

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

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DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF
AFFILIATES

The entities that are required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 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	<u>\$ 7,979,276</u>	<u>100</u>	<u>\$ 8,015,013</u>	<u>100</u>
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	<u>\$ 7,979,276</u>	<u>100</u>	<u>\$ 8,015,013</u>	<u>100</u>

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

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 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>	-	(43,539)	(1)
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>	(1,178)	<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>	(1,150)	<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			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	Legal Reserve	Earnings Unappropriated	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	<u>802,647</u>	<u>(117,221)</u>

(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 disorgement	<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

New / Revised / Amended Standards and Interpretations	Effective Date Announced by IASB (Note 1)
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 they arise.

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

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

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

(6) Inventories

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

(7) Investment in associates

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

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

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

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

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

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

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

(8) Property, plant and equipment

Property, plant and equipment are 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	<u>(953)</u>	<u>-</u>
	<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	<u>(953)</u>	<u>-</u>
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:

	<u>2023</u>	<u>2022</u>
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	<u>\$ 28,651</u>	<u>\$ 17,294</u>

12. INVENTORIES

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

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

	<u>2023</u>	<u>2022</u>
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
	<u>\$ 12,220,786</u>	<u>\$ 11,237,734</u>

13. SUBSIDIARIES

(1) Subsidiaries included in the consolidated financial statements

The consolidated entities were as follows:

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Re-mark
			December 31, 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
InfinitesSoft 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%
InfinitesSoft 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	<u>\$ 21,727</u>	<u>\$ 24,866</u>
	<u>2023</u>	<u>2022</u>
Additions to right-of-use assets	<u>\$ 12,977</u>	<u>\$ 25,396</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 15,418	\$ 14,339
Office equipment	<u>-</u>	<u>73</u>
	<u>\$ 15,418</u>	<u>\$ 14,412</u>

(2) Lease liabilities

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

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	<u>\$ 570</u>	<u>\$ 660</u>
Expenses relating to low-value asset leases	<u>\$ 231</u>	<u>\$ 168</u>
Total cash (outflow) for leases	<u>(\$ 16,570)</u>	<u>(\$ 15,531)</u>

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	<u>69,036</u>	<u>73,298</u>
	<u>\$ 274,533</u>	<u>\$ 256,928</u>

18. RETIREMENT BENEFIT PLANS

(1) Defined contribution plans

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

(2) Defined benefit plans

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

Amounts recognized in respect of these defined benefit plans in consolidated balance sheets were as follows:

	December 31, 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	<u>\$ 11,126</u>	<u>\$ 13,288</u>

Movements in net defined benefit liabilities (assets) were as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability/Assets
Balance 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	<u>\$ 60,586</u>	<u>(\$ 47,298)</u>	<u>\$ 13,288</u>
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	<u>\$ 55,345</u>	<u>(\$ 44,219)</u>	<u>\$ 11,126</u>

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	<u>87</u>	<u>56</u>
	<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%	<u>\$ 1,079</u>	<u>\$ 1,186</u>
Future salary increase rate		
increases by 0.25%	<u>\$ 1,044</u>	<u>\$ 1,148</u>
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	<u>\$ 1,842</u>	<u>\$ 1,956</u>
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	<u>597,854</u>	<u>504,511</u>
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	(<u>7,724</u>)	(<u>8,142</u>)
	<u>150,668</u>	<u>152,164</u>
Deferred tax		
In respect of the current year	<u>11,816</u>	(<u>1,658</u>)
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	<u>\$ 863,426</u>	<u>\$ 762,908</u>
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	(<u>6,766</u>)	(<u>675</u>)
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:

<u>Net Profit for the Year</u>	<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>
<u>Shares</u>	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
<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

	December 31, 2023	December 31, 2022
<u>Financial assets</u>		
Financial assets measured at FVTPL		
Mandatorily measured at FVTPL	\$ 890,495	\$ 1,040,653
Financial assets measured at amortized cost (Note 1)	4,705,701	4,244,283
Financial assets measured at FVTOCI		
— 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:

	2023	2022
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:

	<u>2023</u>	<u>2022</u>
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. (4,286,597×60%=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.