

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

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§TABLE OF CONTENTS§

Contents	Page No.	Financial Report's Note No.
1、Cover	1	-
2、Table of Contents	2	-
3、Independent Auditors' Audit Report	3~5	-
4、Parent company only Balance Sheets	6	-
5、Parent company only Statements of Comprehensive Income	7~8	-
6、Parent company only Statements of Changes in Equity	9	-
7、Parent company only Statements of Cash Flows	10~11	-
8、Notes to Parent company only Financial Statements		
(1) General	12	1
(2) The date and procedures of authorization of financial statements	12	2
(3) Application of new and revised standards and interpretations	12~13	3
(4) Summary of significant accounting policies	13~19	4
(5) Critical accounting judgements and key sources of estimation and uncertainty	19~20	5
(6) Explanation of significant accounts	20~37	6~25
(7) Related parties transactions	37~39	26
(8) Assets pledged as collateral	39	27
(9) Significant contingent liabilities and unrecognized commitments	39	28
(10) Significant disaster loss	-	-
(11) Significant events after the balance sheet date	39	29
(12) Foreign-currency-denominated assets and liabilities that have significant influence	39~40	30
(13) Separately disclosed items		
A. Information on significant transactions	40、42~48	31
B. Information on investees	40、49	31
C. Information on investment in Mainland China	40~41、50	31
D. Information on major shareholders	41	31
9、List of major account tiles	51~66	-

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Key audit matters for the Company's parent company only financial statements for the year ended December 31, 2023 are stated as follows:

Authenticity of the Occurrence of Operating Income

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

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

1. Conduct tests of controls to understand the Group's revenue recognition process and the design and implementation of related controls.
2. Obtain the detailed accounts of these incomes, select samples to perform tests of details, and review documents such as purchase orders, delivery orders, and invoices to confirm the authenticity of these incomes.

3. Obtain the detailed accounts of these incomes, and select samples to test whether there is an anomaly in the subjects of the payment reconciliation and the amounts of the receipts, so as to confirm the authenticity of these incomes.
4. Review the occurrence of sales returns, sales discounts and allowances after the period to confirm whether there are any abnormalities.

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

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

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

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

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

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

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

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

5. Evaluate the overall presentation, structure and content of the parent company only financial statements (including relevant notes), and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Cheng-Hsiu Chang and Pei-De Chen.

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

Notice to Readers

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

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

ZERO ONE TECHNOLOGY CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS

DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

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

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

ZERO ONE TECHNOLOGY CO., LTD.

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

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

(Continued)

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

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

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

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

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

ZERO ONE TECHNOLOGY CO., LTD.

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

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

(Continued)

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

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

1. GENERAL

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

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

2. THE DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS

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

3. APPLICATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

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

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

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

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

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

<u>New / Revised / Amended Standards and Interpretations</u>	<u>Effective Date Announced by the IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”	January 1, 2023
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

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

(2) Basis of preparation

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

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

(4) Foreign currencies

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

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

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

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

(5) Inventories

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

(6) Investment in subsidiaries

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

Subsidiaries are the entities controlled by the Company.

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

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

(7) Property, plant and equipment

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

Except self-owned land which is not recognized in depreciation, the depreciation of the remaining items of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

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

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

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

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

(9) Financial instruments

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

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

A. Financial assets

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

a. Measurement category

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

(a) Financial assets at FVTPL

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

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

(b) Financial assets at amortized cost

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

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

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

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

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

(c) Investments in equity instruments at FVTOCI

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

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

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

b. Impairment of financial assets

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

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

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

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

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

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

- c. De-recognition of financial assets

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

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

- B. Equity Instruments

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

- C. Financial liabilities

- a. Subsequent measurement

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

- b. De-recognition of financial liabilities

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

- (10) Revenue recognition

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

Revenue from sale of goods

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

- (11) Leases

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

- A. The Company as lessor

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

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

- B. The Company as lessee

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

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

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

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

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

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

(12) Costs of loans

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

(13) Employee benefit

A. Short-term employee benefits.

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

B. Retirement benefits

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

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

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

(14) Share-based payment arrangements

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

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

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

(15) Taxation

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

A. Current tax

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

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

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

B. Deferred tax

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

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

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

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

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

C. Current and deferred tax for the year

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

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

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

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

Write-down of inventory

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs necessary to close the sales. The estimation of net realizable value was based on current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

6. CASH AND CASH EQUIVALENTS

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

As the end of reporting period, the market rate intervals of demand deposits in banks and repurchase agreements collateralized by bonds were as follows:

	December 31, 2023	December 31, 2022
Demand deposits	0.455%~0.58%	0.330%~0.455%
Time deposits	5.51%	4.39%~4.45%
Repurchase agreements collateralized by bonds	-	4.10%~4.30%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in equity instruments

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

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

9. FINANCIAL ASSETS AT AMORTIZED COST

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

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

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

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

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

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

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

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

(8) Please refer to Note 10 for relevant credit risk management and impairment assessment information for financial assets at amortized cost.

10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

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

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

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

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

11. NOTES, TRADE AND OVERDUE RECEIVABLE

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

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

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

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

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

The following table details the loss allowance of trade receivable:

December 31, 2023

	Not Past Due	1-30 Days Past Due	31-60 Days Past Due	61-90 Days Past Due	More Than 90 Days Past Due	Total
Gross carrying amount	\$ 3,225,188	\$ 4,823	\$ 2,513	\$ 13,153	\$ 11,168	\$ 3,256,845
Loss allowance (Lifetime ECLs)	(8,430)	(1,556)	(785)	(6,676)	(11,168)	(28,615)
Amortized cost	<u>\$ 3,216,758</u>	<u>\$ 3,267</u>	<u>\$ 1,728</u>	<u>\$ 6,477</u>	<u>\$ -</u>	<u>\$ 3,228,230</u>

December 31, 2022

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

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

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

12. INVENTORIES

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

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

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

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in subsidiaries

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

	<u>Percentage of owners' equity and voting right</u>	
<u>Name of subsidiaries</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Zotech Co., Ltd.	85.37%	85.37%
Zerone Win Investment Co., Ltd.	100.00%	100.00%
Asiaone Holdings Ltd.	100.00%	100.00%

The Company participated in a cash capital increase of \$12,145 thousand in Asiaone Holdings Ltd. in September 2023. The shareholding ratio remained unchanged after the capital increase.

14. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and equipment	Office equipment	Delivery equipment	Other equipment	Total
<u>Cost</u>							
Balance at January 1, 2022	\$ 234,892	\$ 128,185	\$ 6,930	\$ 45,182	\$ 2,458	\$ 34,984	\$ 452,631
Additions	-	-	-	4,112	-	-	4,112
Disposals	-	-	(461)	(651)	-	-	(1,112)
Reclassification	-	-	-	807	-	6,718	7,525
Balance at December 31, 2022	<u>\$ 234,892</u>	<u>\$ 128,185</u>	<u>\$ 6,469</u>	<u>\$ 49,450</u>	<u>\$ 2,458</u>	<u>\$ 41,702</u>	<u>\$ 463,156</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2022	\$ -	\$ 75,298	\$ 6,930	\$ 36,014	\$ 1,968	\$ 16,518	\$ 136,728
Disposals	-	-	(461)	(651)	-	-	(1,112)
Depreciation	-	1,817	-	5,700	490	9,094	17,101
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 77,115</u>	<u>\$ 6,469</u>	<u>\$ 41,063</u>	<u>\$ 2,458</u>	<u>\$ 25,612</u>	<u>\$ 152,717</u>
Carrying amounts at December 31, 2022	<u>\$ 234,892</u>	<u>\$ 51,070</u>	<u>\$ -</u>	<u>\$ 8,387</u>	<u>\$ -</u>	<u>\$ 16,090</u>	<u>\$ 310,439</u>
<u>Cost</u>							
Balance at January 1, 2023	\$ 234,892	\$ 128,185	\$ 6,469	\$ 49,450	\$ 2,458	\$ 41,702	\$ 463,156
Additions	235,967	20,300	-	4,476	-	874	261,617
Disposals	-	-	(146)	(1,883)	-	-	(2,029)
Reclassification	-	-	-	1,908	-	1,203	3,111
Balance at December 31, 2023	<u>\$ 470,859</u>	<u>\$ 148,485</u>	<u>\$ 6,323</u>	<u>\$ 53,951</u>	<u>\$ 2,458</u>	<u>\$ 43,779</u>	<u>\$ 725,855</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2023	\$ -	\$ 77,115	\$ 6,469	\$ 41,063	\$ 2,458	\$ 25,612	\$ 152,717
Disposals	-	-	(146)	(1,883)	-	-	(2,029)
Depreciation	-	2,337	-	6,096	-	9,017	17,450
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 79,452</u>	<u>\$ 6,323</u>	<u>\$ 45,276</u>	<u>\$ 2,458</u>	<u>\$ 34,629</u>	<u>\$ 168,138</u>
Carrying amounts at December 31, 2023	<u>\$ 470,859</u>	<u>\$ 69,033</u>	<u>\$ -</u>	<u>\$ 8,675</u>	<u>\$ -</u>	<u>\$ 9,150</u>	<u>\$ 557,717</u>

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

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

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

15. LEASE ARRANGEMENTS

(1) Right-of-use assets

	December 31, 2023	December 31, 2022
Carrying amounts of right-of-use assets		
Buildings	<u>\$ 9,148</u>	<u>\$ 18,220</u>
	<u>2023</u>	<u>2022</u>
Additions to right-of-use assets	<u>\$ 1,381</u>	<u>\$ 16,727</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 9,762	\$ 9,565
Office equipment	<u>-</u>	<u>73</u>
	<u>\$ 9,762</u>	<u>\$ 9,638</u>

(2) Lease liabilities

	December 31, 2023	December 31, 2022
Carrying amounts of lease liabilities		
Current	\$ 6,306	\$ 9,941
Non-current	\$ 3,042	\$ 8,614
Range of discount rate for lease liabilities was as follows:		
	December 31, 2023	December 31, 2022
Buildings	0.75%~1.00%	0.75%~1.20%

(3) Other lease information

	2023	2022
Expenses relating to short-term leases	\$ 63	\$ 146
Expenses relating to low-value asset leases	\$ 211	\$ 149
Total cash (outflow) for leases	(\$ 10,274)	(\$ 10,100)

16. OTHER PAYABLE

	December 31, 2023	December 31, 2022
Salaries and bonuses payable	\$ 124,182	\$ 115,468
Compensation of employees and directors payable	40,000	36,000
Tax Payable	17,894	14,212
Others	61,412	67,825
	<u>\$ 243,488</u>	<u>\$ 233,505</u>

17. RETIREMENT BENEFIT PLANS

(1) Defined contribution plans

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

(2) Defined benefit plans

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

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

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

Movements in net defined benefit liabilities were as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability/assets
Balance at January 1, 2022	\$ 61,127	(\$ 41,903)	\$ 19,224
Interest expense (income)	<u>382</u>	(<u>268</u>)	<u>114</u>
Recognized in profits or losses	<u>382</u>	(<u>268</u>)	<u>114</u>
Remeasurements			
Return on plan assets (excluding amounts included in interest, net)	-	(3,228)	(3,228)
Actuarial gain arising from changes in financial assumptions	(1,833)	-	(1,833)
Actuarial loss arising from experience adjustments	<u>910</u>	<u>-</u>	<u>910</u>
Recognized in other comprehensive income	(<u>923</u>)	(<u>3,228</u>)	(<u>4,151</u>)
Contribution from employer	<u>-</u>	(<u>1,899</u>)	(<u>1,899</u>)
Balance at December 31, 2022	<u>\$ 60,586</u>	<u>(\$ 47,298)</u>	<u>\$ 13,288</u>
Balance at January 1, 2023	<u>\$ 60,586</u>	<u>(\$ 47,298)</u>	<u>\$ 13,288</u>
Interest expense (income)	<u>704</u>	(<u>550</u>)	<u>154</u>
Recognized in profits or losses	<u>704</u>	(<u>550</u>)	<u>154</u>
Remeasurements			
Return on plan assets (excluding amounts included in interest, net)	-	(433)	(433)
Actuarial loss arising from experience adjustments	<u>1,205</u>	<u>-</u>	<u>1,205</u>
Recognized in other comprehensive income	<u>1,205</u>	(<u>433</u>)	<u>772</u>
Contribution from employer	<u>-</u>	(<u>1,788</u>)	(<u>1,788</u>)
Benefit Payments	(<u>7,150</u>)	<u>5,850</u>	(<u>1,300</u>)
Balance at 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 the Company's assets shall not be less than the average interest rate on a two-year time deposit published by the local banks and the government is responsible for any shortfall in the event that the rate of return is less than the required rate of return.
- B. Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the debt investments of the plan assets.

- C. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

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

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

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

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

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

18. EQUITY

(1) Common stocks

	December 31, 2023	December 31, 2022
Authorized shares (in thousands)	200,000	200,000
Authorized capital	\$ 2,000,000	\$ 2,000,000
Issued and paid shares (in thousands)	154,369	153,032
Issued capital	\$ 1,543,687	\$ 1,530,317

The change in the Company's share capital is mainly due to the exercise of employee stock options.

(2) Additional paid-in capital

	December 31, 2023	December 31, 2022
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)</u>		
Premium on shares issued above par value	\$ 1,169,944	\$ 1,164,288
Treasury stock transactions	25,343	25,343
From exercised and invalid employees stock options	37,472	28,456
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	68	68
Vested employees restricted shares	8,426	6,712
<u>May be used to offset a deficit only</u>		
Recognized changes in equities of subsidiaries	456	-
Share of changes in equities of associates	2840	1,027
Exercise of right of disgorgement	94	-
<u>May not be used for any purpose</u>		
Employees restricted shares	-	1,714
Employees stock options	4,004	13,020
	<u>\$ 1,248,647</u>	<u>\$ 1,240,628</u>

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

(3) Retained earnings and dividend policy

Under the dividends policy as set forth in the Articles of Incorporation, where ZOTC earns profits in a fiscal year, such profit shall first be set aside to pay applicable taxes, offset losses of previous years, then set aside 10% for legal reserve, and also set aside or reverse a special reserve in accordance with the laws and regulations. Should there be any remaining profits, those profits, plus the accumulated undistributed retained earnings from the previous year shall be used first by ZOTC's board of directors as the basis for proposing a distribution plan of dividends for preferred shares for the same year, any further remaining unappropriated earnings after the distribution of dividends of preferred shares shall be distributed in accordance with the proposal submitted by the board of directors, for approval at the shareholders' meeting. The distributable dividends and bonuses may be paid in cash after a supermajority resolution of the board of directors, which shall be submitted to the shareholders' meeting. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors, refer to employees' compensation and remuneration of directors in Note 20 (4).

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

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

The appropriations of 2022 and 2021 earnings were as follows:

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

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

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

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

The above appropriation for cash dividends was resolved by ZOTC's board of directors; the other proposed appropriations are subject to the resolution of the shareholders' meeting to be held on May 27, 2024.

19. REVENUE

(1) Income from contracts with clients

	2023	2022
Sales revenue	\$ 13,402,569	\$ 12,277,629
Service revenue	<u>108,010</u>	<u>85,410</u>
	<u>\$ 13,510,579</u>	<u>\$ 12,363,039</u>

(2) Remaining balance of the contracts

	December 31, 2023	December 31, 2022
Notes receivable (Note 11)	\$ 169,098	\$ 319,273
Trade receivable (Note 11)	<u>\$ 3,059,132</u>	<u>\$ 2,489,921</u>
Contract liability (Other current liabilities)	<u>\$ 36,482</u>	<u>\$ 26,246</u>

20. NET INCOME

(1) Other Gains and losses

	2023	2022
Net gain (loss) arising on financial assets measured at FVTPL	\$ 16,352	(\$ 338)
Net foreign exchange (loss) gain	(298)	26,390
Gain on lease modification	<u>25</u>	<u>1</u>
	<u>\$ 16,079</u>	<u>\$ 26,053</u>

(2) Depreciation & amortization

	2023	2022
Property, plant and equipment	\$ 17,450	\$ 17,101
Right-of-use assets	9,762	9,638
Intangible assets	<u>1,978</u>	<u>1,177</u>
	<u>\$ 29,190</u>	<u>\$ 27,916</u>
An analysis of depreciation by function Operating expenses	<u>\$ 27,212</u>	<u>\$ 26,739</u>
An analysis of amortization by function Operating expenses	<u>\$ 1,978</u>	<u>\$ 1,177</u>

(3) Employee benefits expense

	2023	2022
Post-employment benefits		
Defined contribution plans	\$ 14,279	\$ 12,409
Defined benefit plans (Note 17)	<u>154</u>	<u>114</u>
	<u>\$ 14,433</u>	<u>\$ 12,523</u>

(Continued)

	<u>2023</u>	<u>2022</u>
Share-based payment		
Equity-settled (Note 23)	494	2,400
Other employee benefits		
Salaries expense	435,198	389,469
Others	<u>63,620</u>	<u>53,176</u>
	<u>498,818</u>	<u>442,645</u>
Total employee benefits expense	<u>\$ 513,745</u>	<u>\$ 457,568</u>
Employee benefits expense summarized by function		
Operating expenses	<u>\$ 513,745</u>	<u>\$ 457,568</u>

(Concluded)

(4) Compensation for employees and remuneration of directors

ZOTC shall allocate compensation to employees and Directors of ZOTC not less than 1%~15% and not more than 3% of surplus earnings during the period, respectively, and the amount of employees' and Directors' compensation for the years ended December 31, 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 estimates regulations.

The distribution amount of employees' and director's compensation in 2022, and 2021 has no difference compared to the recognized amount of the parent company only financial statements in 2022 and 2021.

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

21. INCOME TAXES

(1) Income tax recognized in profit or loss

The major components of income tax expenses were as follows:

	<u>2023</u>	<u>2022</u>
Current tax		
In respect of the current year	\$ 154,466	\$ 154,715
Surtax on undistributed retained earnings		
Adjustments for previous years	(<u>7,763</u>)	(<u>8,212</u>)
	<u>146,703</u>	<u>146,503</u>
Deferred tax		
In respect of the current year	<u>11,548</u>	(<u>3,400</u>)
Income tax expense recognized in profit or loss	<u>\$ 158,251</u>	<u>\$ 143,103</u>

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

	<u>2023</u>	<u>2022</u>
Profit before income tax	\$ 849,768	\$ 756,683
Income tax expense calculated at the statutory rate	\$ 169,954	\$ 151,337
Tax-exempt income	(3,303)	(2,946)
Tax effect of expenses not deductible for tax	9,989	7,424
Investment tax credits	(4,500)	(4,500)
The adjustment of current income tax expenses for previous years	(7,763)	(8,212)
Others	(6,126)	-
Total income tax expense recognized in profit or loss	<u>\$ 158,251</u>	<u>\$ 143,103</u>

(2) Deferred tax balances

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

2023

	<u>Beginning Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in Other Comprehensive Income</u>	<u>Ending Balance</u>
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for inventory valuation losses	\$ 39,836	(\$ 4,800)	\$ -	\$ 35,036
Defined benefit plans	2,658	(587)	154	2,225
Others	<u>4,620</u>	<u>(3,022)</u>	<u>-</u>	<u>1,598</u>
	<u>\$ 47,114</u>	<u>(\$ 8,409)</u>	<u>\$ 154</u>	<u>\$ 38,859</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized foreign exchange gains	\$ 3,402	\$ 2,761	\$ -	\$ 6,163
Others	<u>839</u>	<u>378</u>	<u>-</u>	<u>1,217</u>
	<u>\$ 4,241</u>	<u>\$ 3,139</u>	<u>\$ -</u>	<u>\$ 7,380</u>

2022

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

(3) Income tax assessment

The Company's tax returns through 2021 had been assessed by the tax authorities.

22. EARNINGS PER SHARE

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

Net Profit for the Year

	2023	2022
Earnings used in the computation of basic/diluted earnings per share	<u>\$ 691,517</u>	<u>\$ 613,580</u>
 <u>Shares</u>		
	2023	2022
Weighted average number of common stocks used in the computation of basic earnings per share	153,577	152,325
Effect of potentially dilutive common stocks :		
Employees' compensation	483	693
Employee stock options	1,019	1,566
Employee restricted shares	<u>77</u>	<u>232</u>
Weighted average number of common stocks outstanding in computation of diluted earnings per share	<u>155,156</u>	<u>154,816</u>

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

23. SHARE-BASED PAYMENT ARRANGEMENTS

(1) Employee stock option plan

In September 2016, January 2018, and September 2018, 1,860, 2000, and 2,000 options were granted to qualified employees of ZOTC, and each option entitles the holder to subscribe for 1,000 common stocks of the Company when exercisable. The options granted are valid for 6 years and shall be exercised a portion of them after two years from the date of grant. The options were granted at an exercise price equal to the fair value of ZOTC's common stocks on the grant date. For any subsequent changes in the Company's common stocks, the exercise price of options will be adjusted by the regulated formula, accordingly.

Information about employee stock options was as follows:

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

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

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

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

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

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

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

(2) Employee restricted shares

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

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

A. An employee who remains employed at the Company after 1 year has elapsed from the time of employee restricted shares, and who personal performance have met with the criteria listing of 75 scores and above, will be eligible for vesting of an installment of 25% of the shares.

B. An employee who remains employed at the Company after 2 year has elapsed from the time of employee restricted shares, and who personal performance have met with the criteria listing of 75 scores and above, will be eligible for vesting of an installment of 25% of the shares.

C. An employee who remains employed at the Company after 3 year has elapsed from the time of employee restricted shares, and who personal performance have met with the criteria listing of 75 scores and above, will be eligible for vesting of an installment of 25% of the shares.

D. An employee who remains employed at the Company after 4 year has elapsed from the time of employee restricted shares, and who personal performance have met with the criteria listing of 75 scores and above, will be eligible for vesting of an installment of 25% of the shares.

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

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

Compensation costs by issuance of employee restricted shares recognized were \$494 thousand and \$1,577 thousand in 2023 and 2022 respectively.

24. CAPITAL RISK MANAGEMENT

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

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

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

25. FINANCIAL INSTRUMENTS

(1) Information about Fair value of financial instruments that are not measured at fair value

Except as detailed in the following table, the management believes the carrying amounts of financial assets and liabilities not measured at fair value recognized in the parent company only financial statements approximate or cannot be measured their fair values:

	December 31, 2023		December 31, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial Assets</u>				
Measured at amortized cost				
— Foreign corporate bonds	\$ 94,053	\$ 83,170	\$ 94,992	\$ 77,938

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

A. Fair value hierarchy

December 31, 2023

	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at</u>				
<u>FVTPL</u>				
Domestic convertible bonds	\$ 56,809	\$ -	\$ -	\$ 56,809
Domestic listed shares	8,038	-	-	8,038
Fund beneficiary certification	664,707	-	41,558	706,265
Total	<u>\$ 729,554</u>	<u>\$ -</u>	<u>\$ 41,558</u>	<u>\$ 771,112</u>

Financial assets measured at FVTOCI

Equity investments				
— Domestic listed shares	\$ 190,869	\$ -	\$ -	\$ 190,869
— Domestic unlisted shares	-	-	107,111	107,111
Total	<u>\$ 190,869</u>	<u>\$ -</u>	<u>\$ 107,111</u>	<u>\$ 297,980</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 certification	963,373	-	9,191	972,564
Total	<u>\$1,022,377</u>	<u>\$ -</u>	<u>\$ 9,191</u>	<u>\$1,031,568</u>

(Continued)

	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at</u>				
<u>FVTOCI</u>				
Equity investments				
– Domestic listed shares	\$ 190,259	\$ -	\$ -	\$ 190,259
– Domestic unlisted shares	-	-	31,392	31,392
Total	<u>\$ 190,259</u>	<u>\$ -</u>	<u>\$ 31,392</u>	<u>\$ 221,651</u>

(Concluded)

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

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

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

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

(3) Categories of financial instruments

	December 31, 2023	December 31, 2022
<u>Financial assets</u>		
Measured at FVTPL		
Mandatorily measured at FVTPL	\$ 771,112	\$ 1,031,568
Financial assets measured at amortized cost (Note 1)	4,323,688	3,894,358
Financial assets measured at FVTOCI		
– Investments in equity instruments	297,980	221,651
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	3,207,181	3,534,910

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

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

(4) Financial risk management objectives and policies

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

A. Market risk

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

a. Foreign currency risk

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

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities of non-functional currency calculated (including those eliminated on consolidation) at the end of the reporting period are set out in Note 29.

Sensitivity analysis

The Company's exchange rate exposure was in the exchange rate of U.S. dollars.

The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. When the New Taiwan dollar appreciates 5% against the relevant currency, the Company's net profit in 2023 and 2022 would increase by \$7,280 thousand and \$23,194 thousand, respectively.

b. Interest rate risk

The Company exposed to the risk of interest rate at fair value, since holding the fixed-rate loan, accessing the interest rate of the bank loan regularly, observing influences on profits or losses from fluctuation range of the interest rate, keeping contact with the bank based on the actual requirement, and acquiring the best interest rate of the loan.

The carrying amount of the Company's financial assets and financial liabilities with exposure to risks of interest rates at the end of the reporting period were as follows:

	December 31, 2023	December 31, 2022
Interest rate risks at fair value		
— Financial assets	\$ 793,866	\$ 770,532
— Financial liabilities	9,348	18,555
Interest rate risks at cash flows		
— Financial assets	274,596	307,533

Sensitivity analysis

The sensitivity analyses below were determined based on the Company's exposure to interest rates for non-derivative instruments at the end of the reporting period.

If interest rates had been 50 basis points higher and all other variables were held constant, the Company's pre-tax profit in 2023 and 2022 would increase by \$1,373 thousand and \$1,538 thousand, respectively.

c. Other price risk

The Company is exposed to price risks arising from investments of public offering securities, corporate bonds and fund beneficiary certificates. The investments should be approved by the management, for controlling risks by holding different investment portfolios.

Sensitivity analysis

The following sensitivity analysis is based on risk exposure of equity prices at the end of the reporting period.

If equity prices had been 5% higher, pre-tax profit in 2023 and 2022 would have increased by \$38,556 thousand and \$51,578 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the other comprehensive income in would have increased by \$14,899 thousand and \$11,083 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

B. Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the parent company only balance sheets.

The Company adopted a policy of only dealing with creditworthy counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the financial department regularly.

To decrease a credit risk, the key management personnel of the Company is responsible for decision of rating criteria, credit limits approval, and other censor procedure, etc., in order to collect delinquent trade receivable. Otherwise, the Company reviews each trade receivable to assure allowance of impairment losses of uncollectable bad debts, hence the key management personnel considers credit concentration risk of trade receivable is insignificant.

The credit concentration risk of the current fund is insignificant, since the Company only transacts with financial institutions with good rating.

Trade receivable consisted of a large number of customers. Ongoing credit evaluation is performed on the financial condition of certain customer's trade receivable. If necessary, purchasing insurance for credit enhancing procedures is a must.

The credit risk of the Company concentrates on top 5 customers of the Company. As of December 31, 2023 and 2022, the Company's five largest customers accounted all for 36% and 35% of trade receivable, respectively.

C. Liquidity risk

The Company manages and maintains sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises financing line of the banking facilities and ensures compliance with the terms of loan agreements.

Liquidity & interest rate risk table

The table below summarizes the due analysis of the maturity profile of the Company's non-derivative financial liabilities, enacted by contractual undiscounted payments of cash flow of financial liabilities, according to remaining contracts on the earliest date on which the Company may be required to pay, including interest and principal of cash flows.

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

December 31, 2023

	<u>Less than 1 Year</u>	<u>1-5 Years</u>
<u>Non-derivative financial liabilities</u>		
No interest-bearing liabilities	\$ 3,204,381	\$ -
Lease liabilities	<u>6,357</u>	<u>3,057</u>
	<u>\$ 3,210,738</u>	<u>\$ 3,057</u>

December 31, 2022

	<u>Less than 1 Year</u>	<u>1-5 Years</u>
<u>Non-derivative financial liabilities</u>		
No interest-bearing liabilities	\$ 3,534,110	\$ -
Lease liabilities	<u>10,061</u>	<u>8,670</u>
	<u>\$ 3,544,171</u>	<u>\$ 8,670</u>

As of December 31, 2023 and 2022, the Company's unused short-term credit of limit of the bank were \$1,800,000 thousand and \$1,600,000 thousand respectively.

26. RELATED PARTIES TRANSACTIONS

The details of transactions between the Company and related parties are disclosed as follows.

(1) The name and relationship of related party

<u>Name of the related party</u>	<u>Relationship with the Company</u>
Zotech Co., Ltd.	Subsidiary
Zerone Win Investment Co., Ltd.	Subsidiary
Petacom Technology Co., Ltd.	Subsidiary
Wing Will International Co., Ltd.	Subsidiary

(Continued)

<u>Name of the related party</u>	<u>Relationship with the Company</u>
DigiCosmos Tech. Co., Ltd.	Subsidiary
Asiaone Holdings Ltd.	Subsidiary
Techone (Shanghai) Co., Ltd.	Subsidiary
Techone (Vietnam) Co., Ltd.	Subsidiary
TrustONE Security Inc.	Associate under a subsidiary
Leukocyte-Lab Co. Ltd.	Associate under a subsidiary
Infinitesoft Solutions Inc.	Associate under a subsidiary (from June 29, 2022 till December 21, 2023)
K Way Information Corp.	Other related party (changed to non-related party effective May 30, 2023)

(Concluded)

(2) Operating revenue

<u>Line Items</u>	<u>Types of related parties</u>	<u>2023</u>	<u>2022</u>
Sales revenue	Subsidiaries	\$ 103,183	\$ 105,661
	Associates	466	250
	Other related parties	<u>2</u>	<u>844</u>
		<u>\$ 103,651</u>	<u>\$ 106,755</u>
Service revenue	Subsidiaries	<u>\$ 4,972</u>	<u>\$ 4,453</u>

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

(3) Purchases

<u>Types of related parties</u>	<u>2023</u>	<u>2022</u>
Subsidiaries	\$ 23,873	\$ 34,521
Associates	<u>24,682</u>	<u>11,283</u>
	<u>\$ 48,555</u>	<u>\$ 45,804</u>

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

<u>Line Items</u>	<u>Types of related parties</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Trade receivable	Subsidiaries	\$ 34,285	\$ 24,636
	Associates	5	5
	Other related parties	-	590
Other receivable	Subsidiaries	<u>499</u>	<u>-</u>
		<u>\$ 34,789</u>	<u>\$ 25,231</u>

(5) Payables to related parties

<u>Line Items</u>	<u>Types of related parties</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Trade payable	Subsidiaries	\$ 7,956	\$ 13,692
	Associates	8,551	1,506
Other payable	Subsidiaries	<u>354</u>	<u>74</u>
		<u>\$ 16,861</u>	<u>\$ 15,272</u>

(6) Loans to related parties (Recognized as other current assets)

Interest income

<u>Types of related parties/Name</u>	<u>2023</u>	<u>2022</u>
Subsidiaries	<u>\$ -</u>	<u>\$ 204</u>

(7) Non-operating income

<u>Line Items</u>	<u>Types of related parties</u>	<u>2023</u>	<u>2022</u>
Rental income	Subsidiaries	<u>\$ 724</u>	<u>\$ 790</u>

(8) Compensation of key management personnel

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ <u>42,849</u>	\$ <u>47,725</u>

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

27. ASSETS PLEDGED AS COLLATERAL

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Property, plant and equipment, Net	\$ 203,454	\$ 204,843
Pledged time deposit (Financial assets at amortized cost – non-current)	<u>35,210</u>	<u>34,857</u>
	\$ <u>238,664</u>	\$ <u>239,700</u>

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

(1) As of December 31, 2023, the Company issued \$87,000 thousand of cashier order for payment guaranteed for Microsoft Taiwan Corporation.

(2) As of December 31, 2023, the Company issued \$50,000 thousand of cashier order for payment guaranteed for Microsoft Regional Sales Corporation.

29. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

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

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

30. FOREIGN-CURRENCY-DEMONINATED ASSETS AND LIABILITIES THAT HAVE SIGNIFICANT INFLUENCE

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

December 31, 2023

	<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 28,065	30.705 (USD:NTD)	\$ <u>861,736</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	32,807	30.705 (USD:NTD)	\$ <u>1,007,339</u>

December 31, 2022

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 25,031	30.71 (USD:NTD)	\$ <u>768,702</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	40,136	30.71 (USD:NTD)	\$ <u>1,232,577</u>

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

	2023		2022	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	31.155 (USD:NTD)	(\$ <u>298</u>)	29.805 (USD:NTD)	\$ <u>26,390</u>

31. SEPARATELY DISCLOSED ITEMS

(1) Significant Transactional Items

- A. Financing provided to others: Table 1.
- B. Endorsements/guarantees provided: Table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Table 3.
- D. Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital: Table 4.
- E. Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- F. Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- G. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- H. Trade receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- I. Trading in derivative instruments: None.

(2) Information on investees: Table 5.

(3) Information on investment in Mainland China :

- A. The name of the investee in mainland China, the main business and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Table 6.
- B. Significant direct or indirect transactions with the investee, its price and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: None.
 - a. The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b. The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c. The amount of property transactions and the amount of the resultant gains or losses.

- d. The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
- e. The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
- f. Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

(4) Information on major shareholder : List of all shareholders with ownership of 5 percent or greater showing the names and the number of shares and percentage of ownership held by each shareholder: None.

ZERO ONE TECHNOLOGY CO., LTD.

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

Table 1

(In Thousands of New Taiwan Dollars)

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

Note 1 : The number column is organized as follows :

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

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

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

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

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

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

ZERO ONE TECHNOLOGY CO., LTD.

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

(In Thousands of New Taiwan Dollars)

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

Note 1 : The number column is organized as follows :

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

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

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

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

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

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

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

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

ZERO ONE TECHNOLOGY CO., LTD.

MARKETABLE SECURITIES HELD
DECEMBER 31, 2023
Table 3

(In Thousands of New Taiwan Dollars)

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

(Continued)

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

(Continued)

Holding Company	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Note
				Shares/Units/ Par Value	Carrying Values	Percentage of Ownership (%)	Fair Value	
ZOTC	WPG Holdings Limited Preferred Shares A	—	Financial assets at FVTOCI—non-current	675,000	\$ 31,725	-	\$ 31,725	
	QST International Corporation Preferred Shares A	—	Financial assets at FVTOCI—non-current	45,000	1,930	-	1,930	
	Taishin Financial Holding Co., Ltd. Exchangeable Preferred Shares F	—	Financial assets at FVTOCI—non-current	1,350,000	22,950	-	22,950	
	Nextlink Technology Co., Ltd.	—	Financial assets at FVTOCI—non-current	1,000,000	75,000	5.00	75,000	
	Duofu Co. Ltd.	—	Financial assets at FVTOCI—non-current	1,000	-	0.05	-	
	Jotangi Technology Co. Ltd.	—	Financial assets at FVTOCI—non-current	796,250	-	9.32	-	
Zerone Win Investment Co., Ltd	Stocks							
	Leukocyte-Lab Co., Ltd. Preferred Stock A	Associate	Financial assets at FVTPL—non-current	600,000	110	-	110	
	WPG Holdings Limited Preferred Stock A	—	Financial assets at FVTOCI—non-current	240,000	11,280	-	11,280	
	Shin Kong Financial Holding Co., Ltd. Preferred Stock A	—	Financial assets at FVTOCI—non-current	50,000	1,432	-	1,432	
	Tatung System Technologies Inc.	—	Financial assets at FVTOCI—non-current	1,500,000	74,100	1.69	74,100	
	Saviah Technologies, Inc. Preferred Stock B	—	Financial assets at FVTOCI—non-current	375,000	14,378	-	14,378	
	GrandTech C.G. Systems Inc.	—	Financial assets at FVTOCI—non-current	74,000	4,899	0.12	4,899	
	FiduciaEdge Technologies Co., Ltd.	—	Financial assets at FVTOCI—non-current	500,000	5,980	3.33	5,980	
	GrandTech Cloud Services Inc.	—	Financial assets at FVTOCI—non-current	872	58	-	58	
	InfinitesSoft Solutions Inc.	—	Financial assets at FVTOCI—non-current	2,780,889	41,713	14.31	41,713	
Petacom Technology Co. Ltd.	Beneficiary certificates 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 5 & Table 6.

(Concluded)

ZERO ONE TECHNOLOGY CO., LTD.

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2023

Table 4

(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount (Note)	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount (Note)
ZOTC	<u>Beneficiary certificates</u>													
	Taishin 1699 Money Market Fund	Financial assets at FVTPL – current	—	—	47,267,987	\$ 650,654	35,885,387	\$ 500,000	47,267,987	\$ 655,071	\$ 650,000	\$ 5,071	35,885,387	\$ 500,332
	Taishin Ta-Chong Money Market Fund	Financial assets at FVTPL – current	—	—	20,808,963	300,296	30,906,950	450,000	41,418,030	602,367	600,000	2,367	10,297,883	150,442

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

ZERO ONE TECHNOLOGY CO., LTD.

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2023
Table 5

(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses	Investment Amount		As of December 31, 2023			Net Income (Loss) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2023	December 31, 2022	Number of Ownership	Percentage of Ownership	Carrying Values			
ZOTC	Zotech Co., Ltd.	Taiwan	Manufacturing for computer equipment	\$ 35,000	\$ 35,000	3,500,000	85.37	\$ 45,463	\$ 1,932	\$ 1,649	Subsidiary
	Zerone Win Investment Co., Ltd.	Taiwan	Investment	300,000	300,000	30,000,000	100.00	360,855	23,715	23,715	Subsidiary
	Asiaone Holdings Ltd.	Republic of Seychelles	Holding company	22,208	10,063	700,000	100.00	27,642	1,891	1,891	Subsidiary
Zerone Win Investment Co., Ltd.	Wing Will International Co., Ltd.	Taiwan	Services of cloud information software	70,899	54,499	45,399,000	90.80	46,998	6,296	5,680	Sub-subsubsidiary
	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-subsubsidiary
	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-subsubsidiary
	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-subsubsidiary

Note 1: Please refer to Table 6 for Information on investment in Mainland China.

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

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

ZERO ONE TECHNOLOGY CO., LTD.

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

Table 6

(In Thousands of New Taiwan Dollars/Foreign Currency)

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

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2023	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA (Note 3)
\$ 9,118	\$ 9,118	\$ 2,571,958

Note 1 : The company directly holds 100% of a subsidiary-Asiaone Holdings Ltd., which reinvests the company in Mainland China.

Note 2 : Amount was recognized based on the financial statements which were audited by CPAs on December 31, 2023.

Note 3 : According to the "Principles for the Review of Investment or Technical Cooperation in the Mainland Area" stipulated by the Investment Commission, Ministry of Economic Affairs, the limit is 60% of net worth of the Company or the consolidated financial statements. $(4,286,597 \times 60\% = 2,571,958)$

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

§THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS§

<u>ITEMS</u>	<u>NO./INDEX</u>
MAJOR ACCOUNTING ITEMS IN ASSETS, LIABILITIES AND EQUITY	
STATEMENT OF CASH AND CASH EQUIVALENTS	Statement 1
STATEMENT OF FINANCIAL ASSETS AT FVTPL – CURRENT	Statement 2
STATEMENT OF FINANCIAL ASSETS AT AMORTIZED COST – CURRENT	Note 9
STATEMENT OF NOTES RECEIVABLE	Statement 3
STATEMENT OF TRADE RECEIVABLE	Statement 4
STATEMENT OF INVENTORIES	Statement 5
STATEMENT OF FINANCIAL ASSETS AT FVTPL – NON-CURRENT	Statement 6
STATEMENT OF FINANCIAL ASSETS AT FVTOCI – NON-CURRENT	Statement 7
STATEMENT OF FINANCIAL ASSETS AT AMORTIZED COST – NON-CURRENT	Note 9
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	Statement 8
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT	Note 14
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	Note 14
STATEMENT OF DEFERRED INCOME TAX ASSETS	Note 21
STATEMENT OF TRADE PAYABLES	Statement 9
STATEMENT OF OTHER PAYABLES	Note 16
STATEMENT OF OTHER CURRENT LIABILITIES	Statement 10
MAJOR ACCOUNTING ITEMS IN PROFIT OR LOSS	
STATEMENT OF OPERATING REVENUE	Statement 11
STATEMENT OF OPERATING COST	Statement 12
STATEMENT OF OPERATING EXPENSES	Statement 13
STATEMENT OF EMPLOYEE BENEFIT, DEPRECIATION AND AMORTIZATION BY FUNCTION	Statement 14

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2023

STATEMENT 1 (In Thousands of New Taiwan Dollars)

Item	Description	Amount
Cash on hand and revolving funds		\$ 170
Checking accounts and demand deposits	New Taiwan dollar	136,940
	USD 172 thousand @ 30.705; EUR 2 thousand @ 33.98	5,350
Time deposits	USD 1,580 thousand@ 30.705; annual interest rate at 5.51%; Expired by January 10, 2024	<u>48,514</u>
		<u>\$ 190,974</u>

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF FINANCIAL ASSETS AT FVTPL – CURRENT
DECEMBER 31, 2023

Statement 2

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

Name of financial instruments	Description	Units	Par value (Dollars)	Total	Acquisition Cost	Fair value	
						Units (Dollars)	Total
Taishin 1699 Money Market Fund	Fund beneficiary certificates	35,885,387	10	\$ 358,854	\$ 500,000	\$ 13.9425	\$ 500,332
Taishin Ta-Chong Money Market Fund	Fund beneficiary certificates	10,297,883	10	102,979	150,000	14.6090	150,442
Chailease Holding Company Limited - 1st convertible bonds	Convertible bond	160 (units)	100,000	16,000	16,160	99.10	15,856
Giant Manufacturing Co., Ltd. - 1st convertible bond	Convertible bond	70 (units)	100,000	7,000	7,070	103.70	7,259
Topco Technologies Corp. - 1st convertible bond	Convertible bond	36 (units)	100,000	3,600	3,629	109.20	3,931
Gloria Material Technology Corp. - 7th convertible bond	Convertible bond	60 (units)	100,000	6,000	6,060	106.65	6,399
Ennoconn Corporation - 5th convertible bond	Convertible bond	25 (units)	100,000	2,500	2,525	108.85	2,721
HD Renewable Energy Co., Ltd. - 1st convertible bond	Convertible bond	25 (units)	100,000	2,500	2,525	116.40	2,910
International CSRC Investment Holdings Co. - 3rd convertible bonds	Convertible bond	50 (units)	100,000	5,000	5,035	104.90	5,245
TAI-TECH Advanced Electronics Co. Ltd. - 1st convertible bonds	Convertible bond	20 (units)	100,000	2,000	2,020	115.90	2,318
Yulon Finance Corporation - 2nd convertible corporate bonds	Convertible bond	100 (units)	100,000	10,000	<u>10,150</u>	101.70	<u>10,170</u>
					705,174		\$ <u>707,583</u>
Add : Valuation adjustment					<u>2,409</u>		
					<u>\$ 707,583</u>		

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF NOTES RECEIVABLE
DECEMBER 31, 2023

Statement 3 (In Thousands of New Taiwan Dollars)

The firm name	Description	Amount
Non-related parties		
Stark Technology Inc.	Payment for goods	\$ 51,645
Apex Fong Yi Technology Co., Ltd.	Payment for goods	24,786
ecom Software Inc.	Payment for goods	10,206
LOLA Technology Inc.	Payment for goods	9,765
NETRANGER TECH. CO., LTD.	Payment for goods	9,172
Others (Note)	Payment for goods	<u>63,524</u>
		169,098
Less: Allowances for impairment loss		<u>-</u>
		<u>\$ 169,098</u>

Note : The amount of individual company included in others does not exceed 5% of the account balance.

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF TRADE RECEIVABLE
DECEMBER 31, 2023

Statement 4 (In Thousands of New Taiwan Dollars)

<u>The Company's name</u>	<u>Description</u>	<u>Amount</u>
Kinmax Technology Inc.	Payment for goods	\$ 468,687
GENESIS TECHNOLOGY INC.	Payment for goods	252,352
Others (Note)	Payment for goods	<u>2,361,159</u>
		3,082,198
Less: Allowances for impairment loss		<u>23,066</u>
Total		<u>\$ 3,059,132</u>

Note : The amount of individual company included in others does not exceed 5% of the account balance.

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF INVENTORIES
DECEMBER 31, 2023

Statement 5 (In Thousands of New Taiwan Dollars)

Items	Book value	Net realizable value (Note)
Commodities	<u>\$ 1,249,707</u>	<u>\$ 1,267,831</u>

Note : The net realizable value is the estimated selling price of inventories less the estimated costs necessary to make the sale under normal situations.

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF FINANCIAL ASSETS AT FVTPL – NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2023

Statement 6

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

Name	Beginning Balance		Addition		Decrease		Valuation for the current year	Balance, December 31, 2023		
	Shares	Book value	Shares	Amount	Shares	Amount		Shares	Book value	Collateral/Pledge
KGI Kaefer Fund	170,199	\$ 3,689	-	\$ -	-	\$ -	\$ 366	170,199	\$ 4,055	
KGI Taiwan Multi-Asset Income Fund	1,198,020	12,423	-	-	-	-	1,510	1,198,020	13,933	
KGI Taiwan Select-Asset Income Fund	500,325	5,502	-	-	-	-	464	500,325	5,966	
Nomura 2026 DM Markets Trigger Maturity Private Placement Bond Fund	-	-	100,000	31,382	-	-	155	100,000	31,537	
Cathay Financial Holding Co., Ltd. Preferred Shares A	166,000	9,396	-	-	100,000	5,939	477	66,000	3,934	
Union Bank of Taiwan Preferred Shares A	80,000	<u>4,136</u>	-	<u>-</u>	-	<u>-</u>	(<u>32</u>)	80,000	<u>4,104</u>	
		<u>\$ 35,146</u>		<u>\$ 31,382</u>		<u>\$ 5,939</u>	<u>\$ 2,940</u>		<u>\$ 63,529</u>	

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF FINANCIAL ASSETS AT FVTOCI—NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2023

Statement 7

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

Name	Beginning Balance		Addition		Decrease		Valuation for the current year	Ending Balance		Guaranteed /Pledged
	Shares	Book value	Shares	Amount	Shares	Amount		Shares	Book value	
K Way Information Corp.	655,000	\$ 18,176	-	\$ -	-	\$ -	\$ 2,195	655,000	\$ 20,371	None
China Electric Mfg. Corp	2,689,200	35,497	-	-	39,000	670	9,166	2,650,200	43,993	None
Unex Technology Corp.	175,000	1,412	-	-	-	-	676	175,000	2,088	None
Da-Chang Start-Up Investment Co. Ltd.	3,000,000	29,980	-	-	-	-	43	3,000,000	30,023	None
Cathay Financial Holding Co., Ltd. Preferred Shares A	134,000	7,584	-	-	-	-	402	134,000	7,986	None
Union Bank of Taiwan Preferred Shares A	70,000	3,619	-	-	-	-	(28)	70,000	3,591	None
Fubon Financial Holding Co., Ltd. Preferred Shares B	400,000	23,000	-	-	15,000	890	952	385,000	23,062	None
Taishin Financial Holding Co., Ltd. Preferred Shares E	240,000	12,384	-	-	-	-	(120)	240,000	12,264	None
CTBC Financial Holding Co., Ltd. Preferred Shares B	90,000	5,337	-	-	-	-	9	90,000	5,346	None
Cathay Financial Holding Co., Ltd. Preferred Shares B	230,000	12,558	-	-	-	-	1,173	230,000	13,731	None
WPG Holdings Limited Preferred Shares A	700,000	34,300	-	-	25,000	1,139	(1,436)	675,000	31,725	None
United Orthopedic Corporation Preferred Shares A	200,000	9,840	-	-	200,000	11,474	1,634	-	-	None
QST International Corp. Preferred Shares A	45,000	2,021	-	-	-	-	(91)	45,000	1,930	None
Taishin Financial Holding Co., Ltd. Exchangeable Preferred Shares F	1,350,000	23,153	-	-	-	-	(203)	1,350,000	22,950	None
Nextlink Technology Co., Ltd.	-	-	1,000,000	75,000	-	-	-	1,000,000	75,000	None
Miiicasa Holdings (Cayman) Inc.	2,500,000	-	-	-	2,500,000	3	3	-	-	None
Duofu Co., Ltd	10,000	-	-	-	9,000	-	-	1,000	-	None
Jotangi Technology Co., Ltd.	796,250	-	-	-	-	-	-	796,250	-	None
		<u>\$ 218,861</u>		<u>\$ 75,000</u>		<u>\$ 14,176</u>	<u>\$ 14,375</u>		<u>\$ 294,060</u>	

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2023

Statement 8

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

Name	Beginning Balance		Addition		Decrease		Increase (Decrease) in Using the Equity Method (Note 1)	Ending Balance			Net value of equity	Collateral/Pledge
	Shares	Amount	Shares	Amount (Note 2)	Shares	Amount		Shares	Percentage of ownership%	Amount		
Zotech Co., Ltd.	3,500,000	\$ 44,199	-	\$ -	-	\$ -	\$ 1,264	3,500,000	85.37	\$ 45,463	\$ 45,463	None
Zerone Win Investment Co., Ltd.	30,000,000	324,049	-	-	-	-	36,806	30,000,000	100.00	360,855	360,855	None
Asiaone Holdings Ltd.	320,000	<u>13,908</u>	380,000	<u>12,145</u>	-	-	<u>1,589</u>	700,000	100.00	<u>27,642</u>	27,642	None
		<u>\$ 382,156</u>		<u>\$ 12,145</u>		<u>\$ -</u>	<u>\$ 39,659</u>			<u>\$ 433,960</u>		

Note 1 : Including

1. Share of profit or loss of subsidiaries accounted for using the equity method	\$ 27,255
2. Changes in equity from investees accounted for using the equity method	(307)
3. Share of other comprehensive income (loss) of subsidiaries accounted for using equity method.	13,013
4. Exchange differences on translation of the financial statements of foreign operations	(<u>302</u>)
	<u>\$ 39,659</u>

Note 2 : This refers to cash capital increase.

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF TRADE PAYABLES
DECEMBER 31, 2023

Statement 9

(In Thousands of New Taiwan Dollars)

<u>The Company's name</u>	<u>Amount</u>
Trend Micro Inc.	\$ 554,732
CISCO SYSTEMS INTERNATIONAL B.V.	436,554
NetApp B.V.	148,793
Others (Note)	<u>1,820,814</u>
	<u>\$ 2,960,893</u>

Note : The amount of individual company included in others does not exceed 5% of the account balance.

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF OTHER CURRENT LIABILITIES
DECEMBER 31, 2023

Statement 10 (In Thousands of New Taiwan Dollars)

<u>Items</u>	<u>Amount</u>
Receipts under custody	\$ 183,466
Contract liability—current	36,482
Temporary receipts	<u>25,606</u>
	<u>\$ 245,554</u>

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2023

Statement 11 (In Thousands of New Taiwan Dollars)

Items	Description	Amount
Sales revenue	Selling hardware and software suite	\$ 13,419,358
Service revenue		108,010
		13,527,368
Less: sales returns		11,760
sales discounts		5,029
		\$ 13,510,579

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF OPERATING COST
FOR THE YEAR ENDED DECEMBER 31, 2023

Statement 12

(In Thousands of New Taiwan Dollars)

Items	Amount
Costs of goods sold	
Inventory, beginning of year	\$ 2,145,176
Add : Purchases	11,094,852
Inventory, ending of year	(1,424,886)
Other incoming transfers	330,925
Other outgoing transfers	(<u>130,121</u>)
Total costs of sales and purchases	12,015,946
Reversal of write-down of inventories	(24,002)
Losses on scrap of inventories	3,298
Inventory shrinkage	<u>27</u>
	<u>\$ 11,995,269</u>

Note : The above statement indicates that the amount of all items regarding inventories is recognized by original costs of inventories, with no deduction of allowance for inventory valuation losses.

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

Statement 13

(In Thousands of New Taiwan Dollars)

Items	Selling and marketing expenses	General and administrative expenses	Research & Development Expenses	Expected credit losses	Total
Payroll Expenses	\$ 350,553	\$ 89,467	\$ 10,105	\$ -	\$ 450,125
Entertainment expense	77,141	1,722	-	-	78,863
Insurance expense	37,066	9,316	833	-	47,215
Depreciation expense	12,874	14,277	61	-	27,212
Expected credit losses	-	-	-	12,630	12,630
Others (Note)	<u>106,421</u>	<u>31,631</u>	<u>2,208</u>	<u>-</u>	<u>140,260</u>
	<u>\$ 584,055</u>	<u>\$ 146,413</u>	<u>\$ 13,207</u>	<u>\$ 12,630</u>	<u>\$ 756,305</u>

Note : The amount of each item in others does not exceed 5% of the account balance.

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF EMPLOYEE BENEFIT, DEPRECIATION AND
AMORTIZATION BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Statement 14

(In Thousands of New Taiwan Dollars)

	2023	2022
	Classified as Operating Expenses	Classified as Operating Expenses
Employee benefit expenses (Note)		
Salary and bonus	\$ 422,623	\$ 379,770
Labor and health insurance	31,455	27,915
Pension	14,433	12,523
Directors' compensation	13,069	12,099
Others	<u>32,165</u>	<u>25,261</u>
	<u>\$ 513,745</u>	<u>\$ 457,568</u>
 Depreciation	 <u>\$ 27,212</u>	 <u>\$ 26,739</u>
 Amortization	 <u>\$ 1,978</u>	 <u>\$ 1,177</u>

Note 1: As of December 31, 2023 and 2022, the Company had 352 and 320 employees, respectively, and there were 6 non-employee directors for both years. The calculation basis is consistent to employee benefit expenses.

Note 2: (1) Average employee benefit expenses for 2023 and 2022 were \$1,447 thousand and \$1,419 thousand, respectively.

(2) Average salary and bonus for 2023 and 2022 were \$1,221 thousand and \$1,209 thousand, respectively.

(3) The change in the average salary and bonus adjustment is 0.99%.

Note 3: The Company's compensation policies (including directors, managers and employees) are as follows:

(1) Directors: Accordingly to Article 19 of the Company's Articles of Incorporation, the compensation for directors shall be no more than 3% of annual profits. The Company allocates 1.5% of the current year's annual profits for the compensation to directors, and will provide reasonable reward by taking into account of the Company's operating results and the contribution they made. The procedures to determine the compensation is based on the Company's "Rules for Distribution of Compensation to Directors." Apart from referencing the company's overall operational efficiencies, future management risk and developing trend of the industry, the personal efficiency achievement rate, contribution to the overall performance, and devotion to company performance, achievement rate, profitability rate, operational efficiency and contribution are also collectively evaluated before calculating the compensation ratio. Relevant performance appraisals and the soundness of the compensation are reviewed and approved by the Remuneration Committee and the Board in accordance with the charter of relevant laws and requirements, so as to achieve the balance of the Company's sustainability and risk management.

(2) Managers: Based on the Company's compensation policy to managers, criteria such as industry standards and personal performance evaluation items, which include financial

indicators (such as the Company's revenue, achievement rate for profit before tax and after tax) and non-financial related indicators (such as taking on the role as trainer and any gross misconduct of the department in terms of legal and compliance and operational risks incidents) are also included in the evaluation. The procedures to determine and distribute the compensation is based on the Company's performance appraisal evaluation guidelines. Relevant performance appraisals and the soundness of the compensation are reviewed and approved by the Remuneration Committee and the Board in accordance with the charter of relevant laws and requirements, so as to achieve the balance of the Company's sustainability and risk management.

- (3) Employees: The Company conducts annual market survey regularly by analyzing salary, bonus and annual income statistics. Salary adjustment is processed based on Company's work rules and the results of individual performance appraisals so as to ensure the fairness of internal and external practices which meets the market standards.