by all members of the Audit Committee	The Board of Directors approve the proposal with the consent of all directors present.
	2. 2022 Compensation for the directors and employees		
	3. 2022 operating report \ consolidated and parent company only financial statements.		
2023 1th -18 Regular Meeting Mar. 22	1. Acquisition of real estate.	Approved by all members of the Audit Committee	The Board of Directors approve the proposal with the consent of all directors present.
	2. The company's appointment of accountants and independence assessment case.		
2023 2nd - 1 Regular Meeting Jun. 16	Change of the financial and accounting officer	Approved by all members of the Audit Committee	The Board of Directors approve the proposal with the consent of all directors present.
2023 2nd - 2 Regular Meeting Jul. 28	1. Carry out strategic investments for business development	Approved by all members of the Audit Committee	The Board of Directors approve the proposal with the consent of all directors present.
	2. Loaning funds to 100%-owned subsidiary Zerone Win Investment Co., Ltd.		
2023 2nd - 3 Regular Meeting Oct. 26	1. The company's CPA professional fee in 2023.	Approved by all members of the Audit Committee	The Board of Directors approve the proposal with the consent of all directors present.
	2. Loaning funds to subsidiary WingWill International Co., Ltd.		
2023 2nd - 4 Regular Meeting Dec. 19	1. Changes of the company's audit manager.	Approved by all members of the Audit Committee	The Board of Directors approve the proposal with the consent of all directors present.
	2. Capital increase for subsidiary ZeroneWin Investment Co., Ltd. And invest in new companies through it		
	3. Carry out strategic investments for business development		
	4. From 2023 Q4, change of CPA and independent assessment		
	5. Make endorsements/guarantees to TECHONE (Shanghai) Co., Ltd., which is invested by 100%-owned subsidiary Asiaone		

	Holdings Ltd. 6. Make endorsements/guarantees to Viet Nam Techone Technology Co., Ltd, which is invested by 100%-owned subsidiary Asiaone Holdings Ltd.		
2024 2nd - 5 Regular Meeting Jan. 25	1. Adjust the acquisition price per share of ordinary shares of UNICOMP INFORMATION CO., LTD. as resolved by the 5th meeting of the 15th Board of Directors. 2. The company's appointment of accountants and independence assessment case. 3. English name adjustment to making endorsements/guarantees to Viet Nam Techone Technology Co., Ltd, which is invested by 100%-owned subsidiary Asiaone Holdings Ltd.	Approved by all members of the Audit Committee	The Board of Directors approve the proposal with the consent of all directors present.
2024 2nd - 6 Regular Meeting Feb. 27	1. 2023 Compensation for the directors and employees 2. 2023 operating report 、 consolidated and parent company only financial statements. 3. 2023 Statement of Internal Control system 4. Apply for a cash capital increase in the private placement of common stocks	Approved by all members of the Audit Committee	The Board of Directors approve the proposal with the consent of all directors present.

- (2) Other than the items listed in the preceding paragraph, any other matters that were not approved by the Audit Committee but approved by two-thirds or more of all directors: None.
2. The names, contents of motion, reasons for conflict of interests and the participation for resolution for any recusals of independent directors due to conflict of interests should be specified: None.
3. Description of the communication between the independent directors, the internal auditors, and CPA:
- (1) Upon the delivery of the monthly audit reports sent by the internal auditor, discussions and communication will take place to address any questions raised by the independent directors. A panel discussion will be arranged at least once per year between the independent directors and the internal auditor, significant findings and relevant audit opinions from internal and external audits will also be documented as meeting minutes which then later submit to the Board.
- (2) Members of the Company's Audit Committee are all independent directors. The presentation of business audit is made at least once per year. The presentation content includes business audit execution, internal operational items, audit personnel training and major findings from internal and external audit as well as follow-up actions taken etc. Extraordinary meetings may also be convened at any time should serious anomalies arise.
- (3) The CPA should report to the independent directors at least once a year, covering items regarding the company's overall financial performance and also the financial status, overall operations and internal controls of local and overseas subsidiaries. In addition, a through communication should be carried out to determine if there is any impact on the accounting principles from any major changes in financial policies and amendment in the laws and regulations.
- (4) The communications between the auditor, the independent directors and the CPA functioned well, as not only were regular meetings arranged, emails, telephone calls or random meetings were also meaning of communication.
- (5) The summary of communications between the internal auditor, CPA and the independent directors are listed in the table below.

Date	Attendees	Item	Conclusion
2023.02.21 Independent director meeting	Independent Directors 、 CPA 、 Chief Internal Auditor	1. Report on the findings of the company's audit in 2022. 2. Approved the statement for the company's internal control in 2022. 3. Briefing and communication made by CPA regarding 2022 parent company only and consolidated reports.	1. Agreed. 2. Submit and report to the Board after review. 3. The communication between independent directors and the CPAs was well, reaching mutual consensus after discussion. 2022 Financial reports were presented at the Audit Committee Meeting and the Board, and disclosed in accordance with the regulations and supervisory authority.
2023.07.28 Independent director meeting	Independent Directors 、 CPA 、 Chief Internal Auditor	Briefing and communication made by CPA regarding 2023 Q2 consolidated reports.	1. Agreed. 2. Submit and report to the Board after review. 3. The communication between independent directors and the CPAs was well, reaching mutual consensus after discussion.
2024.02.27 Independent director	Independent Directors 、 CPA 、 Chief	1. Report on the findings of the company's audit in 2023.	1. Agreed. 2. Submit and report to the Board after review.

meeting	Internal Auditor	2. Approved the statement for the company's internal control in 2023. 3. Briefing and communication made by CPA regarding 2023 parent company only and consolidated reports.	3. The communication between independent directors and the CPAs was well, reaching mutual consensus after discussion. 2023 Financial reports were presented at the Audit Committee Meeting and the Board, and disclosed in accordance with the regulations and supervisory authority.
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(C) Corporate Governance and Nomination Committee

1. The company 2nd Corporate Governance and Nomination Committee consists of four committees (including Chairman and three independent directors).

Title	Name	Professional
Committee convener	Simon Yeh	Corporate strategy 、 Crisis management
Chairman	Peter Lin	Corporate strategy 、 Marketing 、 Financial
Independent director	Ming Hsiung Wu	Management Administration 、 Marketing
Independent director	Mandy Huang	Management Administration 、 Financial

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

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

The term of office of the current committee members: May 30, 2023, to May 29, 2026, which is the same as the expiration date of the term of the current board of directors.

A total of two (2) Corporate Governance and Nomination Committee meetings were held in 2023. The attendance of independent directors is as follows:

Title	Name	Attendance in Person	Proxy	Ratio	Note
Committee convener	Simon Yeh	1	0	100	Took office on 2023/05/30
Chairman	Peter Lin	2	0	100	Re-elect on 2023/05/30
Independent director	Ming Hsiung Wu	2	0	100	Re-elect on 2023/05/30
Independent director	Mandy Huang	1	0	100	Took office on 2023/05/30
Independent director	Ming Yuan Lin	1	0	100	Resign on 2023/05/30

Other mentionable items :

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

The dates of the Board of Directors meetings	Session	Contents of motion	Committee opinion	resolutions of the Nomination Committee meetings	Company's response to the Nomination Committee opinion
2023.2.21	1 st - 2	(1) Discuss on seats of directors for the 15th session of the company. (2)Nominate and review the list of candidates °	None	Approved by all members of the Audit Committee	The Board of Directors approve the proposal with the consent of all directors present.

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

Evaluation Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
1. Does Company follow “Taiwan Corporate Governance Implementation” to establish and disclose its corporate governance practices?	V		The Company has set a corporate governance code of practice, it has been disclosed on the MOPS and the company's website.	None.
2. Shareholding structure & shareholders’ rights				None.
(1) Does Company have Internal Operation Procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters. If yes, has these procedures been implemented accordingly?	V		Governance by the agent of stock affairs and Chairman's Office.	
(2) Does Company possess a list of major shareholders and beneficial owners of these major shareholders?	V		Handled and follow-up by the agent of stock affairs and Chairman's Office.	
(3) Has the Company built and executed a risk management system and “firewall” between the Company and its affiliates?	V		In accordance with the Company’s protocols of Supervision Over Subsidiaries, Internal Controls, Audit, Rules Governing Financial and Business Matters Between this Corporation and its Related Parties, and relevant regulations.	

Evaluation Item	Implementation Status		Description	Difference from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
(4) Has the Company established internal rules prohibiting insider trading on undisclosed information?	V		The Company already established the Internal Rules Prohibiting Insider Trading on Undisclosed Information and organizes relevant training to directors, officers and employees at least once per year. The procedures were disclosed on the company website.	
3. Composition and Responsibilities of the Board of Directors (1) Has the Company established a diversification policy for the composition of its Board of Directors, and has it been implemented accordingly?	V		<p>The specific management objectives of the board composition diversity policy are that the number of Independent Directors shall account for at least one-third of the total number of Directors, and the Directors with electronic-related educational background shall account for at least one-third of the total number of Directors, and increase the number of female directors, all the above goals have been achieved.</p> <p>The current BoDs of the company consists of seven (7) directors (please refer to this Annual Report - Information on Directors (1)), which includes 4 Directors and 3 Independent Directors (Independent Directors account for 42.86% of all Directors), and the number of Directors with electronic related education background is three (3), and two (2) female directors were added in current board of directors. None of the Directors and Independent Directors are spouses or relatives within the second degree of kinship, nor do they fall under Article 26-3, Paragraphs 3 and 4 of the Securities and Exchange Act. Therefore, the company's BoD is independent (please refer to this Annual Report-Disclosure of Professional Qualifications of Directors and Independence of Independent Directors). For the implementation of the Board Diversity Policy, please refer to the Board Diversity and Independence in this Annual Report.</p>	None.

Evaluation Item	Implementation Status		Description	Difference from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
(2) Other than the Remuneration committee and the Audit Committee which are required by law, does the Company plan to set up other Board committees?	V		In addition to The Remuneration Committee and The Audit Committee, The Governance & Nomination Committee was set up in 2023. Whether it is necessary to set up other functional committees will be evaluated further and will be based upon the Company's actual needs or in compliance with relevant legal requirements.	
(3) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis, reported the results of performance to the Board of Directors, and use the results as reference for directors' remuneration and renewal?	V		<p>A. The Company has stipulated rules and procedures for board of directors' performance assessments, and in accordance with the method, the Company conducts annual self-evaluation of the performance of the Board of Directors, functional committees (including the Audit Committee, the Remuneration Committee, the Corporate Governance and Nomination Committee and individual board members on a regular basis.</p> <p>B. The results of FY23 self-assessment of the Board of Directors' performance were presented to the Remuneration Committee and the Board of Directors on February 27, 2024. The results of the aforementioned performance evaluation will be used as a reference for the selection or nomination of directors, and the performance evaluation results of directors and functional committee members will be used as a reference for setting their individual compensation. For details of the evaluation results, please refer to the "Measures taken toward achievement of Board of Directors" in this annual report on corporate governance operations.</p>	

Evaluation Item	Implementation Status		Description	Difference from Corporate Governance Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No		
(4) Does the Company regularly evaluate its external auditors' independence?	V		The Company has formulated an assessment form for the independence and suitability of accountants with reference to the contents of Bulletin 10 of the Norm of Professional Ethics for Certified Public Accountant of the Republic of China "Integrity, Objectivity and Independence" and Article 47 of the "Certified Accountant Act", including the certified public accountant and its audit team members who have not held the positions of directors, supervisors, managers or any other roles that has a significant impact on the audit case currently or in the past two years, and obtained the independence statement and audit quality index (AQIs) report issued by the accounting firm. The Audit Committee and the Board of Directors assess the independence and suitability of certified public accountants annually. The results of the independence and suitability assessment of the 2024 certified public accountant were submitted for the review and approval by the Audit Committee and the Board of Directors on January 25, 2024.	

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

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

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

Evaluation Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
			<p>submits the results of risk management check, annual work plan and implementation of management measures to the Board of Directors at least once a year, the latest report date is February 27, 2024, and the content of the report is implementation of management measures in 2023 and the risk identification in 2024.</p> <p>(7)The implementation of customer relations policies: The company maintains a good relationship with customers in order to create increasing profits.</p> <p>(8)Purchasing liability insurance for directors : The company maintains D&O Insurance for its directors.</p>	
<p>9.The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange</p> <p>The Company placed high emphasis and proactively participated in the Corporate Governance Evaluation. Improvement status for the 2023 non-scoring items are as follows:</p> <p>(1) In 2024, it is expected to set up a part-time unit to promote sustainable development, and conduct risk assessments on environmental, social or corporate governance issues related to the company's operations based on the principle of materiality, formulate relevant risk management policies or strategies, and oversee sustainability by the board of directors Development and promotion status will be disclosed on the company website and annual report.</p> <p>(2) In 2024, it is expected to disclose the annual greenhouse gas emissions, water consumption and total weight of waste in the past two years on the company's website.</p>				

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

1. Information on members of the Committee

December 31, 2023

Title	Criteria Name	Professional Qualification	Independence Criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member
Independent director	Ming Hsiung Wu (Note 1)	Please refer to information on Directors (2)		
Independent director	Chien Chen Lin (Note 2)			
Independent director	Ming Yuan Lin (Note 2)			
Independent director	Mandy Huang (Note 2)			
Independent director	Simon Yeh (Note 2)			

Note 1 : Convenor

Note 2 : The directors who resigned on May 29, 2023: Mr. Lin Chien Chen and Mr. Lin Ming Yuan ; New directors Mandy Huang and Simon Yeh took office on May 30, 2023.

2. Duties

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

3. Attendance of Members at Remuneration Committee Meetings

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

(2) Current Term: From May 30, 2023 to May 29, 2026; The current term is the same as that of the board of directors.

A total of 4 (A) Remuneration Committee meetings were held in 2023. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Convener	Ming Hsiung Wu	4	0	100	-
Committee Member	Chien Chen Lin	2	0	100	Resigned on May 29, 2023, and held 2 meetings during term of office
Committee Member	Ming Yuan Lin	2	0	100	
Committee Member	Mandy Huang	2	0	100	Took office on May 29, 2023, and held 2 meetings during term of office.
Committee Member	Simon Yeh	2	0	100	

Remuneration Committee Meetings	The content of motions and after-treatment	Resolution Result	The Company dealing with a Dissenting Opinion or Qualified Opinion of committee members
4th-8 2023.02.21	1. To audit 2022 compensation distribution of each director. 2. To audit 2022 employee's compensation distribution of managers.	Approved by all committee members.	To report to Board of Directors and approved by all attended directors.
4th-9 2023.04.28	To audit 2022 employees' salaries distribution of managers.		
5th-1 2023.06.16	1. Change of the financial and accounting officer. 2. Appointment of the corporate governance manager 3. Change of the general manager.		
5th-1 2023.06.16	To audit 2022 employees' salaries distribution of managers.		
5th-2 2023.12.19	1. Review the 2023 year-end bonus payment plan of individual managers and all employees of the Company and its subsidiaries and submit the proposal for verification and approval. 2. Discuss the work plan of the Remuneration Committee of the Company for 2024 and submit the proposal for verification and approval.		

Other mentionable items:

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

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

Promotional Implementation Items	Implementation Status			Difference from Sustainable Development Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
1. Does the company have established a governance structure to promote sustainable development and set up a dedicated department to promote sustainable development, which is authorized and supervised by the board of directors?		V	Under planning, it's planned to set up a sustainable development department in 2024 and be supervised by senior management authorized by the board of directors.	Based on practical needs
2. Does the Company conduct risk assessments on environmental, social, and corporate governance issues related to its operations in accordance with the materiality principle, and implement relevant risk management policies or strategies?	V		In order to improve the risk management mechanism, the Company has adopted the "Risk Management Policy" by the Board of Directors in 2022 as the basis for risk management. The management scope of the company's risk management policy includes operational risk, financial risk, information security risk, compliance risk and human resource risk, and clearly regulates the organizational structure and rights and responsibilities of risk management to ensure that the risks faced by the company are known and achieve the purpose of sustainable operation within tolerable range.	None.
3. Environmental issues (1) Does the Company establish proper environmental management systems based on the characteristics of their industries?		V	Not applicable. Not related to our current business.	None.

Promotional Implementation Items	Implementation Status			Difference from Sustainable Development Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
(2) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?		V	Not applicable. Not related to our current business.	
(3) Does the Company assess the potential risks and opportunities of climate change for its current and future operations and undertake response measures with respect to climate change?		V	Under planning, it's planned to set up a sustainable development department in 2024 and assess the potential risks and opportunities that climate change poses to enterprises now and in the future, and take response measures on climate-related issues.	

Promotional Implementation Items	Implementation Status			Difference from Sustainable Development Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
(4) Does the Company calculate the amount of greenhouse gas emission, water consumption, and waste production in the past two years and implement policies to cut down energy and water consumptions, carbon and greenhouse gas emissions, and waste production?	V		<p>According to the operation status and results of initial greenhouse gas check, the Company has set environmental protection and energy saving policies, formulate various environmental management plans for the use of various resources and pollution emissions, and continuously improve them, in order to save energy in lighting in the office area, and strive to achieve low pollution, low energy consumption, high energy saving, etc. environmentally friendly goals. According to the actual operation situation, the goaled implementation locations of various environmental protection and lighting energy-saving information basically covered all the Company's operating sites (including Taipei, Hsinchu, Taichung, and Kaohsiung offices).</p> <p>A. The following are the important quantifiable management goals in relation to the environment:</p> <p>a. Carbon reduction goal</p> <p>The impact caused by climate change is one of the common environmental issues in the world, therefore, mitigating the greenhouse effect is a shared responsibility of all countries in the world, so as to achieve carbon neutrality as a long-term carbon management goal. With reference the ISO 14064 specification as the goal, check and establish a baseline of greenhouse gas emissions, and formulate and announce carbon reduction goals for each year, and in order to continuously promote emission reduction, taking 2023 as the base year, the planned goal is to achieve carbon</p>	

Promotional Implementation Items	Implementation Status			Difference from Sustainable Development Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
			<p>emissions reduction by 2% per unit of revenue in 2024.</p> <p>b. Electricity Saving Goal The main source of greenhouse gas emissions is identified as electricity use, and reaches more than 95%, so with energy conservation as the carbon reduction method, we continue to promote management methods based on energy management systems, and actively promote various energy conservation plans, the latest period is taking 2023 as the base year, and the planned goal is to achieve electricity consumption reduction per unit of revenue by 2% in 2024.</p> <p>c. Waste Reduction Goal Waste is considered as a misplaced resource, in order to improve the effective use of waste, we will continue to explore waste reduction management measures, continue to reduce hazardous business waste, and increase recyclable waste resources with business waste generated. Our aim is to achieve a 2% reduction in total waste per unit by 2024 taking 2023 as the base year.</p> <p>d. Advocate the company's energy-saving and carbon-reduction policies and office energy-saving measures.</p> <ul style="list-style-type: none"> ● Set A/C temperature at 25 degree Celsius constantly. ● Turn off the lights at will. 	

Promotional Implementation Items	Implementation Status			Difference from Sustainable Development Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
			<ul style="list-style-type: none"> ● Water conservation. ● Bring your own handkerchief. ● Bring your own chopsticks and teacups. ● No paper photocopying. ● No ties. ● Turn off the computer when leaving the office and unplug accordingly, and limit the use of some elevators during off-peak hours. <p>B. Measures taken to achieve the goals Implement power-saving plans from the three major aspects of air-conditioning system, electric lightning and other power consumption, and regularly review and replace energy-consuming equipment; Taking 2023 as the base year, the actual carbon reduction per unit of greenhouse gas electricity consumption per unit of revenue in 2024 was reduced by 2%.</p>	
4. Social Issues				None.

Promotional Implementation Items	Implementation Status			Difference from Sustainable Development Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
(1) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		In accordance with international human rights norms such as the United Nations Universal Declaration of Human Rights, the United Nations Global Compact and the International Labor Organization Declaration on Fundamental Principles and Rights at Work, our company has established a "human rights policy" to formulate appropriate management methods and procedures, including: no child labor and involuntary labor, prohibition of discrimination, coercion and inhumane treatment, and elimination of any human rights violations and infringements.	

Promotional Implementation Items	Implementation Status			Difference from Sustainable Development Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
(2) Does the Company establish and deliver reasonable employee welfare programs (including salary, compensated absences, and other benefits) and adjust employee compensation in relation to business performance?	V		<p><u>Employee Remuneration:</u> The Company's year-end bonus system is based on one third (1/3) of the Company's after-tax business profits, and after taking into account of seniority and annual performance appraisal, it is distributed to all colleagues to motivate all colleagues to work together for the Company's goals. Employee remuneration shall be calculated in accordance with the provisions of the Articles of Incorporation of the Company and also when the profit of the Company for the current year is no less than 1%. We put much effort in increasing salaries for employees by setting aside 4 % of annual profits for employee compensation to fulfill the purpose of taking a good care for employees' physical, mental and spiritual prosperity.</p> <p><u>Employee Share Ownership Trusts :</u> In terms of the labor retirement system, in addition to the regular allocation of reserves to the statutory retirement account in accordance with the Labor Standards Act and the Labor Pension Standards, the Company has established a Employee Share Ownership Trust Committee. After the full-time employees have completed one year of service, the employees will provide NT\$2,000 per month, and the Company will jointly allocate NT\$1,000 and together the collected amount is used to purchase Company shares by adopting dollar cost averaging approach.</p> <p><u>Employee Welfare Measures:</u></p>	

Promotional Implementation Items	Implementation Status			Difference from Sustainable Development Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
			<p>The company sets up an Employee Welfare Committee, and every year the company allocates welfare benefits for the planning and offering of high-quality benefits for colleagues, such as: annual domestic and foreign travel subsidies for employees, birthday gifts, marriage allowances, maternity allowances, funeral allowances, hospital allowances, three major festivals gift-money and gift boxes, Family Day event, Year-End Gathering and other benefits.</p> <p>In terms of working hour policy, the company offers a flexible system, the flexible working hours for on-duty are from 8:30 a.m. to 9:30 a.m., and the flexible working hours for off-duty are from 5:30 p.m. to 6:30 p.m. For female employees during pregnancy, the flexible working hours for on-duty are relaxed from 8:30 a.m. to 10:00 a.m., and the flexible working hours for off-duty are relaxed from 5:30 p.m. to 7:00 p.m. until the day before delivery. Employees are given the rights to adjust their commuting time flexibly.</p> <p>In terms of the entitled leave system, on the basis of a fixed two-day weekly leave, if the newly joined employee passes the probationary assessment, he or she will be given three days of annual leave in advance. If a colleague encounters a situation such as childcare, major injury or illness, major change, etc., and needs a long period of time off, he/she can also apply for leave without pay to cater for the needs of personal and family care.</p>	

Promotional Implementation Items	Implementation Status			Difference from Sustainable Development Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
			<p><u>Labor-Management Meetings</u> The company has not established a labor union and has not signed a group agreement. However, it listens to the voices of employees through labor-management meetings every quarter, communicates with employees in two-way, allows opinions to be exchanged and improved, and maintains harmony in labor-management relations.</p> <p><u>Measures to create a friendly child-rearing environment:</u> In terms of working hour policy, the company offers a flexible system, the flexible working hours for on-duty are from 8:30 a.m. to 9:30 a.m., and the flexible working hours for off-duty are from 5:30 p.m. to 6:30 p.m. For female employees during pregnancy, the flexible working hours for on-duty are relaxed from 8:30 a.m. to 10:00 a.m., and the flexible working hours for off-duty are relaxed from 5:30 p.m. to 7:00 p.m. until the day before delivery. Employees are given the rights to adjust their commuting time flexibly. The company is committed to creating a female-friendly workplace environment. It has a comfortable breastfeeding room with undisturbed privacy, making postpartum breastfeeding stress-free and negotiate with a number of childcare centers and kindergartens, so as to strive for obtaining preferential prices, and sign exclusive contracts with institutions that provide special childcare measures.</p>	

Promotional Implementation Items	Implementation Status			Difference from Sustainable Development Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
			<p><u>Diversity and Equality in the Workplace:</u> Achieve equal remuneration conditions and equal promotion opportunities for men and women with equal pay for equal work, and (achieve) more than 50% of female managerial positions so as to promote sustainable and inclusive economic growth. In 2023, the average proportion of female employees was 55%, and the average proportion of female supervisors was 51%.</p> <p>The company values great importance in the rights and welfare of employees, and shares the surplus of profits with employees, maintains a good working environment for comprehensive physical, mental and spiritual care for all ethnic groups:</p> <p>(1) Employed and achieved 100% of the target for disabled colleagues and offered tailor-made suitable job positions and environmental facilities</p> <p>(2) Implement the empowerment of women in friendly workplaces, so that colleagues of all genders can work with peace of mind.</p> <p><u>Employee retirement system:</u> In order to help stabilize the life of employees after retirement, the Company has formulated labor retirement measures in accordance with the law, and established a Labor Retirement Reserve Supervision Committee that regularly allocates retirement reserves at a rate of 2% of the total salary expenses every month, and deposited the reserve to the designated account of the Central Trust of China to</p>	

Promotional Implementation Items	Implementation Status			Difference from Sustainable Development Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
			<p>protect labor rights and interests. From July 1, 2005 onwards, the new government retirement method was adopted in parallel, and 6% of the total income of labor wages was allocated to the employee's individual pension account; If there is a voluntary contribution from the employee to the pension, the amount of contribution calculated based on the employee's selection of voluntary contribution rate will be withheld from the employee's monthly salary to the individual pension account of the Labor Insurance Bureau.</p> <p>The Company applies the following provisions in accordance with the Labor Pension Act:</p> <p>(1) Voluntary Retirement: Employees may apply for retirement under one of the following circumstances: (Those who choose to apply the Labor Pension Regulations shall follow the same Regulations)</p> <ul style="list-style-type: none"> A. Those who have worked for more than 15 years and have reached the age of 55. B. Those who have worked for more than 25 years. C. Those who have worked for more than 10 years and have reached the age of 60. <p>(2) Forced Retirement: The Company shall not force employees to retire unless they fall under any of the following circumstances:</p> <ul style="list-style-type: none"> A. Those who have reached the age of sixty-five. B. Those who suffer from insanity or physical 	

Promotional Implementation Items	Implementation Status			Difference from Sustainable Development Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
			<p>disability and are unable to perform his or her duties at work.</p> <p>The Company may request the central competent authority to adjust the age prescribed in Subparagraph 1 of the preceding paragraph if the specific job entails risk, requires substantial physical strength or otherwise of a special nature; provided, however, that the age shall not be reduced below fifty-five.</p> <p>(3)Pension payment standards:</p> <p>A. The standards of pension payment shall be calculated in accordance with Articles 84-2 and 55 of the Labor Standards Act for those who have worked before and after the application of the Labor Standards Act, and those who elect to continue to apply the pension provisions of the Labor Standards Act or retain the pension provisions before the application of the Labor Pension Regulations in accordance with the Labor Standards Act.</p> <p>B. If an employee who has the seniority referred to in the preceding paragraph and is forced to retire in accordance with the provisions of Paragraph 1, Paragraph 2 of Article 35, and whose mental insanity or physical disability is caused by the performance of his or her duties, he or she shall be paid an additional 20% in accordance with the provisions of</p>	

Promotional Implementation Items	Implementation Status			Difference from Sustainable Development Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
			<p>Paragraph 1, Paragraph 2 of Article 55 of the Labor Standards Act.</p> <p>C.For employees who are subject to the pension provisions of the Labor Pension Act, the Company will contribute 6% of their salary to the employee's personal pension account on a monthly basis.</p> <p>(4) Pension payment: The company shall pay the employee's pension within 30 days from the day the employee retires.</p> <p>(5)For colleagues who are assigned by the Company and transferred to associates, their seniority will be continued with the aim to provide more protection for them and also to achieve the purpose of the Group's talent circulation.</p>	

Promotional Implementation Items	Implementation Status			Difference from Sustainable Development Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
(3) Does the Company provide a healthy and safe work environment and organize training on health and safety for its employees on a regular basis?	V		<p><u>Occupational Safety and Health Policy:</u> The Company follows the occupational safety and health law to establish policies with the provisions of customers and related organizations, and respects the interests of relevant interested parties for the occupational safety and health requirements to build a healthy and happy workplace.</p> <p>As the company values safe and healthy work environments for its employees, our company requests annual inspections of the building which includes every exists, floors, ventilation, lightening, fire/disaster prevention related equipment and other safety related systems, except for strict access security:</p> <p>1.Access security: Strict surveillance system is set up and security is hired to ensure safety of the office of the building all day.</p> <p>2.Maintenance and inspection of equipment: According to verification and application of public security of the building, the management committee for the building appoints outside professional company to conduct inspection of public security. Inspection of fire safety equipment shall be appointed by outside institution based on Fire Services Act. According to Safety and health work rules of employees, routine maintenance for water dispenser every three months, and annual maintenance and inspection of high-voltage and low-voltage apparatus, air-conditioners, and fire safety equipment, etc.</p>	

Promotional Implementation Items	Implementation Status			Difference from Sustainable Development Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
			<p>3.Physical health: The company hold regular employee’s yearly health examination, free consulting of doctors, advises if medical care of nurses, arrange annual office environment inspections by occupational doctors and occupational nurses, propose preventive and improvement measures for workplace safety, regularly clean and disinfect the office environment, and prohibit smoking in business premises.</p> <p>4.Mental health: We hold lectures for keep a good mental health enhance professional knowledge, and e-learning, regarding with stress (emotional pressure) management, communication technique, stress-relief, ideal thoughts each year.</p> <p>5.Insurance and medical allowance: We arrange labor (including occupational Injury) and health insurance for employees by laws. Also, we arrange casualty and accidental health insurance for them. As for injury and death of employees and their spouse, offspring, and parents, we provide medical allowance and emergency aids.</p> <p>The frequency of disability injuries in 2023 was 0; the number of cases & employees affected for occupational accidents was 0 and 0 respectively. The number of fires in 2023 was 0.</p>	

Promotional Implementation Items	Implementation Status			Difference from Sustainable Development Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
(4) Does the Company provide its employees with career development and training sessions?	V		The company conducts skill or functional training and development through performance management systems and personal career development plans.	
(5) Does the Company comply with relevant regulations and international standards regarding customer health and safety, right to privacy, marketing and labeling of its products and services and set up relevant consumer or client protection policies and complaint procedures?		V	Not applicable. Not related to our current business.	
(6) Has the company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation?	V		The company has updated the Supplier Code of Conduct in 2022, and has continuously demanded that suppliers must sign the Supplier Sustainability Responsibility Commitment letter and act on the basis of the Zero One's Supplier Code of Conduct, striving towards sustaining a safe working environment, dignified labor relations, ethical operations, and perfect environmental protection measures, so as to exert the sustainable influence of Zero One in the supply chain of the information service industry.	

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

Implementation of Climate-Related Information

Item	Implementation status	
1. Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities.	In order to identify and manage climate-related risks and opportunities, the company plans to appoint the vice chairman as the convener in 2024 to lead the sustainable development working group and convene the company's senior executives to identify major climate risks and opportunities and determine their impact on the company's business, formulate response strategies after analyzing the financial impact, and report the identification results and response strategies to the board of directors, so that the board of directors can fully supervise and review major climate risks and opportunities, and then decide on relevant response and management policies and review their implementation status.	
2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).		
3. Describe the financial impact of extreme weather events and transformative actions.		
4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.		In addition, the board of directors has convened a risk management team to take stock of the company's risks and formulate management policies and procedures. The company plans to include the risk scope into climate-related issues and the latest legal requirements of the sustainable development road map in the next year, update risk and management policies and report The Board of Directors and the Audit Committee also regularly listen to reports from the internal audit manager on the execution of internal audit work, and plan to review the design and implementation effectiveness of the internal control system for climate-related risks in the future.
5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described.	The company plans to use scenario analysis to assess the resilience of climate change risks and serve as a basis for managing climate-related risks based on actual needs and in accordance with relevant laws and regulations such as the sustainable development roadmap of listed companies and information disclosure regulations.	
6. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.		
7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.	The Company has no plans to use internal carbon pricing.	
8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified.	The company will comply with relevant laws and regulations such as the sustainable development road map of listed companies and information disclosure standards, and conduct inspections and obtain confidence in accordance with the standards of GHG Protocol or ISO 14064-1 during the legal regulations.	
9. Greenhouse gas inventory and assurance status and reduction targets, strategy, and concrete action plan (separately fill out in points 1-1 and 1-2 below).		

1-1 Greenhouse Gas Inventory and Assurance Status for the Most Recent 2 Fiscal Years

1-1-1 Greenhouse gas inventory information

Greenhouse Gas Inventory Information Describe the emission volume (metric tons CO ₂ e), intensity (metric tons CO ₂ e/NT\$ million), and data coverage of greenhouse gases in the most recent 2 fiscal years.
The company has not conducted greenhouse gas inventory in accordance with the inventory standards in the past two years. However, the company's main emission source should be indirect emissions from electricity energy. Therefore, the company counts the carbon emissions of each electricity bill as the basis for preliminary carbon emission reduction. In the future, the company will comply with relevant laws and regulations such as the sustainable development road map of listed companies and information disclosure standards, and conduct inspections and obtain confidence in accordance with the GHG Protocol or ISO 14064-1 standards during the legal regulations.

1-1-2 Greenhouse Gas Assurance Status Information

Describe the status of assurance for the most recent 2 fiscal years as of the printing date of the annual report, including the scope of assurance, assurance institutions, assurance standards, and assurance opinion.
Same as mentioned in 1-1-1 above; the company will comply with relevant laws and regulations such as the sustainable development roadmap of listed companies and information disclosure standards, and conduct carbon inventories in accordance with the GHG Protocol or ISO 14064-1 standards and obtain Convinced.

1-2 Greenhouse Gas Reduction Targets, Strategy, and Concrete Action Plan

Specify the greenhouse gas reduction base year and its data, the reduction targets, strategy and concrete action plan, and the status of achievement of the reduction targets.
Same as mentioned in 1-1-1 above; the company will complete the formulation of reduction targets and strategies and formulate specific action plans and disclose them within the statutory timetable in accordance with the sustainable development road map of listed companies and information disclosure regulations and other relevant legal provisions. Achievement of reduction goals.

(G) Ethical Corporate Management:

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

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

Evaluation Item	Implementation Status		Difference from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies and reason
	Yes	No	
(3) Has the company established policies to prevent conflict of interests, provided appropriate communication and complaint channels, and properly implemented such policies?	V		and prevention plans, and report the implementation results to the Board of Directors at least once a year. The Company has clearly prohibit bribery, providing or accepting improper benefits, providing illegal political contributions, etc. in the Corporate Governance Best Practice Principles, providing appropriate communication and complaint channels, and properly implemented such policies.
(4) Does the company have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit compliance with the systems to prevent unethical conduct or hire outside accountants to perform the audits?	V		The Company has established accounting, finance, and internal control systems to ensure integrity in our operations. Financial reports were audited by CPAs, to ensure that the financial statements present fairly.
(5) Does the company provide internal and external ethical conduct training programs on a regular basis?	V		Integrity and honesty are one of the four core values of the Company. The Company has held an internal education campaign on integrity management from December, 2023 to January, 2024 and included this training in the online teaching materials for orientational training. In addition, the importance of integrity and honesty has been repeatedly reiterated in both company regulations and internal trainings to facilitate in the internalization of the values to all staff in their daily behaviors, and the management of supervisors in the Company.

Evaluation Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies and reason
	Yes	No	Description	
<p>3. Implementation of Complaint Procedures</p> <p>(1) Does the company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received?</p> <p>(2) Whether the company has established standard operation procedures for investigating the complaints received, follow-up measures after investigation are completed, and ensuring such complaints are handled in a confidential manner?</p> <p>(3) Does the company adopt proper measures to prevent a complainant from retaliation for his/her filing a complaint?</p>	V		<p>Our company has established the "Measures for the Report on Illegal, Unethical and Dishonest Conducts" applicable to our company and its subsidiaries to implement the ethical behavior guidelines, integrity management guidelines, and corporate governance guidelines formulated by the company, and to ensure the legal rights and interests of the whistleblower and related persons. The company also specifies the reporting channels and responsible personnel in this procedure as follows:</p> <p>1. Acceptance and filing unit: Internal audit office. ;2. Investigators: Project leader or investigation team designated by the chairman. ;3. Reporting channels:(1) Letter: Addressed to the Audit Supervisor at 10F, No. 8, Lane 360, Section 1, Neihu Road, Neihu District, Taipei City. (2) Email: HumanResourceDept@zerone.com.tw</p>	None.
	V		<p>Our company has established procedures in the "Measures for the Report on Illegal, Unethical and Dishonest Conducts" covering aspects such as case acceptance, reporting and investigation procedures, final reporting, and principles for file maintenance and storage:</p> <p>1. Acceptance Principles: Upon receiving a report, the designated personnel must immediately file the case. Anonymous reports are generally not investigated; however, if the content of the report or the provided evidence warrants an investigation, the case may still be accepted.</p> <p>2. Investigation Procedures:</p> <p>1. The project leader or investigation team must thoroughly and carefully investigate the reported case and the involved circumstances.</p> <p>2. During the investigation, if necessary, the whistleblower may be asked to provide additional information, and other relevant departments or external experts may be consulted for assistance.</p> <p>3. Case Closure and Reporting:</p> <p>- After completing the investigation, the project leader or investigation team must submit a report to the Chairman based on the investigation results. The report should include the details of the report, the investigation process, handling recommendations, and any subsequent review and improvement measures.</p> <p>4. File Maintenance and Storage:</p> <p>1. The designated personnel are responsible for recording all related information from the acceptance, filing, investigation, and reporting stages, including original documents, written reports, audio recordings, and other forms of complete data.</p> <p>2. Once the files have been organized, the project leader or investigation team must hand them over to the designated file custodian for archiving. All files are to be classified as confidential, encrypted for protection, and access strictly limited. The files should be stored for five years, with electronic storage permitted. If litigation related to the reported case arises before the retention period expires, the files must be preserved until the litigation concludes.</p>	
	V		<p>Our company has clearly stipulated in the "Measures for the Report on Illegal, Unethical and Dishonest Conducts" that no adverse personnel measures should be taken against the whistleblower, such as: dismissal, removal, exemption, suspension, termination, demotion, or adverse performance evaluation, punishment, penalty, pay cut, deprivation or reduction of bonuses, retirement funds or deprivation of education or training opportunities related to promotion, benefits, workplace, job content or other working conditions, adverse changes in management measures or unjustified disclosure of their identity. Our company did not handle any reported cases in the 2023.</p>	
<p>4. Information Disclosure</p> <p>Does the company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and Market Observation Post System ("MOPS")?</p>	V		<p>The Company has disclosed the content and implementation of the Corporate Governance Best Practice Principles on the website.</p>	None.
<p>5.If the company has established corporate governance policies based on Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation: None.</p>				
<p>6.Other important information to facilitate better understanding of the company's corporate conduct and ethics compliance practices (e.g., review the company's corporate conduct and ethics policy). The company demonstrates its commitment to integrity management by emphasizing and participating in trainings for important customers and manufacturers.</p>				

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

(I) Other Important Information Regarding Corporate Governance:

1. The company has approved the Rules Governing Financial and Business Matters Between this Corporation and its Related Parties by the board of directors on December 19, 2023 and announced it in the company's important regulations area.
2. The company has approved the appointment of a corporate governance manager through the board of directors on June 16, 2023, and designated a corporate governance manager to be responsible for corporate governance-related matters.

(J) Internal Control Systems

1.Statement of internal control system

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

Date:2/27/2024

According to the examination on internal control system done by the Company itself in 2023, we hereby state as follows:

- (1) The company's board of directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
- (2) An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
- (3) The company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the Regulations). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities.
- (4) The company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
- (5) Based on the findings of such evaluation, Zero One Technology Co., Ltd. believes that, on December 31, 2023, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
- (6) This Statement is an integral part of Zero One Technology Co., Ltd.'s annual report for the year 2023 and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
- (7) The Company hereby declares that this statement had been approved by the Board of Directors on February 27, 2024. Among the 7 attending Directors, to the contents of this statement.

Zero One Technology Co., Ltd.
Chairman: Peter Lin
General Manager: Kevin Chen

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

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

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

1. Major Resolutions of Shareholders' Meeting

Date	Major Resolutions
2023.05.30	<p>(1) Proposal: Approval of the 2022 business report and financial statement. Resolution: Proposal was approved as proposed (Please search for details of the resolution on Market Observation Post System). Condition of execution: It was announced as important resolution of the shareholder's meeting, in the form of material information.</p> <p>(2) Proposal: Approval of the proposed distribution of 2022 earnings. Resolution: Proposal was approved as proposed (Please search for details of the resolution on Market Observation Post System). Condition of execution: Ex-dividend date was March 25, 2023 and the distribution date was April 13, 2023 (NT\$3.59835452 per share).</p> <p>(3) Proposal: Discussion on the amendment to the Rules of Procedures for Shareholders Meetings. Resolution: Proposal was approved as proposed (Please search for details of the resolution on Market Observation Post System). Condition of execution: It has been executed according to the after revision.</p> <p>(4) Proposal: Election of 7 directors (including 3 independent directors) for the 15th session of the Company Election results: Directors : Peter Lin 、 Morris Jiang 、 Prisma Commerce & Networks, Inc and Nancy Huang Independent Directors : Ming Hsiung Wu 、 Mandy Huang and Simon Yeh Condition of execution: It has been approved and registered by Ministry of Economic Affairs, R.O.C. on June 20, 2023, and been announced on May 30, 2023, on Market Observation Post System.</p> <p>(5) Proposal: Discussion on the Lifting of "Non-Competition" for the new directors of the company Resolution: Proposal was approved as proposed (Please search for details of the resolution on Market Observation Post System). Condition of execution: It has been announced on May 30, 2023 on Market Observation Post System.</p>

2. Major resolutions of Board Meetings

Date	Major resolutions
2023.02.21	<p>(1) Approval of the 2022 business report, as well as parent and consolidated financial statements.</p> <p>(2) Approval of the proposal for distribution of 2022 earnings.</p> <p>(3) Approval of the amendment to the the Rules of Procedures for Shareholders Meetings.</p> <p>(4) Approved to discuss the re-election of directors for the 15th term of the Company.</p> <p>(5) Approval of the nomination and review of Directors and independent Directors.</p> <p>(6) Approval to the dismissal of non-compete clause for the newly appointed Directors.</p>
2023.04.28	Approval of consolidated financial statement of 2023 Q1.
2023.05.30	Peter Lin was elected as the Chairman of 15th session of the Company's board of directors.
2023.06.08	<p>(1) Recruit all independent directors (Ming Hsiung Wu 、 Mandy Huang and Simon Yeh) to serve as Finance Director and Accounting Director of the company.</p> <p>(2) Recruit Chairman Peter Lin and all independent directors (Ming Hsiung Wu 、 Mandy Huang and Simon Yeh) to serve as members of the 2nd Governance and Nomination Committee of the company.</p>
2023.06.16	<p>(1) Approval of recruiting Chang, Mei-Yun to serve as Finance Director and Accounting Director of the company.</p> <p>(2) Approval of recruiting Chang, Mei-Yun to serve as Corporate Governance Officer of the company.</p> <p>(3) Approval of recruiting Kevin Chen to serve as general manager of the company.</p> <p>(4) Approval of recruiting Nancy Huang to serve as CEO & CSO of the company.</p>

2023.07.28	Approval of the consolidated financial statements of 2023 Q2.
2023.10.26	Approval of the consolidated financial statements of 2023 Q3.
2023.12.19	(1) Approval of recruiting Joseph Hsieh to serve as Chief Internal Auditor of the company. (2) Approval of loaning funds to subsidiary WingWill International Co., Ltd.
2024.02.27	(1) Approval of the 2023 business report, as well as parent and consolidated financial statements. (2) Approval of the proposal for distribution of 2023 earnings. (3) Approval of cash capital increase in the private placement of common stocks.

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

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

Title Name	Resignation date	Reason of Resignation
Chief Internal Auditor Lucy Tsai	2024.01.01	Position Adjustment
Finance Director and Accounting Director Michelle Chin	2023.06.16	Retirement
General Manager Nancy Huang	2023.06.16	Transferred to the position of CEO & CSO.
General Manager Of Business Division Kevin Chen	2023.06.16	Transferred to the position of general manager

E. Information on CPA Professional Fee

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Audit Fee	Non-audit Fee	Total	Remarks
Deloitte & Touche	Chien-Liang Liu,	2023 Q1	2,500	325	2,825	Non-audit public fees: 1. Advances 2. Non-Supervisor Salary Information Checklist 3. Correction of tax report 4. Other fees
	Pei-De Chen					
	Chien-Liang Liu,	2023 Q2				
	Pei-De Chen					
	Chien-Liang Liu,	2023 Q3				
	Pei-De Chen					
	Cheng Hsiu Chang	FY23				
	Pei-De Chen					

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

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

F. Replacement of CPA:

(A) Information regarding the former CPAs

Date of replacement	Approved by board of directors on 2023.12.19.		
Reason for replacement and explanation	In order to meet the needs of internal adjustments of Deloitte & Touche, the board of directors approved on December 19, 2023, to change the original CPA Chien-Liang Liu to Cheng Hsiu Chang starting from 2023 Q4.		
Describe whether the Company terminated or the CPAs terminated or did not accept the engagement	Parties		
	Circumstances	CPAs	The Company
	Terminated the engagement	Chien-Liang Liu	
	No longer accepted (discontinued) the engagement		
If the CPAs issued an audit report expressing any opinion other than an unqualified opinion during the 2 most recent years, specify the opinion and the reasons	None.		
Disagreement with the Company?	Yes		Accounting principles or practices
			Disclosure of financial reports
			Audit scope or steps
			Other
	No	V	
	Specify details		
Other disclosures (Any matters required to be disclosed under sub-items d to g of Article 10.6.A)	None.		

(B) Information Regarding the Successor CPAs

Name of accounting firm	Deloitte & Touche
Names of CPAs	Cheng Hsiu Chang、Pei-De Chen
Date of engagement	2023.12.19
Subjects discussed and results of any consultation with the CPAs prior to the engagement, regarding the accounting treatment of or application of accounting principles to any specified transaction, or the type of audit opinion that might be issued on the company's financial report	None.
Successor CPAs' written opinion regarding the matters of disagreement between the Company and the former CPAs	None.

(C) The reply letter from the former CPA regarding the Company's disclosures regarding the matters under Article 10.6.A and 10.6.B(c) of the Regulations. : None.

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

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

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

Units: Shares

Title	Name	2023		As of Mar. 31, 2024	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Peter Lin	(110,000)	0	0	0
Director	Morris Jiang	(35,000)	0	0	0
Director	Judicial person	Prisma Commerce & Networks, Inc.	132,556	0	0
	Representative	Jih-Ji Zhou	0	0	0
Director (Serves as CEO and CSO)	Nancy Huang (Note 1)	156,303	0	48,321	0
Independent director	Ming Hsiung Wu	0	0	0	0
Independent director	Mandy Huang (Note 2)	0	0	0	0
Independent director	Simon Yeh (Note 2)	0	0	0	0
Director	Judicial person	K Way Information Corp. (Note 3)	0	0	-
	Representative	Zheng-Qiang Sun (Note 3)	0	0	-
Director	Jui Hsu Chen (Note 3)	0	0	-	-
Independent director	Chien Chen Lin (Note 3)	0	0	-	-
Independent director	Ming Yuan Lin (Note 3)	0	0	-	-
manager	Kevin Chen (Note 1)	73,525	0	25,829	0
manager	Chang, Mei-Yun (Note 1)	0	0	0	0
manager	Michelle Chin (Note 4)	46,857	0	-	-

Note 1 : Nancy Huang resigned from the position of general manager on June 17, 2023, and transfer to the company's CEO & CSO.

Kevin Chen has served as the general manager of the company since June 17, 2023. The information in the table above only discloses the information from the period when he began to serve as the manager of the company.

Chang, Mei-Yun has served as the Finance Director and Accounting Director of the company since June 17, 2023. The information in the table above only discloses the information from the period when she began to serve as the manager of the company.

Note 2 : Mandy Huang and Simon Yeh have served as the Independent director of the company since May 30, 2023. The information in the table above only discloses the information from the period when they began to serve as the Independent director of the company.

Note 3 : K Way Information Corp. and its representatives, Zheng-Qiang Sun, Jui Hsu Chen and Chien Chen Lin resigned upon the expiration of their terms on May 30, 2023. The information in the table above only disclosed the information until the expiration date of their terms as directors of the company.

Note 4 : Michelle Chin resigned from the position of financial director and accounting director on June 16, 2023. The information in the table above only discloses the information from the period when she began to serve as the manager of the company.

Note 5 : The company has no major shareholders holding more than 10% of the shares

(B) Shares Trading with Related Parties:

Information of Shares Trading

Name	Reason	Date	Related Parties	The relationship between the transaction counterparty and the company, directors, supervisors, managers and shareholders holding more than 10% of the shares	Shares	Price
Morris Jiang	Disposal (Grant)	2023.12.20	Jiang You Xian	Son	35,000	64.10

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

I. Relationship among the Top Ten Shareholders

As of 3/31/2024 ; Units: Shares ; %

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Ceres investment Co, Ltd.	7,232,251	4.68	—	—	—	—	Peter Lin	Relatives of the chairman of the corporate shareholder within two degrees	—
							Hui Fen Wang	Relatives of the chairman of the corporate shareholder within two degrees	
Ceres investment Co., Ltd. Representative : Tsai Han Lin	901,238	0.58	—	—	—	—	Peter Lin	These two people are relatives within two degrees	—
							Hui Fen Wang	These two people are relatives within two degrees	
Ceres Capital Co., Ltd.	7,000,000	4.53	—	—	—	—	Peter Lin	Relatives of the chairman of the corporate shareholder within two degrees	—
							Hui Fen Wang	Relatives of the chairman of the corporate shareholder within two degrees	
Ceres Capital Co., Ltd. Representative : Tsai Jung Lin	860,358	0.56	—	—	—	—	Peter Lin	These two people are relatives within two degrees	—
							Hui Fen Wang	These two people are relatives within two degrees	
Peter Lin	5,033,292	3.26	2,954,714	1.91	—	—	Hui Fen Wang	Couples	—
							Ceres Investment Co., Ltd.	Relatives of the chairman of the corporate shareholder within two degrees	
							Ceres Capital Co., Ltd.	Relatives of the chairman of the corporate shareholder within two degrees	
							Feng Yi Investment Co., Ltd.	Relatives of the chairman of the corporate shareholder within two degrees	
Feng Yi Investment Co., Ltd.	5,000,000	3.23	—	—	—	—	Peter Lin	Relatives of the chairman of the corporate shareholder within two degrees	—
							Hui Fen Wang	Relatives of the chairman of the corporate shareholder within two degrees	
Feng Yi Investment Co., Ltd. Representative : Chien ta Lin	854,479	0.55	—	—	—	—	Peter Lin	These two people are relatives within two degrees	—
							Hui Fen Wang	These two people are relatives within two degrees	

Hui Fen Wang	2,954,714	1.91	5,033,292	3.26	—	—	Peter Lin	Couples	—
							Ceres Investment Co., Ltd.	Relatives of the chairman of the corporate shareholder within two degrees	
							Ceres Capital Co., Ltd.	Relatives of the chairman of the corporate shareholder within two degrees	
							Feng Yi Investment Co., Ltd.	Relatives of the chairman of the corporate shareholder within two degrees	
Morris Jiang	2,707,735	1.75	466,185	0.30	—	—	—	—	—
National Yang Ming ChiaoTung University	2,321,017	1.50	—	—	—	—	—	—	—
HSBC (Taiwan) Commercial Bank Co., Ltd. is entrusted with the custody of Mitsubishi UFJ Morgan Stanley Securities Company - the self-operated platform of the securities trading unit, the three-party SBL trading investment account	2,268,000	1.47	—	—	—	—	—	—	—
Zero One Technology Co., Ltd. employee stock ownership meeting Trust Property (Trustee: CTBC)	2,243,854	1.45	—	—	—	—	—	—	—
MEGA BILLS FINANCE CO., LTD.	2,195,183	1.42	—	—	—	—	—	—	—

J. Ownership of Shares in Affiliated Enterprises

2024/03/31

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Zotech Technology Co., Ltd.	3,500,000	85	0	0	3,500,000	85
ZeroneWin Investment Co., Ltd.	65,000,000	100	0	0	65,000,000	100
Asiaone Holdings Ltd	700,000	100	0	0	700,000	100
TerraONE Tech CO., LTD.	50,000,000	100	0	0	50,000,000	100
LinkONE Digital CO., LTD.	26,000,000	100	0	0	26,000,000	100
UNICOMP INFORMATION CO., LTD.	7,500,000	20	0	0	7,500,000	20
Techone(Shanghai)Co.,Ltd.	Not applicable (Note 1)	70	Not applicable (Note 1)	0	Not applicable (Note 1)	70
Techone(Vietnam)Co.,Ltd	Not applicable (Note 1)	70	Not applicable (Note 1)	0	Not applicable (Note 1)	70
WingWill International Co., Ltd.	45,399,000	90	2,000,000	4	47,399,000	94
DigiCosmos Tech. Co., Ltd.	2,500,000	50	0	0	2,500,000	50
PetaCom Technology Co., Ltd.	10,200,000	51	400,000	2	10,600,000	53
TrustONE Security Inc.	9,600,000	32	0	0	9,600,000	32
Leukocyte-Lab Co. Ltd.	340,000	26	0	0	340,000	26

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

IV. Capital Overview

A. Capital and Shares

(A)Source of Capital

Month/Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Sources of Capital	Remark	Capital Increase d by Assets Other than Cash	Other
		Shares	Amount (NT\$)	Shares	Amount (NT\$)				
2023.03	10	200,000,000	2,000,000,000	153,031,712	1,530,317,120	Capital increased by employee stock options conversion\$1,320,000	None	Note 1	
2023.05	10	200,000,000	2,000,000,000	153,314,712	1,533,147,120	Capital increased by employee stock options conversion\$2,830,000	None	Note 2	
2023.08	10	200,000,000	2,000,000,000	153,579,712	1,535,797,120	Capital increased by employee stock options conversion\$2,650,000	None	Note 3	
2023.11	10	200,000,000	2,000,000,000	154,273,712	1,542,737,120	Capital increased by employee stock options conversion\$6,940,000	None	Note 4	
2024.03	10	200,000,000	2,000,000,000	154,368,712	1,543,687,120	Capital increased by employee stock options conversion\$950,000	None	Note 5	

Note1 : No.11230041510

Note2 : No.11230083790

Note3 : No.11230158360

Note4 : No.11230217080

Note5 : No.11330040860

As of March 31, 2024 : Units: Shares

Share Type	Authorized Capital			Remark
	Issued Shares	Unissued Shares	Total	
Registered Ordinary Shares	154,609,212 (Note : 2)	45,390,788	200,000,000	Listed Shares

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

Note 1: The difference from the 154,368,712 issued ordinary shares listed in the Ministry of Economic Affairs' registration information is that the employee stock options were exchanged for new shares, totaling 240,500 shares, but the change registration has not been completed.

(B) Status of Shareholders

As of March 31, 2024 ; Units : Shares

Shareholder structure Quantity	Government agency	Financial institution	Other Juridical Persons	Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	2	353	48,167	89	48,611
Shareholding (shares)	0	59,000	39,409,431	105,019,208	10,121,573	154,609,212
Percentage	0.00%	0.04%	25.49%	67.93%	6.54%	100.00%

(C) Shareholding Distribution Status

1. Common Shares

As of 03/31/2024

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1-999	28,226	1,338,362	0.866%
1,000-5,000	17,238	32,103,395	20.76%
5,001-10,000	1,733	13,193,410	8.53%
10,001-15,000	513	6,384,997	4.13%
15,001-20,000	243	4,384,227	2.84%
20,001-30,000	233	5,801,748	3.75%
30,001-40,000	111	3,879,831	2.51%
40,001-50,000	71	3,250,605	2.10%
50,001-100,000	126	8,854,971	5.73%
100,001-200,000	52	7,563,140	4.89%
200,001-400,000	30	8,144,694	5.27%
400,001-600,000	10	4,799,044	3.10%
600,001-800,000	3	2,243,868	1.45%
800,001-1,000,000	5	4,299,081	2.78%
1,000,001 or over	17	48,367,839	31.28%
Total	48,611	154,609,212	100.00%

2. Preferred Shares: Not applicable.

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

As of 03/31/2024

Shareholder's Name	Share	Shares	Percentage
Ceres investment co., ltd.		7,232,251	4.68%
Ceres Capital Co., Ltd.		7,000,000	4.53%
Peter Lin		5,033,292	3.26%
Feng Yi Investment Co., Ltd.		5,000,000	3.23%
Hui Fen Wang		2,954,714	1.91%
Morris Jiang		2,707,735	1.75%
National Yang Ming Chiao Tung University		2,321,017	1.50%
HSBC (Taiwan) Commercial Bank Co., Ltd. is entrusted with the custody of Mitsubishi UFJ Morgan Stanley Securities Company - the self-operated platform of the securities trading unit, the three-party SBL trading investment account		2,268,000	1.47%
Zero One Technology Co., Ltd. employee stock ownership meeting Trust Property (Trustee: CTBC)		2,243,854	1.45%
MEGA BILLS FINANCE CO., LTD.		2,195,183	1.42%

(E) Market Price, Net Worth, Earnings, and Dividends per Share in recent 2 years

Unit: NT\$ Dollar

Item	Year				
	2022	2023	03/31/2024		
Market Price per Share	Highest Market Price	49.95	72.90	79.80	
	Lowest Market Price	36.75	39.95	64.60	
	Average Market Price	41.46	59.24	73.15	
Net Worth per Share (Note 1)	Before Distribution	25.80	26.79	—	
	After Distribution	22.20	22.78	—	
Earnings per Share	Weighted Average Shares (thousand shares)	154,816	155,156	—	
	Earnings Per Share	4.03	4.50	—	
Dividends per Share	Cash Dividends	3.60	4.00	—	
	Free share distribution	Earnings allotment (per share)	0	0	—
		Capital reserve allotment (per share)	0	0	—
	Accumulated Undistributed Dividends	0	0	—	
Return on Investment	Price / Earnings Ratio (Note 2)	10.29	13.16	—	
	Price / Dividend Ratio (Note 3)	11.52	14.81	—	
	Cash Dividend Yield Rate (Note 4)	8.68	6.75	—	

Note 1 : 2023 Financial data after distribution shall be resolved by the Board of Directors next year.
 Note 2 : Price / Earnings Ratio = Average Market Price / Earnings per Share
 Note 3 : Price / Dividend Ratio = Average Market Price / Cash Dividends per Share
 Note 4 : Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price
 Note 5 : 2023 Earning distribution was approved by the Board of Directors on Feb. 27, 2024.

(F) Dividend Policy and Implementation Status

1.Dividend Policy:

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

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

Cash dividends to shareholders total NT\$ 618,428,848, and NT\$ 4.0 per share, approved by the Board of Directors on February 27, 2024. Due to the change in the number of outstanding shares, the dividend distribution ratio of shareholders has been changed to NT\$ 3.99994825 per share.

(G) Effects upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting :

The shareholders' meeting shall decide not to distribute shares dividends.

(H) Employees' Compensation and Remuneration to Directors

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

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

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

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

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

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

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

Unit : NT\$ Dollar

	2023		
	Board resolution	Estimate	Difference
Employee Compensation	27,000,000	27,000,000	NA
Remuneration to Directors	13,000,000	13,000,000	NA

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

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

Unit : NT\$ Dollar; Shares

	2022		
	Actual distribution amount	Board resolution	Difference
Employee Compensation	24,000,000	24,000,000	NA
Remuneration to Directors	12,000,000	12,000,000	NA

- (I) Repurchase of Company Shares : The company hasn't repurchased any company shares in 2023.
- B. Status of Corporate Bonds : None.
- C. Status of Preferred Stocks : None.
- D. Status of GDR/ADR : None.

E. Employee Stock Options:

(A) Issuance of Employee Stock Options:

As of 04/30/2024

Type of Stock Option	2017 1st Tranche	
Effective registration date and total number of units	December 18, 2017 4,000 Units	
Issue date	January 5, 2018	September 3, 2018
Number of units issued	2,000 Units	2,000 Units
Number of units still available for issuance	0	0
Ratio of the number of issued subscribable shares to the total number of issued shares (Note)	1.31%	1.31%
Duration	From 2018/01/05 to 2024/01/04	From 2018/09/03 to 2024/09/02
Conversion measures	Issuance of new shares	Issuance of new shares
Conditional conversion periods and percentages	(1) 2020/01/05: 30% (2) 2021/01/05: 60% (3) 2022/01/05: 100%	(1) 2020/09/03: 30% (2) 2021/09/03: 60% (3) 2022/09/03: 100%
Converted shares	1,852,000 shares	1,448,000 shares
Exercised amount	27,643,200 dollars	22,307,300 dollars
Number of shares yet to be converted	0 shares	552,000 shares
Adjusted exercise price for those who have yet to exercise their right	-	The unit price is NT \$ 14.40 dollars
Unexercised shares as a percentage of total issued shares (Note)	0.0 %	0.358 %
Impact on possible dilution of shareholdings	The Company tends to attract and retain outstanding professionals, encourage excellent employees, and strengthen coherence of the Company, for creating benefits for the company and shareholders. Therefore, it has a positive effect on shareholders' equity.	

Note : Total issued shares indicate that number of issued shares of the Company registered by Ministry of Economic Affairs is 154,368,712 at present.

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

As of 04/30/2024

	Title	Name	No. of Stock Options	Stock Options as a Percentage of Shares Issued (%) (Note 1)	Exercised				Unexercised			
					No. of Shares Converted	Strike Price (NT\$)	Amount (NT\$ thousands)	Converted Shares as a Percentage of Shares Issued (%) (Note 1)	No. of Shares Converted	Strike Price (NT\$)	Amount (NT\$ thousands)	Converted Shares as a Percentage of Shares Issued (%) (Note 1)
Executive officers	General manager	Nancy Huang	1,350,000	0.88	1,200,000	11.5	11,852,000	0.78	150,000	13.2 14.4	2,160,000	0.1
	General manager of the Business Divisions	Kevin Chen				12.4						
	Senior Director of the Financial Management Division	Michelle Chin				13.4 14.2 15.4						
Employee	Senior Vice General Manager	Ben Dai	2,400,000	1.55	2,280,000	11.5	27,103,800	1.48	120,000	13.2 14.4	1,728,000	0.07
	Executive Assistant of the General Manager's Office	Gary Wang				11.7						
	Vice General Manager	Polina Yuan				12.4						
	Vice General Manager	Fanny Cheng				12.5						
	Director	Kammy Chuang				13.1						
	Director	Charles Lin				13.9						
	Senior Director	Jack Yang				13.4						
	Product Director	Bonbon Wang				14.2						
	Senior Manager	Roy Kuo				15.0						
	Sales Director	May Chen				15.4						

Note 1 : Total issued shares indicate that number of issued shares of the Company registered by Ministry of Economic Affairs is 154,368,712 at present.

F. Restricted Employee Shares:

(A) Issuance of New Restricted Shares:

Type of New Restricted Employee Shares (Note)	2018 Grant
Effective registration date and total number of shares	2019/04/15 700,000 shares
Issue date (Note)	2019/06/13
Number of New Restricted Employee Shares Issued	700,000 shares
Number of new restricted employee shares still available for issuance	0 shares
Issued Price (NT\$)	Issue price is NT\$ 0
Ratio of the number of new restricted employee shares issued to the total number of issued shares (Note)	0.45
Vesting Conditions of New Restricted Employee Shares	<p>A. After employees received the vested shares, employees' continuous employment with the Company through the vesting period and achievement of personal performance are required to receive the vested shares by the portion of:</p> <ol style="list-style-type: none"> 1. Employees, with continuous employment with the Company for 1 year and whose latest annual personal performance evaluation score is 75 points or above, will receive 25% of the vested shares. 2. Employees, with continuous employment with the Company for 2 year and whose latest annual personal performance evaluation score is 75 points or above, will receive 25% of the vested shares. 3. Employees, with continuous employment with the Company for 3 year and whose latest annual personal performance evaluation score is 75 points or above, will receive 25% of the vested shares. 4. Employees, with continuous employment with the Company for 4 year and whose latest annual personal performance evaluation score is 75 points or above, will receive 25% of the vested shares. <p>After employees received the vested shares from the Company, it will redeem and cancel the issued restricted employee shares as employees breach the labor contract and working regulations, for the restricted employee new shares that don't meet the vesting conditions.</p>
Restricted Rights of New Restricted Employee Shares	<ol style="list-style-type: none"> A. After receiving the vested shares, employees shall not sell, transfer, bestow, pledge, ask the Company to redeem, or dispose in other way the unvested restricted shares, unless employees meet the vesting conditions. B. For the restricted employee new shares that don't meet the vesting conditions, the rights of attending, proposal, speaking and voting in shareholders meeting of the restricted employee new shares are executed by the custodian according to the trust agreement. C. The employees holding unvested Restricted Shares are not entitled to the rights to participate in shares and cashes dividends distribution, as well as the preemptive right to subscribe for the new shares issued for cash capital increase. From 15 business days before the book closure date, for shares and cashes dividends distribution, as well as the new shares issued for cash capital increase, to the record date, the employees, who meet the vesting conditions, shall not be entitle to the rights to participate in shares and cashes dividends distribution, as well as the preemptive rights to subscribe for the new shares issued for cash capital increase. D. In case the Company applies for capital reduction by cash and other capital reduction other than capital reduction by law before employees meet the vesting conditions, the RSA shall be cancelled by pro rata of capital reduction. In case of capital reduction by cash, the cash returned must be given to trust and shall only be given to employees after meeting the vested conditions and period. Nonetheless in case the employees fail to meet the vested conditions upon the expiration, the Company shall recover the cash.
Custody of the new restricted employee shares	The vested shares should be deposited in trust of stock, assigned the Company or appointed proxy to sign and edit the relevant trust agreement with the trust organization, and deal with related matters for trust for employees who received the vested shares.

Treatment of the new restricted shares for which the grantee fails to meet the vesting conditions after receiving or subscribing to the shares	Restricted employee new shares as redeemed by the Company without charge will be cancelled.
Number of new restricted employee shares that have been retired or bought back	27,000 shares
Number of new restricted shares that have vested	673,000 shares
Number of unvested new restricted shares	0 shares
The ratio of the number of unvested new restricted shares to the total number of issued shares (%)	0
The effect on shareholders' equity	The dilution for future EPS is limited and therefore has no major impact on shareholder's equity.

Note : Total issued shares indicate that number of issued shares of the Company registered by Ministry of Economic Affairs is 154,368,712 at present.

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

As of 04/30/2024

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

Note 1: Total issued shares indicate that the number of issued shares of the Company registered by Ministry of Economic Affairs is 154,368,712 at present.

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

F. Financing Plans and Implementation

In 2024 Q1, with respect to each uncompleted public issue or private placement of securities, and to such issues and placements that were completed in the most recent 3 years but have not yet fully yielded the planned benefits, the company doesn't have the plan for each such public issue and private placement.

V. Operational Highlights

A. Business Activities

(A) The scope of business:

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

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

2. Revenue distribution

2023

Units: NT\$
Thousands

Product category	Total Sales	(%) of Total Sales
IT infrastructure	4,002,818	28.75
Network & information security	6,234,978	44.79
Cloud platform & application	2,904,650	20.87
Big data & application	775,483	5.57
Others	2,728	0.02
Total	13,920,657	100.00

3. The main products and services of the Company

(1) Big data analysis and AI application :

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

(2) System application:

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

(3) Integrated communication equipment:

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

(4) Virtualization application:

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

(5) Cloud application:

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

(6) Information security:

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

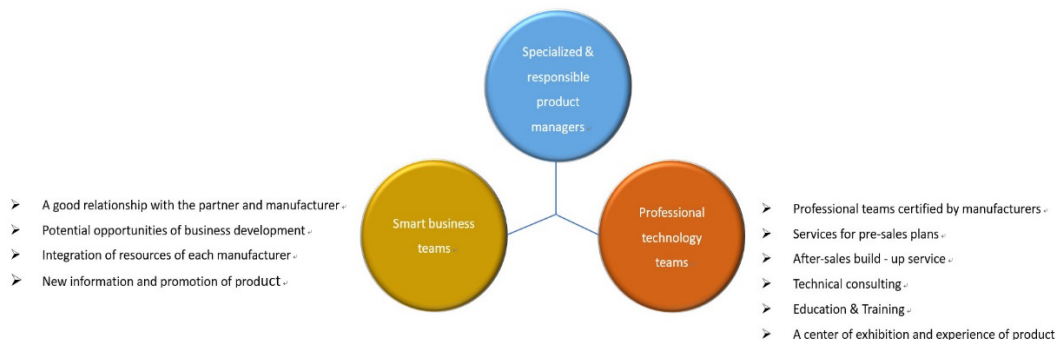
(7) Network equipment:

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

(8) Storage device:

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

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



(B) Industry overview

1. Situations and the development of the industry

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

(1) IT infrastructure

In recent years, with the rise of new technology platforms such as cloud, big data analytics, AI, 5G and IoT applications, the world is setting off a wave of digital transformation, and the global industry is facing the rapid evolution of AI technology and the economic market dominated by new business models. Technological advancements in the coming years will have a profound impact on businesses, especially when it comes to IT infrastructure, where digital transformation is crucial. Here are some of the key strategies that Zero One Technology has responded to:

A. Digitalization and automation :

- a. Digital infrastructure: Invest in modern IT infrastructure, including cloud computing, containerization, microservices, etc.
- b. Automated processes: Apply automated tools and processes to improve efficiency and reduce human errors.

B. Data Management and Analysis :

- a. Data lake: Build a data lake that integrates data from different departments for more in-depth analysis ◦
- b. AI and machine learning: Use AI and machine learning to predict trends, optimize operations, and improve the customer experiences.

C. Security and Privacy Protection :

- a. Information security: Strengthen information security measures to protect enterprise data and customer privacy ◦
- b. Compliance: Ensure that the IT infrastructure complies with regulations and industry standards.

(2) Cloud services and applications:

Applications of cloud computing play a key role in facing future technological challenges. Cloud computing will become the core of enterprise IT strategies, especially AI as a Service (AIaaS) will accelerate the successful transformation of enterprises in deploying AI to improve efficiency, innovate and respond to changes in market demands. Therefore, enterprises should actively master cloud knowledge, become a cloud-empowered organization, and prepare for more cloud-originated services in the future to enhance competitiveness.

In terms of cloud management services (MSP), in order to meet the new requirements of enterprise customers for cloud computing technology, cloud service efficiency and cloud architecture security, the Company superimposes cloud native architecture capabilities on the basis of the whole site service capabilities, creates a new service model, reconstructs the underlying architecture of development applications through the cloud native platform, achieves high resource elasticity and high availability, and helps customers achieve intelligent resource scheduling, as well as to simplify operation and maintenance processes and achieve cost control. Taiwanese enterprises have also achieved a record high status in valuing the degree of importance and the willingness to adopt cloud services, subscription services are favored by users, and agency

brands have begun to derive diversified cloud subscription solutions, which can be expected to gradually improve revenue performance and become a new source of revenue.

(3) Network & information security:

In recent years, most enterprises in Taiwan have begun to pay attention to information security, and have gradually set up CISOs or information security personnel in accordance with government regulations, with the purpose of coordinating enterprise information security policies to promote coordination and resource scheduling, plus purchasing relevant protection systems and obtaining relevant security certifications, so as to improve the implementation ability of information security issues. However, as hackers have taken the initiative to use DDoS to directly challenge companies' cyber security in recent years, enterprises still need to cooperate with third-party information security vendors to make up for the information security gap, which is expected to bring a big business opportunity to third-party information security vendors.

Looking at Taiwan's information security profile over the past year, there are four detected information security threats that rank among the top five in the world, including ransomware attacks, malicious links, mobile phone security incidents, and internal and external attacks on smart home networks. This is definitely a warning for governments, enterprises, and the general public need to strengthen relevant information security protection. In particular, since Taiwan has played an important role in the global semiconductor industry in recent years, this in turn brings about a substantial increase in the demand for information security protection in Taiwan's supply chain such as chips, components and production lines.

(4) AI Big data and application:

Taiwan is a typical island economy, and companies are facing declining birthrate and geopolitical challenges, and the use of applications such as AI and big data can help keep up with the trend of digital transformation. Below are some strategies and recommendations :

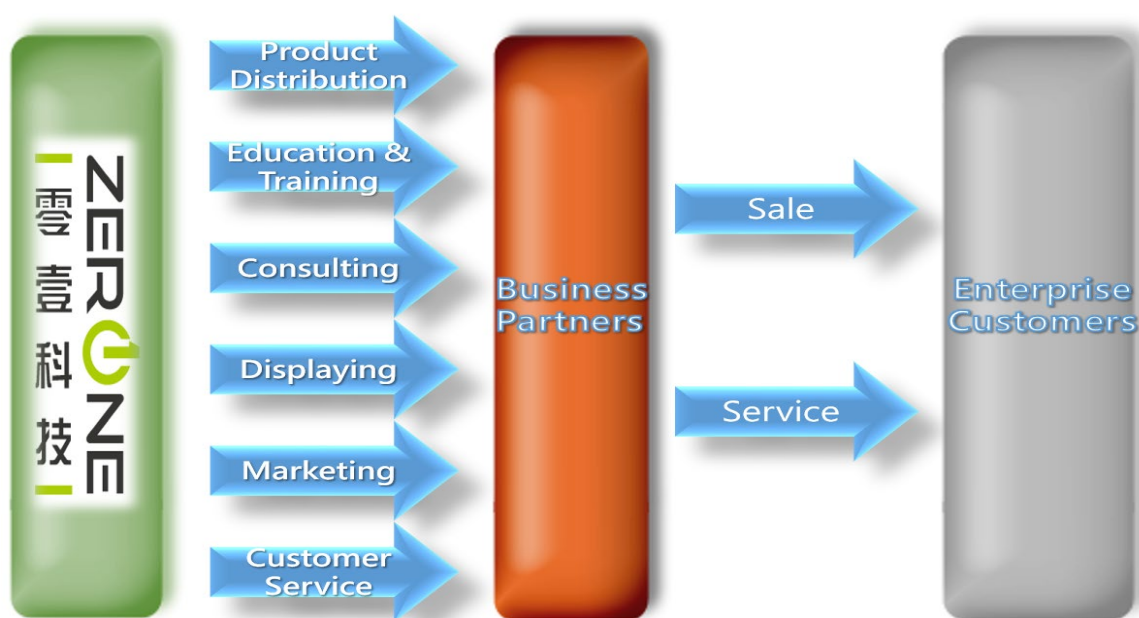
1. Assessment of AI application capabilities: Enterprises should evaluate their AI application capabilities, including business strategies, talent cultivation, and technology applications. This helps to quickly understand the positioning of the business, and thus helps develop plans for AI adoption.
2. Generative AI tools: Generative AI tools (such as Microsoft CoPilot, Bing) have lowered the threshold for using AI. Many companies have begun to deploy it into company operating processes or allowed individual staff to use/and within departments. Enterprises should have a deeper understanding of AI to create new values.
3. Data analytics and AI technology: Extract valuable insights through data analytics tools (e.g., Tableau, Google) to optimize business processes and decision-making. At the same time, machine learning frameworks (such as TensorFlow) and natural language processing tools (such as IBM Watson) enable automation, predictive analytics, and intelligent services.
4. Challenges in AI Deployment: Enterprises need to overcome challenges such as insufficient data, lack of AI awareness among leaders in the management team, and limited access to internal resources. It's important to understand the risks and develop corresponding strategies accordingly.
5. Data management platform: A data management platform is the cornerstone of digital transformation, through analysis and prediction, decision-making is optimized and data synergy maximized, which in turn helps optimize customer experience, improve digital resilience and promote net-zero transformation.

In summary, Zero One Technology pays close attention to the development trend of AI, redefines and repositions itself from the perspective of operational strategies and enterprise governance to achieve the goal of digital transformation °

(B)Correlation between upstream, mid-stream, and downstream industries

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

professional teamwork. Otherwise, retailers can sell products to downstream industries, with variety of the agent brands, and then provide products to end users, such as the government agencies, school, enterprises, families, and persons, etc., through cooperation with distributors.



(C) Various development trends of products

1. Information Equipments:

The digital trend and COVID-19 have prompted enterprises to accelerate digital transformation, and more and more enterprises are using public clouds or building hybrid cloud architectures. However, for enterprises, in fact, as enterprises become more and more familiar with the cloud service on demand, pay as you go (Pay As You Go) procurement model, flexible consumption (Consumption) / as a Service (as a Service) or the concept called Subscription Models is also slowly expanding from the cloud to local IT infrastructure, and the first one to bear the brunt is the procurement model. Different from the traditional procurement thinking, the new procurement model is intended to help enterprises respond more flexibly to changes in demands and markets, and also help enterprises shift from capital expenditure (CAPEX) to operating expenses (OPEX), so as to reduce the financial pressure. IDC points out in a recent market research survey that service-based IT is an important element of digital transformation, and the purpose of "private (on-premise) cloud infrastructure as a service" is to provide enterprises with a cloud experience, and the market size is expected to grow from \$138 million in 2020 to \$14 billion in 2025, with a compound annual growth rate of 151.8%.

Consumption model is just a payment model, the more the model can be broken down, the more suitable it can be implemented in software and services. However, the consumption model is only the most basic part of the cloud-like experience, and the next stage is as a Service. Not only is it not limited to hardware management and control, the enterprise's virtual machines may host any application services, so that whether the version needs to be updated or not, and how the server and storage work together, and even information security and disaster recovery are part of the overall scheme, as what the enterprise ultimately hopes is the smooth execution of application services, which is why as a service is regarded as the highest level of local hosting service. There are many implementation cases in Europe and the United States which even the computer rooms are managed by outsourced teams, so that the energy can be focused on the core services.

It is anticipated that in the near future, computing, storage, and connection performance of terminal equipment will further evolve, the definition of software and network virtualization technology will lean more towards edge computing, especially for devices at specific locations such as intelligent manufacturing and intelligent medical care sites, forming miniaturized cloud service data center from the bottom up. The future development of server equipment and network architecture towards new specifications and new applications calls for close observation.

2. Cloud services and applications:

In recent years, enterprise users have faced high uncertainties in the economic and market environment and have become more cautious about technology spending and utilization. In the

future, enterprises will establish a system of accountability and transparency of cloud usage through the collaboration of various departments, with the ultimate goal not only to optimize the cost of cloud migration, but more importantly, to choose the right cloud tools to achieve the maximum return on investment (ROI), and further change the behavior and culture of enterprises on cloud migration. IDC expects that the mentality and habits of enterprises towards cloud consumption and use will change gradually in the future. Consulting services and vendors which assist in cloud managed service (MSP) and SaaS management software service providers that deploy the FinOps system will be an important key to the impact of enterprise adoption in the FinOps ecosystem. By optimizing resources, engineers can save a lot of energy and time. The successful application of these advanced technologies will be a supporting niche for the information service industry to move towards cloud services.

3. Network and information security:

The acceleration of digital transformation and the emergence of new technologies are forcing enterprises to continue to seek smarter and automated information security solutions to cope with emerging risks and bridge the technology gap caused by the shortage of professional information security manpower. In recent years, AI-based information security and advanced analytics technologies have been widely used in information security products and services, and in 2024, the rise of generative AI will further promote information security automation towards the stage of cyber security autonomy across control domains and technologies. IDC estimates that by 2026, 30% of the world's large enterprises will improve the efficiency of information security incident remediation, management, and responses through investments related to autonomous security operations, and Taiwanese enterprises will also invest in information security products and services with generative AI capabilities to meet the challenges caused by the shortage of information security manpower.

Enterprise sustainability and operational resilience are at the forefront of organizations' digital transformation strategies in the future, and enterprises in Asia Pacific are accelerating their adoption of a Zero-Trust strategy to enable access to S.M.A.R.T. information and functions with the greatest benefits, thus moving towards a zero-trust path. More than three-quarters (80%) of Taiwan's listed companies say they are considering, evaluating, or deploying a zero-trust initiative, reflecting positive signs for businesses. The increased adoption of zero-trust cloud storage is another key trend. Respondents were asked where they would like to use Zero Trust principles and technologies, and 62% mentioned cloud storage, which is consistent with global responses. More and more enterprises are storing important business data in the cloud. Most of these enterprises are hybrid cloud, which is the practice of keeping some of their business-critical systems on-premises and moving most of their data to the cloud. While this approach can dramatically increase agility and reduce costs, it also comes with greater risks because hybrid environments can create inconsistent security principles that are difficult to control.

In the past, enterprises adopt services of information security management to conduct surveillance of equipment, upgrade and surveillance of the security incidents. With the rapid progression of attacks and viruses, service providers begin to use new technologies, such as artificial intelligence and machine learning, to provide automatic detection, responses and digital forensics. Enterprises also change their positioning of defense mode from passive to proactive, and further extend from handling of the incidents of information securities before and after incidents happen, including advanced information security testing, threat intelligence, the practice of incident responses, network security trainings and other services of "Threat Life-Cycle Management". The increasing demand for threat lifecycle management will drive enterprises to expand their budgets for information security management services especially in Taiwan.

4. AI Big data and application:

Over the past decade, machine learning has required large servers, complex models, and an extremely rare team of professionals to devote a significant investment of time and resources. Nowadays, some AI applications can be routed back from endpoint devices to the cloud through the network, with computing resources on the cloud, especially AI edge computing, which can quickly improve the functions of cloud computing. Following cloud computing and the IoTs, the big data market has already entered a state of "extreme severe competition," and enterprises have invested funds on a large scale to fight for data sources and conduct data analysis, but it is undeniable that many enterprises have limited cross-border capabilities, and a large number of enterprises do not know how to monetize data.

According to the observations made by IDC analysts, the application field of generative AI technology is moving from the consumer market to the enterprise market, and the application field

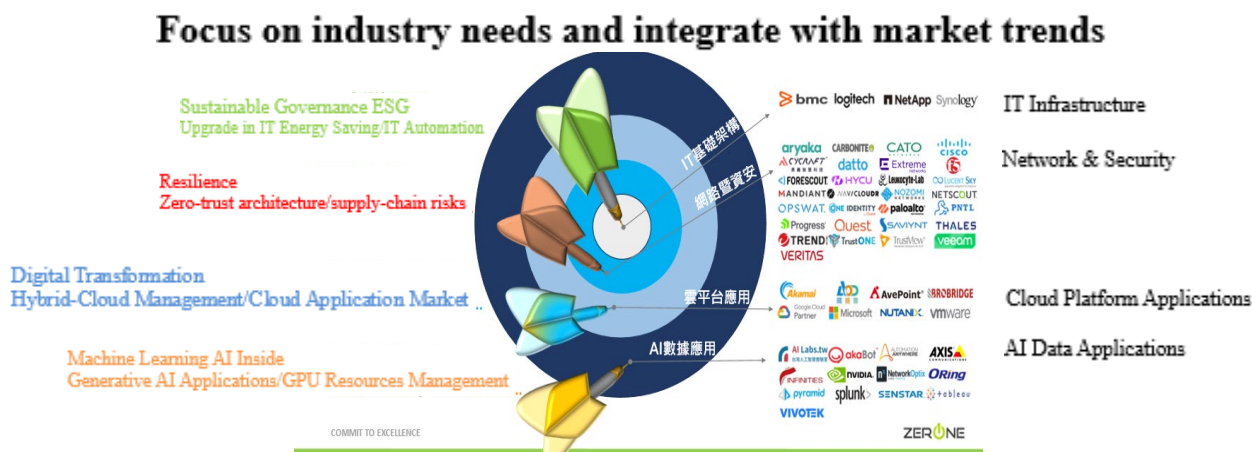
of Asian enterprises focus mainly on product design, software development, customer interaction, marketing and public relations and supply chain management. It is worth noting that with the increase of enterprise demand, there will be a new wave of competition for AI cloud platforms, and the ability of platform tools to support fine-tuning function and index enhancement generation (RAG) will directly affect the willingness of enterprises to adopt. Driven by technologies such as generative AI, IDC estimates that Taiwan's AI Platform market will grow from \$66.9 million in 2023 to \$83.9 million in 2024, with an annual growth rate of 25.4%. For the information service industry, data engineers are overwhelmed, professional data management products and visual analysis services will help bring new business opportunities to the information service industry.

(D) Status of product competitions:

Traditionally, enterprise IT procurement tends to be in the form of buy-outs, the advantage is that as long as this one-time cost investment is made, the enterprise can own it for a long time, and even if the equipment reaches the replacement period, as long as it is still usable, it can basically continue to serve in the enterprise environment. However, the rise of sharing economy and the change in operational model is indirectly brought upon with the increasingly challenging global economic environment, the rise of emerging technologies such as cloud computing, artificial intelligence (AI), big data, Internet of Things (IoT) and edge computing, coupled the COVID-19 pandemic.

Evidently in recent years, in order to improve competitiveness and reduce costs, most technology suppliers have adopted value-added distributors with professional skills to distribute their products. This has resulted in fierce price competition among distributors. With profit margins being compressed, products that are of high reliability and high quality of technical support, seamless cloud integration technology, high-quality education and training, and comprehensive after-sales maintenance services have all become decisive factors in addition to price competition.

Therefore, the related products and services of the Company and its subsidiaries are relatively more competitive than others in the market, and the advantages and disadvantages among agency lay-out and products are as follows:



(1) Advantages :

- a. A retailer of network value-added products.
- b. Cooperation with more than 2,500 distribution partners for network value-added products and solutions.
- c. The most professional and outstanding teams grouped by product managers.
- d. With a completed IT network solution of the brand-name product.
- e. A retailer has education & training center (零宇教育學苑), and exhibition center of demo machines.
- f. Innovative OMO entity integrated digital marketing service platform
- g. Consulting services for professional planning.
- h. Professional technical support services.
- i. The business sites of Taipei, Taichung, Kaohsiung were established for providing perfect services to customers in Taiwan.
- j. Swift response to the needs of relocated Taiwanese industries and businesses through deployment of overseas IT service market.

(2) Disadvantages: The business model is affectively restricted by the suppliers.

(C) Technology and the overview of Research & Development

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

The Company's subsidiary, ZOTECH CO., LTD, is mainly engaged in the agency and technical support services of network information and communication, and the R&D personnel also focus on network information and communication related technologies. Since most of the products represented by the agent are the main products of international manufacturers, the research and development of the Company and its subsidiaries can greatly benefit the increase in sales. In addition, in the field of electronic product channel, it is not limited to the field of franchise channel logistics, but a value-added channel provider that provides a full range of sales and professional services. The Company and its subsidiaries are backed by strong professional and technical personnel to provide customers with timely information product solutions, which has also established a good reputation and positioning in the field of information and network expertise and has consolidated long-term relationships with its downstream customers.

On the other hand, in line with the inheritance of embedded technology research and development, the subsidiary ZOTECH CO., LTD. has achieved certain results in the research and development of new technology, maintaining a certain profit and growth momentum, and the main direction is the MagicBox series of products and solutions generated by combining sub-1G Mesh wireless IoT technology and AI technology, which have been well received in the industry, this not only proves that the Company and its subsidiaries have excellent technology research and development capabilities, but also increases the depth and breadth of profit sources. In 2024, on the original AIoT products, the MagicBox Nano will be developed as a sensor-side AI product based on MCU/MPU, and the self-developed MagicBrain AI SIP module will be launched. It allows various TinyML AI models to be easily implanted with front-end sensors and enter various application fields, further advancing the original AI Edge product line from the AI technology side to a complete solution on the application side, thus expanding the international market share. ZOTECH CO., LTD. continues the business model of R&D and manufacturing equipment, and sells products all over the world. In addition, we will translate the unique knowledge of each industry into technical specifications, and master the technology of software and hardware integration with appropriate hardware and AI model training, so as to achieve a win-win strategy for creating profits and partners and customers in self-made products.

2. R&D expenses invested in the most recent year

Amounts in thousands of NT

Items\Year	2023
Expenses of research & development	22,377
Operating revenues	13,920,657
Ratio of expenses of research & development to operating revenues (%)	0.16

3. Technologies or products that have been successfully developed in the most recent year and as of the date of publication of the Annual Report The technologies developed by the subsidiary ZOTECH Co., Ltd. in the year are divided into three categories:

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

(1) Print Server :

- a. Soft firmware optimization
- b. Compatibility testing and modification of new printers and OS

(2) MagicBox series that combines AI and IoT

- a. IoT to develop a complete sub-1G wireless solution for mesh (Z920K) and long-range points. Includes handy test suites, Calibration tools, and more

- b. AI starts from the MagicBox hardware platform and develops towards the HWaaS (HardWare as a Platform) in the AI inference industry to solve the application problem of AI models
- (3) DMS (Design Manufacturing Service) design and manufacturing services for Netcom brand customers

For specific customers, we undertake design projects in the NRE way and provide complete machine manufacturing and shipping services.

Giving full play to ZOTECH CO., LTD.'s software and hardware technology, as well as the ability and industrial credit of small and diversified production, and in response to the trend of China+1, it can ensure a long-term stable income.

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

1. The short-term plan

- (1) To maintain relationship with top 200 distribution partners, and higher satisfaction of customers.
- (2) To establish a closer relationship with manufacturers.
- (3) To focus on the promotion of niche products to maintain high gross margin.
- (4) To concentrate the resources for operation of product lines and win stable profits.
- (5) To accomplish execution of the business.
- (6) To strictly control operating expenses.

2. The long-term plan

- (1) To introduce a product lines with much support of providing completed solutions as an object.
- (2) To operate a promotion approach for business, based on projects of solutions.
- (3) As for a guideline to helping customers become successful, we establish relationship with customers, in order to enhance loyalty of customers.
- (4) To establish innovative promotion, services platform, and regulations to improve operating efficiency.
- (5) To establish R&D standard operating procedures to ensure quality of products.
- (6) To continue employee education and training for enhancing professional knowledge.
- (7) To educate a technical team for providing services of consulting and planning.
- (8) To continue to require for and execute operating details.

B. Markets and sales Overview

(A)Market analysis

1. Areas of selling or providing products and services

Units: Amounts in thousands of NT dollars

Area	Year	2022		2023	
		Amount	%	Amount	%
Taiwan		12,598,512	98.93	13,800,677	99.14
Other		135,871	1.07	119,980	0.86
Net operating revenues		12,734,383	100.00	13,920,657	100.00

2. The future supply and demand situation and growth of the market

IDC, CIO and other research agencies pointed out that the least unaffordable budget to be cut for enterprises in 2024 is information security, which is also the largest item in enterprise IT procurements. This Inelastic demand will drive the sustained and stable growth of the performance of Taiwan's information security service vendors. At the same time, as many enterprises have begun to gradually introduce AI technology into their application services in recent years, they will need IT equipment with better specifications; in addition, in response to the relocation of Taiwanese business bases caused by the new wave of geopolitical turmoil, it is also expected that there will be a wave of demand for IT equipment procurement.

Although uncertainty in Taiwan's domestic demand market remains high, companies maintain a prudent attitude towards mid- and long-term service contracts. However, as the

market environment faced by companies becomes more complex and they need to rely more on external companies, as well as providers of cloud, information security hosting and other service, and leaning towards the tendency of selecting suitable partners from an ecosystem perspective to reduce costs and ensure the security of the IT environment, therefore, many companies cooperate with public cloud vendors to provide multi-cloud management platforms, standards and processes. The above mentioned have become the key point for the focusing of expansion of information Service providers and the forming of alliances.

IDC expects the size of Taiwan's information service market to reach US\$3.04 billion in 2024, with an annual growth rate of 3.9%, and from 2024 to 2027, Taiwan's information service industry will grow at an average annual growth rate of about 3.9%, reaching US\$3.406 billion by 2027, and each IT spending category will continue to grow.

3. Niche of Competition

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

(1) Agent and R&D of comprehensive IT solutions:

The Company offers comprehensive solutions of IT hardware and software, which will help customers solve all issues of the projects, and satisfy different needs.

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

(2) Comprehensive value-added distribution channel:

Our Company acts as an agent for the operating system, storage, virtualization and network equipment brands that are indispensable in the information industry, and almost all of the distribution partners who operate IT solutions have certain records of transaction with our Company. Therefore, our Company has the most complete distribution channel database engaged in IT value-added solutions.

(3) Innovative marketing platform:

In recent years, the Company has invested manpower related resources in various innovative marketing platforms, hoping to accurately grasp customer needs through various industry-leading marketing platforms, and have a higher degree of interaction with distribution partners, to improve customer satisfaction.

(4) Innovative service models:

The company proposes the so-called service franchise concept and combines the strength of distribution partners to build a complete information service platform. In the future, any information services can be provided through this platform, including warranty, repair, installation, problem solving, etc.

(5) Well-equipped education and training center:

At present, the Company has the most well-equipped education and training center - with three classrooms with a capacity for up to 250 people. Through the education and training center, we provide distribution partners' business and engineers with education and training on products and technologies, in addition, we also provide product technical certification courses and technical certification exams so that distribution partners can gain the best trust from their enterprise clients and offer validated technical support through complete original certification education and training.

(6) Professional consulting services:

The company has a professional consulting service team which specializes in IT solutions in

various fields. It not only assists distribution partners in technical supports, but also train seeded technical support troops, and provide value-added services to create an unique competitive advantage of service which helps differentiate the brands of distribution partners distinctively from other channel vendors.

4. Advantages, disadvantages and countermeasures of long-term development prospects
Advantages of the long-term development prospects

(1) Advantages of the long-term development prospects

a. Emergence of new technologies bring about new needs from users

From physical networks to the emergence of cloud technology, various application solutions and various information needs have been derived. Similarly, from the use of various solutions, various information security needs have also surfaced. Information solutions have made users highly dependent, and new emergence of technology leads to new needs from users. It is adequately evident to conclude that the development of technology will not stagnate, and judging from the long-term trend, information IT is still an industry of growth in the long run.

b. To create new opportunities in a digital era

In just a few years, the world has been caught up in the frenzy of digitalization. National boundaries have disappeared in network technology, and unmanned and automated technologies are in operation day and night. With the completion of the global network infrastructure and in response to the trend of the cloud era, as long as solutions meet customer needs, such as how to establish a precise marketing model for automated interactive operations, there will be opportunities for profit growth. (2) Disadvantages and countermeasures of the development for prospects.

(2) Disadvantages and countermeasures for development prospects.

a. Cutthroat competition within the industry leads to reduced profits.

Countermeasure strategy:

- (a) To focus on core competitive advantages and provide differentiated services.
- (b) To abandon the produce lines which are of low profit margins and without value-added benefits.
- (c) To provide niche products by starting from the niche markets and thus provide comprehensive integrated solutions.
- (d) Switch from traditional sales of single-function products to solution-oriented approach.
- (e) To continue in concentrating on the channel of distribution, thus maintaining high satisfaction for the customers.
- (f) To develop new types of channels for the creation of blue ocean market.

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

Corresponding countermeasures:

- (a) To enhance better time management for completion of the project.
- (b) To strictly execute surveillance and control for inventories, inspect and review inventories for safety stock based on market demands.
- (c) Establish a good relationship with the original manufacturers/suppliers and gain first-hand information about the products.
- (d) Be prepared and carry out discussions with the original manufacturers/suppliers regarding the return and exchange mechanism.
- (e) The most important thing is to increase product turnover rate and increase sales speed.
- (f) To strictly control and manage procedures of procurements.

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

1. Important use of major products

Name of products	Major purposes of products
Software and Hardware of	Hardware equipment that provides software and hardware configurations or enhanced functions required to connect to the

Network Systems	Internet, including routers, remote accessors, load balancers, switches, firewalls, etc., which can satisfy the needs of enterprises and organizations, ensuring the operations of internet networks that are required in offices, factory automation and remote offices.
Enterprise Application Software	Provides application software required for the enterprise information digitization process, including databases, anti-virus software, e-commerce, group software, cloud backup software and Internet security and management software
Software and Hardware for Information Security	Provides solutions that enterprises need to deal with today's security threats, including firewalls, endpoint and host protection, data protection, risk management, and enterprise zero-trust architecture.
Microservice Applications	Customers can quickly develop, automatically deliver and securely use all applications. Built on a software-defined data center that includes virtualization of automated computing, storage, networks, and security. This software-defined approach allows customers to implement a unified hybrid cloud and fully realize business mobility.
Network Storage Equipment	It provides complete storage solutions including information storage, disaster recovery, management, protection and sharing for professional mainframes, open systems, hybrid cloud platforms and data center environments.
Cloud applications	Cloud applications are an important part of the digital transformation of enterprise organizations. The various cloud applications we provide can meet the following four major enterprise needs, including: more flexible use of equipment, integration with the latest technological services, avoiding data loss accidents, and improving team collaboration.
AI and Big Data Applications	Provide technical solutions needed for enterprises to deploy AI, including: data visual analysis, software robot collaboration, AI infrastructure, computing resource management platform, etc..
Education, training, and maintenance services of products	Provide dealers with technical training, product maintenance and customer service of the latest products.

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

(C)Supply Status of Main Materials

Major Raw Materials	Major suppliers	Source of Supply	Supply Condition
Agent Products	NetApp	USA	Good
	CISCO		
	Microsoft		
	Vmware		
	Akamai		
	Palo Alto Networks		
	Trend Micro	Japan	

(D)Major Suppliers & clients

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

Units: NT\$ Thousands

Item	2022				2023			
	Company Name	Amount	Percent (%)	Relationwith Issuer	Company Name	Amount	Percent (%)	Relationwith Issuer
1	CISCO BV	2,995,005	24.28	NA	NetApp	2,650,110	21.37	NA
2	NetApp	2,825,470	22.91	NA	CISCO BV	2,599,418	20.96	NA
3	Trend Micro	1,341,310	10.87	NA	Trend Micro	1,618,457	13.05	NA
4	—	—	—	—	VMware	1,278,906	10.32	NA
—	Others	5,172,514	41.94	—	Others	4,253,722	34.30	—
—	Net Total Supplies	12,334,299	100.00	—	Net Total Supplies	12,400,613	100.00	—

Note : The explanation of the reason for increases or decreases :

Net sales of VMware exceeded 10% of total sales was due to the increase in the number of projects.

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

Units: NT\$ Thousands

Item	2022				2023			
	Company Name	Amount	Percent (%)	Relation with Issuer	Company Name	Amount	Percent (%)	Relation with Issuer
1	—	—	—	—	KINMAX TECHNOLOGY INC.	1,739,386	12.49	NA
2	—	—	—	—	—	—	—	—
—	Others	12,734,383	100.00	—	Others	12,181,271	87.51	—
—	Net Sales	12,734,383	100.00	—	Net Sales	13,920,657	100.00	—

Note : The explanation of the reason for increases or decreases:

Net sales of KINMAX TECHNOLOGY INC exceeded 10% of total sales was due to the increase in the number of projects.

(E) Production in the last two Years

Units: NT\$ Thousand; set

Output		2022		2023	
		Quantity (Note)	Amount	Quantity (Note 2)	Amount
Distributed Products	1.IT infrastructure	5,200,624	3,483,972	15,924,033	3,292,757
	2.Network & information security	3,923,530	6,063,192	3,323,632	5,944,973
	3.Cloud platform & application	116,997,705	2,400,884	115,093,131	2,687,978
	4.Big data & application	51,910	608,468	44,341	676,288
	5.Others	3	112	5	198
Total		126,173,772	12,556,628	134,385,142	12,602,194

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

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

(F) Shipments and Sales in the Last Two Years

Units: NT\$ Thousand; set

Shipments & Sales		2022				2023			
		Local		Export		Local		Export	
Major Products		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Distributed Products	1.IT infrastructure	4,322,605	3,769,006	105,954	68,341	16,837,673	3,973,542	22,642	29,276
	2.Network & information security	3,397,393	5,463,658	372,039	114,308	3,111,218	6,163,980	261,965	70,998
	3.Cloud platform & platform	114,394,210	2,607,742	70	28,613	101,118,406	2,864,787	114	39,862
	4.Big data & application	47,973	674,940	-	-	50,583	775,483	-	-
	5.Others	3	6,103	-	1,672	3	1,052	-	1,677
Total		122,162,184	12,521,449	478,063	212,934	121,117,883	13,778,844	284,721	141,813

C. Human Resources in the Last Two Years

As of Mar 31, 2024

Year		2022	2023	As of Mar 31, 2024
Number of Employees	Executive officers	21	21	21
	Employee	291	315	344
	Total	312	336	365
Average Age		38.07	38.97	38.46
Average Years of Service		5.81	6.89	6.13
Education	Ph.D.	0%	0%	0%
	Master Degree	12.18%	12.80%	13.42%
	Bachelor's Degree	83.65%	73.21%	66.58%
	Senior High School	4.17%	22.62%	20.00%
	Below Senior High	-	-	-

D. Environmental Protection Expenditure:

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

E. Labor Relations

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

1. employee welfare policy

(1) Insurance

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

(2) health and safety

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

(3) For traveling

- a. Employees' welfare committee of the Company holds annual activities of domestic and international traveling, with NT\$ 20,000 of reimbursement for traveling each person.
- b. The Company shall regularly hold "family day", the year-end party, different recreational and artistic activities, in order to provide physical and mental relaxation, and create new interactive experience for employees.

(4) Clubs Grants

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

- (5) vacation
Company's vacation is superior to the provisions of the Labor Standards Act, and regularly provides statistical reports for supervisors to understand employees' vacation status, so as to help employees achieve work-life balance.
- (6) Survey for employee satisfaction
The Company conducts annual on-the-job interviews, investigates employees' satisfaction to the work, and formulate improvements for help employees enjoy their work, based on the conclusion of statistical analysis and suggestions from colleagues.
- (7) Birthday, wedding and funeral
The Company regularly holds birthday celebrations and pays birthday gifts of NT\$1,000, and provides wedding gifts of NT\$3,600 to NT\$20,000. Funeral subsidies of NT\$10,000 to NT\$30,000, hospital condolence payments of NT\$5,000 to NT\$10,000 and emergency relief funds for colleagues.
- (8) Childbirth allowance
For employees and their spouses, the Company offers a subsidy of NT\$ 12,000 per childbirth.
- (9) Other allowance
The Company provides cash gifts and gifts for Mid-Autumn Festival, Dragon Boat Festival, Labor Day and Chinese New Year.
- (10) Hardware equipment
In addition to providing top-of-the-line coffee machines, Starbucks organic coffee beans, steamer for lunch boxes, microwave ovens, employee parking spaces and other convenient facilities, the company is also committed to creating a female-friendly workplace environment, with a comfortable and private breastfeeding room, providing female employees with postpartum breastfeeding without stress, and the staff social hall to provide a more diversified meeting and dining space for colleagues.

2. Measures to create a friendly child-rearing environment:

In terms of working hour policy, the company offers a flexible system, the flexible working hours for on-duty are from 8:30 a.m. to 9:30 a.m., and the flexible working hours for off-duty are from 5:30 p.m. to 6:30 p.m. For female employees during pregnancy, the flexible working hours for on-duty are relaxed from 8:30 a.m. to 10:00 a.m., and the flexible working hours for off-duty are relaxed from 5:30 p.m. to 7:00 p.m. until the day before delivery. Employees are given the rights to adjust their commuting time flexibly.

The company is committed to creating a female-friendly workplace environment. It has a comfortable breastfeeding room with undisturbed privacy, making postpartum breastfeeding stress-free and negotiate with a number of childcare centers and kindergartens, so as to strive for obtaining preferential prices, and sign exclusive contracts with institutions that provide special childcare measures.

3. Equality for Workplace Diversity:

Actualization of men and women's equal pay for equal work and equal promotion opportunities, and the consistence of more than 50% female executive positions help promote sustainable and inclusive economic growth. In 2023, the average proportion of female employees was 55%, and the average proportion of female supervisors was 51%.

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

- (1) Recruited handicapped colleagues and achieved 100% of the target and tailor-made suitable job duties and environmental facilities.
- (2) Implement the empowerment of women in a friendly workplace, so that

colleagues of all genders can work with peace of mind.

4. On-the-job training of employees

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

5. Employee Retirement Scheme

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

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

(1) Voluntary Retirement

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

- a. Where the worker attains the age of 55 and has worked for 15 years.
- b. Where the worker has worked for more than 25 years.
- c. Where the worker attains the age of 60 and has worked for 10 years.

(2) Mandatory Retirement

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

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

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

(3) Pension Payment Standard

- a. Where the workers' seniority satisfies the retirement element of the Labor Laws, the pension for the years of service under the old and new systems shall be paid in accordance with payment criteria set forth in Articles 84-2 and 55.
- b. An additional 20% on top of the amount calculated according to the preceding subparagraph and section 2, provision 1, Article 34 shall be given to workers forced to retire due to disability incurred from the execution of their duties in accordance to to Section 2, provision 1, Article 55 of the Labor Laws.

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

The Company shall pay the employee's pension within thirty days from the date of the employee's retirement.
- (5) For colleagues who are transferred to related companies by the organization, their seniority is accumulated so as to provide more security for employees and fulfill the purpose of talent circulation of the Group.
- 6. Employee Stock Ownership Trust, ESOT

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

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

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

 - (1)The Company holds a staff meeting every six months, presided over by senior supervisors personally, where the operating conditions for the previous six months is presented as well as the company's business direction and efforts and the latest information announcement, all are done with the purpose to let employees understand clearly the company's business situation and future development. In addition, the supervisor can also praise the excellent employees every six months through this event and achieve the target of talent motivation and retention.
 - (2)The Company does not yet form any unions yet, but actively hear the voices of employees through labor and management meeting every quarter, with two-way communication with employees, whose ideas may be adopted for room for improvement, helping to foster labor employer harmony.
 - (3)The Company has set up an Employee Welfare Committee that manages and organizes all types of employee welfare measures to enhance employee benefits. This Committee is funded steadily by the Company.
- 9. Measures which specifically enhanced employees' benefits or rights compared to the previous year:
 - (1)Continue last year's 3A plan - the focus this year was to strengthen charity and employee de-stress aspects from Learning, Health and Charity respectively by encouraging employees to participate in company seminars, Switch game activities, stair climbing activities, blood donation, personal charity activities for points-collection, and the points can be used to redeem prizes after the end of the program. A total of 334 people participated, employees participated enthusiastically with outstanding results.
 - (2)Held two blood donation activities to encourage employees to participate in blood donation in response to public welfare, and donated a total of 306 bags in two sessions, and the task reached the target.
 - (3)Encourage employees to become shareholders of the company together by

introducing general employee stock ownership trust .

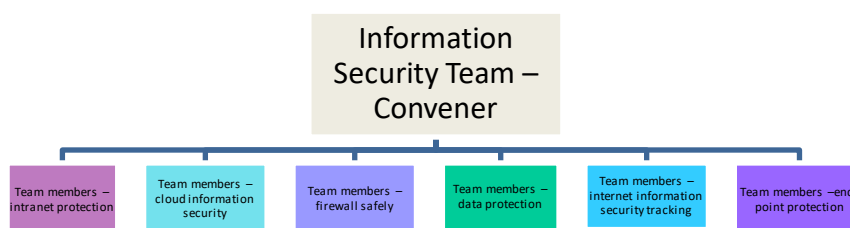
- (4) A month-long Green 21 Days was held in March, with a total of 3,018 participants, and a donation of \$30,180 was made to the Wilderness Conservation Association in the name of the company.
 - (5) A total of 107 employees jointly participated in the event of turning off the lights for one hour on March 25.
 - (6) Organize multiple charity activities and invite employees to contribute their love:
 - a. Participated in disaster relief activities in Turkey, with a total of 54 employees participating and collecting 675 items of supplies.
 - b. Participated in the used shoe life-saving activity, with a total of 57 employees participating and collecting 63 pairs of shoes.
 - c. Participated in the material donation event of the Taiwan Animal Association, with a total of 40 employees participating and collecting 133 items.
 - d. Participated in the Christmas wish collection event at Langdao Elementary School. A total of 73 employees participated and claimed the wishes of 31 children, a total of 73 gifts.
 - (7) We led employees to Waimushan to participate in beach cleaning activities. A total of 79 employees participated and cleaned up a total of 90.8 kilograms of garbage, helping to reduce garbage in the ocean and improve employees' environmental protection and ocean awareness.
- (B) Loss suffered from labor disputes, present and possible future estimated amount incurred and countermeasures in the last two years up to the printing date of this Annual Report: None.
- F. Cyber Security Management
- (A) Cyber security management strategy and structure
1. Enterprise Information Security Team
Explanation on the establishment of the enterprise information security team of Zero One Technology Co., Ltd
 - (1) Objective
In order to strengthen the information security management of each unit, establish a safe and reliable enterprise information environment, and ensure the network security of data, systems, equipment and networks, a cyber security team is hereby established. All members are obliged to actively participate in promoting the Information Security Policy to ensure the security and operation of the Company's data, information systems, equipment and networks so as to achieve the goal of the continued operation of information.
 2. Information Security Policy
This policy is intended to give members a clear guiding principle in their day-to-day work:
 - (1) Implement information security management to ensure the continuation of operations
All colleagues shall implement the information security system, and execute to the fullest detail, and continuously monitor, review and audit various information systems to ensure their confidentiality, integrity and usability. Protect information assets from risks such as leakage, destruction or loss due to external threats or improper management of internal personnel, and focus on 'risk management', understand asset threats and weaknesses, select appropriate protection measures, reduce risks to acceptable levels, build a secure network environment, and achieve the goal of continuous operation.
 - (2) Strengthen security training and improve service quality
Conduct appropriate information security training at each quarter, establish the concept of "information security as everyone's responsibility," improve the awareness and intelligence of information security of colleagues, and strengthen the ability to respond to improve service quality.
 - (3) Proactively respond to emergency situations to swiftly shield damages and reduce losses.

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

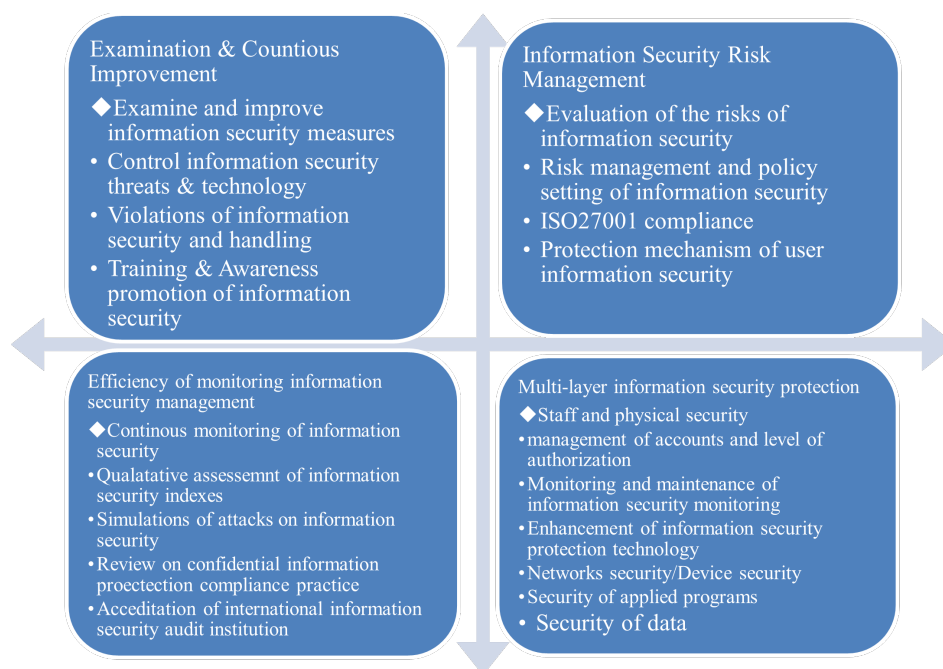
3. Information security organization

- (1) The head of the information unit is responsible for promoting, coordinating, and supervising the various matters regarding information security; the supervisor of each business unit is responsible for supervising the security of the information operation to which he/she is in charge of.
- (2) The cross-departmental information security execution team is established by the head of information unit and is responsible for promoting information security operations.

4. Information Security Team Organization Chart

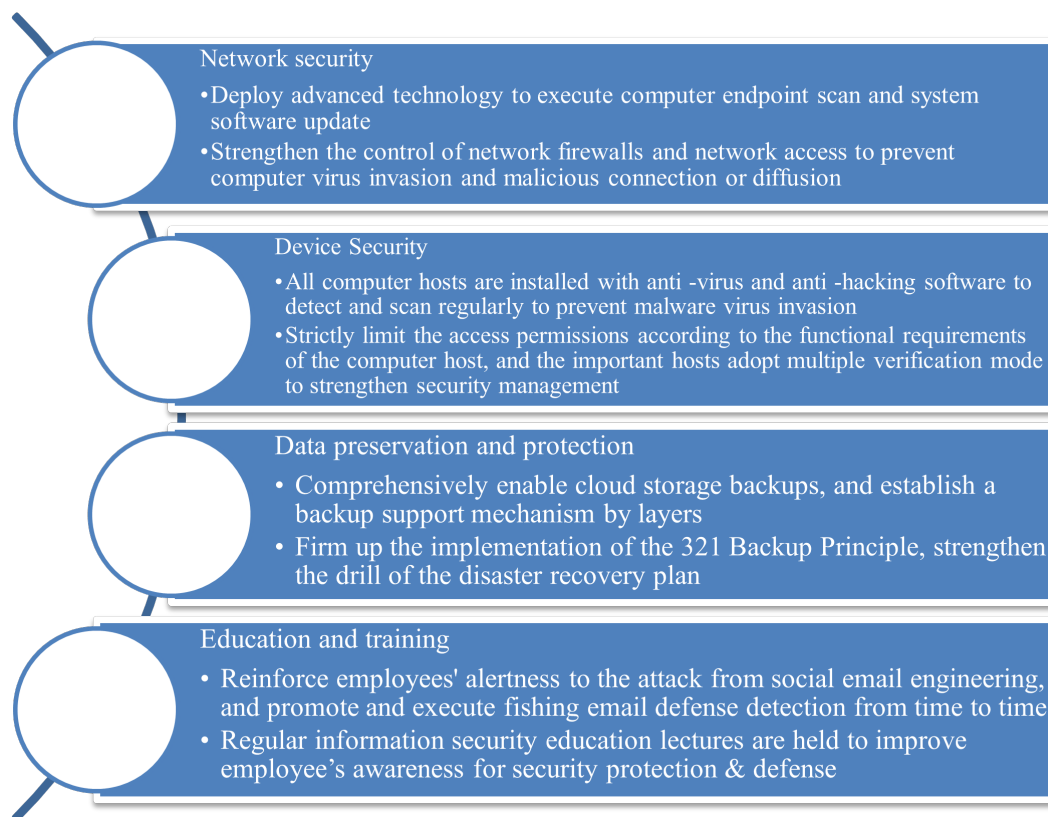


(B) Information security risk management and continuous improvement structure



(C) Specific Management Programs

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



(D) significant information security incidents

The Company did not have any information security incidents in 2023.

(E) Information Security Risks and Countermeasures

1. The results of the annual implementation plan of information security protection measures plan are as follows:

(1) All host computer information security anti-virus/anti-hack software update endpoint deployments were completed continuously, cloud SaaS service was used for real-time monitoring, and endpoint protection was strengthened. Apexone also added XDR* tracking footprints.

*XDR (Extended Detection and Response) collects and cross-correlates data across multiple layers of defense automatically, including: email, endpoint, servers, cloud workload, and network. In doing so, faster threat detection through information security analysis can be formed and made available, thus improving investigation and response time.

(2) Comprehensively improve the security of the network domain structure, strengthen and check the access control capabilities (executed more than 2 times)

(3) Check and take all hosts for risk assessment, strengthen defense and limit access (unscheduled/monthly check & take)

(4) Two seminars on Information security education awareness promotion were held: one physical seminar on Jul 21, 2023 and the other physical one held on November 17, 2023.

(5) Invited experts from our information security partners to conduct an information security defense attack and defense drill in September 2023, through publicity, colleagues were strengthened to understand and prevent the techniques of social engineering attack emails, and education and training lectures were once again strengthened to enhance employees' awareness of information security defense.

(6) Revise and review the disaster recovery plan, formulate quarterly drill test plan and simulation script. A drill was conducted in June/October/December 2023 respectively to strengthen and master the recovery procedures.

- (7) Strengthen information security education and publicity announcements with more than 10 articles to convey important regulations and precautions for information security protection.
- (8) For office wireless network access, restrictions are set to bind personal accounts and device network card MACs, and all must be registered in the system to enable online access. This has also been fully implemented in all district offices. If guests want to use the Guset wireless network access provided by the company, they will be directed to the registration page and can only use it after registering a temporary account.
- (9) The project plan for the introduction of ISO27001 certification and the selection of guidance consultants have been evaluated and formulated, and the company is scheduled to obtain certification qualifications by the end of 2024.

G. Important Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Distributor Agreement	NetApp	2022.08.01~2025.07.31	Authorized to distributing the data service of hybrid cloud	Territory : Taiwan
	CISCO	2022.08.01~2023.07.31	Authorized to distributing Network telecommunications equipment	
	Trend Micro	2023.01.01~2023.12.31	Authorized to distributing products of anti-virus software or enterprise authorized	
	Microsoft	2021.09.01~2024.08.31	Authorized to distributing software products of MOLP, SELECT	
	VMware	2022.04.01~2023.03.31	Authorized to distributing products of VMware	
	Veritas	2022.10.03~ 2023.10.02	Authorized to distributing products of Veritas	
	Palo Alto	2022.09.22~2023.09.21	Authorized to distributing products of information security	
	Nutanix	2022.07.06~2023.07.05	Authorized to distributing products of Nutanix	
	F5	2022.10.01~2023.09.30	Authorized to distributing products of F5	
	Synology	2022.05.31~2023.05.30	Authorized to distributing products of cloud storage equipment	
	Akamai	2022.05.17~2023.05.16	Authorized to distributing cloudservices products	
	Google Cloud	2022.10.23~2023.10.22	Authorized to distributing products of Google Cloud	
	NVIDIA	2022.05.29~ 2023.05.28	Authorized to distributing products of Nvidia	
	VIVOTEK	2023.03.15~ 2024.03.15	Authorized to distributing products of VIVOTEK	
	Veeam	2022.04.27~ 2023.04.26	Authorized to distributing virtual backup products	
AvePoint	2023.01.01~2023.12.31	Authorized to distributing AvePoint products		
ForeScout	2023.01.06~2024.01.05	Authorized to distributing products of ForeScout		

VI. Financial Information

A. Five-Year Financial Summary

(A) Condensed Balance Sheet

1. Consolidated Condensed Balance Sheet–Based on IFRS

Units: NT\$ Thousands

Item	Year	Financial Summary for The Last Five Years (Note1)				
		2019	2020	2021	2022	2023
Current assets		4,489,720	4,649,078	6,822,463	7,100,822	6,677,500
Property, Plant and Equipment (Note 2)		314,412	308,367	317,114	312,295	560,222
Intangible assets		1,395	1,238	2,008	4,357	2,733
Other assets (Note 2)		47,850	55,534	54,902	57,195	51,840
Total assets		5,225,352	5,471,676	7,676,312	8,015,013	7,979,276
Current liabilities	Before distribution	2,771,478	2,774,855	3,703,768	4,002,340	3,662,310
	After distribution	3,021,052	3,152,691	4,251,730	4,553,420	4,280,739
Non-current liabilities		27,685	27,409	28,558	29,295	30,369
Total liabilities	Before distribution	2,799,163	2,802,264	3,732,326	4,031,635	3,692,679
	After distribution	3,048,737	3,180,100	4,280,288	4,582,715	4,311,108
Equity attributable to shareholders of the parent		2,420,304	2,657,270	3,908,193	3,948,295	4,135,637
Capital stock		1,246,352	1,256,402	1,519,707	1,530,317	1,543,687
Capital surplus		470,136	478,757	1,234,325	1,240,628	1,248,647
Retained earnings	Before distribution	696,340	887,761	1,095,479	1,151,012	1,289,274
	After distribution	446,766	509,925	547,517	599,932	670,845
Other equity interest		7,476	34,350	58,682	26,338	54,029
Treasury stock		–	–	–	–	–
Non-controlling interest		5,885	12,142	35,793	35,083	150,960
Totalequity	Before distribution	2,426,189	2,669,412	3,943,986	3,983,378	4,286,597
	After distribution	2,176,615	2,291,576	3,396,024	3,432,298	3,668,168

Note 1 : Financial data from 2019 to 2023 has been audited and reviewed by the CPA.

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

Note 3 : The earning distribution of 2023 was approved by Board of Director on February 27, 2024.

2. Parent Condensed Balance Sheet–Based on IFRS

Units: NT\$ Thousands

Item	Year	Financial Summary for The Last Five Years (Note 1)				
		2019	2020	2021	2022	2023
Current assets		4,385,048	4,501,049	6,492,351	6,732,557	6,162,608
Property, Plant and Equipment (Note 2)		313,991	307,276	315,903	310,439	557,717
Intangible assets		1,358	765	1,691	4,198	2,712
Other asset (Note 2)		44,606	40,257	47,598	50,430	43,299
Total assets		5,198,062	5,416,016	7,573,970	7,881,856	7,696,296
Current liabilities	Before distribution	2,750,082	2,735,367	3,638,907	3,906,618	3,536,311
	After distribution	2,999,656	3,113,203	4,186,869	4,457,698	4,154,740
Non-current liabilities		27,676	23,379	26,870	26,943	24,348
Total liabilities	Before distribution	2,777,758	2,758,746	3,665,777	3,933,561	3,560,659
	After distribution	3,027,332	3,136,582	4,213,739	4,484,641	4,179,088
Capital stock		1,246,352	1,256,402	1,519,707	1,530,317	1,543,687
Capital surplus		470,136	478,757	1,234,325	1,240,628	1,248,647
Retained earnings	Before distribution	696,340	887,761	1,095,479	1,151,012	1,289,274
	After distribution	446,766	509,925	547,517	599,932	670,845
Other equity interest		7,476	34,350	58,682	26,338	54,029
Treasury stock		—	—	—	—	—
Total equity	Before distribution	2,420,304	2,657,270	3,908,193	3,948,295	4,135,637
	After distribution	2,170,730	2,279,434	3,360,231	3,397,215	3,517,208

Note 1 : Financial data from 2019 to 2023 has been audited and reviewed by the CPA.

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

Note 3 : The earning distribution of 2023 was approved by Board of Director on February 27, 2024.

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

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

Units: NT\$ Thousands

Item \ Year	Financial Summary for The Last Five Years (Note 1)				
	2019	2020	2021	2022	2023
Operating revenue	8,915,170	9,834,318	12,878,177	12,734,383	13,920,657
Gross profit	896,158	1,046,126	1,295,511	1,488,061	1,643,029
Income from operations	399,789	504,640	626,171	709,914	791,324
Non-operating income and expenses	43,013	49,335	47,026	52,994	72,102
Income before tax	442,802	553,975	673,197	762,908	863,426
Income from operations of continued segments - after tax	349,155	440,398	536,122	612,402	700,942
Income from discontinued operations	—	—	—	—	—
Net income (Loss)	349,155	440,398	536,122	612,402	700,942
Other comprehensive income (income after tax)	26,728	21,860	69,253	(43,539)	27,403
Total comprehensive income	375,883	462,258	605,375	568,863	728,345
Net income attributable to shareholders of the parent	351,313	441,623	537,359	613,580	691,517
Net income attributable to non-controlling interest	(2,158)	(1,225)	(1,237)	(1,178)	9,425
Comprehensive income attributable to Shareholders of the parent	377,991	463,499	606,656	570,013	719,115
Comprehensive income attributable to non-controlling interest	(2,108)	(1,241)	(1,281)	(1,150)	9,230
Earnings per share	2.85	3.55	4.24	4.03	4.50

Note1 : Financial data from 2019 to 2023 has been audited and reviewed by the CPA.

Note2 : No discontinued operation.

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

Units: NT\$ Thousands

Item \ Year	Financial Summary for The Last Five Years (Note 1)				
	2019	2020	2021	2022	2023
Operating revenue	8,826,659	9,658,778	12,630,074	12,363,039	13,510,579
Gross profit	865,943	997,244	1,226,060	1,363,653	1,515,310
Income from operations	409,151	511,320	635,269	680,584	759,005
Non-operating income & expenses	35,264	43,589	39,503	76,099	90,763
Income before tax	444,415	554,909	674,772	756,683	849,768
Income from operations of continued segments - after tax	351,313	441,623	537,359	613,580	691,517
Income from discontinued operations	—	—	—	—	—
Net income (Loss)	351,313	441,623	537,359	613,580	691,517
Other comprehensive income (income after tax)	26,678	21,876	69,297	(43,567)	27,598
Total comprehensive income	377,991	463,499	606,656	570,013	719,115
Earnings per share	2.85	3.55	4.24	4.03	4.50

Note 1 : Financial data from 2019 to 2023 have all been inspected and authenticated by CPAs.

Note 2 : No discontinuing operation.

(C) Auditors' Opinions in the last five years

Year	Accounting Firm	CPA	Audit Opinion
2019	Deloitte & Touche, Taiwan	Wen Chin Lin, Hsin Wei Tai	An unqualified opinion
2020		Cheng Ming Lee Pei De Chen	
2021		Chien Liang Liu Pei De Chen	
2022			
2023		Cheng Hsiu Chang Pei De Chen	

B. Five-Year Financial Analysis

(A) Consolidated Financial Analysis – Based on IFRS

Item \ Year		Financial Analysis for the Last Five Years (Note 1)				
		2019	2020	2021	2022	2023
Financial structure (%)	Debt Ratio	53.55	51.21	48.62	50.30	46.28
	Ratio of long-term capital to property, plant and equipment	772.16	874.55	1,243.71	1,284.90	770.58
Solvency (%)	Current ratio	180.41	167.54	184.20	177.42	182.33
	Quick ratio	126.59	121.91	139.56	127.67	147.18
	Interest earned ratio (times)	214.40	261.20	286.25	615.75	2625.40
Operating performance	Accounts receivable turnover (times)	4.54	4.71	5.13	4.41	4.51
	Average collection period	80.39	77.49	71.15	82.76	80.93
	Inventory turnover (times)	7.09	6.86	8.02	6.23	7.56
	Accounts payable turnover (times)	4.35	4.11	4.41	3.54	3.86
	Average days in sales	51.48	53.21	45.51	58.58	48.28
	Property, plant and equipment turnover (times)	28.39	31.58	41.18	40.46	31.91
	Total asset turnover (times)	1.85	1.84	1.96	1.62	1.74
Profitability	Return on total assets (%)	7.29	8.27	8.18	7.82	8.77
	Return on stockholders' equity (%)	15.07	17.29	16.21	15.45	16.95
	Pre-tax income to paid-in capital (%)	35.53	44.09	44.30	49.85	55.93
	Profit ratio (%)	3.92	4.48	4.16	4.81	5.04
	Earnings per share (NT\$)	2.85	3.55	4.24	4.03	4.50
Cash flow	Cash flow ratio (%)	16.57	10.24	9.34	(2.93)	21.92
	Cash flow adequacy ratio (%)	116.34	88.33	67.68	33.74	57.19
	Cash reinvestment ratio (%)	7.97	1.22	(0.77)	(15.93)	5.60
Leverage	Operating leverage	210.71	189.63	197.58	199.47	184.30
	Financial leverage	100.52	100.42	100.38	100.18	100.04

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

1. The ratio of long-term capital to property, plant and equipment decreased and the Property, plant and equipment turnover decreased: Due to the substantial increase in the balance of Property, plant and equipment by purchasing offices in 2023
2. Ratio of Interest earned ratio : mainly due to the significant reduction in interest expense of 2023.
3. Increase of Ratio of Inventory turnover : Mainly due to longer lead times due to increased stock availability and shortage of materials for project orders of 2022.
4. Cash flow adequacy and cash reinvestment ratio : Mainly due to the substantial increase in net cash inflow from operating activities.

Note 1: Financial data from 2019 to 2023 have all been inspected and authenticated by CPAs.

Note 2 The calculation formula goes as follows.

1. Financial Structure

(1) Debt Ratio = total liabilities / total assets

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

2. Solvency

(1) Current ratio = current assets / current liabilities

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

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

3. Operating ability

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

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

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

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

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

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

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

4. Profitability

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

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

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

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

5. Cash flow

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

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

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

6. Leveraging:

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

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

(B) Parent Financial Analysis–Based on IFRS

Items for Analysis		Fiscal Year	Financial Analysis for the Last Five Years (Note1)				
			2019	2020	2021	2022	2023
Financial Structure (%)	Debt Ratio		53.44	50.94	48.40	49.91	46.26
	Ratio of long-term capital to property, plant and equipment		771.32	872.39	1,245.66	1,280.52	745.90
Solvency (%)	Current ratio		159.45	164.55	178.41	172.34	174.27
	Quick ratio		111.25	118.97	133.73	121.85	138.61
	Interest earned ratio (times)		217.37	272.35	300.10	715.53	6639.81
Operating performance	Accounts receivable turnover (times)		4.53	4.69	5.12	4.39	4.48
	Average collection period		80.57	77.83	71.29	83.14	81.47
	Inventory turnover (times)		7.11	6.85	8.02	6.17	7.51
	Accounts payable turnover (times)		4.34	4.07	4.39	3.51	3.83
	Average days in sales		51.34	53.28	45.51	59.16	48.60
	Property, plant and equipment turnover (times)		28.16	31.09	40.53	39.48	31.12
	Total assets turnover (times)		1.84	1.82	1.94	1.60	1.73
Profitability	Return on total assets (%)		7.38	8.35	8.30	7.95	8.88
	Return on stockholders' equity (%)		15.21	17.40	16.37	15.62	17.11
	Pre-tax income to paid-in capital (%)		35.66	44.17	44.40	49.45	55.05
	Profit ratio (%)		3.98	4.57	4.25	4.96	5.12
	Earnings per share (NT\$)		2.85	3.55	4.24	4.03	4.50
Cash flow	Cash flow ratio (%)		14.16	10.15	9.84	(4.16)	23.44
	Cash flow adequacy ratio (%)		118.29	90.26	71.51	33.45	56.13
	Cash reinvestment ratio (%)		8.00	1.00	(0.48)	(17.21)	6.42
Leverage	Operating leverage		199.17	179.29	182.89	186.46	176.75
	Financial leverage		100.50	100.40	100.36	100.16	100.02
	Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%): <ol style="list-style-type: none"> 1. The ratio of long-term capital to property, plant and equipment decreased and the Property, plant and equipment turnover decreased: Due to the substantial increase in the balance of Property, plant and equipment by purchasing offices in 2023 2. Ratio of Interest earned ratio :Mainly due to the significant reduction in interest expense of 2023. 3. Increase of Ratio of Inventory turnover : Mainly due to longer lead times due to increased stock availability and shortage of materials for project orders of 2022. 4. Cash flow adequacy and cash reinvestment ratio : Mainly due to the substantial increase in net cash inflow from operating activities. 						

Note1 : Financial data from 2019 to 2023 have all been inspected and authenticated by CPAs.

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

Zero One Technology Company Ltd.

Audit Committee's Review Report

The Board of Directors has prepared the company's 2023 Consolidated, and Parent Company Only Financial Statements. The CPAs of Deloitte & Touche, Cheng Hsiu Chang and Pei De Chen, were retained to audit ZOTC's Financial Statements. The Business Report, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee of ZERO ONE Technology Company Limited. According to Article 14-4 of Securities and Exchange Act, and Article 219 of the Company Act, we hereby submit this report.

Sincerely,

The 2024 Annual Shareholders' Meeting

The Audit Committee of ZERO ONE TECHNOLOGY
COMPANY LIMITED

Convenor : Mandy Huang

27 February 2024

- D. Consolidated Financial Statements for the Years Ended December 31, 2023 and 2022, and Independent Auditors' Report: Please refer to page 114 to 169 of the annual report.
- E. Parent company only Financial Statements for the Years Ended December 31, 2023 and 2022, and Independent Auditors' Report: Please refer to page 170 to 234 of the annual report.
- F. If the Company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the Company's financial situation: None.

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

A. Analysis of Financial Status

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

Units: NT\$ Thousands

Item	Year	2022	2023	difference		
				Amount	%	Note
Current Assets		7,100,822	6,677,500	-423,322	-5.96%	
Property, Plant and Equipment		312,295	560,222	247,927	79.39%	(1)
Intangible Assets		4,357	2,733	-1,624	-37.27%	
Other Assets		57,195	51,840	-5,355	-9.36%	
Total Assets		8,015,013	7,979,276	-35,737	-0.45%	
Current Liabilities		4,002,340	3,662,310	-340,030	-8.50%	
Noncurrent Liabilities		29,295	30,369	1,074	3.67%	
Total Liabilities		4,031,635	3,692,679	-338,956	-8.41%	
Total Equity Attributable to Owners Of The Company		3,948,295	4,135,637	187,342	4.74%	
Capital Stock		1,530,317	1,543,687	13,370	0.87%	
Capital Surplus		1,240,628	1,248,647	8,019	0.65%	
Retained Earnings		1,151,012	1,289,274	138,262	12.01%	
Other Equity		26,338	54,029	27,691	105.14%	(2)
Treasury Stock		—	—	—	—	
Non-Controlling Interest		35,083	150,960	115,877	330.29%	(3)
Total Stockholders' Equity		3,983,378	4,286,597	303,219	7.61%	
1. Analysis of changes in financial ratios: (Changes by 20% or more and NTD 10 million or more)						
(1) Property, Plant and Equipment: Due to the purchase of an office in 2023.						
(2) Other equity: As a result of the increase in the unrealized gain on investments in equity instruments designated as at fair value.						
(3) Non-Controlling Interest: Mainly due to the failure to participate in the cash capital increase of the merged subsidiary in accordance with the original shareholding ratio in 2023.						
2. Countermeasures : N.A.						

B. Analysis of financial performance

Units: NT\$ Thousands

Item	Year	2022	2023	Differences Amount	Differences %	Note
Gross operating profit		1,488,061	1,643,029	154,968	10.41%	
Profit from operations		709,914	791,324	81,410	11.47%	
Non-business income and expenditure		52,994	72,102	19,108	36.06%	(1)
Pre-tax profit		762,908	863,426	100,518	13.18%	
Net profit (losses)		612,402	700,942	88,540	14.46%	
Other comprehensive (loss) income for the year, net of income tax		(43,539)	27,403	70,942	-162.94%	(2)
Total comprehensive (loss) income		568,863	728,345	159,482	28.04%	(2)
1. Analysis of changes in financial ratios: (changes by 20% or more and NTD 10 million or more)						
(1) Non-business income and expenditure: Mainly due to the increase in interest income in 2023.						
(2) Other consolidated comprehensive income for the period: This is due to the increase in unrealized gain in equity instruments designated as at fair value through other comprehensive income in 2023.						
2. The anticipated sales volume and its impacts on the financial and business operations and countermeasures for the coming year :						
(1) The Company will continue to focus on IT infrastructure, cloud platform and application, network and information security, AI big data and application and value-added service sales in the agent product section, as most of are in project sales and value-added service categories, and the unit price of products is high, therefore, the expected sales volume this year will not differ too much different from previous years.						
(2) That fact that the Company's business direction has not changed significantly, and the financial structure remains solid, the expected results of business have no material impact on future finance and business operations.						

C. Analysis of Cash Flow

(A) Cash Flow Analysis for the Current Year

Units: NT Thousands

Balance of cash at start of term (1)	Net cash flow from business activities throughout the year (2)	Net cash flow from Investing and Financing activities throughout the year (3)	Balance of cash (shortage) (1)+(2)+(3)	Remedies for shortage incash	
				Investment plan	Wealth management plan
1,054,159	802,647	(1,364,449)	492,357	—	—
<p>1. Cash utilization and liquidity analysis of the current year:</p> <p>(1) Business activities: Net cash generated NT\$ 802,647 thousand.</p> <p>(2) Investing activities: Net cash used NT\$ 934,975 thousand; It is generated mainly due to acquisition of financial products and the purchase of real estate.</p> <p>(3) Financing activities: Net cash used NT\$ 429,474 thousand;(with Effect of foreign Exchange 8,478); It is generated mainly by the payment of cash dividends.</p> <p>2. Remedy for Cash Deficit and Liquidity Analysis: Not applicable.</p>					

(B) Cash Flow Analysis for the Coming Year

Units: NT Thousands

Balance of cash at start of term (1)	Expected net cash flow from business activities throughout the year (2)	Expected net cashflow from Investing and Financing activities throughout the year (3)	Expected balance of cash (shortage) (1)+(2)+(3)	Expected remedies forshortage in cash	
				Investment plan	Wealth management plan
492,357	1,070,333	(977,340)	585,350	—	—
<p>1. Cash utilization and liquidity analysis for the coming year:</p> <p>(1) Business activities: Since the increase of operating revenues is expected, cash generated from operating revenue shall be NT\$ 1,070,333 thousand.</p> <p>(2) Investing activities: We don't have any important investment plan in the future.</p> <p>(3) Financing activities: Net cash used due to distribution of cash dividends.</p> <p>2. Expected remedies for shortage in cash and liquidity analysis: Not applicable.</p>					

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

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

(A) Investment Policy

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

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

Units: NT Thousands

Item	Main Businesses	Income (Loss) Amount	Reasons for Gain or Loss	Action Plan
Asiaone Holdings Ltd.	Holding company	1,891	Investment profit or loss recognized	None.
Zerone Win Investment Co., Ltd.	Investment	23,715	Holding company established in 2017, profit or loss recognized based on the operational status of investees.	
Zotech Technology Co., Ltd.	Service for telecom equipment	1,649	Due to the change in company operational strategy.	
WingWill International Co., Ltd.	Services of cloud information software	5,680	Due to focusing on expanding the team and market influence.	
DigiCosmos Tech. Co., Ltd.	R&D, Cyber Security Consulting Services	6,981	Newly established in 2021. In 2022, the team was committed to recruiting, and nearly even by 2023.	
TrustONE Security Inc.	R&D, sale and service of information software	(1,742)	Mainly due to efforts in product improvement and market development.	Positive business growth is ongoing and expected to contribute to the profits of the parent company in the future.
Leukocyte-Lab Co. Ltd.	Cyber Security Software Development and Service	(10,563)	Mainly dedicated to team crew recruiting and the market penetrating.	
InfinitesSoft Solutions Inc.	GPU Management Software Development,	865	Mainly due to the increase in product revenue.	None.
Techone(Shanghai)Co.,Ltd.	Technical service for network technology	2,160	Steady growth in profits as product line and service expanded.	
Techone(Vietnam)Co.,Ltd.	Technical service for network technology	568	Newly established in 2023, we gradually expanded the team and services.	
PetaCom technology Co., Ltd.	Services of distribution of information product	4,226	Increase in service income.	

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

F. Analysis of Risk Management

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

Units: NT Thousands

Remarks	Effects on gain or loss				Future plan
	Balance of loan	Level of interest rates of loans	Interest expenses (Thousand)	Effects of changes in retained earnings	
Changes in interest rates	Balance of loan is zero thousand in 2023.	-	329	0.002 dollars	By regularly evaluating the interest rate of the bank loans, and its effects on gain or loss of the Company, we shall acquire a favorable interest rate of loans by actual requirements.
Changes in foreign exchange rates	The Company is mainly on domestic sales. The Company's distributed product line includes a large proportion of import from foreign manufacturers. Therefore, the recent annual exchange rate of US dollar has a considerable impact on the Company's profitability.	Foreign exchange loss are 434 thousand in 2023.		0.003 dollars	Imported materials are calculated in US dollars. In order to reduce risks of the foreign exchange rate, financial assets in US dollars will be purchased to balance liabilities in US dollars. If Taiwan currency appreciates as expected, then the foreign currency exposure proportion shall be increased to no more than 50% of the average value of US\$ liabilities.
Inflation	The Company belongs to the service industry of information software, distributing foreign authorized products for domestic sales. Inflation of domestic raw materials has no significant impact on the Company.				

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

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

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

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

As of the print date of the annual report, the Company has lent loan to holding company(Wing Will International Co., Ltd.), which indirectly holds 90.8% of the shares, with a limit of NT\$ 20million as approved by the Board on October 26, 2023 ; holding company(Zerone Win Investment Co., Ltd.), which holds 100% of the shares, with a limit of NT\$ 70million as approved by the Board on July 28, 2023 ; endorsed and guaranteed to indirectly holding company Techone(Shanghai)Co.,Ltd, which holds 70% of the shares, and Techone(Vietnam)Co.,Ltd with a limit of US\$ 2 million each as approved by the Board on December 19, 2023, according to the " Regulations Governing Loaning of Funds and Making of Endorsement /Guarantees ", and announced related information on time.

(C) Future R&D plans and estimated R&D expenses

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

1. Products

A) Print Server: Mainly for the input of manpower in software.

B) MagicBox Nano: Software and hardware development.

2. R&D expenses for MagicBox PoC-related projects

A) Cooperate with the research projects of the national research institutes.

B) A small number of order-taking of prototypes for medical institutions.

C) We are developing 1-2 data-type projects that are locally actualized.

3. Edge on-premises LLM KM platform testing and system integration

The total amount of R&D expenses expected to be invested in the above projects in 2024 is approximately NT\$12 million.

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

There were no significant changes in policies and regulations relating to corporate finance and sales as of the date of publication of the annual report in 2023 and 2024. In the event of significant change in policies and regulations relating to corporate finance and sales, the Company would consult with or engage legal practitioners and or public accountants to assess the impact and develop a response plan, in order to obey the laws and reduce effects of changes in policies and regulations relating to corporate finance and sales.

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

As for technological changes, the company will timely adjust product development and sales agency directions to respond to the impact of market product changes on the company's profits and losses. In addition, it will also remain highly sensitive to changes in industrial technology and keep abreast of new market information to quickly respond to changes in industry. impact on financial operations.

In response to the intensification of market inflation and geopolitical and economic conditions in the post-epidemic era, which gradually affects consumption at all levels, the company will work with suppliers and channel partners to target market inflation. Develop different coping strategies to achieve optimal benefits. One of the strategies is to use the advantages of the platform ecosystem to develop an efficient and subscription approach to the tough Challenges posed by the inflationary environment in the market. Information technology can help enterprises save a lot of costs and improve the efficiency of many existing work processes. For example, applying artificial intelligence can have It effectively reduces the repetitive work common to some enterprises and facilitates the use of resources within the enterprise.

In addition, it can also use brand new technology innovation to launch new services or products that can help enterprises reduce costs and increase revenue, such as platforms and laborers that provide automation technology Intelligent application services and more. At the same time, by finding more partners, expanding each other's network, we can customize sustainable development services for enterprises, thereby effectively reducing market inflation for customers of earnings decay.

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

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

(G) Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans: None.

(H) Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans: None.

(I) Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration:

The major sales customers of the Company and its subsidiaries are diversified, individual revenues of the sales customers are not more than 10%, so no risk of concentration of sales exist. The major top 3 suppliers are 58.06% of the total amount for purchases, which are internationally famous suppliers of information software and hardware. The Company and its subsidiaries are also the major distributor of the manufacturer, and maintain a long-term relationship with them, by reduction of the risk of concentrated purchases through diversification of

sales products and continuous development of new products.

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

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

(L) Litigation or Non-litigation Matters:

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

(M) Other Major Risks and countermeasures: None.

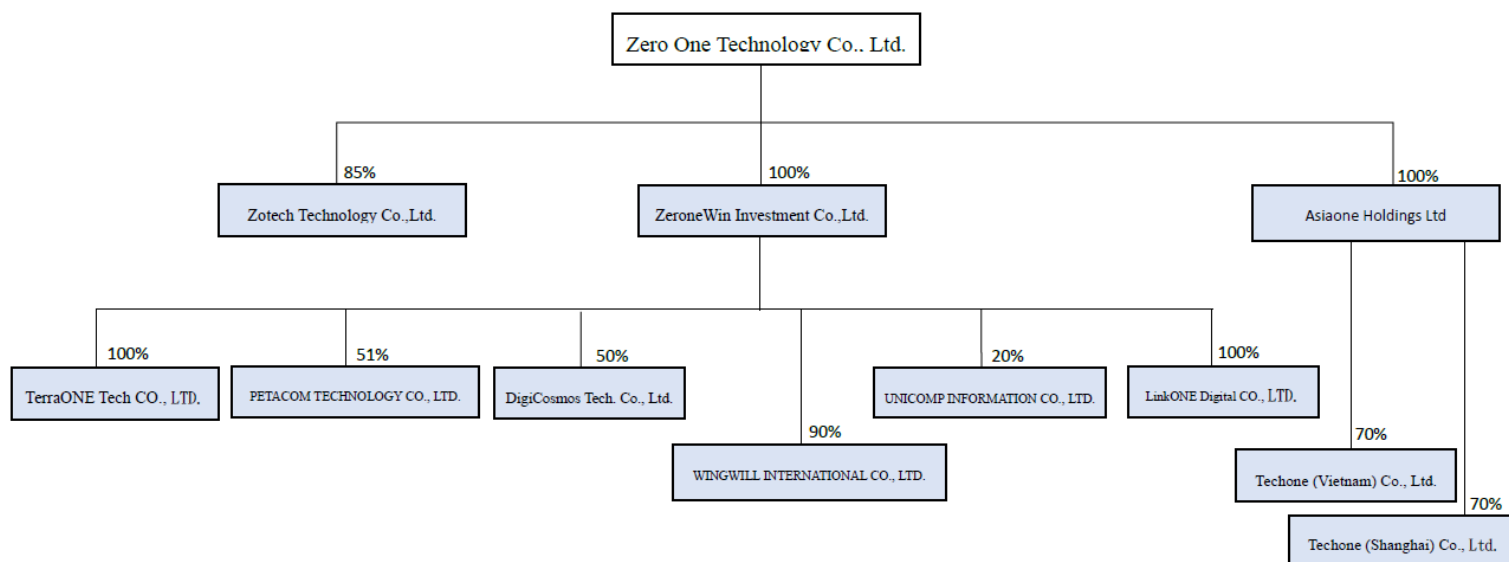
G. Other material matters: None.

VIII. Special Disclosure

A. Summary of affiliated companies in recent years :

(A) Consolidated business report of affiliated companies:

1. Affiliated companies' chart



2. Summary of each affiliated company

Company	Date of Incorporation	Place of Registration	Capital Stock (NT\$)	Main business or production activities
Zotech Co., Ltd.	2014/06/20	2F., No.5, Aly.22, Ln.513, Ruiguang Rd., Neihu Dist., Taipei City	41,000,000	Services of telecommunication apparatus
ZeroneWin Investment Co., Ltd.	2017/04/06	10F., No.8, Ln.360, Sec. 1, Neihu Rd., Neihu Dist., Taipei City	650,000,000	Investment
TerraONE Tech CO., LTD.	2024/01/22	10F-1., No.10, Ln.360, Sec. 1, Neihu Rd., Neihu Dist., Taipei City	50,000,000	Distribution for information security products
LinkONE Digital CO., LTD.	2024/01/24	9F-1., No.10, Ln.360, Sec. 1, Neihu Rd., Neihu Dist., Taipei City	26,000,000	Consulting services for digital transformation such as AI, data, and cloud service
UNICOMP INFORMATION CO., LTD.	2007/05/15	9F., No. 41, Gangqian Rd., Neihu Dist., Taipei City, Taipei City	375,000,000	Distribution for information products and related services
WingWill International Co., Ltd	2017/07/07	9F., No.8, Ln.360, Sec.1, Neihu Rd., Neihu Dist., Taipei City	50,000,000	Services of cloud information software
Petacom Technology co., ltd.	2017/07/07	9F., No.6, Ln. 360, Sec.1, Neihu Rd., Neihu Dist., Taipei City	200,000,000	Distribution for Services of information product
DigiCosmos Tech. Co., Ltd.	2021/05/07	8F., No. 32, Ln. 407, Sec. 2, Tiding Blvd., Neihu Dist., Taipei City	50,000,000	Services of Information Security Consulting
Asiaone Holdings Ltd	2019/06/27	Suite1, Commercial House One, Eden Island, Republic of Seychelles	22,208,000	Holding company
Techone (Shanghai) Co., Ltd.	2020/10/31	Room501, Building14, No.258, Chen-Jia-Chiao Rd., Min-Xin District, Shanghai City, China PRC	13,131,000	Technical service for network technology
Techone (Vietnam) Co., Ltd.	2023/11/03	Room 03, 7th floor, Viet A building, 9 Duy Tan street, Dich Vong Hau ward, Cau Giay district, Hanoi city, Vietnam	15,143,246	Information commodity trading and network technology services

- (B) Consolidated financial statements of affiliated companies : Please refer to Page. 114 to 169
- (C) Report of affiliated companies : Not applicable.
- B. Private Placement Securities in the Most Recent Years : None.
- C. Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years: None.
- D. Other supplementary information : None.

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

ZERO ONE TECHNOLOGY CO., LTD.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS FOR THE
YEARS ENDED DECEMBER 31, 2023 AND 2022 AND
INDEPENDENT AUDITORS' REPORT

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

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DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities that are required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2023 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 27, 2024

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, 2023 and 2022, 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, 2023 and 2022, 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, 2023. 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, 2023 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.
4. Review the occurrence of sales returns, sales discounts and allowances after the period to confirm whether there are any abnormalities.

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, 2023 and 2022 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, 2023 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 Cheng-Hsiu Chang and Pei-De Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China
February 27, 2024

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, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 492,357	6	\$ 1,054,159	13
Financial assets at fair value through profit or loss (Note 7)	826,856	10	1,005,507	13
Financial assets at fair value through other comprehensive income (Note 8)	3,920	-	2,790	-
Financial assets at amortized cost (Notes 9, 10 and 28)	765,877	10	148,570	2
Notes receivable (Note 11)	169,521	2	328,738	4
Trade receivables (Notes 11 and 27)	3,107,546	39	2,566,305	32
Inventories (Notes 5 and 12)	1,273,074	16	1,960,605	25
Other current assets	38,349	1	34,148	-
Total current assets	<u>6,677,500</u>	<u>84</u>	<u>7,100,822</u>	<u>89</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss (Note 7)	63,639	1	35,146	-
Financial assets at fair value through other comprehensive income (Note 8)	463,080	6	318,221	4
Financial assets at amortized cost (Notes 9, 10 and 28)	136,446	2	134,483	2
Investments accounted for using equity method (Note 14)	2,089	-	27,628	-
Property, plant and equipment (Notes 15 and 28)	560,222	7	312,295	4
Right-of-use assets (Note 16)	21,727	-	24,866	-
Intangible assets	2,733	-	4,357	-
Deferred tax assets (Note 22)	40,557	-	49,065	1
Prepayments for Equipment	300	-	-	-
Refundable deposits	10,983	-	8,130	-
Total non-current assets	<u>1,301,776</u>	<u>16</u>	<u>914,191</u>	<u>11</u>
TOTAL	\$ 7,979,276	100	\$ 8,015,013	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Trade payables (Note 27)	\$ 3,001,768	38	\$ 3,334,007	42
Other payables (Note 17)	274,533	3	256,928	3
Current tax liabilities	82,154	1	98,157	1
Lease liabilities (Note 16)	13,535	-	14,129	-
Other current liabilities (Note 20)	290,320	4	299,119	4
Total current liabilities	<u>3,662,310</u>	<u>46</u>	<u>4,002,340</u>	<u>50</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Note 22)	7,395	-	4,241	-
Lease liabilities (Note 16)	8,362	-	10,966	-
Net defined benefits liabilities - non-current (Notes 4 and 18)	11,126	-	13,288	-
Guarantee deposits received	3,486	-	800	-
Total non-current liabilities	<u>30,369</u>	<u>-</u>	<u>29,295</u>	<u>-</u>
Total liabilities	<u>3,692,679</u>	<u>46</u>	<u>4,031,635</u>	<u>50</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 19)				
Common stocks	1,543,687	19	1,530,317	19
Additional paid-in capital	1,248,647	16	1,240,628	16
Retained earnings				
Legal reserve	382,868	5	322,518	4
Unappropriated earnings	906,406	11	828,494	10
Total retained earnings	1,289,274	16	1,151,012	14
Other equity	54,029	1	26,338	-
Total equity attributable to owners of the Company	<u>4,135,637</u>	<u>52</u>	<u>3,948,295</u>	<u>49</u>
NON-CONTROLLING INTERESTS	<u>150,960</u>	<u>2</u>	<u>35,083</u>	<u>1</u>
Total equity	<u>4,286,597</u>	<u>54</u>	<u>3,983,378</u>	<u>50</u>
TOTAL	\$ 7,979,276	100	\$ 8,015,013	100

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

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 20 and 27)	\$ 13,920,657	100	\$ 12,734,383	100
OPERATING COSTS (Notes 12, 21 and 27)	<u>12,277,628</u>	<u>88</u>	<u>11,246,322</u>	<u>88</u>
GROSS PROFIT	<u>1,643,029</u>	<u>12</u>	<u>1,488,061</u>	<u>12</u>
OPERATING EXPENSES (Notes 18 and 21)				
Selling and marketing expenses	650,495	5	605,477	5
General and administrative expenses	166,167	1	146,371	1
Research and development expenses	22,377	-	13,756	-
Expected credit impairment loss (Note 11)	<u>12,666</u>	<u>-</u>	<u>12,543</u>	<u>-</u>
Total operating expenses	<u>851,705</u>	<u>6</u>	<u>778,147</u>	<u>6</u>
PROFIT FROM OPERATIONS	<u>791,324</u>	<u>6</u>	<u>709,914</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	42,308	-	23,014	-
Other income	11,298	-	16,054	-
Other gains and losses (Note 21)	31,218	-	26,772	-
Finance costs	(329)	-	(1,241)	-
Expected credit impairment loss (Notes 9 and 10)	(953)	-	-	-
Share of profits or loss of associates accounted for using the equity method	<u>(11,440)</u>	<u>-</u>	<u>(11,605)</u>	<u>-</u>
Total non-operating income and expenses	<u>72,102</u>	<u>-</u>	<u>52,994</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	863,426	6	762,908	6
INCOME TAX EXPENSE (Note 22)	<u>162,484</u>	<u>1</u>	<u>150,506</u>	<u>1</u>
NET PROFIT	<u>700,942</u>	<u>5</u>	<u>612,402</u>	<u>5</u>

(Continued)

	2023		2022	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(\$ 772)	-	\$ 4,151	-
Unrealized gain (loss) on investments in equity instruments designated as at fair value through other comprehensive income	28,452	-	(47,090)	(1)
Income tax relating to remeasurement of defined benefit plans	154	-	(830)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	(431)	-	230	-
Other comprehensive income (loss) for the year, net of income tax	<u>27,403</u>	-	<u>(43,539)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 728,345</u>	<u>5</u>	<u>\$ 568,863</u>	<u>4</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 691,517	5	\$ 613,580	5
Non-controlling interests	<u>9,425</u>	<u>-</u>	<u>(1,178)</u>	<u>-</u>
	<u>\$ 700,942</u>	<u>5</u>	<u>\$ 612,402</u>	<u>5</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 719,115	5	\$ 570,013	4
Non-controlling interests	<u>9,230</u>	<u>-</u>	<u>(1,150)</u>	<u>-</u>
	<u>\$ 728,345</u>	<u>5</u>	<u>\$ 568,863</u>	<u>4</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 4.50</u>		<u>\$ 4.03</u>	
Diluted	<u>\$ 4.46</u>		<u>\$ 3.96</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, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	Equity Attributable to Owners of the Company						Other Equity						Total Equity
	Share Capital			Legal Reserve	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	
	Shares (In Thousand)	Issued Capital	Additional Paid-in Capital		Earnings	Total							
BALANCE, JANUARY 1, 2022	151,971	\$ 1,519,707	\$ 1,234,325	\$ 263,963	\$ 831,516	\$ 1,095,479	\$ 6	\$ 60,747	(\$ 2,071)	\$ 58,682	\$ 3,908,193	\$ 35,793	\$ 3,943,986
Appropriation of the 2021 earnings													
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 ownership interests of 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 common stocks 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
Appropriation of the 2022 earnings													
Legal reserve	-	-	-	60,350	(60,350)	-	-	-	-	-	-	-	-
Cash dividends – NT \$3.6 per share	-	-	-	-	(551,080)	(551,080)	-	-	-	-	(551,080)	-	(551,080)
Net profit for the year ended December 31, 2023	-	-	-	-	691,517	691,517	-	-	-	-	691,517	9,425	700,942
Other comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	(618)	(618)	(302)	28,518	-	28,216	27,598	(195)	27,403
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	690,899	690,899	(302)	28,518	-	28,216	719,115	9,230	728,345
Changes in equity of associates accounted for using equity method	-	-	1,813	-	(2,576)	(2,576)	-	-	-	-	(763)	-	(763)
Changes in percentage of ownership interests in subsidiaries	-	-	456	-	-	-	-	-	-	-	456	(456)	-
Share based payment transaction – employee restricted shares	-	-	-	-	-	-	-	-	494	494	494	-	494
Issuance of common stocks under employee stock options	1,337	13,370	5,656	-	-	-	-	-	-	-	19,026	-	19,026
Exercise of right of disgorgement	-	-	94	-	-	-	-	-	-	-	94	-	94
Disposals of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	1,019	1,019	-	(1,019)	-	(1,019)	-	-	-
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	107,103	107,103
BALANCE, DECEMBER 31, 2023	154,369	\$ 1,543,687	\$ 1,248,647	\$ 382,868	\$ 906,406	\$ 1,289,274	(\$ 135)	\$ 54,164	\$ -	\$ 54,029	\$ 4,135,637	\$ 150,960	\$ 4,286,597

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, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 863,426	\$ 762,908
Adjustments for:		
Depreciation expenses	33,997	32,318
Amortization expenses	2,116	1,335
Expected credit impairment loss	13,619	12,543
Net (gain) loss on fair value change of financial assets at fair value through profit or loss	(10,650)	243
Finance costs	329	1,241
Interest income	(42,308)	(23,014)
Dividend income	(10,440)	(12,459)
Cost of share-based payment compensation	494	2,400
Share of loss of associates accounted for using equity method	11,440	11,605
Disposals of investments in equity instruments at fair value through other comprehensive income	(20,977)	-
(Reversal of) write-down of inventories	(25,208)	36,123
Net gain on foreign currency exchange	(33,551)	(52,412)
Gain on lease modification	(25)	(90)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	160,808	(656,658)
Notes receivable	159,217	(40,028)
Trade receivables	(557,044)	16,565
Inventories	709,135	(358,465)
Other current assets	14,747	(1,565)
Trade payables	(304,344)	339,768
Other payables	17,517	(15,660)
Other current liabilities	(8,799)	(20,884)
Net defined benefit liabilities	(2,934)	(1,785)
Cash generated from operations	970,565	34,029
Income tax paid	(167,918)	(151,250)
Net cash generated from (used in) operating activities	802,647	(117,221)

(Continued)

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(\$ 90,000)	(\$ 47,243)
Proceeds from sale of financial assets at fair value through other comprehensive income	14,176	29,404
Purchase of financial assets at amortized cost	(805,575)	(1,267,916)
Disposal of financial assets at amortized cost	185,367	1,937,639
Acquisition of investments accounted for using equity method	(7,400)	(12,200)
Payments for property, plant and equipment	(263,500)	(5,553)
Proceeds from disposal of property, plant and equipment	94	-
Increase in refundable deposits	(2,853)	-
Decrease in refundable deposits	-	2,288
Payments for intangible assets	-	(2,150)
Increase in prepayment for equipment	(300)	-
Interest received	24,564	21,711
Dividends received	<u>10,452</u>	<u>12,366</u>
Net cash (used in) generated from investing activities	(<u>934,975</u>)	<u>668,346</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in refundable deposits	2,686	-
Repayment of principal portion of lease liabilities	(15,452)	(14,347)
Dividends paid to owners of the company	(551,080)	(547,962)
Exercise of employee stock options	19,026	15,063
Interest paid	(329)	(1,241)
Changes in non-controlling interests	107,103	1
Exercise of right of disgorgement	<u>94</u>	<u>-</u>
Net cash used in financing activities	(<u>437,952</u>)	(<u>548,486</u>)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>8,478</u>	<u>35,450</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(561,802)	38,089
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,054,159</u>	<u>1,016,070</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 492,357</u>	<u>\$ 1,054,159</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, 2023 and 2022
(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 27, 2024.

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 2024

<u>New / Revised / Amended Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
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
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

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.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

As of the date the consolidated company 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
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 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

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: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

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.

For detailed information on subsidiaries including percentages of ownership and main businesses and share ratios, please see Note 13, Table 6 and Table 7

(5) Foreign currencies

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

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

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

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

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

(6) Inventories

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

(7) Investment in associates

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

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

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

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

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

Except self-owned land which is not recognized in depreciation, the depreciation of the remaining items of property, plant and equipment 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 estimates 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, other receivables and refundable deposits, 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

Except for financial liabilities held for trading and measured at fair value through profit or loss, 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 additional paid-in capital - 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 are recognized on the grant date, with a corresponding increase in additional paid-in capital – 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 additional paid-in capital – employee stock options and additional paid-in capital – 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.

When developing significant accounting estimates, the Group will take into account various possible impacts on cash flow estimates, growth rates, discount rates, profitability and other related major estimates. Management will continue to review estimates and basic assumptions.

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, 2023	December 31, 2022
Cash on hand and revolving funds	\$ 188	\$ 144
Checking accounts and demand deposits	443,655	418,049
Cash equivalents		
Time deposits	48,514	214,830
Repurchase agreements collateralized by bonds	-	421,136
	<u>\$ 492,357</u>	<u>\$ 1,054,159</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, 2023	December 31, 2022
Demand deposits	0.05%~1.45%	0.05%~0.70%
Time deposits	5.51%	4.39%~4.45%
Repurchase agreements collateralized by bonds	-	4.10%~4.30%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2023	December 31, 2022
<u>Financial assets – current</u>		
Mandatorily measured at FVTPL		
Domestic convertible bonds	\$ 56,809	\$ 39,885
Domestic listed common stocks	-	5,587
Fund beneficiary certificates	770,047	960,035
	<u>\$ 826,856</u>	<u>\$ 1,005,507</u>
<u>Financial assets – non-current</u>		
Mandatorily measured at FVTPL		
Domestic listed preference shares	\$ 8,038	\$ 13,532
Domestic unlisted preference shares	110	-
Fund beneficiary certificates	55,491	21,614
	<u>\$ 63,639</u>	<u>\$ 35,146</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31, 2023	December 31, 2022
<u>Investments in equity instruments</u>		
<u>Current</u>		
Domestic		
Listed common stocks	\$ 3,920	\$ 2,790
<u>Non-current</u>		
Domestic		
Listed common stocks	\$ 143,363	\$ 116,290
Listed preferred shares	150,477	162,981
Unlisted shares	169,240	38,950
	<u>\$ 463,080</u>	<u>\$ 318,221</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, 2023	December 31, 2022
<u>Current</u>		
Domestic investment		
Deposit accounts with original maturities of more than three months (1)	\$ 639,857	\$ 148,570
Pledged time deposit (3)	3,200	-
Repurchase agreements collateralized by bonds (2)	<u>122,820</u>	<u>-</u>
	<u>\$ 765,877</u>	<u>\$ 148,570</u>
<u>Non-current</u>		
Domestic investment		
Pledged time deposit (3)	\$ 42,393	\$ 39,491
Foreign investment		
Perusahaan Listrik Negara corporate bond (USD) (4)	32,519	32,584
Southern California Edison corporate bond (USD) (5)	16,626	16,664
British Telecommunications plc corporate bond (USD) (6)	15,573	15,580
TSMC Arizona corporate bond (USD) (7)	<u>30,288</u>	<u>30,164</u>
	137,399	134,483
Less: Impairment loss	(953)	-
	<u>\$ 136,446</u>	<u>\$ 134,483</u>

- (1) As of December 31, 2023 and 2022 the market interest rate intervals of time deposit over 3 months portion were 1.385%~5.57% and 0.76%~1.44%, respectively.
- (2) As of December 31, 2023, the market interest rate of repurchase agreements collateralized by bonds over 3 months portion was 5%.
- (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) 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

	December 31, 2023	December 31, 2022
Carrying Amount	\$ 903,276	\$ 283,053
Less : Impairment Loss	(953)	-
Amortized cost	<u>\$ 902,323</u>	<u>\$ 283,053</u>

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.

11. NOTES, TRADE AND OVERDUE RECEIVABLE

	December 31, 2023	December 31, 2022
Measured at amortized cost		
Notes receivable	\$ 169,521	\$ 328,738
Trade receivable	3,130,648	2,582,290
Overdue receivable	5,549	1,309
Less: Allowances for impairment loss - trade receivable	(23,102)	(15,985)
Less: Allowances for impairment loss - overdue receivable	(5,549)	(1,309)
	<u>\$ 3,277,067</u>	<u>\$ 2,895,043</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, 2023

	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	\$ 3,272,640	\$ 6,244	\$ 2,513	\$ 13,153	\$ 11,168	\$ 3,305,718
Loss allowance (Lifetime ECLs)	(8,466)	(1,556)	(785)	(6,676)	(11,168)	(28,651)
Amortized cost	<u>\$ 3,264,174</u>	<u>\$ 4,688</u>	<u>\$ 1,728</u>	<u>\$ 6,477</u>	<u>\$ -</u>	<u>\$ 3,277,067</u>

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	\$ 2,858,844	\$ 9,265	\$ 21,929	\$ 5,005	\$ -	\$ 2,895,043

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

	2023	2022
Balance at January 1	\$ 17,294	\$ 4,751
Add: Net remeasurement of loss allowance	12,666	12,543
Less: Amounts written off	(1,309)	-
Balance at December 31	\$ 28,651	\$ 17,294

12. INVENTORIES

	December 31, 2023	December 31, 2022
Raw materials	\$ 868	\$ 2,022
Work in process	701	2,103
Finished goods	289	1,021
Commodities	1,271,216	1,955,459
	\$ 1,273,074	\$ 1,960,605

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

	2023	2022
Cost of inventories sold	\$ 12,245,994	\$ 11,201,611
Loss for market price decline and obsolete and slow-moving inventories (gains)	(25,208)	36,123
	\$ 12,220,786	\$ 11,237,734

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, 2023	December 31, 2022	
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%	A
Zerone Win Investment Co., Ltd.	Wing Will International Co., Ltd.	Services of cloud information software	90.80%	99.99%	B
	Petacom Technology Co., Ltd.	Services of information product agent	51.00%	100.00%	C
	DigiCosmos Tech. Co., Ltd.	Consulting service for information security	50.00%	50.00%	D

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Re-mark
			December 31, 2023	December 31, 2022	
Asiaone Holdings Ltd.	Techone (Shanghai) Co., Ltd.	Information commodities trading and technical service for network technology	70.00%	70.00%	-
	TECHONE VIETNAM TECHNOLOGY COMPANY LIMITED	Information commodities trading and technical service for network technology	70.00%	-	E

(Concluded)

- A. The Group participated in a cash capital increase of \$12,145 thousand in September 2023, and the shareholding ratio remained unchanged after the capital increase.
- 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%. Then in April 2023, the Group did not participate in the cash capital increase according to the shareholding ratio, resulting in the Group's shareholding ratio falling to 90.80%.
- C. In October 2023, the Group did not participate in the cash capital increase according to the shareholding ratio, resulting in the shareholding ratio being reduced to 51%.
- D. The Group holds 50% of the shares of DigiCosmos Tech. Co., Ltd. Since the Group holds a majority of directors' seats, it is evident that the Group has the substantive ability to lead DigiCosmos' relevant activities, in consequence, DigiCosmos Tech. Co., Ltd. is listed as a subsidiary.
- E. It was established in November 2023, but as of December 31, 2023, the capital injection had not been completed, and the aforementioned procedures had been completed in January 2023

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

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates	December 31, 2023	December 31, 2022
Individual Insignificant Associate		
TrustONE Security Inc.	\$ 2,089	\$ 1,430
Leukocyte-Lab Co. Ltd.	-	6,327
InfinitiesSoft Solutions Inc.	-	19,871
	<u>\$ 2,089</u>	<u>\$ 27,628</u>

Name of Associates	Percentage of Equity Holding and Voting Rights	
	December 31, 2023	December 31, 2022
TrustONE Security Inc.	32.00%	32.00%
Leukocyte-Lab Co. Ltd.	26.56%	34.78%
InfinitiesSoft Solutions Inc.	-	24.33%

The Group acquired 32% of the equity of TrustONE Security Inc. in February 2021 and increased its capital according to the shareholding ratio with the investment amount of \$3,200 thousand and \$2,400 thousand respectively in January 2022 and March 2023.

The Group acquired 37.5% of the equity of Leukocyte-Lab Co. Ltd. in September 2021, as 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%. The Group participated its cash capital increase of \$5,000 thousand in March 2023, resulting in the increase of share-holding ratio to 43.04%; however, in August 2023, the share-holding ratio was reduced to 26.56% as the Group did not participate its cash capital increase.

The Group evaluated the recoverable amount of Leukocyte-Lab Co. Ltd. based on the net asset value and it was lower than the book value. In 2023, an impairment loss of \$6,205 thousand was recognized and recorded under the equity method investment loss.

In 2023, the Group stopped recognizing further loss under the equity method when the investment losses exceeded the original investment cost as the Group did not continue to support Leukocyte-Lab Co. Ltd.'s operations and finances.

The Group acquire the shares of InfinitiesSoft Solutions Inc. for \$9,000 thousand in June 2022, resulting in the increase of the share-holding ratio from 15% to 24.33%. Consequently, the Group then had the significant influence over InfinitiesSoft Solutions Inc., and had transferred financial assets at fair value through other comprehensive profit or loss to investments using the equity method. However, as the Group did not participate in InfinitiesSoft Solutions Inc.'s cash capital increase in December 2023, the shareholding ratio was reduced to 14.31%. and consequently losing its significant influence over InfinitiesSoft Solutions Inc. Subsequently the financial assets measured at fair value through other comprehensive gains and losses was recognized as the disposal of investment profits amounting to \$20,977 thousand.

15. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and equipment	Office equipment	Delivery equipment	Other equipment	Total
<u>Cost</u>							
Balance on 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 on 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 on 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 on 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 on 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>
<u>Cost</u>							
Balance on January 1, 2023	\$ 234,892	\$ 128,185	\$ 9,307	\$ 51,797	\$ 2,458	\$ 49,649	\$ 476,288
Additions	235,967	20,300	-	6,359	-	874	263,500
Disposals	-	-	(146)	(3,161)	-	-	(3,307)
Reclassification	-	-	-	1,908	-	1,204	3,112
Net Exchange Difference	-	-	-	(4)	-	(289)	(293)
Balance on December 31, 2023	<u>\$ 470,859</u>	<u>\$ 148,485</u>	<u>\$ 9,161</u>	<u>\$ 56,899</u>	<u>\$ 2,458</u>	<u>\$ 51,438</u>	<u>\$ 739,300</u>
<u>Accumulated depreciation and impairment</u>							
Balance on January 1, 2023	\$ -	\$ 77,115	\$ 9,233	\$ 42,768	\$ 2,458	\$ 32,419	\$ 163,993
Disposals	-	-	(146)	(3,067)	-	-	(3,213)
Depreciation	-	2,337	69	6,641	-	9,532	18,579
Net Exchange Difference	-	-	-	(2)	-	(279)	(281)
Balance on December 31, 2023	<u>\$ -</u>	<u>\$ 79,452</u>	<u>\$ 9,156</u>	<u>\$ 46,340</u>	<u>\$ 2,458</u>	<u>\$ 41,672</u>	<u>\$ 179,078</u>
Carrying amounts on December 31, 2023	<u>\$ 470,859</u>	<u>\$ 69,033</u>	<u>\$ 5</u>	<u>\$ 10,559</u>	<u>\$ -</u>	<u>\$ 9,766</u>	<u>\$ 560,222</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, 2023	December 31, 2022
Carrying amounts of right-of-use assets		
Buildings	\$ 21,727	\$ 24,866
	2023	2022
Additions to right-of-use assets	\$ 12,977	\$ 25,396
Depreciation charge for right-of-use assets		
Buildings	\$ 15,418	\$ 14,339
Office equipment	-	73
	\$ 15,418	\$ 14,412

(2) Lease liabilities

	December 31, 2023	December 31, 2022
Carrying amounts of lease liabilities		
Current	\$ 13,535	\$ 14,129
Non-current	\$ 8,362	\$ 10,966

Ranges of discount rate for lease liabilities was as follows:

	December 31, 2023	December 31, 2022
Buildings	0.75%~4.75%	0.75%~4.75%

(3) Other lease information

	2023	2022
Expenses relating to short-term leases	\$ 570	\$ 660
Expenses relating to low-value asset leases	\$ 231	\$ 168
Total cash (outflow) for leases	(\$ 16,570)	(\$ 15,531)

17. OTHER PAYABLE

	December 31, 2023	December 31, 2022
Salaries and bonuses payable	\$ 144,128	\$ 129,450
Compensation of employees and directors payable	40,964	36,881
Sales tax payable	20,405	17,299
Others	69,036	73,298
	\$ 274,533	\$ 256,928

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, 2023	December 31, 2022
Present value of defined benefit obligation	\$ 55,345	\$ 60,586
Fair value of plan assets	(44,219)	(47,298)
Net defined benefit liability	\$ 11,126	\$ 13,288

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 on January 1, 2022	\$ 61,127	(\$ 41,903)	\$ 19,224
Interest expense (income)	382	(268)	114
Recognized in profits or losses	382	(268)	114
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	910	-	910
Recognized in other comprehensive income	(923)	(3,228)	(4,151)
Contribution from employer	-	(1,899)	(1,899)
Balance on December 31, 2022	\$ 60,586	(\$ 47,298)	\$ 13,288
Balance on January 1, 2023	\$ 60,586	(\$ 47,298)	\$ 13,288
Interest expense (income)	704	(550)	154
Recognized in profits or losses	704	(550)	154
Remeasurements			
Return on plan assets (excluding amounts included in interest, net)	-	(433)	(433)
Actuarial loss arising from experience adjustments	1,205	-	1,205
Recognized in other comprehensive income	1,205	(433)	772
Contribution from employer	-	(1,788)	(1,788)
Benefit payment	(7,150)	5,850	(1,300)
Balance on December 31, 2023	\$ 55,345	(\$ 44,219)	\$ 11,126

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

	2023	2022
Selling and marketing expenses	\$ 67	\$ 58
General and administrative expenses	87	56
	<u>\$ 154</u>	<u>\$ 114</u>

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

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

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

	December 31, 2023	December 31, 2022
Discount rate	1.25%	1.25%
Future salary increase rate	3.00%	3.00%

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

	December 31, 2023	December 31, 2022
Discount rate		
increases by 0.25%	(\$ 1,048)	(\$ 1,151)
decreases by 0.25%	\$ 1,079	\$ 1,186
Future salary increase rate		
increases by 0.25%	\$ 1,044	\$ 1,148
decreases by 0.25%	(\$ 1,019)	(\$ 1,119)

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

	December 31, 2023	December 31, 2022
Contribution amounts within 1 year	\$ 1,842	\$ 1,956
Average due period of the defined benefit obligation	7.7 Years	7.7 Years

19. EQUITY

(1) Common stocks

	December 31, 2023	December 31, 2022
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>154,369</u>	<u>153,032</u>
Issued capital	<u>\$ 1,543,687</u>	<u>\$ 1,530,317</u>

The change in share capital is mainly due to employee stock options exercised.

(2) Additional paid-in capital

	December 31, 2023	December 31, 2022
<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	\$ 1,169,944	\$ 1,164,288
Treasury stock transactions	25,343	25,343
From exercised and invalid employees stock options	37,472	28,456
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	8,426	6,712
<u>May be used to offset a deficit only</u>		
Recognized changes in the ownership interests of subsidiaries	456	-
Recognized changes in the associates using the equity method	2,840	1,027
Exercise of right of disgorgement	94	-
<u>May not be used for any purpose</u>		
Employees restricted shares	-	1,714
Employees stock options	<u>4,004</u>	<u>13,020</u>
	<u>\$ 1,248,647</u>	<u>\$ 1,240,628</u>

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

(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 2022 and 2021 were as follows:

	For Fiscal Year 2022	For Fiscal Year 2021
Legal reserve	\$ 60,350	\$ 58,555
Cash dividends	\$ 551,080	\$ 547,962
Cash dividends per share (\$)	\$ 3.6	\$ 3.6

The above appropriations of earnings have been approved by ZOTC's board of directors on February 21, 2023 and February 23, 2022. The remaining appropriations of earnings were approved by shareholder's meeting held on May 30, 2023 and May 26, 2022, respectively.

The appropriations of earnings for 2023 had been proposed by ZOTC's board of directors on February 27, 2024. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (\$)
Legal reserve	\$ 68,934	
Cash dividends	618,429	\$ 4.0

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 27, 2024.

20. REVENUE

(1) Income from contracts with clients

	2023	2022
Sales revenue	\$ 13,744,336	\$ 12,635,610
Service revenue	176,321	98,773
	<u>\$ 13,920,657</u>	<u>\$ 12,734,383</u>

(2) Remaining balance of the contracts

	December 31, 2023	December 31, 2022
Notes receivable (Note 11)	\$ 169,521	\$ 328,738
Trade receivable (Note 11)	\$ 3,107,546	\$ 2,566,305
Contract liability (Other current liabilities)	\$ 73,790	\$ 51,304

21. Net income

(1) Other gains and losses

	2023	2022
Disposal of investment gains using the equity method	\$ 20,977	\$ -
Net gain (loss) arising on financial assets measured at FVTPL	10,650	(243)
Net foreign currency exchange (loss) gain	(434)	27,038
Gain on lease modification	25	90
Miscellaneous disbursement	-	(113)
	<u>\$ 31,218</u>	<u>\$ 26,772</u>

(2) Depreciation & amortization

	<u>2023</u>	<u>2022</u>
Property, plant and equipment	\$ 18,579	\$ 17,906
Right-of-use assets	15,418	14,412
Intangible assets	<u>2,116</u>	<u>1,335</u>
	<u>\$ 36,113</u>	<u>\$ 33,653</u>
An analysis of depreciation by function		
Operating costs	\$ 96	\$ 32
Operating expenses	<u>33,901</u>	<u>32,286</u>
	<u>\$ 33,997</u>	<u>\$ 32,318</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 2,116</u>	<u>\$ 1,335</u>

(3) Employee benefits expense

	<u>2023</u>	<u>2022</u>
Post-employment benefits		
Defined contribution plans	\$ 17,614	\$ 14,410
Defined benefit plans (Note 18)	<u>154</u>	<u>114</u>
	<u>17,768</u>	<u>14,524</u>
Share-based payment		
Equity-settled (Note 24)	<u>494</u>	<u>2,400</u>
Other employee benefits	597,854	504,511
Total employee benefits expense	<u>\$ 616,116</u>	<u>\$ 521,435</u>
Employee benefits expense summarized by function		
Operating cost	\$ 27,881	\$ 8,618
Operating expenses	<u>588,235</u>	<u>512,817</u>
	<u>\$ 616,116</u>	<u>\$ 521,435</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, 2023 and 2022, with resolution of the board of directors on February 27, 2024 and February 21, 2023, were as follows:

Estimate Rate

	<u>2023</u>	<u>2022</u>
Compensation of employee	3.0%	3.0%
Compensation of director	1.5%	1.5%

Amount

	<u>2023</u>	<u>2022</u>
	<u>Cash</u>	<u>Cash</u>
Compensation of employee	\$ 27,000	\$ 24,000
Compensation of director	13,000	12,000

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 2022, and 2021 has no difference compared to the recognized amount of the parent company only financial statements in 2022 and 2021.

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>2023</u>	<u>2022</u>
Current tax		
In respect of the current year	\$ 158,018	\$ 160,282
Surtax on undistributed retained earnings	374	24
Adjustments for previous years	(7,724)	(8,142)
	<u>150,668</u>	<u>152,164</u>
Deferred tax		
In respect of the current year	<u>11,816</u>	(1,658)
Income tax expense recognized in profit or loss	<u>\$ 162,484</u>	<u>\$ 150,506</u>

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

	<u>2023</u>	<u>2022</u>
Profit before income tax	\$ 863,426	\$ 762,908
Income tax expense calculated at the statutory rate	\$ 181,679	\$ 159,070
Tax-exempt income	(9,311)	(4,744)
Tax effect of expenses not deductible for tax	11,385	5,892
Surtax on undistributed retained earnings	374	24
Unrecognized deductible temporary difference	(55)	(4)
Unrecognized tax loss carryforward	(2,598)	3,585
Investment tax credits	(4,500)	(4,500)
The adjustment of current income tax expenses for previous years	(7,724)	(8,142)
Others	(6,766)	(675)
Total income tax expense recognized in profit or loss	<u>\$ 162,484</u>	<u>\$ 150,506</u>

(2) Deferred tax balances

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

2023

	<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	\$ 41,755	(\$ 5,041)	\$ -	\$ 36,714
Defined benefit plans	2,658	(587)	154	2,225
Others	<u>4,652</u>	<u>(3,034)</u>	<u>-</u>	<u>1,618</u>
	<u>\$ 49,065</u>	<u>(\$ 8,662)</u>	<u>\$ 154</u>	<u>\$ 40,557</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized foreign exchange gains	\$ 3,402	\$ 2,776	\$ -	\$ 6,178
Others	<u>839</u>	<u>378</u>	<u>-</u>	<u>1,217</u>
	<u>\$ 4,241</u>	<u>\$ 3,154</u>	<u>\$ -</u>	<u>\$ 7,395</u>

2022

	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	\$ 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>

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

	December 31, 2023	December 31, 2022
Loss carryforward	<u>\$ 44,438</u>	<u>\$ 60,751</u>

(4) Information about unused loss carry-forward

Loss carryforwards as of December 31, 2023 comprised of:

Unused Amount	Expiry Year
\$ 1,664	2028
7,599	2029
6,858	2030
23,612	2031
4,705	2032
<u>\$ 44,438</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	2021
Zotech Co., Ltd.	2021
Zerone Win Investment Co., Ltd.	2021
Wing Will International Co., Ltd.	2021
Petacom Technology Co., Ltd.	2021
DigiCosmos Tech. Co., Ltd.	2021

23. EARNINGS PER SHARE

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

Net Profit for the Year

	<u>2023</u>	<u>2022</u>
Earnings used in the computation of basic/diluted earnings per share	\$ 691,517	\$ 613,580

Shares

Units: Thousand shares

	<u>2023</u>	<u>2022</u>
Weighted average number of common stocks used in the computation of basic earnings per share	153,577	152,325
Effect of potentially dilutive common stocks :		
Employees' compensation	483	693
Employee stock options	1,019	1,566
Employee restricted shares	<u>77</u>	<u>232</u>
Weighted average number of common stocks outstanding in computation of diluted earnings per share	<u>155,156</u>	<u>154,816</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 September 2016, January 2018, and September 2018, 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 common stocks 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 common stocks on the grant date. For any subsequent changes in the Company's common stocks, the exercise price of options will be adjusted by the regulated formula, accordingly.

Information about employee stock options was as follows:

	<u>2023</u>		<u>2022</u>	
	Number of Options (In Thousands)	Weighted Average Exercise Price (\$)	Number of Options (In Thousands)	Weighted Average Exercise Price (\$)
Employee stock options				
Balance, begin of period	1,973	\$ 15.15	3,034	\$ 15.93
Options exercised	(1,337)	14.23	(1,061)	14.20
Balance, end of period	<u>636</u>	14.24	<u>1,973</u>	15.15
Options exercisable, end of the period	<u>636</u>		<u>1,973</u>	

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

December 31, 2023		December 31, 2022	
Range of Exercise Price (\$)	Weighted-Over-Age Remaining Contractual Life (Years)	Range of Exercise Price (\$)	Weighted-Over-Age Remaining Contractual Life (Years)
\$13.20 (Note)	0.01	\$14.20 (Note)	1.01
14.40 (Note)	0.67	15.50 (Note)	1.67

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

The Company adopts binomial option pricing model to evaluate inputs of stock options in September 2018, and January 2018 as follows:

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

The compensation cost recognized were \$823 thousand for the years ended December 31, 2022.

(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 years 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 years 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 years 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 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 \$494 thousand and \$1,577 thousand in 2023 and 2022 respectively.

25. CAPITAL RISK MANAGEMENT

The Group engages mainly in the agent of enterprise 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, 2023		December 31, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial Assets</u>				
Measured at amortized cost				
— Foreign corporate bonds	\$ 94,053	\$ 83,170	\$ 94,992	\$ 77,938

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

A. Fair value hierarchy

December 31, 2023

	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at</u>				
<u>FVTPL</u>				
Domestic convertible bonds	\$ 56,809	\$ -	\$ -	\$ 56,809
Domestic listed shares	8,038	-	-	8,038
Domestic unlisted shares	-	-	110	110
Fund beneficiary certificates	783,980	-	41,558	825,538
Total	<u>\$ 848,827</u>	<u>\$ -</u>	<u>\$ 41,668</u>	<u>\$ 890,495</u>

Financial assets measured at FVTOCI

Equity investments				
— Domestic listed shares	\$ 297,760	\$ -	\$ -	\$ 297,760
— Domestic unlisted shares	-	-	169,240	169,240
Total	<u>\$ 297,760</u>	<u>\$ -</u>	<u>\$ 169,240</u>	<u>\$ 467,000</u>

December 31, 2022

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

(Continued)

	Level 1	Level 2	Level 3	Total
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<u>Financial assets measured at FVTOCI</u>				
Equity investments				
– Domestic listed shares	\$ 282,061	\$ -	\$ -	\$ 282,061
– Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>38,950</u>	<u>38,950</u>
Total	<u>\$ 282,061</u>	<u>\$ -</u>	<u>\$ 38,950</u>	<u>\$ 321,011</u>

(Concluded)

There were no transfers between Level 1 and Level 2 in 2023 and 2022, 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

<u>Financial assets</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets measured at FVTPL</u>		
Mandatorily measured at FVTPL	\$ 890,495	\$ 1,040,653
Financial assets measured at amortized cost (Note 1)	4,705,701	4,244,283
<u>Financial assets measured at FVTOCI</u>		
– Investments in equity instruments	467,000	321,011
 <u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	3,279,787	3,591,735

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

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

(4) Financial risk management objectives and policies

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

A. Market risk

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

a. Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities of non-functional currency calculated (including those eliminated on consolidation) at the end of the reporting period are set out in Note 31.

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 foreign currency, the Group's net profit in 2023 and 2022 would increase by \$5,642 thousand and \$22,919 thousand, respectively.

b. Interest rate risk

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, 2023	December 31, 2022
Interest rate risks at fair value		
– Financial assets	\$ 815,933	\$ 774,604
– Financial liabilities	21,897	25,095
Interest rate risks at cash flows		
– Financial assets	578,559	562,464

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 2023 and 2022 would increase by \$2,893 thousand and \$2,812 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 2023 and 2022 would have increased by \$44,525 thousand and \$52,033 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 \$23,350 thousand and \$16,051 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 consider 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, 2023 and 2022, the Group's five largest customers accounted all for 35% and 34% 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, 2023

	<u>Less than 1 Year</u>	<u>1-5 Years</u>
<u>Non-derivative financial liabilities</u>		
No interest-bearing liabilities	\$ 3,276,301	\$ -
Lease liabilities	<u>13,794</u>	<u>8,446</u>
	<u>\$ 3,290,095</u>	<u>\$ 8,446</u>

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>

As of December 31, 2023 and 2022, the Group's unused short-term credit of limit of the bank were \$1,807,295 thousand and \$1,600,000 thousand respectively.

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 under a subsidiary (from June 29, 2022 till December 21, 2023)
K Way Information Corp.	Other related party (changed to non-related party effective May 30, 2023)

(2) Operating revenue

<u>Line Items</u>	<u>Types of related parties</u>	<u>2023</u>	<u>2022</u>
Sales revenue	Associates	\$ 466	\$ 250
	Other related parties	<u>2</u>	<u>844</u>
		<u>\$ 468</u>	<u>\$ 1,094</u>
Service revenue	Associates	<u>\$ 150</u>	<u>\$ -</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>2023</u>	<u>2022</u>
Associates	<u>\$ 24,682</u>	<u>\$ 11,283</u>

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

<u>Line Items</u>	<u>Types of related parties</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Trade receivable	Associates	\$ 163	\$ 5
	Other related parties	<u>-</u>	<u>590</u>
		<u>\$ 163</u>	<u>\$ 595</u>

For the year ended December 31, 2023 and 2022 no impairment loss was recognized for trade receivables from related parties.

(5) Payables to related parties

<u>Line Items</u>	<u>Types of related parties</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Trade payable	Associates	<u>\$ 8,551</u>	<u>\$ 1,506</u>

(6) Compensation of key management personnel

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	<u>\$ 44,589</u>	<u>\$ 49,261</u>

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

28. ASSETS PLEDGED AS COLLATERAL

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Property, plant and equipment, Net	\$ 203,454	\$ 204,843
Pledged time deposit (Financial assets at amortized cos)	<u>45,593</u>	<u>39,491</u>
	<u>\$ 249,047</u>	<u>\$ 244,334</u>

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- (1) As of December 31, 2023, the Group issued \$87,000 thousand of cashier order for payment guaranteed for Microsoft Taiwan Corporation.
- (2) As of December 31, 2023, the Group issued \$50,000 thousand of cashier order for payment guaranteed for Microsoft Regional Sales Corporation.
- (3) As of December 31, 2023, the Group issued \$2,705 thousand of standby letters of credit through financial institutions for as performance bonds.

30. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

In order to alleviate the use of working capital, strengthen financial structure and better support other capital needs for the Company's long-term operation and development, and in consideration of the timeliness and convenience of the cost of raising funds and introducing strategic partners, the Company passed the resolution of the board of directors on February 27, 2024, that a cash capital increase of private placement of common stocks within the quota of 20,000 shares will be executed.

The targets of this private placement are limited to specific persons who comply with the provisions of relevant laws and regulations such as Article 43-6 of the Securities and Exchange Act and the relevant letters and explanations from the competent authority. This private placement is yet to be approved by the shareholders' meeting expected to be held on May 27, 2024. For relevant information, please refer to the website of "Market Observation Post System" of TWSE.

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

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

December 31, 2023

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 29,272	30.705 (USD:NTD)	\$ <u>898,797</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	32,947	30.705 (USD:NTD)	\$ <u>1,011,638</u>

December 31, 2022

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<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>

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

Foreign Currencies	2023		2022	
	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	31.155 (USD:NTD)	(\$ 434)	29.805 (USD:NTD)	\$ 27,038

32. SEPARATELY DISCLOSED ITEMS

(1) Significant Transactional Items

- A. Financing provided to others: Table 1.
- B. Endorsements/guarantees provided: Table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Table 3.
- D. Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital: Table 4.
- 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 5.

(2) Information on investees: Table 6.

(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 7.
- 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.

33. 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>2023</u>				
Revenues from external customers	\$13,505,567	\$ 415,090	\$ -	\$13,920,657
Inter-segment revenues	<u>-</u>	<u>137,010</u>	<u>(137,010)</u>	<u>-</u>
Segment revenues	<u>\$13,505,567</u>	<u>\$ 552,100</u>	<u>(\$ 137,010)</u>	<u>\$13,920,657</u>
Segment profit	<u>\$ 938,342</u>	<u>\$ 19,169</u>	<u>\$ -</u>	<u>\$ 957,511</u>
General administration division costs and directors' compensation				(166,187)
Non-operating income and expenses				<u>72,102</u>
Profit before income tax				<u>\$ 863,426</u>
<u>2022</u>				
Revenues from external customers	\$12,358,692	\$ 375,691	\$ -	\$12,734,383
Inter-segment revenues	<u>-</u>	<u>138,442</u>	<u>(138,442)</u>	<u>-</u>
Segment revenues	<u>\$12,358,692</u>	<u>\$ 514,133</u>	<u>(\$ 138,442)</u>	<u>\$12,734,383</u>
Segment profit	<u>\$ 790,035</u>	<u>\$ 66,250</u>	<u>\$ -</u>	<u>\$ 856,285</u>
General administration division costs and directors' compensation				(146,371)
Non-operating income and expenses				<u>52,994</u>
Profit before income tax				<u>\$ 762,908</u>

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>2023</u>	<u>2022</u>
IT Infrastructure	\$ 4,002,818	\$ 3,837,346
Network & Information Security	6,234,978	5,577,966
Cloud Platform & Application	2,904,650	2,636,355
Big Data & Application	775,483	674,940
Other	<u>2,728</u>	<u>7,776</u>
	<u>\$ 13,920,657</u>	<u>\$ 12,734,383</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.

	Net revenue from external customers		Non-current Assets	
	2023	2022	December 31, 2023	December 31, 2022
Taiwan	\$ 13,800,677	\$ 12,598,512	\$ 584,237	\$ 339,177
Others	<u>119,980</u>	<u>135,871</u>	<u>745</u>	<u>2,341</u>
	<u>\$ 13,920,657</u>	<u>\$ 12,734,383</u>	<u>\$ 584,982</u>	<u>\$ 341,518</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:

	2023	2022
Kinmax Technology Inc.	<u>\$ 1,739,386</u>	<u>N.A. (Note)</u>

Note: Revenue less 10% of the Group's total revenue.

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEARS ENDED DECEMBER 31, 2023

Table 1

(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 2)	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature for Financing (Note 3)	Transaction Amounts	Reason for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrower (Note 4)	Aggregate Financing Limit (Note 5)	Note
													Item	Value			
0	ZOTC	Zerone Win Investment Co., Ltd.	Other receivables from related parties	Yes	\$ 70,000	\$ 70,000	\$ -	3%	2	\$ -	Operating capital	\$ -	—	\$ -	\$ 413,564	\$ 827,127	
0	ZOTC	WingWill International Co., Ltd.	Other receivables from related parties	Yes	20,000	20,000	-	3%	2	-	Operating capital	-	—	-	413,564	827,127	

Note 1 : The number column is organized as follows :

- (1) Number 0 represents the issuer.
- (2) The investee companies are numbered from 1 in order.

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

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

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

Note 4 : For short-term financing necessities, the financing limit for each borrower shall not exceed 10% of the lender's net worth as stated in its latest financial statement audited or reviewed by CPAs.

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

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEARS ENDED DECEMBER 31, 2023
Table 2

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Endorser/ Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period (Note 4)	Outstanding Endorsement/ Guarantee at the End of the Period (Note 5)	Actual Borrowing Amount (Note 6)	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 7)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent (Note 7)	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China (Note 7)	Note
		Name	Relationship (Note 2)											
0	Zero One Technology Co. Ltd.	Techone (Shanghai) Co., Ltd.	(2)	\$ 413,564	\$ 61,410	\$ 61,410	\$ -	\$ -	1.48	\$ 827,127	Y	N	Y	
0	Zero One Technology Co. Ltd.	TECHONE VIETNAM TECHNOLOGY COMPANY LIMITED	(2)	413,564	61,410	61,410	-	-	1.48	827,127	Y	N	N	
1	Zerone Win Investment Co., Ltd.	WingWill International Co., Ltd.	(2)	36,085	1,700	1,700	1,700	-	0.47	72,171	Y	N	N	

Note 1 : The number column is organized as follows :

- (1) Number 0 represents the issuer.
- (2) The invested companies are numbered sequentially individually starting from Arabic numeral 1.

Note 2 : There are 7 types of relationship between the endorser and the endorsed guarantor, it will be sufficient to just identify which type it is:

- (1) A company which it does business.
- (2) A company in which the public company directly and indirectly holds more than 50 percent of the voting shares.
- (3) A company that directly and indirectly holds more than 50 percent of the voting shares in the public company.
- (4) Companies in which the public company holds, directly or indirectly, 90% or more of the voting shares.
- (5) Companies which provide mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
- (6) Where all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.
- (7) Where companies in the same industry provide among themselves joint and several securities for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3 : The limit of an endorsement/guarantee for a single enterprise is 10% of the net worth of the company providing the endorsement guarantee; the maximum limit of the endorsement guarantee is 20% of the net worth of the company providing the endorsement guarantee.

Note 4 : This refers to the maximum balance of endorsement guarantee for others in the current year

Note 5 : The amount approved by the Board of Directors should be filled in. However, if the board of directors authorizes the chairman of the board to make a decision in accordance with Article 12, Paragraph 8 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, it refers to the amount decided by the chairman of the board.

Note 6 : The actual borrowing amount of the endorsed guarantee company within the range of the balance of the endorsement guarantee should be filled in.

Note 7 : The following groups must be indicated with a 'Y' - those who are endorsed and guaranteed by the listed parent company to its subsidiaries; and subsidiaries being the endorser and guarantor of the listed parent companies, and those endorsed and guaranteed by the mainland China region.

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2023

Table 3

(In Thousands of New Taiwan Dollars)

Holding Company	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Note
				Shares/Units/ Par Value	Carrying Values	Percentage of Ownership (%)	Fair Value	
ZOTC	Beneficiary certificates							
	Taishin 1699 Money Market Fund	—	Financial assets at FVTPL — current	35,885,387	\$ 500,332	-	\$ 500,332	
	Taishin Ta-Chong Money Market Fund	—	Financial assets at FVTPL — current	10,297,883	150,442	-	150,442	
	KGI Kaefer Fund	—	Financial assets at FVTPL — non- current	170,199	4,055	-	4,055	
	KGI Taiwan Multi-Asset Income Fund	—	Financial assets at FVTPL — non- current	1,198,020	13,933	-	13,933	
	KGI Taiwan Select-Asset Income Fund	—	Financial assets at FVTPL — non- current	500,325	5,966	-	5,966	
	Nomura 2026 DM Markets Trigger Maturity Private Placement Bond Fund	—	Financial assets at FVTPL — non- current	100,000	31,537	-	31,537	
	Corporate bonds							
	Chailease Holding Company Limited - 1st convertible bond	—	Financial assets at FVTPL — current	160 (Units)	15,856	-	15,856	
	Giant Manufacturing Co., Ltd. - 1st convertible bond	—	Financial assets at FVTPL — current	70 (Units)	7,259	-	7,259	
	Topco Technologies Corp. - 1st convertible bond	—	Financial assets at FVTPL — current	36 (Units)	3,931	-	3,931	
	Gloria Material Technology Corp. - 7th convertible bond	—	Financial assets at FVTPL — current	60 (Units)	6,399	-	6,399	
	Ennoconn Corporation - 5th convertible bond	—	Financial assets at FVTPL — current	25 (Units)	2,721	-	2,721	
	HD Renewable Energy Co., Ltd. - 1st convertible bond	—	Financial assets at FVTPL — current	25 (Units)	2,910	-	2,910	
	International CSRC Investment Holdings Co. - 3rd convertible bonds	—	Financial assets at FVTPL — current	50 (Units)	5,245	-	5,245	
	TAI-TECH Advanced Electronics Co. Ltd. - 1st convertible bonds	—	Financial assets at FVTPL — current	20 (Units)	2,318	-	2,318	
	Yulon Finance Corporation - 2nd convertible corporate bonds	—	Financial assets at FVTPL — current	100 (Units)	10,170	-	10,170	

(Continued)

Holding Company	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Note
				Shares/Units/ Par Value	Carrying Values	Percentage of Ownership (%)	Fair Value	
ZOTC	Perusahaan Listrik Negara corporate bonds (USD) 5.25%	—	Financial assets at amortized cost — non-current	USD 500,000	\$ 16,874	-	\$ 14,540	
	Perusahaan Listrik Negara corporate bonds (USD) 4.875%	—	Financial assets at amortized cost — non-current	USD 500,000	15,367	-	13,419	
	Southern California Edison corporate bonds (USD)	—	Financial assets at amortized cost — non-current	USD 500,000	16,121	-	12,598	
	British Telecommunications plc corporate bonds (USD)	—	Financial assets at amortized cost — non-current	USD 500,000	15,403	-	12,511	
	TSMC Arizona corporate bonds (USD)	—	Financial assets at amortized cost — non-current	USD 1,000,000	30,288	-	30,102	
	Stock							
	Cathay Financial Holding Co., Ltd. Preferred Shares A	—	Financial assets at FVTPL— non- current	66,000	3,934	-	3,934	
	Union Bank of Taiwan Preferred Shares A	—	Financial assets at FVTPL— non- current	80,000	4,104	-	4,104	
	Sino-American Silicon Products Inc.	—	Financial assets at FVTOCI— current	20,000	3,920	-	3,920	
	K Way Information Corp.	—	Financial assets at FVTOCI— non- current	655,000	20,371	2.14	20,371	
	China Electric Mfg. Corp.	—	Financial assets at FVTOCI— non- current	2,650,200	43,993	0.82	43,993	
	Unex Technology Corp.	—	Financial assets at FVTOCI— non- current	175,000	2,088	1.68	2,088	
	Da-Chang Start-Up Investment Co. Ltd	—	Financial assets at FVTOCI— non- current	3,000,000	30,023	2.73	30,023	
	Cathay Financial Holding Co., Ltd. Preferred Shares A	—	Financial assets at FVTOCI— non- current	134,000	7,986	-	7,986	
	Union Bank of Taiwan Preferred Shares A	—	Financial assets at FVTOCI— non- current	70,000	3,591	-	3,591	
	Fubon Financial Holding Co., Ltd. Preferred Shares B	—	Financial assets at FVTOCI— non- current	385,000	23,062	-	23,062	
	Taishin Financial Holding Co., Ltd. Preferred Shares E	—	Financial assets at FVTOCI— non- current	240,000	12,264	-	12,264	
	CTBC Financial Holding Co., Ltd. Preferred Shares B	—	Financial assets at FVTOCI— non- current	90,000	5,346	-	5,346	
	Cathay Financial Holding Co., Ltd. Preferred Shares B	—	Financial assets at FVTOCI— non- current	230,000	13,731	-	13,731	

(Continued)

Holding Company	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Note
				Shares/Units/ Par Value	Carrying Values	Percentage of Ownership (%)	Fair Value	
ZOTC	WPG Holdings Limited Preferred Shares A	—	Financial assets at FVTOCI – non-current	675,000	\$ 31,725	-	\$ 31,725	
	QST International Corporation Preferred Shares A	—	Financial assets at FVTOCI – non-current	45,000	1,930	-	1,930	
	Taishin Financial Holding Co., Ltd. Exchangeable Preferred Shares F	—	Financial assets at FVTOCI – non-current	1,350,000	22,950	-	22,950	
	Nextlink Technology Co., Ltd.	—	Financial assets at FVTOCI – non-current	1,000,000	75,000	5.00	75,000	
	Duofu Co. Ltd.	—	Financial assets at FVTOCI – non-current	1,000	-	0.05	-	
	Jotangi Technology Co. Ltd.	—	Financial assets at FVTOCI – non-current	796,250	-	9.32	-	
Zerone Win Investment Co., Ltd	Stocks							
	Leukocyte-Lab Co., Ltd. Preferred Stock A	Associate	Financial assets at FVTPL – non-current	600,000	110	-	110	
	WPG Holdings Limited Preferred Stock A	—	Financial assets at FVTOCI – non-current	240,000	11,280	-	11,280	
	Shin Kong Financial Holding Co., Ltd. Preferred Stock A	—	Financial assets at FVTOCI – non-current	50,000	1,432	-	1,432	
	Tatung System Technologies Inc.	—	Financial assets at FVTOCI – non-current	1,500,000	74,100	1.69	74,100	
	Saviah Technologies, Inc. Preferred Stock B	—	Financial assets at FVTOCI – non-current	375,000	14,378	-	14,378	
	GrandTech C.G. Systems Inc.	—	Financial assets at FVTOCI – non-current	74,000	4,899	0.12	4,899	
	FiduciaEdge Technologies Co., Ltd.	—	Financial assets at FVTOCI – non-current	500,000	5,980	3.33	5,980	
	GrandTech Cloud Services Inc.	—	Financial assets at FVTOCI – non-current	872	58	-	58	
	InfinitesSoft Solutions Inc.	—	Financial assets at FVTOCI – non-current	2,780,889	41,713	14.31	41,713	
Petacom Technology Co. Ltd.	Beneficiary certificates Taishin 1699 Money Market Fund	—	Financial assets at FVTPL – current	8,554,586	119,273	-	119,273	

(Continued)

Holding Company	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Note
				Shares/Units/ Par Value	Carrying Values	Percentage of Ownership (%)	Fair Value	
Zotech Co. Ltd.	Stock							
	WPG Holdings Limited Preferred Shares A	—	Financial assets at FVTOCI – non-current	200,000	\$ 9,400	-	\$ 9,400	
	Taishin Financial Holding Exchangeable Preferred Shares F	—	Financial assets at FVTOCI – non-current	340,000	5,780	-	5,780	

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 6 & Table 7.

(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, 2023

Table 4

(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	—	—	47,267,987	\$ 650,654	35,885,387	\$ 500,000	47,267,987	\$ 655,071	\$ 650,000	\$ 5,071	35,885,387	\$ 500,332
	Taishin Ta-Chong Money Market Fund	Financial assets at FVTPL – current	—	—	20,808,963	300,296	30,906,950	450,000	41,418,030	602,367	600,000	2,367	10,297,883	150,442

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, 2023

Table 5

(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	\$ 76,033	Note 5	1%
				Trade receivable	21,453	Note 5	-
0	ZOTC	Petacom Technology Co., Ltd.	1	Sales revenue	6,266	Note 5	-
				Trade receivable	5,044	Note 5	-
0	ZOTC	Techone (Shanghai) Co., Ltd.	1	Sales revenue	18,534	Note 5	-
				Cost of goods sold	21,110	Note 5	-
				Trade receivable	5,909	Note 5	-
				Trade payable	6,485	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 are 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 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, 2023
Table 6

(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses	Investment Amount		As of December 31, 2023			Net Income (Loss) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2023	December 31, 2022	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	\$ 45,463	\$ 1,932	\$ 1,649	Subsidiary
	Zerone Win Investment Co., Ltd.	Taiwan	Investment	300,000	300,000	30,000,000	100.00	360,855	23,715	23,715	Subsidiary
	Asiaone Holdings Ltd.	Republic of Seychelles	Holding company	22,208	10,063	700,000	100.00	27,642	1,891	1,891	Subsidiary
Zerone Win Investment Co., Ltd.	Wing Will International Co., Ltd.	Taiwan	Services of cloud information software	70,899	54,499	45,399,000	90.80	46,998	6,296	5,680	Sub-subsiidiary
	Petacom Technology Co., Ltd.	Taiwan	Services of information product agent	77,545	50,000	10,200,000	51.00	102,389	4,602	4,226	Sub-subsiidiary
	DigiCosmos Tech. Co., Ltd.	Taiwan	Consulting service for information security	25,000	25,000	2,500,000	50.00	28,650	13,962	6,981	Sub-subsiidiary
	TrustONE Security Inc.	Taiwan	R&D, sale and service of information software	9,600	7,200	9,600,000	32.00	2,089	(5,443)	(1,742)	Associate
	Leukocyte-Lab Co. Ltd.	Taiwan	IT Security Mgt& R&D, sales & consulting service etc.	16,500	11,500	340,000	26.56	-	(11,642)	(10,563)	Associate
	InfinitesSoft Solutions Inc.	Taiwan	Software development, and services of information and computer software	-	37,800	-	-	-	3,662	865	Note 2
Asiaone Holdings Ltd.	TECHONE VIETNAM TECHNOLOGY COMPANY LIMITED	Vietnam	Information commodities trading and technical service for network technology	Note 3	-	-	70.00	550	812	568	Sub-subsiidiary

Note 1: Please refer to Table 7 for Information on investment in Mainland China.

Note 2: Since the Group did not participate in the company's cash capital increase, it has lost its significant influence since December 22, 2023, as a result this amount was reclassified as “financial assets at fair value through other comprehensive income.”

Note 3: As of December 31, 2023, the establishment of the company has been completed even though the capital injection has not been completed. The aforementioned procedures were completed in January 2024

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2023

Table 7

(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, 2023	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of 31 December, 2023	Accumulated Repatriation of Investment Income as of 31 December, 2023	Note
					Outward	Inward							
Techone (Shanghai) Co., Ltd.	Information commodities trading and technical service for network technology	\$ 12,981 (RMB 3,000)	(Note 1)	\$ 9,118	\$ -	\$ -	\$ 9,118	\$ 3,086	70%	\$ 2,160	\$ 15,493	\$ -	—

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2023	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	\$ 2,571,958

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, 2023.

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. $(4,286,597 \times 60\% = 2,571,958)$

Note 4 : For foreign currency conversion, gain (loss) are converted by the average exchange rate in 2023. Other amounts are converted into New Taiwan Dollars by the exchange rate on December 31, 2023.

E TECHNOLOGY CO., LTD.
PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE
YEARS ENDED DECEMBER 31, 2023 AND 2022 AND
INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying parent company only financial statements of Zero One Technology Co., Ltd. (the “Company”), which comprise the parent company only balance sheets as of December 31, 2023 and 2022, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2023 and 2022, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's parent company only financial statements for the year ended December 31, 2023 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.
4. Review the occurrence of sales returns, sales discounts and allowances after the period to confirm whether there are any abnormalities.

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

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

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

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

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

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

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

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

(including relevant notes), and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2023 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 Cheng-Hsiu Chang and Pei-De Chen.

Deloitte & Touche

Taipei, Taiwan
Republic of China

February 27, 2024

Notice to Readers

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

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

ZERO ONE TECHNOLOGY CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS

DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 190,974	3	\$ 801,767	10
Financial assets at fair value through profit or loss (Note 7)	707,583	9	996,422	13
Financial assets at fair value through other comprehensive income (Note 8)	3,920	-	2,790	-
Financial assets at amortized cost (Notes 9 and 10)	748,395	10	146,570	2
Notes receivable (Note 11)	169,098	2	319,273	4
Trade receivables (Notes 11 and 26)	3,059,132	40	2,489,921	31
Inventories (Notes 5 and 12)	1,249,707	16	1,945,996	25
Other current assets	33,799	-	29,818	-
Total current assets	<u>6,162,608</u>	<u>80</u>	<u>6,732,557</u>	<u>85</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss (Note 7)	63,529	1	35,146	-
Financial assets at fair value through other comprehensive income (Note 8)	294,060	4	218,861	3
Financial assets at amortized cost (Notes 9, 10 and 27)	129,263	2	129,849	2
Investments accounted for using the equity method (Note 13)	433,960	6	382,156	5
Property, plant and equipment (Notes 14 and 27)	557,717	7	310,439	4
Right-of-use assets (Note 15)	9,148	-	18,220	-
Intangible assets	2,712	-	4,198	-
Deferred tax assets (Note 21)	38,859	-	47,114	1
Prepayments for equipment	300	-	-	-
Refundable deposits	4,140	-	3,316	-
Total non-current assets	<u>1,533,688</u>	<u>20</u>	<u>1,149,299</u>	<u>15</u>
TOTAL	\$ 7,696,296	100	\$ 7,881,856	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Trade payables (Note 26)	\$ 2,960,893	39	\$ 3,300,605	42
Other payables (Notes 16 and 26)	243,488	3	233,505	3
Current tax liabilities	80,070	1	93,531	1
Lease liabilities (Note 15)	6,306	-	9,941	-
Other current liabilities (Note 19)	245,554	3	269,036	4
Total current liabilities	<u>3,536,311</u>	<u>46</u>	<u>3,906,618</u>	<u>50</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Note 21)	7,380	-	4,241	-
Lease liabilities (Note 15)	3,042	-	8,614	-
Net defined benefit liabilities (Note 17)	11,126	-	13,288	-
Guarantee deposit received	2,800	-	800	-
Total non-current liabilities	<u>24,348</u>	<u>-</u>	<u>26,943</u>	<u>-</u>
Total liabilities	<u>3,560,659</u>	<u>46</u>	<u>3,933,561</u>	<u>50</u>
EQUITY (Note 18)				
Common stocks	1,543,687	20	1,530,317	19
Additional paid-in capital	1,248,647	16	1,240,628	16
Retained earnings				
Legal reserve	382,868	5	322,518	4
Unappropriated earnings	906,406	12	828,494	11
Total retained earnings	<u>1,289,274</u>	<u>17</u>	<u>1,151,012</u>	<u>15</u>
Other equity	54,029	1	26,338	-
Total equity	<u>4,135,637</u>	<u>54</u>	<u>3,948,295</u>	<u>50</u>
TOTAL	\$ 7,696,296	100	\$ 7,881,856	100

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

ZERO ONE TECHNOLOGY CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 19 and 26)	\$ 13,510,579	100	\$ 12,363,039	100
OPERATING COSTS (Notes 12 and 26)	<u>11,995,269</u>	<u>89</u>	<u>10,999,386</u>	<u>89</u>
GROSS PROFIT	<u>1,515,310</u>	<u>11</u>	<u>1,363,653</u>	<u>11</u>
OPERATING EXPENSES (Notes 17 and 20)				
Selling and marketing expenses	584,055	5	528,509	5
General and administrative expenses	146,413	1	132,444	1
Research and development expenses	13,207	-	9,573	-
Expected credit impairment loss (Note 11)	<u>12,630</u>	<u>-</u>	<u>12,543</u>	<u>-</u>
Total operating expenses	<u>756,305</u>	<u>6</u>	<u>683,069</u>	<u>6</u>
PROFIT FROM OPERATIONS	<u>759,005</u>	<u>5</u>	<u>680,584</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 26)	40,488	1	22,834	-
Other income (Note 26)	8,022	-	11,886	-
Other gains and losses (Note 20)	16,079	-	26,053	1
Finance costs	(128)	-	(1,059)	-
Expected credit impairment losses (Notes 9 and 10))	(953)	-	-	-
Share of profit or loss of subsidiaries accounted for using the equity method	<u>27,255</u>	<u>-</u>	<u>16,385</u>	<u>-</u>
Total non-operating income and expenses	<u>90,763</u>	<u>1</u>	<u>76,099</u>	<u>1</u>

(Continued)

	2023		2022	
	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX	\$ 849,768	6	\$ 756,683	6
INCOME TAX EXPENSE (Note 21)	<u>158,251</u>	<u>1</u>	<u>143,103</u>	<u>1</u>
NET PROFIT	<u>691,517</u>	<u>5</u>	<u>613,580</u>	<u>5</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(772)	-	4,151	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	15,505	-	(31,230)	-
Share of other comprehensive income (loss) of subsidiaries accounted for using the equity method	13,013	-	(15,819)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	154	-	(830)	-
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive income (loss) of subsidiaries accounted for using the equity method	(302)	-	161	-
Other comprehensive income for the year, net of income tax	<u>27,598</u>	<u>-</u>	<u>(43,567)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ <u>719,115</u>	<u>5</u>	\$ <u>570,013</u>	<u>5</u>
EARNINGS PER SHARE (Note 22)				
Basic	\$ <u>4.50</u>		\$ <u>4.03</u>	
Diluted	\$ <u>4.46</u>		\$ <u>3.96</u>	

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

ZERO ONE TECHNOLOGY CO., LTD.

**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

	Share Capital			Retained Earnings			Other Equity				Total Equity
	Shares		Additional Paid-in Capital	Legal Reserve	Unappropriated		Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Comprehensive Income	Unearned Employee Benefits	Total	
	(In Thousand)	Issued Capital			Earnings	Total					
BALANCE, JANUARY 1, 2022	151,971	\$ 1,519,707	\$ 1,234,325	\$ 263,963	\$ 831,516	\$ 1,095,479	\$ 6	\$ 60,747	(\$ 2,071)	\$ 58,682	\$ 3,908,193
Appropriation of the 2021 earnings											
Legal reserve	-	-	-	58,555	(58,555)	-	-	-	-	-	-
Cash dividends -NT \$3.6 per share	-	-	-	-	(547,962)	(547,962)	-	-	-	-	(547,962)
Net profit for the year ended December 31, 2022	-	-	-	-	613,580	613,580	-	-	-	-	613,580
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	3,321	3,321	161	(47,049)	-	(46,888)	(43,567)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	616,901	616,901	161	(47,049)	-	(46,888)	570,013
Changes in equity of associates accounted for using equity method	-	-	1,027	-	-	-	-	-	-	-	1,027
Changes in ownership interests of subsidiaries	-	-	-	-	(439)	(439)	-	-	-	-	(439)
Share based payment transaction – employee restricted shares	-	-	-	-	-	-	-	-	1,577	1,577	1,577
Share based payment transaction – employee stock options	-	-	823	-	-	-	-	-	-	-	823
Issuance of common stocks under employee stock options	1,061	10,610	4,453	-	-	-	-	-	-	-	15,063
Disposals of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	(12,967)	(12,967)	-	12,967	-	12,967	-
BALANCE, DECEMBER 31, 2022	153,032	1,530,317	1,240,628	322,518	828,494	1,151,012	167	26,665	(494)	26,338	3,948,295
Appropriation of the 2022 earnings											
Legal reserve	-	-	-	60,350	(60,350)	-	-	-	-	-	-
Cash dividends – NT \$3.6 per share	-	-	-	-	(551,080)	(551,080)	-	-	-	-	(551,080)
Net profit for the year ended December 31, 2023	-	-	-	-	691,517	691,517	-	-	-	-	691,517
Other comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	(618)	(618)	(302)	28,518	-	28,216	27,598
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	690,899	690,899	(302)	28,518	-	28,216	719,115
Changes in equity of associates accounted for using equity method	-	-	1,813	-	(2,576)	(2,576)	-	-	-	-	(763)
Changes in percentage of ownership interests in subsidiaries	-	-	456	-	-	-	-	-	-	-	456
Share based payment transaction – employee restricted shares	-	-	-	-	-	-	-	-	494	494	494
Issuance of common stocks under employee stock options	1,337	13,370	5,656	-	-	-	-	-	-	-	19,026
Exercise of right of disgorgement	-	-	94	-	-	-	-	-	-	-	94
Disposals of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	1,019	1,019	-	(1,019)	-	(1,019)	-
BALANCE, DECEMBER 31, 2023	<u>154,369</u>	<u>\$ 1,543,687</u>	<u>\$ 1,248,647</u>	<u>\$ 382,868</u>	<u>\$ 906,406</u>	<u>\$ 1,289,274</u>	<u>(\$ 135)</u>	<u>\$ 54,164</u>	<u>\$ -</u>	<u>\$ 54,029</u>	<u>\$ 4,135,637</u>

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

ZERO ONE TECHNOLOGY CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 849,768	\$ 756,683
Adjustments for:		
Depreciation expenses	27,212	26,739
Amortization expenses	1,978	1,177
Expected credit impairment loss	13,583	12,543
Net (gain) loss on fair value change of financial assets at fair value through profit or loss	(16,352)	338
Finance costs	128	1,059
Interest income	(40,488)	(22,834)
Dividend income	(6,475)	(8,433)
Compensation costs of employee stock options	494	2,400
Share of gain of subsidiaries accounted for using the equity method	(27,255)	(16,385)
(Reversal of) write-down of inventories	(24,002)	37,613
Gain on lease modification	(25)	(1)
Net gain on foreign currency exchange	(33,398)	(51,720)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	276,808	(662,851)
Notes receivable	150,175	(30,563)
Trade receivables	(584,978)	35,660
Inventories	716,688	(371,723)
Other current assets	13,706	1,607
Trade payables	(311,817)	341,068
Other payables	9,895	(23,092)
Other current liabilities	(23,482)	(40,820)
Net defined benefit liabilities	(2,934)	(1,785)
Cash generated from (used in) operations	989,229	(13,320)
Income tax paid	(160,164)	(149,342)
Net cash generated from (used in) operating activities	<u>829,065</u>	<u>(162,662)</u>

(Continued)

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(\$ 75,000)	(\$ 40,988)
Proceeds from sale of financial assets at fair value through other comprehensive income	14,176	28,682
Purchase of financial assets at amortized cost	(780,911)	(1,261,282)
Disposal of financial assets at amortized cost	178,733	1,931,038
Acquisition of investments accounted for using the equity method	(12,145)	-
Payments for property, plant and equipment	(261,617)	(4,112)
Increase in refundable deposits	(824)	-
Decrease in refundable deposits	-	3,503
Decrease in other receivables-related parties	-	5,000
Payments for intangible assets	-	(2,150)
Increase in Prepayment for equipment	(300)	-
Interest received	22,770	21,580
Other dividends received	<u>6,475</u>	<u>8,433</u>
Net cash (used in) generated from investing activities	<u>(908,643)</u>	<u>689,704</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in refundable deposits	2,000	-
Repayment of principal portion of lease liabilities	(9,872)	(9,633)
Dividends paid	(551,080)	(547,962)
Exercise of employee stock options	19,026	15,063
Interest paid	(128)	(1,059)
Exercise of right of disgorgement	<u>94</u>	<u>-</u>
Net cash used in financing activities	<u>(539,960)</u>	<u>(543,591)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>8,745</u>	<u>34,537</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		
	(610,793)	17,988
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		
	<u>801,767</u>	<u>783,779</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
	<u>\$ 190,974</u>	<u>\$ 801,767</u>
The accompanying notes are an integral part of the parent company only financial statements. (Concluded)		

ZERO ONE TECHNOLOGY CO., LTD.
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. GENERAL

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

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

2. THE DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying parent company only financial statements were approved by the Board of Directors and issued on February 27, 2024.

3. APPLICATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

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

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

(2) The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2024

<u>New / Revised / Amended Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
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
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

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.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

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

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

<u>New / Revised / Amended Standards and Interpretations</u>	<u>Effective Date Announced by the IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
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 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

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: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

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

(2) Basis of preparation

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

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

(4) Foreign currencies

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

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

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

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

(5) Inventories

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

(6) Investment in subsidiaries

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

Subsidiaries are the entities controlled by the Company.

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

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

(7) Property, plant and equipment

Property, plant and equipment are recognized at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

Except self-owned land which is not recognized in depreciation, the depreciation of the remaining items of property, plant and equipment 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 estimates accounted for on a prospective basis.

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

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

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

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

(9) Financial instruments

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

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

A. Financial assets

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

a. Measurement category

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

(a) Financial assets at FVTPL

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

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

(b) Financial assets at amortized cost

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

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

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

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

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

(c) Investments in equity instruments at FVTOCI

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

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

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

b. Impairment of financial assets

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

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

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

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

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

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

c. De-recognition of financial assets

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

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

B. Equity Instruments

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

C. Financial liabilities

a. Subsequent measurement

Except for financial liabilities held for trading and measured at fair value through profit or loss, all financial liabilities are measured at amortized cost using the effective interest method.

b. De-recognition of financial liabilities

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

(10) Revenue recognition

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

Revenue from sale of goods

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

(11) Leases

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

A. The Company as lessor

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

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

B. The Company as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease

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

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

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

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

(12) Costs of loans

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

(13) Employee benefit

A. Short-term employee benefits.

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

B. Retirement benefits

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

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

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

(14) Share-based payment arrangements

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

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

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

(15) Taxation

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

A. Current tax

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

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

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

B. Deferred tax

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

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

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

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

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

C. Current and deferred tax for the year

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

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

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

When developing significant accounting estimates, the Company will take into account various possible impacts on cash flow estimates, growth rates, discount rates, profitability and other related major estimates. Management will continue to review estimates and basic assumptions.

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, 2023	December 31, 2022
Cash on hand and revolving funds	\$ 170	\$ 121
Checking accounts and demand deposits	142,290	165,680
Cash equivalents		
Time deposits	48,514	214,830
Repurchase agreements collateralized by bonds	-	421,136
	<u>\$ 190,974</u>	<u>\$ 801,767</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, 2023	December 31, 2022
Demand deposits	0.455%~0.58%	0.330%~0.455%
Time deposits	5.51%	4.39%~4.45%
Repurchase agreements collateralized by bonds	-	4.10%~4.30%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2023	December 31, 2022
<u>Financial assets – current</u>		
Mandatorily measured at FVTPL		
Domestic convertible bonds	\$ 56,809	\$ 39,885
Domestic listed common stocks	-	5,587
Fund beneficiary certificates	650,774	950,950
	<u>\$ 707,583</u>	<u>\$ 996,422</u>
<u>Financial assets – non-current</u>		
Mandatorily measured at FVTPL		
Domestic listed preference shares	\$ 8,038	\$ 13,532
Fund beneficiary certificates	55,491	21,614
	<u>\$ 63,529</u>	<u>\$ 35,146</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in equity instruments

	December 31, 2023	December 31, 2022
<u>Current</u>		
Domestic investment		
Listed common stocks	\$ 3,920	\$ 2,790
<u>Non-current</u>		
Domestic investment		
Listed common stocks	\$ 64,364	\$ 53,673
Listed preference shares	122,585	133,796
Unlisted shares	107,111	31,392
	<u>\$ 294,060</u>	<u>\$ 218,861</u>

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

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31, 2023	December 31, 2022
<u>Current</u>		
Domestic investment		
Time deposits with original maturities of more than three months (1)	\$ 625,575	\$ 146,570
Repurchase agreements collateralized by bonds (2)	<u>122,820</u>	<u>-</u>
	<u>\$ 748,395</u>	<u>\$ 146,570</u>
<u>Non-current</u>		
Domestic investment		
Pledged time deposit (3)	\$ 35,210	\$ 34,857
Foreign investment		
Perusahaan Listrik Negara corporate bond (USD) (4)	32,519	32,584
Southern California Edison corporate bond (USD) (5)	16,626	16,664
British Telecommunications plc corporate bond (USD) (6)	15,573	15,580
TSMC Arizona corporate bond (USD) (7)	<u>30,288</u>	<u>30,164</u>
	130,216	129,849
Less: Impairment loss	(<u>953</u>)	<u>-</u>
	<u>\$ 129,263</u>	<u>\$ 129,849</u>

(1) As of December 31, 2023 and 2022 the market interest rate intervals of time deposit over 3 months portion were 1.45%~5.57% and 0.785%~1.44%, respectively.

(2) As of December 31, 2023, the market interest rate of repurchase agreements collateralized by bonds over 3 months portion was 5.00%.

(3) Please refer to Note 27 for more details on financial assets at amortized cost under pledge.

(4) The Company purchased Perusahaan Listrik Negara corporate bond (USD) by USD 505 thousand with a coupon rate of 4.875% and USD 559 thousand with a coupon rate of 5.25%, in January 2022 and May 2021, respectively.

(5) The Company purchased Southern California Edison corporate bond (USD) by USD 544 thousand with a coupon rate of 4% in January 2022.

(6) The Company purchased British Telecommunications plc corporate bond (USD) by USD 508 thousand with a coupon rate of 4.25% in February 2022.

(7) The Company purchased TSMC Arizona corporate bond (USD) by USD 982 thousand with a coupon rate of 3.875% in December 2022.

(8) 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

	December 31, 2023	December 31, 2022
Gross Carrying Amount	\$ 878,611	\$ 276,419
Less: Impairment Loss	(953)	-
Amortized Cost	<u>\$ 877,658</u>	<u>\$ 276,419</u>

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

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

The Company assesses the information of investment risk provided by external rating agencies and evaluates the 12-month expected credit loss or lifetime expected credit loss.

11. NOTES, TRADE AND OVERDUE RECEIVABLE

	December 31, 2023	December 31, 2022
Measured at amortized cost		
Notes receivable	\$ 169,098	\$ 319,273
Trade receivable	3,082,198	2,505,906
Overdue receivable	5,549	1,309
Less: Allowances for impairment loss - trade receivable	(23,066)	(15,985)
Less: Allowances for impairment loss - overdue receivable	(5,549)	(1,309)
	<u>\$ 3,228,230</u>	<u>\$ 2,809,194</u>

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

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

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

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

The following table details the loss allowance of trade receivable:

December 31, 2023

	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	\$ 3,225,188	\$ 4,823	\$ 2,513	\$ 13,153	\$ 11,168	\$ 3,256,845
Loss allowance (Lifetime ECLs)	(8,430)	(1,556)	(785)	(6,676)	(11,168)	(28,615)
Amortized cost	<u>\$ 3,216,758</u>	<u>\$ 3,267</u>	<u>\$ 1,728</u>	<u>\$ 6,477</u>	<u>\$ -</u>	<u>\$ 3,228,230</u>

December 31, 2022

	Not Past Due	1-30 Days Past Due	31-60 Days Past Due	61-90 Days Past Due	More Than 90 Days Past Due	Total
Gross carrying amount	\$ 2,778,104	\$ 11,597	\$ 27,523	\$ 7,493	\$ 1,771	\$ 2,826,488
Loss allowance (Lifetime ECLs)	(5,109)	(2,332)	(5,594)	(2,488)	(1,771)	(17,294)
Amortized cost	<u>\$ 2,772,995</u>	<u>\$ 9,265</u>	<u>\$ 21,929</u>	<u>\$ 5,005</u>	<u>\$ -</u>	<u>\$ 2,809,194</u>

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

	2023	2022
Balance at January 1	\$ 17,294	\$ 4,751
Add: Net remeasurement of loss allowance	12,630	12,543
Less: Amounts written off	(1,309)	-
Balance at December 31	<u>\$ 28,615</u>	<u>\$ 17,294</u>

12. INVENTORIES

	December 31, 2023	December 31, 2022
Commodities	<u>\$ 1,249,707</u>	<u>\$ 1,945,996</u>

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

	2023	2022
Cost of inventories sold	\$ 12,019,271	\$ 10,961,773
(Reversal of) write-down of inventories	(24,002)	37,613
	<u>\$ 11,995,269</u>	<u>\$ 10,999,386</u>

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in subsidiaries

	December 31, 2023	December 31, 2022
Zotech Co., Ltd.	\$ 45,463	\$ 44,199
Zerone Win Investment Co., Ltd.	360,855	324,049
Asiaone Holdings Ltd.	<u>27,642</u>	<u>13,908</u>
	<u>\$ 433,960</u>	<u>\$ 382,156</u>

Name of subsidiaries	Percentage of owners' equity and voting right	
	December 31, 2023	December 31, 2022
Zotech Co., Ltd.	85.37%	85.37%
Zerone Win Investment Co., Ltd.	100.00%	100.00%
Asiaone Holdings Ltd.	100.00%	100.00%

The Company participated in a cash capital increase of \$12,145 thousand in Asiaone Holdings Ltd. in September 2023. The shareholding ratio remained unchanged after the capital increase.

14. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and equipment	Office equipment	Delivery equipment	Other equipment	Total
<u>Cost</u>							
Balance at January 1, 2022	\$ 234,892	\$ 128,185	\$ 6,930	\$ 45,182	\$ 2,458	\$ 34,984	\$ 452,631
Additions	-	-	-	4,112	-	-	4,112
Disposals	-	-	(461)	(651)	-	-	(1,112)
Reclassification	-	-	-	807	-	6,718	7,525
Balance at December 31, 2022	<u>\$ 234,892</u>	<u>\$ 128,185</u>	<u>\$ 6,469</u>	<u>\$ 49,450</u>	<u>\$ 2,458</u>	<u>\$ 41,702</u>	<u>\$ 463,156</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2022	\$ -	\$ 75,298	\$ 6,930	\$ 36,014	\$ 1,968	\$ 16,518	\$ 136,728
Disposals	-	-	(461)	(651)	-	-	(1,112)
Depreciation	-	1,817	-	5,700	490	9,094	17,101
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 77,115</u>	<u>\$ 6,469</u>	<u>\$ 41,063</u>	<u>\$ 2,458</u>	<u>\$ 25,612</u>	<u>\$ 152,717</u>
Carrying amounts at December 31, 2022	<u>\$ 234,892</u>	<u>\$ 51,070</u>	<u>\$ -</u>	<u>\$ 8,387</u>	<u>\$ -</u>	<u>\$ 16,090</u>	<u>\$ 310,439</u>
<u>Cost</u>							
Balance at January 1, 2023	\$ 234,892	\$ 128,185	\$ 6,469	\$ 49,450	\$ 2,458	\$ 41,702	\$ 463,156
Additions	235,967	20,300	-	4,476	-	874	261,617
Disposals	-	-	(146)	(1,883)	-	-	(2,029)
Reclassification	-	-	-	1,908	-	1,203	3,111
Balance at December 31, 2023	<u>\$ 470,859</u>	<u>\$ 148,485</u>	<u>\$ 6,323</u>	<u>\$ 53,951</u>	<u>\$ 2,458</u>	<u>\$ 43,779</u>	<u>\$ 725,855</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2023	\$ -	\$ 77,115	\$ 6,469	\$ 41,063	\$ 2,458	\$ 25,612	\$ 152,717
Disposals	-	-	(146)	(1,883)	-	-	(2,029)
Depreciation	-	2,337	-	6,096	-	9,017	17,450
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 79,452</u>	<u>\$ 6,323</u>	<u>\$ 45,276</u>	<u>\$ 2,458</u>	<u>\$ 34,629</u>	<u>\$ 168,138</u>
Carrying amounts at December 31, 2023	<u>\$ 470,859</u>	<u>\$ 69,033</u>	<u>\$ -</u>	<u>\$ 8,675</u>	<u>\$ -</u>	<u>\$ 9,150</u>	<u>\$ 557,717</u>

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

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

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

15. LEASE ARRANGEMENTS

(1) Right-of-use assets

	December 31, 2023	December 31, 2022
Carrying amounts of right-of-use assets		
Buildings	<u>\$ 9,148</u>	<u>\$ 18,220</u>
	<u>2023</u>	<u>2022</u>
Additions to right-of-use assets	<u>\$ 1,381</u>	<u>\$ 16,727</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 9,762	\$ 9,565
Office equipment	<u>-</u>	<u>73</u>
	<u>\$ 9,762</u>	<u>\$ 9,638</u>

(2) Lease liabilities

	December 31, 2023	December 31, 2022
Carrying amounts of lease liabilities		
Current	\$ 6,306	\$ 9,941
Non-current	\$ 3,042	\$ 8,614

Range of discount rate for lease liabilities was as follows:

	December 31, 2023	December 31, 2022
Buildings	0.75%~1.00%	0.75%~1.20%

(3) Other lease information

	2023	2022
Expenses relating to short-term leases	\$ 63	\$ 146
Expenses relating to low-value asset leases	\$ 211	\$ 149
Total cash (outflow) for leases	(\$ 10,274)	(\$ 10,100)

16. OTHER PAYABLE

	December 31, 2023	December 31, 2022
Salaries and bonuses payable	\$ 124,182	\$ 115,468
Compensation of employees and directors payable	40,000	36,000
Tax Payable	17,894	14,212
Others	61,412	67,825
	\$ 243,488	\$ 233,505

17. RETIREMENT BENEFIT PLANS

(1) Defined contribution plans

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

(2) Defined benefit plans

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

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

	December 31, 2023	December 31, 2022
Present value of defined benefit obligation	\$ 55,345	\$ 60,586
Fair value of plan assets	(44,219)	(47,298)
Net defined benefit liability	\$ 11,126	\$ 13,288

Movements in net defined benefit liabilities were as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability/assets
Balance at January 1, 2022	\$ 61,127	(\$ 41,903)	\$ 19,224
Interest expense (income)	382	(268)	114
Recognized in profits or losses	382	(268)	114
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	910	-	910
Recognized in other comprehensive income	(923)	(3,228)	(4,151)
Contribution from employer	-	(1,899)	(1,899)
Balance at December 31, 2022	\$ 60,586	(\$ 47,298)	\$ 13,288
Balance at January 1, 2023	\$ 60,586	(\$ 47,298)	\$ 13,288
Interest expense (income)	704	(550)	154
Recognized in profits or losses	704	(550)	154
Remeasurements			
Return on plan assets (excluding amounts included in interest, net)	-	(433)	(433)
Actuarial loss arising from experience adjustments	1,205	-	1,205
Recognized in other comprehensive income	1,205	(433)	772
Contribution from employer	-	(1,788)	(1,788)
Benefit Payments	(7,150)	5,850	(1,300)
Balance at December 31, 2023	\$ 55,345	(\$ 44,219)	\$ 11,126

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

	2023	2022
Selling and marketing expenses	\$ 67	\$ 58
General and administrative expenses	87	56
	\$ 154	\$ 114

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

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

C. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31, 2023	December 31, 2022
Discount rate	1.25%	1.25%
Future salary increase rate	3.00%	3.00%

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

	December 31, 2023	December 31, 2022
Discount rate		
increases by 0.25%	(\$ 1,048)	(\$ 1,151)
decreases by 0.25%	\$ 1,079	\$ 1,186
Future salary increase rate		
increases by 0.25%	\$ 1,044	\$ 1,148
decreases by 0.25%	(\$ 1,019)	(\$ 1,119)

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

	December 31, 2023	December 31, 2022
Contribution amounts within 1 year	\$ 1,842	\$ 1,956
Average duration of the defined benefit obligation	7.7 Years	7.7 Years

18. EQUITY

(1) Common stocks

	December 31, 2023	December 31, 2022
Authorized shares (in thousands)	200,000	200,000
Authorized capital	\$ 2,000,000	\$ 2,000,000
Issued and paid shares (in thousands)	154,369	153,032
Issued capital	\$ 1,543,687	\$ 1,530,317

The change in the Company's share capital is mainly due to the exercise of employee stock options.

(2) Additional paid-in capital

	December 31, 2023	December 31, 2022
<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	\$ 1,169,944	\$ 1,164,288
Treasury stock transactions	25,343	25,343
From exercised and invalid employees stock options	37,472	28,456
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	8,426	6,712
<u>May be used to offset a deficit only</u>		
Recognized changes in equities of subsidiaries	456	-
Share of changes in equities of associates	2840	1,027
Exercise of right of disgorgement	94	-
<u>May not be used for any purpose</u>		
Employees restricted shares	-	1,714
Employees stock options	4,004	13,020
	<u>\$ 1,248,647</u>	<u>\$ 1,240,628</u>

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

(3) Retained earnings and dividend policy

Under the dividends policy as set forth in the Articles of Incorporation, where ZOTC earns profits in a fiscal year, such profit shall first be set aside to pay applicable taxes, offset losses of previous years, then set aside 10% for legal reserve, and also set aside or reverse a special reserve in accordance with the laws and regulations. Should there be any remaining profits, those profits, plus the accumulated undistributed retained earnings from the previous year shall be used first by ZOTC's board of directors as the basis for proposing a distribution plan of dividends for preferred shares for the same year, any further remaining unappropriated earnings after the distribution of dividends of preferred shares shall be distributed in accordance with the proposal submitted by the board of directors, for approval at the shareholders' meeting. The distributable dividends and bonuses may be paid in cash after a supermajority resolution of the board of directors, which shall be submitted to the shareholders' meeting. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors, refer to employees' compensation and remuneration of directors in Note 20 (4).

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

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

The appropriations of 2022 and 2021 earnings were as follows:

	For Fiscal Year 2022	For Fiscal Year 2021
Legal reserve	<u>\$ 60,350</u>	<u>\$ 58,555</u>
Cash dividends	<u>\$ 551,080</u>	<u>\$ 547,962</u>
Cash dividends per share (\$)	<u>\$ 3.6</u>	<u>\$ 3.6</u>

The above appropriations of earnings have been approved by ZOTC's board of directors on February 21, 2023 and February 23, 2022. The remaining appropriations of earnings were approved by shareholder's meeting held on May 30, 2023 and May 26, 2022, respectively.

The appropriations of earnings for 2023 have been proposed by ZOTC's board of directors on February 27, 2024. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (\$)
Legal reserve	\$ 68,934	
Cash dividends	618,429	\$ 4.0

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 27, 2024.

19. REVENUE

(1) Income from contracts with clients

	2023	2022
Sales revenue	\$ 13,402,569	\$ 12,277,629
Service revenue	108,010	85,410
	<u>\$ 13,510,579</u>	<u>\$ 12,363,039</u>

(2) Remaining balance of the contracts

	December 31, 2023	December 31, 2022
Notes receivable (Note 11)	\$ 169,098	\$ 319,273
Trade receivable (Note 11)	\$ 3,059,132	\$ 2,489,921
Contract liability (Other current liabilities)	\$ 36,482	\$ 26,246

20. NET INCOME

(1) Other Gains and losses

	2023	2022
Net gain (loss) arising on financial assets measured at FVTPL	\$ 16,352	(\$ 338)
Net foreign exchange (loss) gain	(298)	26,390
Gain on lease modification	25	1
	<u>\$ 16,079</u>	<u>\$ 26,053</u>

(2) Depreciation & amortization

	2023	2022
Property, plant and equipment	\$ 17,450	\$ 17,101
Right-of-use assets	9,762	9,638
Intangible assets	1,978	1,177
	<u>\$ 29,190</u>	<u>\$ 27,916</u>
An analysis of depreciation by function		
Operating expenses	\$ 27,212	\$ 26,739
An analysis of amortization by function		
Operating expenses	\$ 1,978	\$ 1,177

(3) Employee benefits expense

	2023	2022
Post-employment benefits		
Defined contribution plans	\$ 14,279	\$ 12,409
Defined benefit plans (Note 17)	154	114
	<u>14,433</u>	<u>12,523</u>

(Continued)

	2023	2022
Share-based payment		
Equity-settled (Note 23)	494	2,400
Other employee benefits		
Salaries expense	435,198	389,469
Others	63,620	53,176
	498,818	442,645
Total employee benefits expense	\$ 513,745	\$ 457,568
Employee benefits expense summarized by function		
Operating expenses	\$ 513,745	\$ 457,568

(Concluded)

(4) Compensation for employees and remuneration of directors

ZOTC shall allocate compensation to employees and Directors of ZOTC not less than 1%~15% and not more than 3% of surplus earnings during the period, respectively, and the amount of employees' and Directors' compensation for the years ended December 31, 2023 and 2022, with resolution of the board of directors on February 27, 2024 and February 21, 2023, were as follows:

Estimate Rate

	2023	2022
Compensation of employee	3.0%	3.0%
Compensation of director	1.5%	1.5%

Amount

	2023	2022
	Cash	Cash
Compensation of employee	\$ 27,000	\$ 24,000
Compensation of director	13,000	12,000

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

The distribution amount of employees' and director's compensation in 2022, and 2021 has no difference compared to the recognized amount of the parent company only financial statements in 2022 and 2021.

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

21. INCOME TAXES

(1) Income tax recognized in profit or loss

The major components of income tax expenses were as follows:

	2023	2022
Current tax		
In respect of the current year	\$ 154,466	\$ 154,715
Surtax on undistributed retained earnings		
Adjustments for previous years	(7,763)	(8,212)
	146,703	146,503
Deferred tax		
In respect of the current year	11,548	(3,400)
Income tax expense recognized in profit or loss	\$ 158,251	\$ 143,103

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

	<u>2023</u>	<u>2022</u>
Profit before income tax	\$ 849,768	\$ 756,683
Income tax expense calculated at the statutory rate	\$ 169,954	\$ 151,337
Tax-exempt income	(3,303)	(2,946)
Tax effect of expenses not deductible for tax	9,989	7,424
Investment tax credits	(4,500)	(4,500)
The adjustment of current income tax expenses for previous years	(7,763)	(8,212)
Others	(6,126)	-
Total income tax expense recognized in profit or loss	\$ 158,251	\$ 143,103

(2) Deferred tax balances

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

2023

	<u>Beginning Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in Other Comprehensive Income</u>	<u>Ending Balance</u>
<u>Deferred tax assets</u>				
<u>Temporary differences</u>				
Allowance for inventory valuation losses	\$ 39,836	(\$ 4,800)	\$ -	\$ 35,036
Defined benefit plans	2,658	(587)	154	2,225
Others	4,620	(3,022)	-	1,598
	<u>\$ 47,114</u>	<u>(\$ 8,409)</u>	<u>\$ 154</u>	<u>\$ 38,859</u>
<u>Deferred tax liabilities</u>				
<u>Temporary differences</u>				
Unrealized foreign exchange gains	\$ 3,402	\$ 2,761	\$ -	\$ 6,163
Others	839	378	-	1,217
	<u>\$ 4,241</u>	<u>\$ 3,139</u>	<u>\$ -</u>	<u>\$ 7,380</u>

2022

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

(3) Income tax assessment

The Company's tax returns through 2021 had been assessed by the tax authorities.

22. EARNINGS PER SHARE

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

Net Profit for the Year

	<u>2023</u>	<u>2022</u>
Earnings used in the computation of basic/diluted earnings per share	<u>\$ 691,517</u>	<u>\$ 613,580</u>

Shares

Units: Thousand shares

	<u>2023</u>	<u>2022</u>
Weighted average number of common stocks used in the computation of basic earnings per share	153,577	152,325
Effect of potentially dilutive common stocks :		
Employees' compensation	483	693
Employee stock options	1,019	1,566
Employee restricted shares	<u>77</u>	<u>232</u>
Weighted average number of common stocks outstanding in computation of diluted earnings per share	<u>155,156</u>	<u>154,816</u>

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

23. SHARE-BASED PAYMENT ARRANGEMENTS

(1) Employee stock option plan

In September 2016, January 2018, and September 2018, 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 common stocks 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 common stocks on the grant date. For any subsequent changes in the Company's common stocks, the exercise price of options will be adjusted by the regulated formula, accordingly.

Information about employee stock options was as follows:

	<u>2023</u>		<u>2022</u>	
	Number of Options (In Thousands)	Weighted Average Exercise Price (\$)	Number of Options (In Thousands)	Weighted Average Exercise Price (\$)
Employee stock options				
Balance, begin of period	1,973	\$ 15.15	3,034	\$ 15.93
Options exercised	(1,337)	14.23	(1,061)	14.20
Balance, end of period	<u>636</u>	14.24	<u>1,973</u>	15.15
Options exercisable, end of the period	<u>636</u>		<u>1,973</u>	

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

December 31, 2023		December 31, 2022	
Range of Exercise Price (\$)	Weighted-Over-Age Remaining Contractual Life (Years)	Range of Exercise Price (\$)	Weighted-Over-Age Remaining Contractual Life (Years)
\$ 13.20 (Note)	0.01	\$ 14.20 (Note)	1.01
14.40 (Note)	0.67	15.50 (Note)	1.67

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

The Company adopted binomial option pricing model to evaluate inputs of stock options in September 2018 and January 2018 as follows:

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

The compensation cost recognized was \$823 thousand for the year ended December 31, 2022.

(2) Employee restricted shares

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

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

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

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

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

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

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

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

Compensation costs by issuance of employee restricted shares recognized were \$494 thousand and \$1,577 thousand in 2023 and 2022 respectively.

24. CAPITAL RISK MANAGEMENT

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

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

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

25. FINANCIAL INSTRUMENTS

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

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

	December 31, 2023		December 31, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial Assets</u>				
Measured at amortized cost				
— Foreign corporate bonds	\$ 94,053	\$ 83,170	\$ 94,992	\$ 77,938

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

A. Fair value hierarchy

December 31, 2023

	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at</u>				
<u>FVTPL</u>				
Domestic convertible bonds	\$ 56,809	\$ -	\$ -	\$ 56,809
Domestic listed shares	8,038	-	-	8,038
Fund beneficiary certification	664,707	-	41,558	706,265
Total	\$ 729,554	\$ -	\$ 41,558	\$ 771,112

Financial assets measured at

FVTOCI

Equity investments				
— Domestic listed shares	\$ 190,869	\$ -	\$ -	\$ 190,869
— Domestic unlisted shares	-	-	107,111	107,111
Total	\$ 190,869	\$ -	\$ 107,111	\$ 297,980

December 31, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at</u>				
<u>FVTPL</u>				
Domestic convertible bonds	\$ 39,885	\$ -	\$ -	\$ 39,885
Domestic listed shares	19,119	-	-	19,119
Fund beneficiary certification	963,373	-	9,191	972,564
Total	\$1,022,377	\$ -	\$ 9,191	\$1,031,568

(Continued)

	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at</u>				
<u>FVTOCI</u>				
Equity investments				
– Domestic listed shares	\$ 190,259	\$ -	\$ -	\$ 190,259
– Domestic unlisted shares	-	-	31,392	31,392
Total	<u>\$ 190,259</u>	<u>\$ -</u>	<u>\$ 31,392</u>	<u>\$ 221,651</u>

(Concluded)

There were no transfers between Level 1 and Level 2 in 2023 and 2022, 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, 2023	December 31, 2022
<u>Financial assets</u>		
Measured at FVTPL		
Mandatorily measured at FVTPL	\$ 771,112	\$ 1,031,568
Financial assets measured at amortized cost (Note 1)	4,323,688	3,894,358
Financial assets measured at FVTOCI		
– Investments in equity instruments	297,980	221,651
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	3,207,181	3,534,910

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

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

(4) Financial risk management objectives and policies

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

A. Market risk

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

a. Foreign currency risk

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

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities of non-functional currency calculated (including those eliminated on consolidation) at the end of the reporting period are set out in Note 29.

Sensitivity analysis

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

The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. When the New Taiwan dollar appreciates 5% against the relevant currency, the Company's net profit in 2023 and 2022 would increase by \$7,280 thousand and \$23,194 thousand, respectively.

b. Interest rate risk

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

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

	December 31, 2023	December 31, 2022
Interest rate risks at fair value		
– Financial assets	\$ 793,866	\$ 770,532
– Financial liabilities	9,348	18,555
Interest rate risks at cash flows		
– Financial assets	274,596	307,533

Sensitivity analysis

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

If interest rates had been 50 basis points higher and all other variables were held constant, the Company's pre-tax profit in 2023 and 2022 would increase by \$1,373 thousand and \$1,538 thousand, respectively.

c. Other price risk

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

Sensitivity analysis

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

If equity prices had been 5% higher, pre-tax profit in 2023 and 2022 would have increased by \$38,556 thousand and \$51,578 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 \$14,899 thousand and \$11,083 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

B. Credit risk

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

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

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

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

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

The credit risk of the Company concentrates on top 5 customers of the Company. As of December 31, 2023 and 2022, the Company's five largest customers accounted all for 36% and 35% of trade receivable, respectively.

C. Liquidity risk

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

Liquidity & interest rate risk table

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

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

December 31, 2023

	<u>Less than 1 Year</u>	<u>1-5 Years</u>
<u>Non-derivative financial liabilities</u>		
No interest-bearing liabilities	\$ 3,204,381	\$ -
Lease liabilities	<u>6,357</u>	<u>3,057</u>
	<u>\$ 3,210,738</u>	<u>\$ 3,057</u>

December 31, 2022

	<u>Less than 1 Year</u>	<u>1-5 Years</u>
<u>Non-derivative financial liabilities</u>		
No interest-bearing liabilities	\$ 3,534,110	\$ -
Lease liabilities	<u>10,061</u>	<u>8,670</u>
	<u>\$ 3,544,171</u>	<u>\$ 8,670</u>

As of December 31, 2023 and 2022, the Company's unused short-term credit of limit of the bank were \$1,800,000 thousand and \$1,600,000 thousand respectively.

26. RELATED PARTIES TRANSACTIONS

The details of transactions between the Company and related parties are disclosed as follows.

(1) The name and relationship of related party

<u>Name of the related party</u>	<u>Relationship with the Company</u>
Zotech Co., Ltd.	Subsidiary
Zerone Win Investment Co., Ltd.	Subsidiary
Petacom Technology Co., Ltd.	Subsidiary
Wing Will International Co., Ltd.	Subsidiary

(Continued)

<u>Name of the related party</u>	<u>Relationship with the Company</u>
DigiCosmos Tech. Co., Ltd.	Subsidiary
Asiaone Holdings Ltd.	Subsidiary
Techone (Shanghai) Co., Ltd.	Subsidiary
Techone (Vietnam) Co., Ltd.	Subsidiary
TrustONE Security Inc.	Associate under a subsidiary
Leukocyte-Lab Co. Ltd.	Associate under a subsidiary
Infinitesoft Solutions Inc.	Associate under a subsidiary (from June 29, 2022 till December 21, 2023)
K Way Information Corp.	Other related party (changed to non-related party effective May 30, 2023)

(Concluded)

(2) Operating revenue

<u>Line Items</u>	<u>Types of related parties</u>	<u>2023</u>	<u>2022</u>
Sales revenue	Subsidiaries	\$ 103,183	\$ 105,661
	Associates	466	250
	Other related parties	<u>2</u>	<u>844</u>
		\$ <u>103,651</u>	\$ <u>106,755</u>
Service revenue	Subsidiaries	\$ <u>4,972</u>	\$ <u>4,453</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>2023</u>	<u>2022</u>
Subsidiaries	\$ 23,873	\$ 34,521
Associates	<u>24,682</u>	<u>11,283</u>
	\$ <u>48,555</u>	\$ <u>45,804</u>

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

<u>Line Items</u>	<u>Types of related parties</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Trade receivable	Subsidiaries	\$ 34,285	\$ 24,636
	Associates	5	5
	Other related parties	-	590
Other receivable	Subsidiaries	<u>499</u>	<u>-</u>
		\$ <u>34,789</u>	\$ <u>25,231</u>

(5) Payables to related parties

<u>Line Items</u>	<u>Types of related parties</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Trade payable	Subsidiaries	\$ 7,956	\$ 13,692
	Associates	8,551	1,506
Other payable	Subsidiaries	<u>354</u>	<u>74</u>
		\$ <u>16,861</u>	\$ <u>15,272</u>

(6) Loans to related parties (Recognized as other current assets)

Interest income

<u>Types of related parties / Name</u>	<u>2023</u>	<u>2022</u>
Subsidiaries	\$ -	\$ 204

(7) Non-operating income

<u>Line Items</u>	<u>Types of related parties</u>	<u>2023</u>	<u>2022</u>
Rental income	Subsidiaries	\$ <u>724</u>	\$ <u>790</u>

(8) Compensation of key management personnel

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ <u>42,849</u>	\$ <u>47,725</u>

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

27. ASSETS PLEDGED AS COLLATERAL

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Property, plant and equipment, Net	\$ 203,454	\$ 204,843
Pledged time deposit (Financial assets at amortized cost – non-current)	<u>35,210</u>	<u>34,857</u>
	<u>\$ 238,664</u>	<u>\$ 239,700</u>

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- (1) As of December 31, 2023, the Company issued \$87,000 thousand of cashier order for payment guaranteed for Microsoft Taiwan Corporation.
- (2) As of December 31, 2023, the Company issued \$50,000 thousand of cashier order for payment guaranteed for Microsoft Regional Sales Corporation.

29. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

In order to alleviate the use of working capital, strengthen financial structure and better support other capital needs for the Company's long-term operation and development, and in consideration of the timeliness and convenience of the cost of raising funds and introducing strategic partners, the Company passed the resolution of the board of directors on February 27, 2024, that a cash capital increase of private placement of common stocks within the quota of 20,000 shares will be executed.

The targets of this private placement are limited to specific persons who comply with the provisions of relevant laws and regulations such as Article 43-6 of the Securities and Exchange Act and the relevant letters and explanations from the competent authority. This private placement is yet to be approved by the shareholders' meeting expected to be held on May 27, 2024. For relevant information, please refer to the website of "Market Observation Post System" of TWSE.

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

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

December 31, 2023

	<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 28,065	30.705 (USD:NTD)	\$ <u>861,736</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	32,807	30.705 (USD:NTD)	\$ <u>1,007,339</u>

December 31, 2022

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 25,031	30.71 (USD:NTD)	\$ <u>768,702</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	40,136	30.71 (USD:NTD)	\$ <u>1,232,577</u>

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

	2023		2022	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	31.155 (USD:NTD)	(\$ <u>298</u>)	29.805 (USD:NTD)	\$ <u>26,390</u>

31. SEPARATELY DISCLOSED ITEMS

(1) Significant Transactional Items

- A. Financing provided to others: Table 1.
- B. Endorsements/guarantees provided: Table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Table 3.
- D. Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital: Table 4.
- E. Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- F. Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- G. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- H. Trade receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- I. Trading in derivative instruments: None.

(2) Information on investees: Table 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.

ZERO ONE TECHNOLOGY CO., LTD.

FINANCING PROVIDED TO OTHERS
FOR THE YEARS ENDED DECEMBER 31, 2023

Table 1

(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 2)	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature for Financing (Note 3)	Transaction Amounts	Reason for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrower (Note 4)	Aggregate Financing Limit (Note 5)	Note
													Item	Value			
0	ZOTC	Zerone Win Investment Co., Ltd.	Other receivables from related parties	Yes	\$ 70,000	\$ 70,000	\$ -	3%	2	\$ -	Operating capital	\$ -	—	\$ -	\$ 413,564	\$ 827,127	
0	ZOTC	WingWill International Co., Ltd.	Other receivables from related parties	Yes	20,000	20,000	-	3%	2	-	Operating capital	-	—	-	413,564	827,127	

Note 1 : The number column is organized as follows :

- (1) Number 0 represents the issuer.
- (2) The investee companies are numbered from 1 in order.

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

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

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

Note 4 : For short-term financing necessities, the financing limit for each borrower shall not exceed 10% of the lender's net worth as stated in its latest financial statement audited or reviewed by CPAs.

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

ZERO ONE TECHNOLOGY CO., LTD.

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEARS ENDED DECEMBER 31, 2023
Table 2

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Endorser/ Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period (Note 4)	Outstanding Endorsement/ Guarantee at the End of the Period (Note 5)	Actual Borrowing Amount (Note 6)	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 7)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent (Note 7)	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China (Note 7)	Note
		Name	Relationship (Note 2)											
0	Zero One Technology Co. Ltd.	Techone (Shanghai) Co., Ltd.	(2)	\$ 413,564	\$ 61,410	\$ 61,410	\$ -	\$ -	1.48	\$ 827,127	Y	N	Y	
0	Zero One Technology Co. Ltd.	TECHONE VIETNAM TECHNOLOGY COMPANY LIMITED	(2)	413,564	61,410	61,410	-	-	1.48	827,127	Y	N	N	
1	Zerone Win Investment Co., Ltd.	WingWill International Co., Ltd.	(2)	36,085	1,700	1,700	1,700	-	0.47	72,171	Y	N	N	

Note 1 : The number column is organized as follows :

- (1) Number 0 represents the issuer.
- (2) The investee companies are numbered from 1 in order.

Note 2 : There are 7 types of relationship between the endorser and the endorsed guarantor, it will be sufficient to just identify which type it is:

- (1) A company which it does business.
- (2) A company in which the public company directly and indirectly holds more than 50 percent of the voting shares.
- (3) A company that directly and indirectly holds more than 50 percent of the voting shares in the public company.
- (4) Companies in which the public company holds, directly or indirectly, 90% or more of the voting shares.
- (5) Companies which provide mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
- (6) Where all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages,.
- (7) Where companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3 : The limit of an endorsement/guarantee for a single enterprise is 10% of the net worth of the company providing the endorsement guarantee; the maximum limit of the endorsement guarantee is 20% of the net worth of the company providing the endorsement guarantee.

Note 4 : This refers to the maximum balance of endorsement guarantee for others in the current year

Note 5 : The amount approved by the Board of Directors should be filled in. However, if the board of directors authorizes the chairman of the board to make a decision in accordance with Article 12, Paragraph 8 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, it refers to the amount decided by the chairman of the board.

Note 6 : The actual borrowing amount of the endorsed guarantee company within the range of the balance of the endorsement guarantee should be filled in.

Note 7 : The following groups must be indicated with a 'Y' - those who are endorsed and guaranteed by the listed parent company to its subsidiaries; and subsidiaries being the endorser and guarantor of the listed parent companies, and those endorsed and guaranteed by the mainland China region.

ZERO ONE TECHNOLOGY CO., LTD.

MARKETABLE SECURITIES HELD
DECEMBER 31, 2023
Table 3

(In Thousands of New Taiwan Dollars)

Holding Company	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Note
				Shares/Units/ Par Value	Carrying Values	Percentage of Ownership (%)	Fair Value	
ZOTC	Beneficiary certificates							
	Taishin 1699 Money Market Fund	—	Financial assets at FVTPL — current	35,885,387	\$ 500,332	-	\$ 500,332	
	Taishin Ta-Chong Money Market Fund	—	Financial assets at FVTPL — current	10,297,883	150,442	-	150,442	
	KGI Kaefer Fund	—	Financial assets at FVTPL — non- current	170,199	4,055	-	4,055	
	KGI Taiwan Multi-Asset Income Fund	—	Financial assets at FVTPL — non- current	1,198,020	13,933	-	13,933	
	KGI Taiwan Select-Asset Income Fund	—	Financial assets at FVTPL — non- current	500,325	5,966	-	5,966	
	Nomura 2026 DM Markets Trigger Maturity Private Placement Bond Fund	—	Financial assets at FVTPL — non- current	100,000	31,537	-	31,537	
	Corporate bonds							
	Chailease Holding Company Limited - 1st convertible bond	—	Financial assets at FVTPL — current	160 (Units)	15,856	-	15,856	
	Giant Manufacturing Co., Ltd. - 1st convertible bond	—	Financial assets at FVTPL — current	70 (Units)	7,259	-	7,259	
	Topco Technologies Corp. - 1st convertible bond	—	Financial assets at FVTPL — current	36 (Units)	3,931	-	3,931	
	Gloria Material Technology Corp. - 7th convertible bond	—	Financial assets at FVTPL — current	60 (Units)	6,399	-	6,399	
	Ennoconn Corporation - 5th convertible bond	—	Financial assets at FVTPL — current	25 (Units)	2,721	-	2,721	
	HD Renewable Energy Co., Ltd. - 1st convertible bond	—	Financial assets at FVTPL — current	25 (Units)	2,910	-	2,910	
	International CSRC Investment Holdings Co. - 3rd convertible bonds	—	Financial assets at FVTPL — current	50 (Units)	5,245	-	5,245	
	TAI-TECH Advanced Electronics Co. Ltd. - 1st convertible bonds	—	Financial assets at FVTPL — current	20 (Units)	2,318	-	2,318	
Yulon Finance Corporation - 2nd convertible corporate bonds	—	Financial assets at FVTPL — current	100 (Units)	10,170	-	10,170		

(Continued)

Holding Company	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Note
				Shares/Units/ Par Value	Carrying Values	Percentage of Ownership (%)	Fair Value	
ZOTC	Perusahaan Listrik Negara corporate bonds (USD) 5.25%	—	Financial assets at amortized cost — non-current	USD 500,000	\$ 16,874	-	\$ 14,540	
	Perusahaan Listrik Negara corporate bonds (USD) 4.875%	—	Financial assets at amortized cost — non-current	USD 500,000	15,367	-	13,419	
	Southern California Edison corporate bonds (USD)	—	Financial assets at amortized cost — non-current	USD 500,000	16,121	-	12,598	
	British Telecommunications plc corporate bonds (USD)	—	Financial assets at amortized cost — non-current	USD 500,000	15,403	-	12,511	
	TSMC Arizona corporate bonds (USD)	—	Financial assets at amortized cost — non-current	USD 1,000,000	30,288	-	30,102	
	Stock							
	Cathay Financial Holding Co., Ltd. Preferred Shares A	—	Financial assets at FVTPL— non- current	66,000	3,934	-	3,934	
	Union Bank of Taiwan Preferred Shares A	—	Financial assets at FVTPL— non- current	80,000	4,104	-	4,104	
	Sino-American Silicon Products Inc.	—	Financial assets at FVTOCI— current	20,000	3,920	-	3,920	
	K Way Information Corp.	—	Financial assets at FVTOCI— non- current	655,000	20,371	2.14	20,371	
	China Electric Mfg. Corp.	—	Financial assets at FVTOCI— non- current	2,650,200	43,993	0.82	43,993	
	Unex Technology Corp.	—	Financial assets at FVTOCI— non- current	175,000	2,088	1.68	2,088	
	Da-Chang Start-Up Investment Co. Ltd	—	Financial assets at FVTOCI— non- current	3,000,000	30,023	2.73	30,023	
	Cathay Financial Holding Co., Ltd. Preferred Shares A	—	Financial assets at FVTOCI— non- current	134,000	7,986	-	7,986	
	Union Bank of Taiwan Preferred Shares A	—	Financial assets at FVTOCI— non- current	70,000	3,591	-	3,591	
	Fubon Financial Holding Co., Ltd. Preferred Shares B	—	Financial assets at FVTOCI— non- current	385,000	23,062	-	23,062	
	Taishin Financial Holding Co., Ltd. Preferred Shares E	—	Financial assets at FVTOCI— non- current	240,000	12,264	-	12,264	
	CTBC Financial Holding Co., Ltd. Preferred Shares B	—	Financial assets at FVTOCI— non- current	90,000	5,346	-	5,346	
	Cathay Financial Holding Co., Ltd. Preferred Shares B	—	Financial assets at FVTOCI— non- current	230,000	13,731	-	13,731	

(Continued)

Holding Company	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Note
				Shares/Units/ Par Value	Carrying Values	Percentage of Ownership (%)	Fair Value	
ZOTC	WPG Holdings Limited Preferred Shares A	—	Financial assets at FVTOCI – non-current	675,000	\$ 31,725	-	\$ 31,725	
	QST International Corporation Preferred Shares A	—	Financial assets at FVTOCI – non-current	45,000	1,930	-	1,930	
	Taishin Financial Holding Co., Ltd. Exchangeable Preferred Shares F	—	Financial assets at FVTOCI – non-current	1,350,000	22,950	-	22,950	
	Nextlink Technology Co., Ltd.	—	Financial assets at FVTOCI – non-current	1,000,000	75,000	5.00	75,000	
	Duofu Co. Ltd.	—	Financial assets at FVTOCI – non-current	1,000	-	0.05	-	
	Jotangi Technology Co. Ltd.	—	Financial assets at FVTOCI – non-current	796,250	-	9.32	-	
Zerone Win Investment Co., Ltd	Stocks							
	Leukocyte-Lab Co., Ltd. Preferred Stock A	Associate	Financial assets at FVTPL – non-current	600,000	110	-	110	
	WPG Holdings Limited Preferred Stock A	—	Financial assets at FVTOCI – non-current	240,000	11,280	-	11,280	
	Shin Kong Financial Holding Co., Ltd. Preferred Stock A	—	Financial assets at FVTOCI – non-current	50,000	1,432	-	1,432	
	Tatung System Technologies Inc.	—	Financial assets at FVTOCI – non-current	1,500,000	74,100	1.69	74,100	
	Saviah Technologies, Inc. Preferred Stock B	—	Financial assets at FVTOCI – non-current	375,000	14,378	-	14,378	
	GrandTech C.G. Systems Inc.	—	Financial assets at FVTOCI – non-current	74,000	4,899	0.12	4,899	
	FiduciaEdge Technologies Co., Ltd.	—	Financial assets at FVTOCI – non-current	500,000	5,980	3.33	5,980	
	GrandTech Cloud Services Inc.	—	Financial assets at FVTOCI – non-current	872	58	-	58	
	InfinitesSoft Solutions Inc.	—	Financial assets at FVTOCI – non-current	2,780,889	41,713	14.31	41,713	
Petacom Technology Co. Ltd.	Beneficiary certificates	—	Financial assets at FVTPL – current	8,554,586	119,273	-	119,273	

(Continued)

Holding Company	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Note
				Shares/Units/ Par Value	Carrying Values	Percentage of Ownership (%)	Fair Value	
Zotech Co. Ltd.	Stock							
	WPG Holdings Limited Preferred Shares A	—	Financial assets at FVTOCI – non-current	200,000	\$ 9,400	-	\$ 9,400	
	Taishin Financial Holding Exchangeable Preferred Shares F	—	Financial assets at FVTOCI – non-current	340,000	5,780	-	5,780	

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.

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, 2023

Table 4

(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	—	—	47,267,987	\$ 650,654	35,885,387	\$ 500,000	47,267,987	\$ 655,071	\$ 650,000	\$ 5,071	35,885,387	\$ 500,332
	Taishin Ta-Chong Money Market Fund	Financial assets at FVTPL – current	—	—	20,808,963	300,296	30,906,950	450,000	41,418,030	602,367	600,000	2,367	10,297,883	150,442

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

ZERO ONE TECHNOLOGY CO., LTD.

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2023
Table 5

(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses	Investment Amount		As of December 31, 2023			Net Income (Loss) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2023	December 31, 2022	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	\$ 45,463	\$ 1,932	\$ 1,649	Subsidiary
	Zerone Win Investment Co., Ltd.	Taiwan	Investment	300,000	300,000	30,000,000	100.00	360,855	23,715	23,715	Subsidiary
	Asiaone Holdings Ltd.	Republic of Seychelles	Holding company	22,208	10,063	700,000	100.00	27,642	1,891	1,891	Subsidiary
Zerone Win Investment Co., Ltd.	Wing Will International Co., Ltd.	Taiwan	Services of cloud information software	70,899	54,499	45,399,000	90.80	46,998	6,296	5,680	Sub-subsiidiary
	Petacom Technology Co., Ltd.	Taiwan	Services of information product agent	77,545	50,000	10,200,000	51.00	102,389	4,602	4,226	Sub-subsiidiary
	DigiCosmos Tech. Co., Ltd.	Taiwan	Consulting service for information security	25,000	25,000	2,500,000	50.00	28,650	13,962	6,981	Sub-subsiidiary
	TrustONE Security Inc.	Taiwan	R&D, sale and service of information software	9,600	7,200	9,600,000	32.00	2,089	(5,443)	(1,742)	Associate
	Leukocyte-Lab Co. Ltd.	Taiwan	IT Security Mgt& R&D, sales & consulting service etc.	16,500	11,500	340,000	26.56	-	(11,642)	(10,563)	Associate
	InfinitesSoft Solutions Inc.	Taiwan	Software development, and services of information and computer software	-	37,800	-	-	-	3,662	865	Note 2
Asiaone Holdings Ltd.	TECHONE VIETNAM TECHNOLOGY COMPANY LIMITED	Vietnam	Information commodities trading and technical service for network technology	Note 3	-	-	70.00	550	812	568	Sub-subsiidiary

Note 1: Please refer to Table 6 for Information on investment in Mainland China.

Note 2: Since the Group did not participate in the company's cash capital increase, it has lost its significant influence since December 22, 2023, as a result this amount was reclassified as “financial assets at fair value through other comprehensive income.”

Note 3: As of December 31, 2023, the establishment of the company has been completed even though the capital injection has not been completed. The aforementioned procedures were completed in January 2024.

ZERO ONE TECHNOLOGY CO., LTD.

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2023

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, 2023	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of 31 December, 2023	Accumulated Repatriation of Investment Income as of 31 December, 2023	Note
					Outward	Inward							
Techone (Shanghai) Co., Ltd.	Information commodities trading and technical service for network technology	\$ 12,981 (RMB 3,000)	(Note 1)	\$ 9,118	\$ -	\$ -	\$ 9,118	\$ 3,086	70%	\$ 2,160	\$ 15,493	\$ -	—

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2023	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	\$ 2,571,958

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, 2023.

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. $(4,286,597 \times 60\% = 2,571,958)$

Note 4 : For foreign currency conversion, gain (loss) are converted by the average exchange rate in 2023. Other amounts are converted into New Taiwan Dollars by the exchange rate on December 31, 2023.

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ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2023

STATEMENT 1 (In Thousands of New Taiwan Dollars)

Item	Description	Amount
Cash on hand and revolving funds		\$ 170
Checking accounts and demand deposits	New Taiwan dollar	136,940
	USD 172 thousand @ 30.705; EUR 2 thousand @ 33.98	5,350
Time deposits	USD 1,580 thousand@ 30.705; annual interest rate at 5.51%; Expired by January 10, 2024	<u>48,514</u>
		<u>\$ 190,974</u>

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF FINANCIAL ASSETS AT FVTPL – CURRENT
DECEMBER 31, 2023

Statement 2

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

Name of financial instruments	Description	Units	Par value (Dollars)	Total	Acquisition Cost	Fair value	
						Units (Dollars)	Total
Taishin 1699 Money Market Fund	Fund beneficiary certificates	35,885,387	10	\$ 358,854	\$ 500,000	\$ 13.9425	\$ 500,332
Taishin Ta-Chong Money Market Fund	Fund beneficiary certificates	10,297,883	10	102,979	150,000	14.6090	150,442
Chailease Holding Company Limited - 1st convertible bonds	Convertible bond	160 (units)	100,000	16,000	16,160	99.10	15,856
Giant Manufacturing Co., Ltd. - 1st convertible bond	Convertible bond	70 (units)	100,000	7,000	7,070	103.70	7,259
Topco Technologies Corp. - 1st convertible bond	Convertible bond	36 (units)	100,000	3,600	3,629	109.20	3,931
Gloria Material Technology Corp. - 7th convertible bond	Convertible bond	60 (units)	100,000	6,000	6,060	106.65	6,399
Ennoconn Corporation - 5th convertible bond	Convertible bond	25 (units)	100,000	2,500	2,525	108.85	2,721
HD Renewable Energy Co., Ltd. - 1st convertible bond	Convertible bond	25 (units)	100,000	2,500	2,525	116.40	2,910
International CSRC Investment Holdings Co. - 3rd convertible bonds	Convertible bond	50 (units)	100,000	5,000	5,035	104.90	5,245
TAI-TECH Advanced Electronics Co. Ltd. - 1st convertible bonds	Convertible bond	20 (units)	100,000	2,000	2,020	115.90	2,318
Yulon Finance Corporation - 2nd convertible corporate bonds	Convertible bond	100 (units)	100,000	10,000	<u>10,150</u>	101.70	<u>10,170</u>
					705,174		<u>\$ 707,583</u>
Add : Valuation adjustment					<u>2,409</u>		
					<u>\$ 707,583</u>		

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF NOTES RECEIVABLE
DECEMBER 31, 2023

Statement 3 (In Thousands of New Taiwan Dollars)

The firm name	Description	Amount
Non-related parties		
Stark Technology Inc.	Payment for goods	\$ 51,645
Apex Fong Yi Technology Co., Ltd.	Payment for goods	24,786
ecom Software Inc.	Payment for goods	10,206
LOLA Technology Inc.	Payment for goods	9,765
NETRANGER TECH. CO., LTD.	Payment for goods	9,172
Others (Note)	Payment for goods	<u>63,524</u>
		169,098
Less: Allowances for impairment loss		<u>-</u>
		<u>\$ 169,098</u>

Note : The amount of individual company included in others does not exceed 5% of the account balance.

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF TRADE RECEIVABLE
DECEMBER 31, 2023

Statement 4 (In Thousands of New Taiwan Dollars)

The Company's name	Description	Amount
Kinmax Technology Inc.	Payment for goods	\$ 468,687
GENESIS TECHNOLOGY INC.	Payment for goods	252,352
Others (Note)	Payment for goods	<u>2,361,159</u>
		3,082,198
Less: Allowances for impairment loss		<u>23,066</u>
Total		<u>\$ 3,059,132</u>

Note : The amount of individual company included in others does not exceed 5% of the account balance.

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF INVENTORIES
DECEMBER 31, 2023

Statement 5

(In Thousands of New Taiwan Dollars)

Items	Book value	Net realizable value (Note)
Commodities	<u>\$ 1,249,707</u>	<u>\$ 1,267,831</u>

Note : The net realizable value is the estimated selling price of inventories less the estimated costs necessary to make the sale under normal situations.

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF FINANCIAL ASSETS AT FVTPL – NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2023

Statement 6

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

Name	Beginning Balance		Addition		Decrease		Valuation for the current year	Balance, December 31, 2023		
	Shares	Book value	Shares	Amount	Shares	Amount		Shares	Book value	Collateral/Pledge
KGI Kaefer Fund	170,199	\$ 3,689	-	\$ -	-	\$ -	\$ 366	170,199	\$ 4,055	
KGI Taiwan Multi-Asset Income Fund	1,198,020	12,423	-	-	-	-	1,510	1,198,020	13,933	
KGI Taiwan Select-Asset Income Fund	500,325	5,502	-	-	-	-	464	500,325	5,966	
Nomura 2026 DM Markets Trigger Maturity Private Placement Bond Fund	-	-	100,000	31,382	-	-	155	100,000	31,537	
Cathay Financial Holding Co., Ltd. Preferred Shares A	166,000	9,396	-	-	100,000	5,939	477	66,000	3,934	
Union Bank of Taiwan Preferred Shares A	80,000	<u>4,136</u>	-	<u>-</u>	-	<u>-</u>	(<u>32</u>)	80,000	<u>4,104</u>	
		<u>\$ 35,146</u>		<u>\$ 31,382</u>		<u>\$ 5,939</u>	<u>\$ 2,940</u>		<u>\$ 63,529</u>	

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF FINANCIAL ASSETS AT FVTOCI – NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2023

Statement 7

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

Name	Beginning Balance		Addition		Decrease		Valuation for the current year	Ending Balance		Guaranteed /Pledged
	Shares	Book value	Shares	Amount	Shares	Amount		Shares	Book value	
K Way Information Corp.	655,000	\$ 18,176	-	\$ -	-	\$ -	\$ 2,195	655,000	\$ 20,371	None
China Electric Mfg. Corp	2,689,200	35,497	-	-	39,000	670	9,166	2,650,200	43,993	None
Unex Technology Corp.	175,000	1,412	-	-	-	-	676	175,000	2,088	None
Da-Chang Start-Up Investment Co. Ltd.	3,000,000	29,980	-	-	-	-	43	3,000,000	30,023	None
Cathay Financial Holding Co., Ltd. Preferred Shares A	134,000	7,584	-	-	-	-	402	134,000	7,986	None
Union Bank of Taiwan Preferred Shares A	70,000	3,619	-	-	-	-	(28)	70,000	3,591	None
Fubon Financial Holding Co., Ltd. Preferred Shares B	400,000	23,000	-	-	15,000	890	952	385,000	23,062	None
Taishin Financial Holding Co., Ltd. Preferred Shares E	240,000	12,384	-	-	-	-	(120)	240,000	12,264	None
CTBC Financial Holding Co., Ltd. Preferred Shares B	90,000	5,337	-	-	-	-	9	90,000	5,346	None
Cathay Financial Holding Co., Ltd. Preferred Shares B	230,000	12,558	-	-	-	-	1,173	230,000	13,731	None
WPG Holdings Limited Preferred Shares A	700,000	34,300	-	-	25,000	1,139	(1,436)	675,000	31,725	None
United Orthopedic Corporation Preferred Shares A	200,000	9,840	-	-	200,000	11,474	1,634	-	-	None
QST International Corp. Preferred Shares A	45,000	2,021	-	-	-	-	(91)	45,000	1,930	None
Taishin Financial Holding Co., Ltd. Exchangeable Preferred Shares F	1,350,000	23,153	-	-	-	-	(203)	1,350,000	22,950	None
Nextlink Technology Co., Ltd.	-	-	1,000,000	75,000	-	-	-	1,000,000	75,000	None
Miiicasa Holdings (Cayman) Inc.	2,500,000	-	-	-	2,500,000	3	3	-	-	None
Duofu Co., Ltd	10,000	-	-	-	9,000	-	-	1,000	-	None
Jotangi Technology Co., Ltd.	796,250	-	-	-	-	-	-	796,250	-	None
		<u>\$ 218,861</u>		<u>\$ 75,000</u>		<u>\$ 14,176</u>	<u>\$ 14,375</u>		<u>\$ 294,060</u>	

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2023

Statement 8

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

Name	Beginning Balance		Addition		Decrease		Increase (Decrease) in Using the Equity Method (Note 1)	Ending Balance			Net value of equity	Collateral/Pledge
	Shares	Amount	Shares	Amount (Note 2)	Shares	Amount		Shares	Percentage of ownership%	Amount		
Zotech Co., Ltd.	3,500,000	\$ 44,199	-	\$ -	-	\$ -	\$ 1,264	3,500,000	85.37	\$ 45,463	\$ 45,463	None
Zerone Win Investment Co., Ltd.	30,000,000	324,049	-	-	-	-	36,806	30,000,000	100.00	360,855	360,855	None
Asiaone Holdings Ltd.	320,000	<u>13,908</u>	380,000	<u>12,145</u>	-	-	<u>1,589</u>	700,000	100.00	<u>27,642</u>	27,642	None
		<u>\$ 382,156</u>		<u>\$ 12,145</u>		<u>\$ -</u>	<u>\$ 39,659</u>			<u>\$ 433,960</u>		

Note 1 : Including

1. Share of profit or loss of subsidiaries accounted for using the equity method	\$ 27,255
2. Changes in equity from investees accounted for using the equity method	(307)
3. Share of other comprehensive income (loss) of subsidiaries accounted for using equity method.	13,013
4. Exchange differences on translation of the financial statements of foreign operations	(<u>302</u>)
	<u>\$ 39,659</u>

Note 2 : This refers to cash capital increase.

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF TRADE PAYABLES
DECEMBER 31, 2023

Statement 9 (In Thousands of New Taiwan Dollars)

<u>The Company's name</u>	<u>Amount</u>
Trend Micro Inc.	\$ 554,732
CISCO SYSTEMS INTERNATIONAL B.V.	436,554
NetApp B.V.	148,793
Others (Note)	<u>1,820,814</u>
	<u>\$ 2,960,893</u>

Note : The amount of individual company included in others does not exceed 5% of the account balance.

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF OTHER CURRENT LIABILITIES
DECEMBER 31, 2023

Statement 10 (In Thousands of New Taiwan Dollars)

Items	Amount
Receipts under custody	\$ 183,466
Contract liability—current	36,482
Temporary receipts	<u>25,606</u>
	<u>\$ 245,554</u>

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2023

Statement 11 (In Thousands of New Taiwan Dollars)

Items	Description	Amount
Sales revenue	Selling hardware and software suite	\$ 13,419,358
Service revenue		<u>108,010</u>
		13,527,368
Less: sales returns		11,760
sales discounts		<u>5,029</u>
		<u><u>\$ 13,510,579</u></u>

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF OPERATING COST
FOR THE YEAR ENDED DECEMBER 31, 2023

Statement 12

(In Thousands of New Taiwan Dollars)

Items	Amount
Costs of goods sold	
Inventory, beginning of year	\$ 2,145,176
Add : Purchases	11,094,852
Inventory, ending of year	(1,424,886)
Other incoming transfers	330,925
Other outgoing transfers	(<u>130,121</u>)
Total costs of sales and purchases	12,015,946
Reversal of write-down of inventories	(24,002)
Losses on scrap of inventories	3,298
Inventory shrinkage	<u>27</u>
	<u><u>\$ 11,995,269</u></u>

Note : The above statement indicates that the amount of all items regarding inventories is recognized by original costs of inventories, with no deduction of allowance for inventory valuation losses.

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

Statement 13

(In Thousands of New Taiwan Dollars)

Items	Selling and marketing expenses	General and administrative expenses	Research & Development Expenses	Expected credit losses	Total
Payroll Expenses	\$ 350,553	\$ 89,467	\$ 10,105	\$ -	\$ 450,125
Entertainment expense	77,141	1,722	-	-	78,863
Insurance expense	37,066	9,316	833	-	47,215
Depreciation expense	12,874	14,277	61	-	27,212
Expected credit losses	-	-	-	12,630	12,630
Others (Note)	<u>106,421</u>	<u>31,631</u>	<u>2,208</u>	<u>-</u>	<u>140,260</u>
	<u>\$ 584,055</u>	<u>\$ 146,413</u>	<u>\$ 13,207</u>	<u>\$ 12,630</u>	<u>\$ 756,305</u>

Note : The amount of each item in others does not exceed 5% of the account balance.

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF EMPLOYEE BENEFIT, DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Statement 14

(In Thousands of New Taiwan Dollars)

	2023	2022
	Classified as Operating Expenses	Classified as Operating Expenses
Employee benefit expenses (Note)		
Salary and bonus	\$ 422,623	\$ 379,770
Labor and health insurance	31,455	27,915
Pension	14,433	12,523
Directors' compensation	13,069	12,099
Others	32,165	25,261
	\$ 513,745	\$ 457,568
Depreciation	\$ 27,212	\$ 26,739
Amortization	\$ 1,978	\$ 1,177

Note 1: As of December 31, 2023 and 2022, the Company had 352 and 320 employees, respectively, and there were 6 non-employee directors for both years. The calculation basis is consistent to employee benefit expenses.

Note 2: (1) Average employee benefit expenses for 2023 and 2022 were \$1,447 thousand and \$1,419 thousand, respectively.

(2) Average salary and bonus for 2023 and 2022 were \$1,221 thousand and \$1,209 thousand, respectively.

(3) The change in the average salary and bonus adjustment is 0.99%.

Note 3: The Company's compensation policies (including directors, managers and employees) are as follows:

(1) Directors: Accordingly to Article 19 of the Company's Articles of Incorporation, the compensation for directors shall be no more than 3% of annual profits. The Company allocates 1.5% of the current year's annual profits for the compensation to directors, and will provide reasonable reward by taking into account of the Company's operating results and the contribution they made. The procedures to determine the compensation is based on the Company's "Rules for Distribution of Compensation to Directors." Apart from referencing the company's overall operational efficiencies, future management risk and developing trend of the industry, the personal efficiency achievement rate, contribution to the overall performance, and devotion to company performance, achievement rate, profitability rate, operational efficiency and contribution are also collectively evaluated before calculating the compensation ratio. Relevant performance appraisals and the soundness of the compensation are reviewed and approved by the Remuneration Committee and the Board in accordance with the charter of relevant laws and requirements, so as to achieve the balance of the Company's sustainability and risk management.

(2) Managers: Based on the Company's compensation policy to managers, criteria such as industry standards and personal performance evaluation items, which include financial indicators (such as the Company's revenue, achievement rate for profit before tax and after tax) and non-financial related indicators (such as taking on the role as trainer and any gross misconduct of the department in terms of legal and compliance and operational risks incidents) are also included in the evaluation. The procedures to determine and distribute the compensation is based on the Company's performance appraisal evaluation guidelines. Relevant performance appraisals and the soundness of the compensation are reviewed and approved by the Remuneration Committee and the Board in accordance with the charter of relevant laws and requirements, so as to achieve the balance of the Company's sustainability and risk management.

(3) Employees: The Company conducts annual market survey regularly by analyzing salary, bonus and annual income statistics. Salary adjustment is processed based on Company's work rules and the results of individual performance appraisals so as to ensure the fairness of internal and external practices which meets the market standards.