



Stock code:8176

Z-Com Inc.,

2022 Annual Report

Website : <http://mops.twse.com.tw>

Company Website : <https://www.zcom.com.tw>

Printed date: March 31, 2023

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V. Foreign securities exchange corporation listing : None

VI. Company Website : www.zcom.com.tw

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I . Letter to Shareholders

Dear Shareholders,

Thanks for your care and supports for Z-COM. We would like to report on the business performance of the Company in 2022 and the outline of the business plan for 2023.

The COVID-19 pandemic has been spreading for more than three years, and its impact still remains in 2022. Particularly, China is still implementing strict lockdown measures and a zero-tolerance policy, and it was not until the end of the year that they suddenly lifted the restrictions. In addition, the Russia-Ukraine War at the beginning of 2022 has had a huge impact on global resources and energy, causing economic turbulence and gradually leading to a decline in demand. The war has lasted for more than a year, and the international community is full of pessimistic views. The security of the Taiwan Strait has repeatedly been discussed, which is not conducive to future economic growth momentum.

In the first half of last year, the company was still affected by labor and material shortages, leading to a decline in performance. It was not until the second half of the year that the situation gradually improved, and the performance began to stabilize and recover from the bottom, with losses gradually narrowing but still resulting in a deficit. However, with the easing of the pandemic and more active interaction with customers, there is a sense of optimism for the future.

The company has been working hard to increase brand exposure. Last year, Z-COM was selected as one of Taiwan Outstanding SME 2022-2023 by TEEMA (Taiwan Electrical and Electronic Manufacturers' Association). Besides, SP230 series point-to-point bridge (SP230-S5) has been recognized by hundreds of professionals in various fields at home and abroad, and has won the 31st Taiwan Excellence Award. The newly applied Industry High Value Program has also been approved by Industrial Development Bureau, which will help promote the brand and create opportunities for vertical applications.

(I) Financial performance of 2022:

- A. Financial performance : Unconsolidated revenue reached NT\$271 million, which was still sluggish but has grown compared with the previous year. The gross profit margin was 24%, the net operating loss was (37,052) thousand, and the net loss after tax was (64,854) thousand, and the loss per share was NT\$0.94. The consolidated operating income is NT\$326 million, the gross profit margin is 28%, the operating net loss is NT\$75,210 thousand, and the consolidated net loss after tax is NT\$64,670 thousand.

- B. Budget execution status: The company did not publicly disclose any financial forecast for 2022.
- C. Analysis of financial revenue and expenditure and profitability: the company's consolidated operating income in 2022 was NT\$326 million, an increase from the previous year, the gross profit margin was 28%, slightly higher than the previous year's 26%, and the consolidated net loss after tax was new NT\$ (64,670) thousand, the net loss attributable to the parent company after tax was NT\$ (64,854) thousand, and the loss per share was NT\$ (0.94). Due to the poor performance in the past two years, the company made effects to reduce various expenses.
- D. Technological Developments:
 - a) Continuous upgrading of zMEC function as a 5G-Wi-Fi private network AIoT application platform: The company had also applied Industry High Value Program (4Q22- 4Q24) and got approved by Industrial Development Bureau, using MEC as the platform to integrate and manage heterogeneous networks of 5G and Wi-Fi 6. Z-COM will continue to enhance the development of vertical applications.
 - b) The application of the system is promoted in the field of new energy, including energy creation, energy storage, energy consumption monitoring and energy saving, and rail communication applications. With the Internet of Things technology, it cuts into the new field of energy saving and carbon reduction.
 - c) The company launched Wi-Fi 6E, which enables Wi-Fi 6 to achieve speeds of up to 10 Gbps. We also built smart poles for outdoor, industrial, and rail applications, meeting industry standards for IoT AI applications.

(II) Summary of 2023 Operational Plan and Future Development Strategy for the Company:

- A. Provide high-performance, high-quality products and services to domestic enterprise customers, and strengthen strategic partnerships to jointly develop new markets.
- B. Enterprise network systems and outdoor application systems have been launched by major domestic communication service providers for sales promotion. The company hopes to expand business opportunities and increase brand visibility by pushing vertical applications to Southeast Asia and India in the future.
- C. Product Development: In addition to producing Wi-Fi 6E for industrial customers, we will also develop a product line for Wi-Fi 7 (40 Gbps). We will also continue to enhance our Wi-Fi 6+ 5G/AIoT IoT application solutions. The zMEC edge server has already integrated with the 5G Gateway product line, and we plan to establish a security protection mechanism (UTM) to manage critical devices effectively, promoting the application opportunities for 5G Wi-Fi private networks and AIoT.
- D. Marketing policy: In addition to strengthening the OEM customers, the company will deepen Z-COM brand layout and vertical application success cases, and increase opportunities for

strategic cooperation with SI companies at home and abroad.

- E. Lean production, flexible manufacturing, and fast delivery: Improving logistics capabilities to reduce raw material risks.

(III) The impact of external competitive environment and overall business environment on the company:

- A. In the post-pandemic era, the pandemic may become widespread and frequent, while industries require digitization, information security, remote monitoring, and AI/ML applications like ChatGPT.
- B. Promotion of renewable energy policies: Environmental sustainability, ESG, and new energy issues are gradually becoming requirements for corporate governance.
- C. Macroeconomic environment: Inflation drives the interest rate cycle, the international economy grows steadily, and is heading for a stage of normal and slow recovery.
- D. External competitive environment: In response to changes in market business models, profit models will be dynamically adjusted.

(IV) Conclusion: Thank you for the support of our shareholders. The management team and all employees will overcome difficulties, reverse the situation, and bring profits to our shareholders. We will also strictly adhere to corporate governance norms and fulfill our corporate social responsibility.

Best wishes to all our shareholders for good health and everything going smoothly!

Chairman, Fan End Technology Co., Ltd.

Legal representative, John S. Shieh

II. Introduction to the Company

(I) Established date

The company was established on March 10, 1995 (Republic of China Calendar).

(II) Company History

- 1995.03 established the company to operate as a business for the R& D of wireless communication products. Invested a capital stock of NTD 84,000,000.
- 1995.07 Granted the subsidies of “R&D the key components and products project” by National Science and Technology Council.(Project Name: Mobile wireless data communication network”)
- 1995.09 Increased the cash capital and paid-in capital to NT120,000,000.
- 1996.09 Increased the cash capital and paid-in capital to NT180,000,000.
- 1996.09 Completed low power mobile data system.
- 1997.02 Increased the cash capital and paid-in capital to NT240,000,000.
- 1997.03 Launched WLAN products which were certificated by FCC in the U.S. and CE mark in the EU.
- 1997.12 Increased the cash capital and paid-in capital to NT350,000,000.
- 1998.07 Approved for public offering.
- 1999.04 Received ISO-9002 Quality Management System Certification.
- 2000.03 Increased the cash capital and paid-in capital to NT400,000,000.
- 2000.04 Launched IEEE 802.11b WLAN products.
- 2001.01 Increased the cash capital and paid-in capital to NT 600,000, 000.
- 2002.05 Dual-mode AP (a+g), XG-5850 won the First Prize of “Best Choice Award” in Computex Taipei.
- 2002.06 The capital reserve was transferred to capital increase, and the paid-in capital increased to NT\$660,000,000.
- 2002.12 Launched 11g super-fast 2.4G series and won awards.
- 2003.04 Shipped 11g APs to North America and European markets and won the Best Product Awards by Cent in America and Zdnet PC Direct in Europe.
- 2003.09 The company’s stocks were listed for trading in OTC market.
- 2004.03 Exhibited Wi-Fi USB storage and special interface SPI in CeBIT, Germany. The products were the first to launch in the industry and able for mass production.
- 2004.06 Exhibited Wi-Fi dig-home and voice products in Computex. The technology was leading the industry.
- 2004.08 Surplus and capital reserves were transferred to increase capital, and the paid-in capital increased to NT\$776,000,000.
- 2005.01 Received ISO-14001 Environmental Management System Certification.
- 2005.01 Z-COM was selected as one of top-10 R&D Innovation companies in 2004 by

Business Weekly.

- 2005.03 The first one to launch Wi-Fi/Bluetooth dual-module products in industry and received certification.
- 2005.09 Implemented lead-free manufacturing process comprehensively.
- 2005.12 Approved by the Industrial Development Bureau of the Ministry of Economic Affairs and subsidized for WiMAX TDP (Technology Development Program).
- 2006.03 Exhibited draft 11n products in CeBIT, Germany. The technical ability was affirmed.
- 2006.06 One of the leading vendors to implement 802.16d technology internationally. Showed and told the Outdoor CPE prototype and its performance in Computex.
- 2006.11 Reduced the capital of NT96,000,000 and reduced in-paid capital to NT680,000,000.
- 2006.12 WiMAX product, ZMAX -8210 passed PCT/ RCT test by Institute for Information Industry.
- 2007.01 WiMAX product, ZMAX-8210 passed IOT test by Telecom Technology Center.
- 2007.08 Obtained SONY GP certification.
- 2008 Qualified supplier for indoor base stations of Beijing Olympic
- 2008.08 Cooperated with Intel to develop RCP ODU products.
- 2008.11 Bought back treasury shares for transfer to employees.
- 2008.12 Developed Wi-Fi router with 3G functions.
- 2009.09 Wireless industrial printer module was certified.
- 2009.11 Mass production of 11n high-power Outdoor CPE products.
- 2010.03 802.11b/g base stations were used by Expo 2010 Shanghai China
- 2010.08 802.11n base stations were adopted by China Telecom carriers.
- 2010.09 Purchased the plant.
- 2010.10 802.11n dual-mode high-power modules were adopted by China Telecom carriers.
- 2010.12 Moved to the new address.
- 2011.02 Received TIPS certification of 2010 by Industrial Development Bureau of the Ministry of Economic Affairs.
- 2011.09 Won the Bronze Medal of TTQS (Taiwan Train-Quali System), a National Education Training System Evaluation.
- 2012.02 Received TIPS certification of 2011 by Industrial Development Bureau of the Ministry of Economic Affairs.
- 2012.09 Issued Employee Stock Option Certificates and the paid-in capital increased to NT695,590,000.
- 2012.11 Issued Employee Stock Option Certificates and the paid-in capital increased to NT 711,000,000.
- 2013.04 The subsidiary, **Jiangxi Zwaveasia Technology Co., Ltd.**, started mass production of WLAN products.
- 2013.06 Completed IPO on the Taiwan Stock Exchange.

- 2013.07 Increased the cash capital and paid-in capital to NT 800,230,000.
- 2013.08 The subsidiary Jiangxi Zwaveasia Technology Co., Ltd. received ISO9001 Quality Management System Certification & ISO14001 Environmental Management Systems Certification.
- 2013.09 Issued the employee stock option certificates and reduced the capital by repurchasing treasury stocks. The paid-in capital was reduced to NT 791,000,000.
- 2014.01 Received the Health Initiation Labels of Healthy Workplace Certification by Health Promotion Administration, Ministry of Health and Welfare.
- 2014.07 The subsidiary, NANJING Z-COM WIRELESS CO., LTD was listed on National Equities Exchange and Quotations in China.
- 2015.06 LTE-Fi series were adopted by ITRI (Industrial Technology Research Institute) and started formal cooperation.
- 2015.09 The subsidiary, Jiangxi Zwaveasia received the certification of “National High-Tech Enterprise”.
- 2015.10 The wireless coverage hotspot products were approved by and shipped to the Indian Telecom carrier formally.
- 2015.12 Participated in "Smart 4G Broadband City" plan which was promoted by Industrial Development Bureau of the Ministry of Economic Affairs (MOEA) and five bus operators who formed "M-Commerce Bus Alliance" for smart transportation services known as “Y5 Bus”.
- 2016.09 Participated in the GiNet project with Taiwan International Cooperation and Development Fund, assisting St. Lucia to deploy wireless networks.
- 2016.09 Reduced the capital by cash refund of NT66,000,000 and the in-paid capital was reduced to NT725,000,000.
- 2017.02 Established the subsidiary in India to serve and ship to the local Telecom carriers.
- 2017.02 Participated in and executed “4G low-carbon smart innovative traffic and travelling plan” of the Industrial Development Bureau of Ministry of Economic Affairs.
- 2017.12 The subsidiary, Jiangxi Zwaveasia was certificated of “Excellence Enterprise”
- 2018.08 The subsidiary, Jiangxi Zwaveasia won the “Excellence Enterprise” and “Excellence Entrepreneur” awarded by Jiangxi Provincial Entrepreneurs Association.
- 2018.08 The subsidiary, Jiangxi Zwaveasia obtained the re-accreditation of National High-Tech Enterprise status and certification.
- 2018.10 Applied the Taiwan Industry Innovation Platform Program by Industrial Development Bureau, MOEA successfully and the name of program was “zMEC (ZCOM Multiple Edge Computing Management Platform)”.
- 2018.11 The solar units of subsidiary in Jiangxi Zwavasia operated officially.
- 2018.11 Repurchased treasury shares and transferred to employees.
- 2018.12 The subsidiary Jiangxi Zwaveasia was recognized as one of the “specialized and

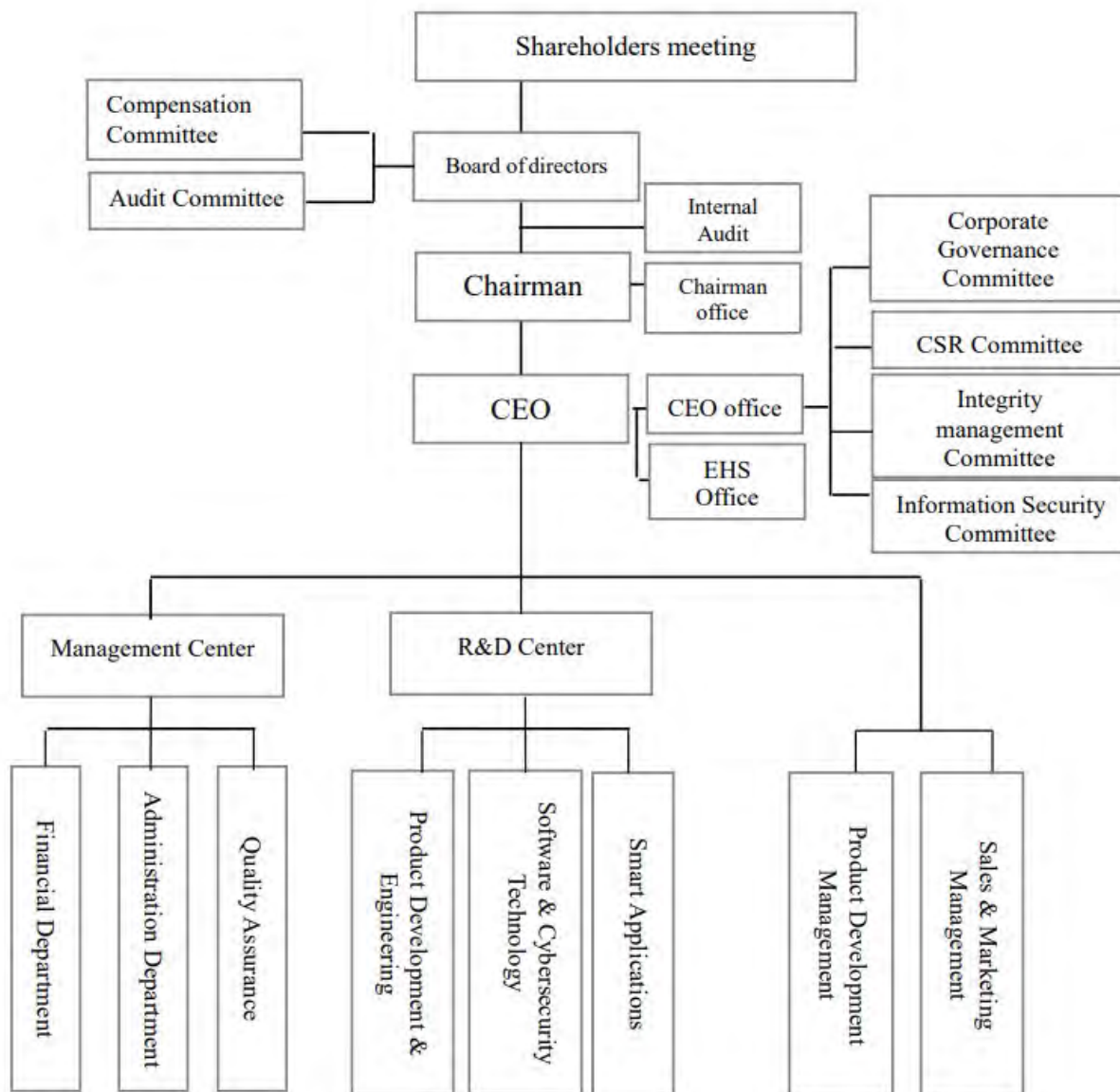
sophisticated” SMEs.

- 2019.01 The deputy general manager Catherine Wu was promoted to general manager. The effective date of new appointment was January 1st 2019.
- 2019.05 Established a functional committee "Audit Committee".
- 2019.11 The subsidiary Jiangxi Zwaveasia granted the certificate of “famous brand products in Jiangxi Province ”
- 2020.09 Developed new products AX series and upgraded technical level from Wi-Fi5 to Wi-Fi 6.
- 2020.10 Successfully executed the Taiwan Industry Innovation Platform Program by Industrial Development Bureau, MOEA and the execution performance was evaluated as excellence.
- 2021.04 Established a new subsidiary in Taiwan, “Intelligent platform for IoT services co., LTD.”
- 2021.06 Established a new subsidiary in India, “ZENEKER INDIA PRIVATE LTD.”
- 2021.09 The board of directors of subsidiary, NANJING Z-COM WIRELESS CO., LTD approved asset disposal of the office building.
- 2022.01 Capital Reduction via Buyback Treasury Stocks Nullifying and the paid-in capital was reduced to NT717,010,000.
- 2022.01 The product SP230-S5 is awarded the 2023 Taiwan Excellence Award, and also receives the 2022-2023 Taiwan Electronics and Electrical Good Small and Medium-sized Enterprise Award.

III. Corporate Governance Report

(I) Organizational System

A. Company Organization System:



B. Major Corporate Function:

Department	Main Responsibilities
Internal Audit	1. Review the adequacy and consistency of internal control processes to ensure the effectiveness of internal control. 2. Set up annual plan according to regulatory and risk-based consideration which will be approved by board meeting and to be executed accordingly. Will also perform project-based audit to identify operation improvement

Department	Main Responsibilities
	areas as well as to assist in enhancing corporate governance and risk management mechanism.
CEO office	<ol style="list-style-type: none"> 1. Design and Develop corporate annual business plan, corporate strategies and performance indicators as well as supervising them. 2. Assist management team to formulate annual plans and the implementation. 3. Execute follow-up projects.
EHS Office	<ol style="list-style-type: none"> 1. Promote occupational health and safety affairs; define and conduct audits the prevention plans of occupational disasters; assist with incident investigations. 2. Plan and conduct audits occupational health and safety management of each department. 3. Plan and conduct audits of the inspection of health & safety facilities, check and instruction; supervise the person in charge of relevant site carrying out inspection, regular inspection, key inspection and measurements of occupational environments. 5. Plan and execute trainings of occupational health and safety. 6. Plan and conduct physical examinations for laborers and labors' health management. 7. Plan and supervise waste disposal matters according to the Waste Disposal Act.
Financial Department	<ol style="list-style-type: none"> 1. Financial Operations and Planning. 2. Establish accounting system and be responsible for accounting, finance and tax administration. 3. Prepare various financial statement/reports and provide management information. 4. Stock affairs
Administration Department	<ol style="list-style-type: none"> 1. administrative affairs management and service 2. Develop and execute human resource strategies 3. Develop and execute employee training and development 4. Maintain and manage the plant and facilities 5. Promote employee services & relations platform, as well as maintain public relations 6. Participate in building committee's meetings and affairs 7. Intellectual property and legal matters. 8. Maintain company's information security 9. Maintain and manage facilities of network and IT. 10. Maintain ERP & E-form system.

Department	Main Responsibilities
Quality Assurance	<ol style="list-style-type: none"> 1. Develop and implement company quality assurance system. 2. Monitor and enhance product quality on factory and supply chains (IQC, IPQC, FQC) 3. Ensure and enhance product quality, monitor and prevent major quality deviation. 4. Provide after services: RMA/ DOA. 5. Handle customer complaints (8D report and correction tracking). 6. Conduct evaluation and audits of suppliers
Product Development & Engineering	<ol style="list-style-type: none"> 1. Establish and promote R&D control system. 2. Assess the feasibility of a new product, develop and design new products and technology transfer for trail run to ensure product specifications. 3. After service: RMA analysis 4. Art design and develop package materials. 5. Conduct the packages of products into mass production 6. Plan and evaluate mechanical design. 7. Design and develop mechanical structure of products. 8. Implement product structure into mass production.
Software & Cybersecurity Technology	<ol style="list-style-type: none"> 1. Develop product Firmware. 2. Maintain/ customize product FW. 3. Develop/ integrate application software. 4. Verify and evaluate product functions and performance. 5. Verify the functions and performance of the applications of product system. 6. Provide onsite technical support and service. 7. Provide technical support and service for company products. 8. Provide product information security service. 9. Provide enterprise information security service.
Product Development Management	<ol style="list-style-type: none"> 1. Manage new product development process. 2. Handle matters related to mass-produced products. 3. Schedule PO placement and material preparation. 4. Check the schedule of PO shipment 5. Track the follow-up of customer complains. 6. Maintain system data. 7. Maintain technology transfer. 8. Implement product reliability verification. 9. Apply and get compliance certifications for company products. 10. Verify and evaluate product functions and performance. 11. Verify the functions and performance of the applications of product

Department	Main Responsibilities
	<p>system.</p> <p>12. Provide onsite technical support and service.</p> <p>13. Provide technical support and service for company products.</p> <p>14. Develop and design the applications of product system.</p>
Sales & Marketing Management	<p>Marketing:</p> <ol style="list-style-type: none"> 1. Market research and analysis. 2. Define and develop marketing strategies and plans. ° 3. Coordinate cross-department communication and execute marketing plans. 4. Develop ZCOM branding promotion plan and its materials. 5. Produce and execute product promotion materials and posters. 6. Maintain and manage official website information. 7. Develop marketing plans and press release. 8. Evaluate the effect of marketing execution. <p>Sales:</p> <ol style="list-style-type: none"> 1. ZCOM brand promotion, business development and sales. 2. Define and execute sales plans. 3. Collect and analyze global market information. 4. Develop distribution and channels of global market. 5. Plan and execute projects and bids. 6. Sales management and after services.

(II) Directors, Supervisors and Management Team

A. Directors and Supervisors:

1. Directors and Supervisors:

March 26, 2023

Title	Nationality/ Place of Incorporation	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Sharehold- ing by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark (s) (Note)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C.	Fan En Technology. Co., Ltd.	-	2022.05.26	3	2013.05.31	3,609,909	5.03%	3,618,909	5.05%	0	0	0	0		Chairman of Z-COM, Inc.	None	None	None	None
		Legal Representative: John S. Shieh	M 61~70			1995.02.23	3,173,933	4.43%	3,173,933	4.43%	0	0	0	0	Ph.D. in Systems Engineering from the Georgia Institute of Technology, USA Associate Professor in the Department of Telecommunications Engineering at National Chiao Tung University, Taiwan Senior Consultant at the Industrial Technology Research Institute, a non-profit organization in Taiwan Research Manager at Bell Labs, American Telephone and Telegraph Company in New Jersey, USA Industry Analyst at the IBM Corporation in Gaithersburg, USA GM at Z-COM	Chairman of the Board of Directors and Legal Representative of Z-COM, Inc. Chief Executive Officer of Research and Development at Z-COM, Inc. Director of NANJING Z-COM WIRELESS CO., LTD Director of Eco Energy Corporation.	None	None	None	None
Director	R.O.C.	WINIFRED INTERNATIONAL CORP.	-	111.05.26	3	84.02.23	521,276	0.73%	521,276	0.73%	0	0	0	0		Director of Z-COM, Inc.	None	None	None	None

		Legal Representative: WU, TZY-HSIN	F 61~70			2015.06.11	0	0	0	0	0	0	0	0	Master's degree in Communication Disorders from the State University of New York in the United States President of the Taiwan Chapter of Toastmasters International Speech therapist/ a recognized assistant professor by the Ministry of Education at Craniofacial Research Center of Chang Gung Memorial Hospital in Taipei	CEO of CP Yen Foundation Director of Zhi-Shan Foundation, Taiwan Director of WINIFRED INTERNATIONAL CORP. Legal Representative and Chairman of the Board of Directors of - ZCOM, Inc. Director of Taiwan Active Aging Association. Director of GREAT SEQUOIA CORP.	None	None	None	None
Director	R.O.C.	CHEN, YU AN	M 61~70	2022.05.26	3	104.05.29	894,935	1.25%	894,935	1.25%	63,194	0.09%	0	0	Master's degree in Engineering from the Transportation Research Institute at National Chiao Tung University Chairman of Ablere Electronic Co., Ltd. Supervisor of United Integrated Services Co., Ltd Supervisor of Z-COM, Inc.	Vice Chairman of Ablere Electronic Co., Ltd. Director of Ablere Electronic Co., Ltd. Director of United Integrated Services Co., Ltd Director of Z-COM, Inc. Director of Eco Energy Corporation.	None	None	None	None
Director	R.O.C.	WU CHIA-FANG	F 41~50	2022.05.26	3	2019.05.31	907,027	1.27%	907,027	1.27%	0	0	0	0	Bachelor of English, National Changhua University of Education Marketing and Sales Director, Z-COM, Inc. Deputy General Manager, Z-COM, Inc. Vice President, Z-COM, Inc. Legal Representative and Director, Z-COM, Inc. Director, Z-COM India Private LTD. Director, XIN HUI ZHI Investment Co., Ltd Director, Z-Wireless Technology, LTD.	Director, Z-COM, Inc. Director of Fan En Technology. Co., Ltd. Director of Z-COM Technology, LTD. CEO of JiangXi Zwaveasia Technology Co., Ltd. Director of CHUNGWA SOCHAMP TECHNOLOGY INC. CEO of Z-COM, Inc.	None	None	None	None

Independent Director	R.O.C.	CHOU, YIH-HENG	M 71~80	2022.05.26	3	2003.07.17	0	0	0	0	0	0	0	0	Ph.D. in Business Administration from National Chengchi University Professor at the Department of Business Administration, National Sun Yat-sen University Founding Dean of the College of Management, National Chiayi University Dean of Academic Affairs and Vice President of National Sun Yat-sen University Guest Professor at Kaohsiung Medical University CEO of Accreditation of Chinese Collegiate School of Business (ACCBE) Executive Director of Chinese Management Association	CEO of Accreditation of Chinese Collegiate School of Business Independent Director of Z-COM, Inc.	None	None	None	None
Independent Director	R.O.C.	HUANG, TAI-SHENG	M 71~80	2022.05.26	3	2007.06.29	0	0	0	0	226,758	0.32%	0	0	National Taiwan University, Master of Civil Engineering Chief Engineer, Freeway Bureau, MOTC Lecturer and Associate Professor, Traffic and Transportation Graduate Program, National Yang-Ming Chiao Tung University Chairman of METRO CONSULTING SERVICE LTD.	Lecturer and Associate Professor, Department Transportation and Logistics Management Independent Director of Z-COM, Inc.	None	None	None	None
Independent Director	R.O.C.	Yuan-liang Su	M 71~80	2022.05.26	3	2015.05.29	0	0	0	0	0	0	0	0	Ph.D. in Systems Engineering from Georgia Institute of Technology, USA GM of Networking Business Group at Lite-On Technology Corporation CEO of ARIMA PHOTOVOLTAIC & OPTICAL CORP.	Chairman of Surplux Energy Inc. Chairman of Arima Lasers Corp. Independent Director of Z-COM, Inc. Independent Director of Ablere Electronic Co., Ltd. Legal Representative and Director of ARIMA PHOTOVOLTAIC & OPTICAL CORP.	None	None	None	None

2. Major shareholders of the institutional shareholders:

March 26, 2023

Name of Institutional Shareholders	Major Shareholders	Ratio
Fan En Technology. Co., Ltd.	WU CHIA-FANG	36.61%
	John S. Shieh	24.64%
	JUNG-SHENG Shieh	16.95%
	Fan Shieh	9.90%
	En Shieh	9.90%
	HU TA YU	2.00%
WINIFRED INTERNATIONAL CORP.	ZONG YUAN INTERNATIONAL LIMITED	42.79%
	FU AN GLOBAL INVESTMENT LIMITED	33.17%
	YEN WANG,CHEN-CHEN	13.70%
	LIN,KUANG-WEI	3.25%
	LIN,HSIANG-WEI	3.25%
	YEN,KE -WEN	1.20%
	YEN,LI-AN	1.20%
	YEN,KE-LI	1.20%
	WU, TZY-HSIN	0.24%

3. Major shareholders of the Company's major institutional shareholders:

March 26, 2023

Name of Institutional Shareholders	Major Shareholders	Ratio
ZONG YUAN INTERNATIONAL LIMITED	A company incorporated in the British Virgin Islands TRIUMPH EXCEL ASIA LIMITED	100%
FU AN GLOBAL INVESTMENT LIMITED	WU, TZY-HSIN	99.46%
	YEN WANG,CHEN-CHEN	0.54%

4. Professional qualifications and independence analysis of directors and supervisors:

<div>Criteria</div> <div>Name</div>	Professional Qualification Requirements& Work Experiences	Independence Status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Fan En Technology Co., Ltd. Legal Representative: John S. Shieh	1. Possess the professional qualifications and experience required for business, legal affairs, finance, accounting/company business. 2. Served as the chairman, Legal Representative of the Board of Directors and CTO of Z-COM, Inc., Director of NANJING Z-COM WIRELESS CO., LTD.		0
WINIFRED INTERNATIONAL CORP. Legal Representative: WU, TZY-HSIN	1. Possess the professional qualifications and experience required for business, legal affairs, finance, accounting/company business. 2. Served as Representative Director of Z-COM, Inc., CEO of CP Yen Foundation, Director of Zhi-Shan Foundation, Taiwan, Director of WINIFRED INTERNATIONAL CORP., Director of Taiwan Active Aging Association, Director of GREAT SEQUOIA CORP.		0
CHEN, YU AN	1. Possess the professional qualifications and experience required for business, legal affairs, finance, accounting/company business. 2. Served as Representative Director of Z-COM, Inc., Director of Ablere Electronic Co., Ltd., Director of JE Environmental Technology Co. Ltd., Director of United Integrated Services Co., Ltd, Director of Z-COM, Inc., Director of Eco Energy Corporation.		0
	1. Possess the professional		

WU CHIA-FANG	<p>qualifications and experience required for business, legal affairs, finance, accounting/company business.</p> <p>2. Served as CEO of Z-COM, Inc., Legal Representative and Director, Z-COM, Inc., Director of Fan En Technology Co., Ltd., Director of Z-COM Technology, LTD., CEO of JiangXi Zwaveasia Technology Co., Ltd.</p>		0
CHOU, YIH-HENG	<p>1. Qualifications: Lecturers or above from public or private universities or colleges with expertise in business, law, finance, accounting, or corporate operations.</p> <p>2. Has served as an independent director, Executive Director of Chinese Management Association, CEO of Accreditation of Chinese Collegiate School of Business (ACCBIE)</p>	<p>Independent directors satisfy the requirements of independence including but not limited to:</p> <p>1. Independent Director (or nominee arrangement) as well as his/her spouse and minor children do not serve as directors, supervisors or employees.</p> <p>2. Independent Director (or nominee arrangement) as well as his/her spouse and minor children do not hold any Z-COM shares.</p> <p>3. Received no compensation or benefits for providing commercial, legal, financial, accounting services or consultation to the Company or to any its affiliates within the preceding two years, and the service provided is either an “audit service” or a “non-audit service”</p>	0
HUANG, TAI-SHENG	<p>1. Qualifications: Lecturers or above from public or private universities or colleges with expertise in business, law, finance, accounting, or corporate operations.</p> <p>2. Has served as an independent director of Z-COM, Inc., a Lecturer and Associate Professor, Traffic and Transportation Graduate Program, National Yang-Ming Chiao Tung University.</p>	<p>Independent directors satisfy the requirements of independence including but not limited to:</p> <p>1. Independent Director (or nominee arrangement) as well as his/her spouse and minor children do not serve as directors, supervisors or employees.</p> <p>2. Independent Director (or nominee arrangement) as well as his/her spouse and minor children do not hold any Z-COM shares.</p>	0

		3. Received no compensation or benefits for providing commercial, legal, financial, accounting services or consultation to the Company or to any its affiliates within the preceding two years, and the service provided is either an “audit service” or a “non-audit service“	
Yuan-liang Su	<ol style="list-style-type: none"> 1. Qualifications: Lecturers or above from public or private universities or colleges with expertise in business, law, finance, accounting, or corporate operations. 2. Has served as the independent director of Z-COM, Inc., Chairman of Surplux Energy Inc., Chairman of Arima Lasers Corp., Independent Director of Ablrex Electronic Co., Ltd. , Legal Representative and Director of ARIMA PHOTOVOLTAIC & OPTICAL CORP. 	<p>Independent directors satisfy the requirements of independence including but not limited to:</p> <ol style="list-style-type: none"> 1. Independent Director (or nominee arrangement) as well as his/her spouse and minor children do not serve as directors, supervisors or employees. 2. Independent Director (or nominee arrangement) as well as his/her spouse and minor children do not hold any Z-COM shares. 3. Received no compensation or benefits for providing commercial, legal, financial, accounting services or consultation to the Company or to any its affiliates within the preceding two years, and the service provided is either an “audit service” or a “non-audit service“ 	1

5. Diversity and independence of the Board of Directors:

Name	sex	Employee	Age			Term		Professional experience						Professional qualifications							
			< 60	61~69	> 70	less than 3 years	More than 3 years	Capability of Operational Judgement	capability of management	Capability of Leadership & decision making	Industry knowledge	capability of risk management	Communication Engineering	Transportation	Marketing	Sales & Accounting	Financial	Environment & Energy	Medical Education		
Representative of Fan En Technology Co., Ltd. · John S. Shieh	M	✓		✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓		
Representative of Winifred International Corp. · WU, TZY-HSIN	F			✓				✓	✓	✓	✓	✓				✓			✓		
CHEN, YU AN	M			✓				✓	✓	✓	✓	✓	✓	✓	✓			✓	✓		
WU CHIA-FANG	F	✓	✓					✓	✓	✓	✓	✓	✓		✓						
Chou, I-Heng	M			✓			✓	✓	✓	✓	✓	✓			✓	✓			✓		
Huang, Tai-Sheng	M			✓			✓	✓	✓	✓	✓	✓	✓	✓				✓	✓		
Yuan-liang Shi	M			✓			✓	✓	✓	✓	✓	✓	✓		✓			✓	✓		

(1) Diversification of the Board of Directors:

In order to strengthen corporate governance and promote the sound development of the composition and structure of the Board of Directors, the Board of Directors of the Company has adopted and formulated the "Corporate Governance Best Practice Principles of Z-Com, Inc.", in which Article 20 stipulates that the composition of the Board of Directors should consider diversification.

The directors should formulate appropriate diversification policies according to their own operation, operation type, and development needs. It should include but not be limited to basic conditions and values (gender, age, nationality, race or ethnic group and culture, professional knowledge and skills (such as law, accounting, industry, finance, marketing or technology), professional skills and industrial experience.

Z-COM establishes the “Guidelines for Nomination of Directors” that set out the procedures and criteria for the nomination, qualification and evaluation of candidates for Directors. The members of Z-COM Board of Directors are nominated via rigorous selection processes. It not only considers background diversity, professional competence and experience, but also attaches great importance to stakeholder’s opinions. The independence of each independent director candidate is also considered and assessed under relevant law such as the Taiwan “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”. Presently, the 7 members of the Board of Directors: 4 directors and 3 independent directors represent diversified perspectives, including a complementary mix of skills, experiences, and backgrounds such as that from the finance, management and industry. Each director and independent director has his/her own specifically professional capability. The capabilities of four directors include leadership, operational judgement, management, risk management, industrial knowledge and global marketing as other independent directors are specifically good at tax finance, environment & energy, communication engineering, transportation and marketing. All of the directors provide company great advices. Five of the Board members are not employees. The tenure of three independent directors is less than 3 years. The age of directors: three of them are more than 70 years old, the other three are between 61 to 69 years old and one director is less than 60 years old. And two of them are female. None of the seven directors has any circumstances defined in Article 30 of the Company Law.

(2) Independence of the Board of Directors:

The Board of Directors includes three independent directors whom are nominated and selected by stockholder meeting from the list of candidates and the proportion of independent directors is 43%. Their professional qualification and selection are in compliance with “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”.

Independent directors satisfy the requirements of independence including but not limited to: Independent Director (or nominee arrangement) as well as his/her spouse and minor children do not serve as directors, supervisors or employees. Independent Director (or nominee arrangement) as well as his/her spouse and minor children do not hold any Z-COM shares. Received no compensation or benefits for providing commercial, legal, financial, accounting services or consultation to the Company or to any its affiliates within the preceding two years, and the service provided is either an “audit service” or a “non-audit service”

B. Management team:

March 26, 2023

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remark(s)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
CEO	R.O.C.	WU CHIA-FANG	F	108.01.01	907,027	1.27%	0	0	0	0	Bachelor of English, National Changhua University of Education Marketing and Sales Director, Z-COM, Inc. Deputy General Manager, Z-COM, Inc. Vice President, Z-COM, Inc. Legal Representative and Director, Z-COM, Inc. Director, Z-COM India Private LTD. Director of XIN HUI ZHI Investment Co., Ltd Director, Z-Wireless Technology, LTD.	Director, Z-COM, Inc. Director of Fan En Technology. Co., Ltd. Director of Z-COM Technology, LTD. CEO of JiangXi Zwaveasia Technology Co., Ltd. Director of CHUNGHWA SOCHAMP TECHNOLOGY INC. CEO of Z-COM, Inc.	None	None	None	
CTO	R.O.C.	John S. Shieh	M	108.06.21	3,173,933	4.43%	0	0	0	0	Ph.D. in Systems Engineering from the Georgia Institute of Technology, USA Associate Professor in the Department of Telecommunications Engineering at National Chiao Tung University, Taiwan Senior Consultant at the Industrial Technology Research Institute, a non-profit organization in Taiwan Research Manager at Bell Labs, American Telephone and Telegraph Company in New Jersey, USA Industry Analyst at the IBM Corporation in Gaithersburg, USA GM at Z-COM	Chairman of the Board of Directors and Legal Representative of Z-COM, Inc. Chief Executive Officer of Research and Development at Z-COM, Inc. Director of NANJING Z-COM WIRELESS CO., LTD Director of Eco Energy Corporation.	None	None	None	
Accounting officer	R.O.C.	CHUANG HUI-HUA	F	111.06.09	0	0%	0	0	0	0	Deputy Director of Finance Department, GIGA SOLAR MATERIALS CORPORATION Deputy Director of Finance Department, GIGASTORAGE CORPORATION Finance Manager, GINGY Technology Inc. Accounting manager of Z-COM, Inc.	None	None	None	None	
Audit Officer	R.O.C.	Chen Te Kun	M	108.01.01	0	0%	0	0	0	0	Bachelor of Accounting, Chung Yuan Christian University Accounting section chief, Billinton Systems Inc. Finance Manager, Shanghai Awinic	Chairman of Nanjing Z—Wireless Technology Co., Ltd. Director of Z-WIRELESS INTERNATIONAL, LTD Director of ZCOMAX TECHNOLOGIES,	None	None	None	

											Technology Co., Ltd. Finance Manager, Suzhou Avison Inc. Finance Manager of Z-COM, Inc.	INC. Supervisor of NANJING Z-COM WIRELESS CO., LTD Supervisor of NANJING ZHI WEI YA COMMUNICATION TECHNOLOGY CO., LTD				
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(III) Remuneration Paid to Directors, President, Vice President

A. Remuneration Paid to Directors and Independent Directors

2022/12/31 Unit: NT\$ Thousand

Title	Name	Director’ s Remuneration								(A+B+C+D) as a % of Net Income (Note7)	
		Base Compensation(A) (Note1)		Severance Pay and Pensions (B)		Compensation to Directors (C) (Note2)		Allowances (D) (Note3)			
		ZCOM	From All Consolidat ed Entities (Note9)	Z-COM	From All Consolidat ed Entities	Z-COM	From All Consolidat ed Entities	Z-COM	From All Consolidat ed Entities	Z-COM	From All Consolidated Entities
Chairman	Fan En Technology. Co., Ltd. Representative: John S. Shieh	0	0	0	0	0	0	30	30	(0.046%)	(0.046%)
Director	Winifred International Corp. Representative: WU, TZY-HSIN	0	0	0	0	0	0	24	24	(0.037%)	(0.037%)
Director	CHEN, YU AN	0	0	0	0	0	0	24	24	(0.037%)	(0.037%)
Director	WU CHIA-FANG	0	0	0	0	0	0	30	30	(0.046%)	(0.046%)
Independent Director	CHOU, YIH-HENG	150	150	0	0	0	0	30	30	(0.278%)	(0.278%)
Independent Director	Huang, Tai-Sheng	150	150	0	0	0	0	30	30	(0.278%)	(0.278%)
Independent Director	Yuan-liang Su	150	150	0	0	0	0	24	24	(0.268%)	(0.268%)

* The remuneration disclosed in the Remuneration paid to the president and vice president differs from the concept of income defined according to Income Tax law;

therefore, the table is for the purpose of information disclosure instead of tax levy.

Title	Name	Relevant Remunerations Received by Directors who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to net income (Note7)		Remuneration received from investee enterprises other than subsidiaries or from the parent company (Note8)
		Salary, bonuses and allowances (E) (Note4)		Severance Pay (F) (Note5)		Employee Compensation (G) (Note6)						
		Z-COM	From All Consolidated Entities	Z-COM	From All Consolidated Entities	Z-COM		From All Consolidated Entities (Note6)		Z-COM	From All Consolidated Entities	
Cash	Stock					Cash	Stock					
Chairman	Fan En Technology. Co., Ltd. Representative: John S. Shieh	2,851	2,851	887	887	0	0	0	0	(5.81%)	(5.81%)	None
Director	Winifred International Corp. Representative: WU, TZY-HSIN	0	0	0	0	0	0	0	0	(0.037%)	(0.037%)	None
Director	CHEN, YU AN	0	0	0	0	0	0	0	0	(0.037%)	(0.037%)	None
Director	WU CHIA-FANG	3,066	3,913	887	887	0	0	0	0	(6.141%)	(7.447%)	None
Independent Director	CHOU, YIH-HENG	0	0	0	0	0	0	0	0	(0.278%)	(0.278%)	None
Independent Director	Huang, Tai-Sheng	0	0	0	0	0	0	0	0	(0.278%)	(0.278%)	None
Independent Director	Yuan-liang Su	0	0	0	0	0	0	0	0	(0.268%)	(0.268%)	None

1. Please describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration:

Policy and system: For the remuneration of independent directors, besides referring to results of director performance evaluations, each director's degree of participation and contribution to the Company's operations, performance and risks to remuneration shall be considered. It should not lead the independent directors to engage in behaviors that exceed the company's risk tolerance in pursuit of compensation. The compensation and remuneration system should be reviewed regularly based on the situation. To provide a reasonable and effective performance evaluation and compensation system for independent directors, the overall compensation and links the reasonableness and fairness of performance as well as the Company's business performance and the remuneration standards of competitor should be considered.

Standards and structure: The remuneration of independent directors is the remuneration due to independent directors serving companies, including fixed remuneration, traveling expenses, remuneration and various bonuses.

The relationship between the performance of the company's independent directors and their remuneration: The remuneration of the directors of the company is based on the provisions of Article 27 of the company's articles of association, which shall not exceed 3% of the current year's profit. The degree and performance evaluation shall be considered as a whole, and the considerations shall be based on six major aspects, including mastery of the company's goals and tasks, awareness of directors' responsibilities, degree of participation in company operations, internal relationship management and communication, directors' professional and continuing education, and internal control. Other special contributions or significant negative events are also taken into account in the performance evaluation, prepare distribution proposals and distribute after approval by the board of directors, and report at the shareholders' regular meeting.

2. Other than as disclosed in the above table, the remuneration earned by Directors providing services (e.g. providing consulting services as a non-employee) to the Company and all consolidated entities in the latest fiscal year: None

* The content of remuneration disclosed in this form is different from the concept of income in the income tax law. Therefore, this form is for information disclosure and not for taxation purposes.

Note1: Refers to the remuneration (including director salary, duty allowances, severance pay, various bonuses, incentives, etc.) paid to the directors in the most recent year.

Note2: The board of directors of our company resolved on March 6, 112 (2023) not to distribute director and supervisor remuneration and employee remuneration.

Note3: Refers to the relevant business expenses of the directors in the most recent year (including traveling expenses, special expenses, allowances, dormitories, and transportation vehicles). For the housing, automobiles and other transportation vehicles, or the exclusive personal expenses provided, the nature and cost of the assets, the actual or imputed rent at fair market value, the gasoline expense, and other payments should be disclosed. In addition, for the chauffeur appointed, please explain in the notes regarding the remuneration paid but the amount will not be included in the total remuneration amount.

Note4: Refers to the salary, job allowance, severance pay, resignation compensation, prize money, incentive payments, traveling expenses, special expenses, allowances, dormitories, and transportation vehicles paid to the directors who are also employees (including concurrent President, Vice President, other managers, and employees) in the most recent year. For the housing, automobiles and other transportation vehicles, or the exclusive personal expenses provided, the nature and cost of the assets, the actual or imputed rent at fair market value, the gasoline expense, and other payments should be disclosed. In addition, for the chauffeur appointed, please explain in the notes regarding the remuneration paid but the amount will not be included in the total remuneration amount. In addition, the salary expenses recognized under IFRS 2 "Share-based Payment," including the acquisition of employee share option certificates, restricted employee rights to new shares, and participation in cash capital increases to subscribe for shares, should

also be included in the remuneration.

Note5: Refers to the retirement pension allocated monthly according to the law, which is amortized and recognized according to the number of people, but has not been actually paid.

Note6: Refers to the directors who are also employees (including concurrent President, Vice President, other managers and employees) obtained employee remuneration (including shares and cash) in the most recent year. The company's board of directors resolved on March 6, 2023, not to distribute director and supervisor remuneration or employee compensation.

Note7: Net income after tax refers to the net income after tax in the individual financial report of the most recent year. The net income after tax for 2022 was -64,854 thousand NTD.

Note8. a. The remuneration amount received by the board directors from the invested companies other than the subsidiaries or parent companies should be disclosed in this column (if none, please indicate "none").

b. Remuneration meant for the relevant rewards, income, employee bonus, and business expense collected by the board directors of the Company acted as a director, supervisor, or manager of the invested companies other than the subsidiaries or parent companies.

Note9: The total amount of remuneration paid to the directors of our company, as well as all other companies included in the consolidated financial statements, should be disclosed.

B. Remuneration paid to the president and vice presidents

2022/12/31 Unit: NT\$ Thousand

2022/12/31 Unit: NT\$ Thousand

Title	Name	Salary (A)		Severance Pay (B) (Note3)		Bonuses and Allowance etc. (C)		Employee Compensation (D) (Note1)				Ratio of total compensation (A+B+C+D) to net income (Note4)		Remuneration received from investee enterprises other than subsidiaries or from the parent company
		Z-COM	From all Consolidated Entities	Z-COM	From all Consolidated Entities	Z-COM	From all Consolidated Entities	Z-COM		From all Consolidated Entities		Z-COM	From all Consolidated Entities	
								Cash	Stock	Cash	Stock			
CEO	WU CHIA-FANG	3,066	3,913	887	887	0	0	0	0	0	0	(6.095%)	(7.401%)	None
Chief Technology Officer (Note2)	John S. Shieh	2,851	2,851	887	887	0	0	0	0	0	0	(5.764%)	(5.764%)	None

* The remuneration disclosed in the Remuneration paid to the president and vice president differs from the concept of income defined according to Income

Tax law; therefore, the table is for the purpose of information disclosure instead of tax levy.

Note1: The board of directors of our company decided not to distribute any remuneration to directors, supervisors, and employees on March 6th, 2023.

Note2: The Chairman of our company appointed the representative of our company, Mr. John S. Shieh as the CTO (Chief Technology Officer) on June 21, 2019.

Note3: Refers to the retirement pension allocated monthly according to the law, which is amortized and recognized according to the number of people, but has not been actually paid.

Note4: The company incurred a loss in 2023.

C. Employee Compensation amount paid to managers

2022/12/31 Unit : NT\$ Thousand

Title		Name	Stock bonus amount	Cash bonus amount (Note1)	Total	Ratio of Total Amount to Net Income (%)
Manager	Representative appointed by the Chairman / CTO	John S. Shieh	0	0	0	0%
	CEO	WU CHIA-FANG	0	0	0	0%
	Accounting Officer (Note2)	YA,HSI-CHUN	0	0	0	0%
	Accounting Officer (Note3)	CHUANG,HUI-HUA	0	0	0	0%

* The compensation disclosed in the Employee Compensation amount paid to manager differs from the concept of income defined according to Income Tax law; therefore, the table is for the purpose of information disclosure instead of tax levy.

Note1: Our company's board of directors decided not to distribute remuneration to directors, supervisors, and employees on March 6th 2023.

Note2: Miss YA, HSI-CHUN resigned from her position as accounting officer on June 9th 2022.

Note3: Miss CHUANG, HUI-HUA assumed the position of accounting officer on June 9th of 2022.

D. The remuneration of the top five highest-paid executives

2022/12/31 Unit : NT\$ Thousand

Title	Name	Salary (A)		Severance Pay (B)		Bonuses and Allowance etc. (C)		Employee Compensation (D) (Note1)				Ratio of total compensation (A+B+C+D) to net income (%) (Note6)		Remuneration received from investee enterprises other than subsidiaries or from the parent company
		Z-COM	From all Consolidated Entities	Z-COM	From all Consolidated Entities	Z-COM	From all Consolidated Entities	Z-COM		From all Consolidated Entities		Z-COM	From all Consolidated Entities	
								Cash	Stock	Cash	Stock			
CEO	WU CHIA-FANG	3,066	3,913	887 (Note 4)	887 (Note 4)	0	0	0	0	0	0	(6.095%)	(7.401%)	None
Representative appointed by the Chairman / CTO	John S. Shieh	2,851	2,851	887 (Note 4)	887 (Note 4)	0	0	0	0	0	0	(5.764%)	(5.764%)	None
Accounting Officer (Note2)	YA,HSI-CHUN	610	610	28	28	0	0	0	0	0	0	(0.984%)	(0.984%)	None
Accounting Officer (Note3)	CHUANG,HUI-HUA	584	584	35	35	0	0	0	0	0	0	(0.954%)	(0.954%)	None

* The compensation disclosed in the Employee Compensation amount paid to manager differs from the concept of income defined according to Income

Tax law; therefore, the table is for the purpose of information disclosure instead of tax levy.

Note1: Our company's board of directors decided not to distribute remuneration to directors, supervisors, and employees on March 6th 2023.

Note2: Miss YA, HSI-CHUN resigned from her position as accounting officer on June 9th 2022.

Note3: Miss CHUANG, HUI-HUA assumed the position of accounting officer on June 9th of 2022.

Note4: This refers to the monthly provision of retirement pensions in accordance with the law, which is recognized as an expense based on the number of people and allocated accordingly, but has not actually been paid.

Note5: In the fiscal year 111 (2022), our company had only four "managers" who met the requirements of the letter of instruction numbered 0920001301 issued by the Taiwan Financial Supervisory Commission. Therefore, this table only shows the remuneration of these four executives.

Note6: Our company experienced a loss in the fiscal year 111 (2022).

E. Remuneration Policy

- The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, president and vice presidents of the Company, to the net income. In the fiscal year 111 (2022), the total remuneration paid to directors and supervisors decreased compared to the fiscal year 110 (2021) due to a decrease in the number of board meetings held. The total remuneration paid to the CEO and the CTO also decreased compared to the fiscal year 110 (2021) due to a reduction in salary adjustments and bonus payments.

Unit: NT\$ Thousand; %

Item/year	Z-COM				All consolidated subsidiaries			
	2021		2022		2021		2022	
	Remuneration Amount	Ratio of total remuneration to net income	Remuneration Amount	Ratio of total remuneration to net income	Remuneration Amount	Ratio of total remuneration to net income	Remuneration Amount	Ratio of total remuneration to net income
Directors	702	(1.152%)	642	(0.99%)	702	(1.152%)	642	(0.99%)
CEO and CTO	8,738	(14.329%)	7,691	(11.859%)	9,572	(15.704%)	8,538	(13.165%)
Total	9,440	(15.488%)	8,333	(12.849%)	10,274	(16.856%)	9,180	(14.155%)
Net Income	(60,952)	100%	(64,854)	100%	(60,952)	100%	(64,854)	100%

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

2-1. Remuneration policies, standards and package:

- (1) The independent directors receive fixed compensation, while our other directors do not receive any other salary or compensation except for transportation expenses for each board meeting.

- (2)The director's remuneration of our company is distributed in accordance with Article 27 of our company's bylaws, which stipulates that it shall not exceed 3% of the net profit of the current year. The remuneration amount is determined based on the overall assessment of the director's participation and performance evaluation in our company's operations, including their understanding of the company's goals and missions, recognition of the responsibilities of a director, degree of participation in the company's operations, internal relationship management and communication, professional expertise and continuous learning, internal control, as well as other special contributions or significant negative events. The performance evaluation report is submitted to the board of directors for approval, and the remuneration is distributed and reported at the annual shareholder's meeting.
- (3)The composition of remuneration paid by the Company includes the remuneration that the service company is entitled to, which includes fixed compensation, travel expenses, remuneration, and various bonuses. The scope is consistent with the items that should be disclosed in the annual report of a publicly traded company regarding the remuneration of directors and executives.
- 2-2. The procedures for determining remuneration: the compensation for our company's managers is based on their individual performance and contributions to the company's overall operations, taking into account industry standards. The distribution of profits is determined by the board of directors based on the annual profit situation and the profit distribution percentage stipulated in the company's articles of incorporation, and is approved by the shareholders' meeting.
- 2-3. The correlation with risks and remuneration: The remuneration paid to directors, the president and vice president of the Company shall be based on the overall economic and industrial conditions, taking into account the Company's future development, profitability and operation risks. It will be adjusted appropriately based on future risk factors and should not encourage directors, president and vice president engage in behaviors exceed the company's risks in pursuit of remuneration, in order to avoid improper incidents such as losses incurred after payment of remuneration by the Company.

(IV) Corporate Governance

A. Board of Directors:

During 2022 and up until the date of printing of the annual report for 2023, our board of directors held a total of 6 meetings (A). The attendance record of the directors is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Chairman	Fan En Technology Co., Ltd. Legal representative: John S. Shieh	6	0	100%	
Director	Winifred International Corp. Representative: WU, TZY-HSIN	5	1	83%	
Director	CHEN, YU AN	5	0	83%	
Director	WU CHIA-FANG	6	0	100%	
Independent Director	CHOU, YIH-HENG	6	0	100%	
Independent Director	Huang, Tai-Sheng	6	0	100%	
Independent Director	Yuan-liang Su	5	0	83%	

Other mentionable items:

(I) If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and company's responses should be specified:

◎ : attendance ☆ : by proxy * : absent

Independent Director	First time	Second time	Third time	Fourth time	Fifth time	Sixth time
CHOU, YIH-HENG	◎	◎	◎	◎	◎	◎
Huang, Tai-Sheng	◎	◎	◎	◎	◎	◎
Yuan-liang Su	◎	◎	*	◎	◎	◎

A. Matters referred to in Article 14-3 of the Securities and Exchange Act.

Please refer to the important resolutions of our company's shareholders' meetings and board of directors (see pages 103-108 for details).

B. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None.

(II) The implementation of directors' recusal of interest-related proposals shall state the director's name, content of the proposal, reasons for recusal due to interests, and participation in voting:

On March 6th, 2023, at the fourth meeting of the tenth board of directors, the issue of employee

compensation for the year 2022 was discussed. According to Article 27 of the company's bylaws, the company should distribute 10% to 15% of the annual profits as employee compensation and not more than 3% of the annual profits as director compensation. However, if the company has accumulated losses, they should be compensated first. As there were no profits in 2022, there will be no distribution of employee or director compensation. The motion was passed without objection after the Chairman consulted the attending directors.

(III) Listed OTC companies shall disclose information such as the evaluation cycle and period, evaluation scope, method, and evaluation content of the board of directors' self (or peer) evaluation, and fill in the implementation status of the board of directors' evaluation.

Please refer to pages 33-36 for details on the implementation of the board of directors' self-evaluation for 2022.

(IV) Assessment of the objectives to strengthen the functions of the board of directors in the current and recent years (such as establishing an audit committee, enhancing information transparency, etc.) and the implementation status evaluation.

- A. Strengthen the Board's Functions: The Audit Committee of the Company holds at least one meeting per quarter as required by law, and may convene meetings as necessary to assist the Board of Directors in making decisions and strengthen the Board's supervisory function.
- B. Improve information transparency: The major decisions and financial information of the Company's Board of Directors have been disclosed in accordance with regulations on the Taiwan Stock Exchange and Gre Tai Securities Market. Business information is also disclosed on the Company's website, ensuring that investors can obtain information in a timely manner.
- C. From 2022 to 2023 the date of the printing date of the annual report, a total of 5 audit committee meetings and 6 board meetings were held, with at least two independent directors present at each meeting.
- D. The operation of the board of directors of the company is held in accordance with Regulations Governing Procedure for Board of Directors we also arrange training courses for directors (please refer to Appendix One) to maintain core values and professional abilities.

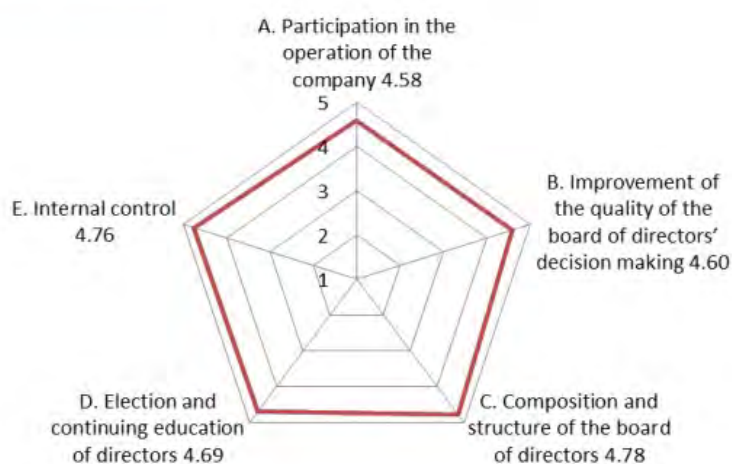
B. Evaluation of the Board of Directors and Functional Committees:

1. The content and results of the performance evaluation of the board of directors are as follows:

evaluation cycle	evaluation period	evaluation scope	evaluation method	Evaluation items
Once a year	2022/1/1~2022/12/31	Board of Director	Board of directors self-evaluation	<p>A. Participation in the operation of the company</p> <p>B. Improvement of the quality of the board of directors' decision making</p> <p>C. Composition and structure of the board of directors.</p> <p>D. Election and continuing education of directors</p> <p>E. Internal control.</p>

I. self-evaluation result of the board of directors

Score **4.68** points



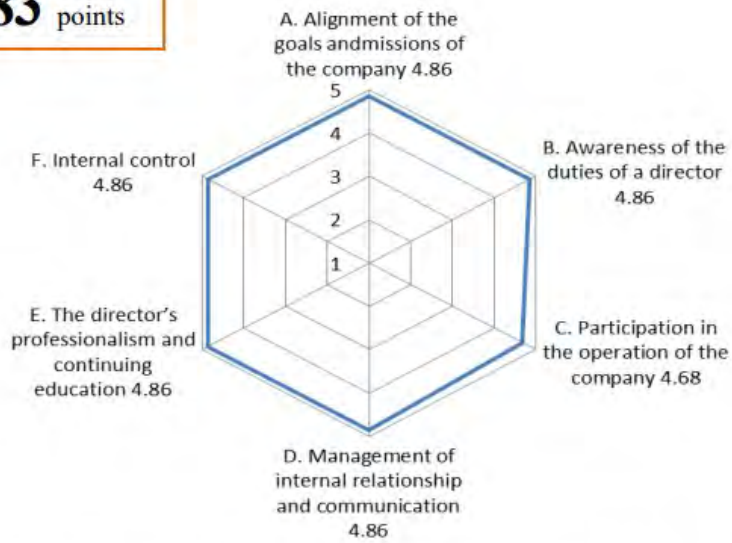
The overall evaluation results of the performance of the board of directors are between 5 points "strongly agree" and 4 points of "agree," indicating that the board operates well and has performed its duty in guiding and supervising the company's strategies, major business and risk management, which is in line with the spirit of corporate governance.

2. The content and results of the performance evaluation of the directors are as follows:

evaluation cycle	evaluation period	evaluation scope	evaluation method	Evaluation items
Once a year	2022/1/1~2022/12/31	Individual directors' performance evaluation	board member's self-evaluation	A. Alignment of the goals and missions of the company B. Awareness of the duties of a director C. Participation in the operation of the company D. Management of internal relationship and communication E. The director's professionalism and continuing education F. Internal control

II. self-evaluation result of individual directors

Score **4.83** points



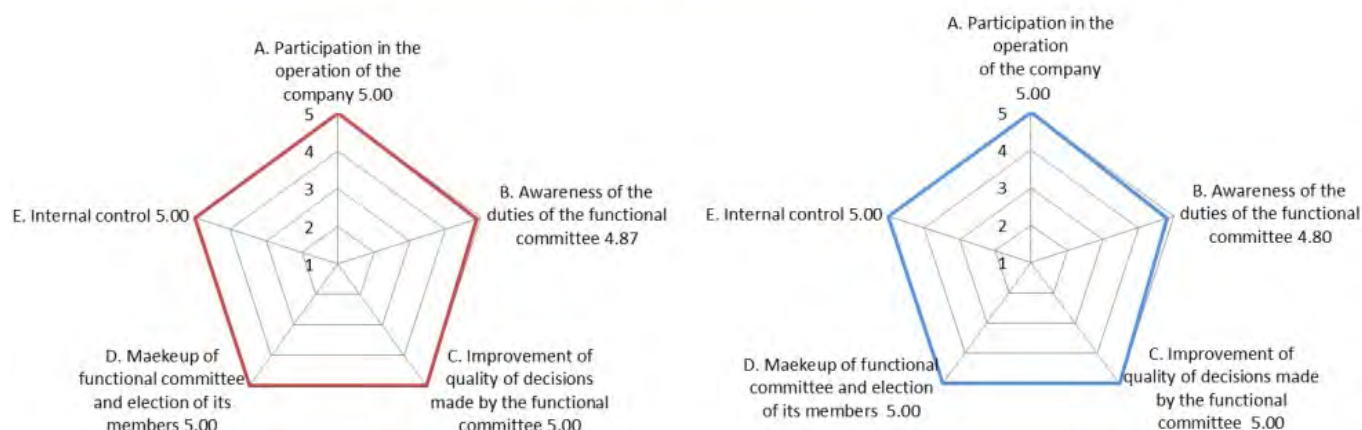
The overall evaluation results of the performance of the members of the board of directors are between 5 points "strongly agree" and 4 points of "agree," indicating that the directors of our company have positive evaluations of the efficiency and effectiveness of the indicators.

3. The content and results of the performance evaluation of the Audit Committee and the Compensation Committee are as follows:

evaluation cycle	evaluation period	evaluation scope	evaluation method	Evaluation items
Once a year	2022/1/1~2022/12/31	Audit Committee	self-evaluation of Audit Committee members	<p>A. Participation in the operation of the company</p> <p>B. Awareness of the duties of the functional committee</p> <p>C. Improvement of quality of decisions made by the functional committee</p> <p>D. Makeup of functional committee and election of its members</p> <p>E. Internal control</p>
Once a year	2022/1/1~2022/12/31	Compensation Committee	self-evaluation of Compensation Committee	<p>A. Participation in the operation of the company</p> <p>B. Awareness of the duties of the functional committee</p>

			members	C. Improvement of quality of decisions made by the functional committee D. Makeup of functional committee and election of its members E. Internal control
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III. functional committees		
	Audit Committee	Compensation Committee
Score	4.97 points	4.96 points



The average scores of the Audit Committee and the Compensation Committee were 4.97 and 4.96 respectively, ranging between 5 points "strongly agree" and 4 points of "agree," indicating that the functional committees operate well and fulfill their duties as they should.

C. Audit Committee:

A total of 5 (A) Audit Committee meetings were held in 2022 and the date of 2023 which the annual publication. The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Independent Director	CHOU, YIH-HENG	5	0	100%	
Independent Director	Huang, Tai-Sheng	5	0	100%	
Independent Director	Yuan-liang Su	5	0	100%	

Other mentionable items:

(I) If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified.

A. Matters referred in Article 14-5 of the Securities and Exchange Act.

B. Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors.

Meeting date	Subjects	Resolution results	Implementation	Matters referred in Article 14-5 of the Securities and Exchange Act	Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors
The 14 th meeting of the 1 st session on March 8, 2022	1. 2021 operating report and financial statements of the company	The matter is approved by all Independent Directors.	Execute according to the resolution.	V	None
	2. 2021 loss-off setting proposal	The matter is approved by all Independent Directors.	Execute according to the resolution.		
	3. The implementation of the 2021 annual audit plan and the effectiveness assessment of the internal control system.	The matter is approved by all Independent Directors.	Execute according to the resolution.	V	
	4. The reclassification of significant overdue receivables as fund loans.	The resolution is not related to loaning of	Execute according to the resolution.	V	

	5. Amendments to the "Procedures for Acquisition or Disposal of Assets".	funds. The matter is approved by all Independent Directors.	Execute according to the resolution.	V	
The 15 th meeting of the 1 st session on May 10, 2022	1. Rotation of CPAs in charge of Z-COM's business since the 2 nd quarter of 2022.	The matter is approved by all Independent Directors.	Execute according to the resolution	V	None
The 1 st meeting of the 2 nd session on August 8, 2022	1. Renew annual credit contract with banks.	The matter is approved by all Independent Directors.	Execute according to the resolution.	V	None
	2. Reclassify significant overdue payments as loaning of funds.	The resolution is not related to loaning of funds.	Execute according to the resolution.		
	3. The company regularly evaluates the independence and suitability of the CPAs.	The matter is approved by all Independent Directors.	Execute according to the resolution.	V	
	4. The case of changing the accounting officer and proxy spokesperson.	The matter is approved by all Independent Directors.	Execute according to the resolution.		
The 2 nd meeting of the 2 nd session on November 9, 2022	1. 2022 third quarter financial statements. 2. Making 2022 internal audit plan.	The matter is approved by all Independent Directors. The audit operation for the supervision of the subsidiary company is revised to once every quarter.	Execute according to the resolution. Execute according to the resolution.		None

	<p>3. Renew annual credit agreement with banks.</p> <p>4. The loaning from the subsidiary, Nanjing Z-Wireless Technology Co., Ltd. to NANJING Z-COM WIRELESS CO., LTD.</p>	<p>The matter is approved by all Independent Directors.</p> <p>The matter is approved by all Independent Directors.</p>	<p>Execute according to the resolution.</p> <p>Execute according to the resolution.</p>		
<p>The 3rd meeting of the 2nd session on March 6, 2023</p>	<p>1. 2022 business report & 2022 annual financial statements</p> <p>2. loss-off setting proposal for 2022</p> <p>3. 2022 Statement of Internal Control System</p> <p>4. Assessment of Independence & qualifications of CPAs and renewal of 2023 CPAs.</p> <p>5. List of non-assurance services to be provided by Ernst & Young and its related entities in 2023.</p> <p>6. Annual renewal of credit agreement with banks.</p>	<p>The matter is approved by all Independent Directors.</p> <p>The matter is approved by all Independent Directors.</p> <p>The matter is approved by all Independent Directors.</p> <p>The matter is approved by all Independent Directors.</p> <p>The matter is approved by all Independent Directors.</p> <p>The matter is approved by all Independent Directors.</p>	<p>Execute according to the resolution.</p> <p>Execute according to the resolution.</p> <p>Execute according to the resolution.</p> <p>Execute according to the resolution.</p> <p>Execute according to the resolution.</p> <p>Execute according to the resolution.</p>	<p>V</p> <p>V</p> <p>V</p>	<p>None</p>

(II) The independent director's implementation of the recusal of the proposal of interest should state the name of the independent director, the content of the proposal, the reason for the recusal of the interest, and the status of participation in voting: None.

(III) Descriptions of the communications between the independent directors, the internal auditors, and the independent auditors in 2022 (which should include the material items, methods, and results of the audits on the corporate finance and/or operations, etc.).

A. The communication between Independent directors' and CPAs:

Date	Independent directors	Audit Committee	Discussion items with CPAs	Opinion & Result
2022.08.08	V	V	CPA explained the audit results of financial statements for the 2 nd quarter of 2022.	no objection.
2022.11.09	V	V	CPA explained the audit results of financial statements for the 3 rd quarter of 2022.	no objection
2023.03.06	V	V	CPA explained the audit results of financial statements of 2022 (consolidated and unconsolidated).	no objection

B. The communication between Independent directors and internal Auditors:

Date	Independent directors	Audit Committee	Discussion items with Chief internal auditor	Opinion & Result
2022.02.05	V	V	Audit plan execution status for January 2022.	no objection
2022.03.05	V	V	Audit plan execution status for February 2022.	no objection
2022.03.08	V	V	Execution status of the audit plan for 2021, tracking status of the audit report for 2021-Q4.	no objection
2022.04.09	V	V	Audit plan execution status for March 2022.	no objection
2022.05.05	V	V	Audit plan execution status for April 2022.	no objection
2022.05.10	V	V	2022 Audit Report Tracking Status-Q1.	no objection
2022.06.07	V	V	Audit plan execution status for May 2022.	no objection
2022.07.05	V	V	Audit plan execution status for June 2022.	no objection
2022.08.05	V	V	Audit plan execution status for July 2022.	no objection
2022.08.08	V	V	2022 Audit Report Tracking Status-Q2.	no objection
2022.09.06	V	V	Audit plan execution status for August 2022.	no objection
2022.10.19	V	V	Audit plan execution status for September 2022.	no objection
2022.11.01	V	V	Audit plan execution status for October 2022.	no objection
2022.11.09	V	V	2022 Audit Report Tracking Status-Q3.	no objection
2022.12.07	V	V	Audit plan execution status for November 2022.	no objection
2023.01.10	V	V	Audit plan execution status for December 2022.	no objection

(Appendix I: Board of Directors training record in 2022)

Title	Name	Date of appointment	Training date		Organizer(s)	Courses	Training hours
			start	end			
Independent Director	CHOU, YIH-HENG	2022.05.26	2022/06/24	2022/06/24	Taiwan Corporate Governance Association	Advanced Practice Sharing of Audit Committee: Towards Audit Committee 3.0	3.0
Independent Director	CHOU, YIH-HENG	2022.05.26	2022/09/06	2022/09/06	Taiwan Corporate Governance Association	Innovation of Circular Economy for Creating True Value	3.0
Independent Director	HUANG,TAI-SHENG	2022.05.26	2022/07/19	2022/07/19	Taiwan Corporate Governance Association	Trends and strategies for carbon management towards achieving net-zero emissions.	3.0
Independent Director	HUANG,TAI-SHENG	2022.05.26	2022/08/16	2022/08/16	Taiwan Corporate Governance Association	Walking the Talk on ESG - Perspective of Corporate Governance	3.0
Independent Director	HUANG,TAI-SHENG	2022.05.26	2022/09/06	2022/09/06	Taiwan Corporate Governance Association	Innovation of Circular Economy for Creating True Value	3.0
Independent Director	Yuan-liang Su	2022.05.26	2022/01/05	2022/01/05	Securities & Futures Institute	Technological development and business models of block chain	3.0
Independent Director	Yuan-liang Su	2022.05.26	2022/12/13	2022/12/13	Taiwan Corporate Governance Association	Trends and risk management of digital technology and artificial intelligence	3.0
Independent Director	Yuan-liang Su	2022.05.26	2022/12/14	2022/12/14	Securities & Futures Institute	Challenges and opportunities of sustainable development path and introduction of greenhouse gas inventory	3.0
Legal representative of the board of directors	John S. Shieh	2022.05.26	2022/06/28	2022/06/28	Taiwan Institute of Directors	2022 Annual meeting of Taiwan Institute of Directors: The era of drastic changes - Exploring the core competencies of the next generation	3.0
Legal representative of the board of directors	John S. Shieh	2022.05.26	2022/10/05	2022/10/05	Securities & Futures Institute	Global response to net-zero emissions and corporate ESG actions	3.0
Legal representative of the board of directors	WU, TZY-HSIN	2022.05.26	2022/09/05	2022/09/05	Taiwan Insurance Institute	Enhance the function of the board of directors	3.0

Legal representative of the board of directors	WU, TZY-HSIN	2022.05.26	2022/11/18	2022/11/18	Securities & Futures Institute	Early Warning and Type Analysis of Enterprise Financial Crisis	3.0
Director	CHEN, YU AN	2022.05.26	2022/02/22	2022/02/22	Securities & Futures Institute	Introduction to the dispute over company management rights and the litigation process in commercial courts.	3.0
Director	CHEN, YU AN	2022.05.26	2022/04/22	2022/04/22	Taiwan Institute for Sustainable Energy	Taishin 30 Sustainable Net Zero Summit - Achieving Sustainable Development 2030 through Serious Net Zero Efforts	3.0
Director	WU CHIA-FANG	2022.05.26	2022/01/05	2022/01/05	Securities & Futures Institute	Technological development and business models of block chain	3.0
Director	WU CHIA-FANG	2022.05.26	2022/07/19	2022/07/19	Taiwan Corporate Governance Association	Trends and strategies for carbon management towards achieving net-zero emissions.	3.0

D. The company's implementation of corporate governance and its deviating from the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause:

Assessment Item	Implementation Status (Note)			Deviating from the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause
	Yes	No	Abstract Illustration	
(I) Does Company follow "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" to establish and disclose its corporate governance practices?	V		Since its establishment, Z-Com has been committed to excellent governance and insists on transparent operation. On May 31, 2013, the Company Governance Practice Guidelines were approved by the shareholders' meeting, and the Guidelines are periodically revised in accordance with laws and regulations. In addition, the Company has established a compensation committee and an audit committee under the board of directors to enhance the board's functions and to exercise its supervisory role. Moreover, the Company has formulated and implemented a sound internal control system and made every effort to ensure equal treatment of shareholders and protect their rights. For related measures and implementation status, please refer to the Market Observation Post System or our website: http://www.zcom.com.tw .	None
(II) Shareholding Structure & Shareholders' Rights A. Does Company have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, has these procedures been implemented accordingly?	V		To ensure the interests of shareholders, the company has established a spokesperson system, and cooperates with the stock affairs agency, "SinoPac Securities Corp., Shareholder Services Department," to handle matters such as shareholder proposals,	None

Assessment Item	Implementation Status (Note)			Deviating from the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and the root cause
	Yes	No	Abstract Illustration	
B. Does Company process a list of major shareholders and beneficial owners of these major shareholders?	V		<p>inquiries, and disputes.</p> <p>The company has a dedicated person to handle matters related to shareholder services, and maintains close communication with the shareholder service agency to keep track of major shareholder shareholding changes and report on the shareholding status of insiders on a monthly basis, ensuring the stability of management rights.</p>	None
C. Has the Company built and execute a risk management system and “firewall” between the Company and its affiliates?	V		<p>The management rights and responsibilities of the company and its affiliated companies are clearly defined; also, business transactions are conducted in accordance with the laws and regulations. We have established internal regulations such as the "Operating Procedures for Transactions with Related Parties, Specific Companies, and Group Enterprises," "Operating Procedures for Subsidiary Supervision," "Operating Procedures for Endorsement and Guarantee," "Operating Procedures for Lending Funds to Others," and "Asset Acquisition or Disposal Procedures" as operational norms for financial and business transactions between related enterprises, establishing appropriate risk management mechanisms and firewalls.</p>	None

Assessment Item	Implementation Status (Note)			Deviating from the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and the root cause
	Yes	No	Abstract Illustration	
D. Has the Company established internal rules prohibiting insider trading on undisclosed information?	V		<ol style="list-style-type: none"> 1. On August 28, 2012, the company established the "Internal Handling of Material Information and Prevention of Insider Trading Management Procedures" to establish a sound internal mechanism for handling and disclosing material information, while strictly prohibiting employees and managers from trading securities with undisclosed material information in the market, in order to protect the interests of investors and maintain the rights of the company. 2. The company conducts education and training to current directors, managers, and employees on the "Regulations Governing the Prevention of Insider Trading" and related laws and regulations at least once a year, and arranges education and training for newly appointed directors and managers within 3 months after taking office. New employees are educated and trained by the Human Resources Department during pre-employment training. 3. In 2022, the Company conducted a total of 16 education and training sessions for current directors, covering topics such as an introduction to commercial litigation involving disputes over corporate management rights, and examples of financial crises and types of analysis for corporations. The relevant 	None

Assessment Item	Implementation Status (Note)			Deviating from the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and the root cause
	Yes	No	Abstract Illustration	
			education and training materials are posted on the internal employee system for reference by current employees. In addition, education and training were provided to current employees on August 1st, 2022.	
(III) Composition and Responsibilities of the Board of Directors. A. Has the Board of Directors established a diversity policy, set goals, and implemented them accordingly?	V		1. Our company has set out the criteria for the composition of the board of directors in the "Practical Guidelines for Corporate Governance" and "Regulations for Director Elections," emphasizing the importance of diversity. We have formulated appropriate diversity policies based on our own operations, business models, and development needs, which should include but are not limited to the following two aspects of standards: (1) Basic criteria and values: gender, age, nationality, and culture. (2) Professional knowledge and skills: professional backgrounds (such as law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience. 2. According to Article 20 of "Corporate Governance Best	None

Assessment Item	Implementation Status (Note)			Deviating from the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and the root cause
	Yes	No	Abstract Illustration	
			<p>Practice Principles," the Board of Directors should generally possess the necessary knowledge, skills, and attributes required to carry out their duties. To achieve the ideal goal of corporate governance, the Board of Directors should have the following overall capabilities:</p> <ul style="list-style-type: none"> (1) Operational judgment ability. (2) Accounting and financial analysis ability. (3) Business management ability. (4) Crisis management ability. (5) Industry knowledge. (6) International market perspective. (7) Leadership ability. (8) Decision-making ability. <p>3. The company currently has 7 directors, including 3 independent directors, all of whom have the knowledge, skills, accomplishments and rich academic experience necessary to perform their duties. In addition, the company also pays attention to gender equality in the composition of the board of directors. The target ratio of female directors is more than 25%. Currently, out of 7 directors, including 2 female directors, the ratio has reached 29%. For more information on</p>	

Assessment Item	Implementation Status (Note)			Deviating from the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and the root cause
	Yes	No	Abstract Illustration	
B. Other than the Compensation Committee and the Audit Committee which are required by law, does the Company plan to set up other Board committees?		V	<p>the diversity of our board of directors, please refer to page19-20.</p> <p>4. The board of directors has established a diversity policy which is disclosed at Z-COM’s website.</p> <p>The company established the Compensation Committee on December 6 2011 and Audit Committee May 31 2019. The company has not yet established other functional committees and will study and improve as needed in the future based on the company's requirements.</p>	The company has not yet established other functional committees and will study and improve as needed in the future based on the company's requirements.
C. Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis, reported the results of performance to the Board of Directors, and used the results as reference for directors’ remuneration and renewal?	V		<p>1. The company has established the Regulations Governing the Board Performance Evaluation on March 10 2020. The Company shall conduct the evaluation of board performance regularly. The evaluation methods include internal assessment, self-assessment of the board members, peer evaluation, or any other appropriate method. The evaluation report of the board</p>	None

Assessment Item	Implementation Status (Note)			Deviating from the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and the root cause
	Yes	No	Abstract Illustration	
D. Does the Company regularly evaluate its external auditors’ independence?	V		<p>and functional committees for 2022 has been submitted to the Board on March 6 2022 and disclosed in Z-COM’s website. The evaluation report can also be reviewed by Market Observation Post System.</p> <p>2.The article 8 of the Regulations Governing the Board Performance Evaluation specifies that performance evaluation results of the company's board of directors shall be used as a reference when selecting or nominating directors; and the performance evaluation results of individual directors shall be used as a reference for determining their salary and compensation.</p> <p>1. According to the article 29 of “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” listed and OTC companies should select professional, responsible, and independent certified public accountants. They should regularly (at least once a year) refer to the Audit Quality Indicators (AQIs) to assess the independence and suitability of the accountant.</p> <p>2. On March 6, 2023, the board of the company approved the</p>	None

Assessment Item	Implementation Status (Note)			Deviating from the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and the root cause															
	Yes	No	Abstract Illustration																
			<p>revision of the "Independence Assessment Measures for CPAs” which stipulates that the company should regularly (at least once a year) refer to the audit quality indicators (AQIs) to assess the independence of the appointed auditors, and the evaluation results should be submitted to the board of directors for resolution.</p> <p>3. The board meeting of the company approved the regular evaluation of the independence, competence and professionalism of CPAs and obtained the statement of independence by CPAs on August 8 2022 and March 6 2023.</p> <p>4.The evaluation results of the independence of CPAs are as follows:</p> <table><tr><th>Independence</th><th>Yes</th><th>No</th></tr><tr><td>(I) Has the CPA not served as a director of the company or an affiliated company?</td><td>V</td><td></td></tr><tr><td>(II) Is the certified accountant not a shareholder of the company or an affiliated company?</td><td>V</td><td></td></tr><tr><td>(III) Is the CPA not compensated by the company or any affiliated companies?</td><td>V</td><td></td></tr><tr><td>(IV) Has the CPAs confirmed that their affiliated</td><td>V</td><td></td></tr></table>	Independence	Yes	No	(I) Has the CPA not served as a director of the company or an affiliated company?	V		(II) Is the certified accountant not a shareholder of the company or an affiliated company?	V		(III) Is the CPA not compensated by the company or any affiliated companies?	V		(IV) Has the CPAs confirmed that their affiliated	V		
Independence	Yes	No																	
(I) Has the CPA not served as a director of the company or an affiliated company?	V																		
(II) Is the certified accountant not a shareholder of the company or an affiliated company?	V																		
(III) Is the CPA not compensated by the company or any affiliated companies?	V																		
(IV) Has the CPAs confirmed that their affiliated	V																		

Assessment Item	Implementation Status (Note)					Deviating from the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and the root cause
	Yes	No	Abstract Illustration			
			CPA firm has complied with relevant independence regulations?			
			(V) Have any of the joint practicing CPAs of the CPA firm to which the CPA belongs not served as a director, manager, or held a position with significant influence on audit matters for Z-COM within the past year?			
			(VI) The CPAs have not provided audit services for the company for seven consecutive years.			
			(VII) Has the CPAs complied with the regulations on independence in the Norm of Professional Ethics for CPA No.10?			
			5. In addition, on March 6 2023, the Audit Committee and the Board of Directors passed the 5 major aspects and 13 indicators of the AQIs disclosure framework issued by the Financial Supervisory Commission to evaluate the ability and commitment of the accounting firm and the audit team to improve audit quality.			
(IV) Does the Company appoint competent and appropriate corporate governance personnel and	V		The company has set up part-time personnel for corporate governance, responsible for corporate governance-related			None

Assessment Item	Implementation Status (Note)			Deviating from the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and the root cause
	Yes	No	Abstract Illustration	
corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors, assisting directors’ compliance of law, handling matters related to board meetings and shareholders’ meetings according to law, and recording minutes of board meetings and shareholders’ meetings)?			matters, including: handling matters related to meetings of the board of directors and shareholders' meetings in accordance with the law, handling company registration and changes in registration, preparing minutes of meetings of the board of directors and shareholders' meetings, providing information required for the directors to carry out their duties, and updating in accordance with the directors' backgrounds and current laws, and regularly arranging annual director training courses.	
(V) Has the Company established a means of communicating with its Stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders’ questions on corporate responsibilities?	V		<ol style="list-style-type: none"> 1. The company has established communication channels with banks and other creditors, employees, customers, manufacturers and shareholders, and respects and safeguards their legitimate rights and interests. 2. The company website has a "Stakeholder Zone" set up to provide a smooth communication channel between various stakeholders and the company. 3. In addition, the company website also has multiple contact windows such as "Contact Us" and "Investor Zone" for diversified communication. 	None
(VI) Has the Company appointed a professional registrar for its Shareholders’ meeting?	V		The company appointed SinoPac Securities (Shares) Co., Ltd. to handle the affairs of the shareholders' meeting.	None

Assessment Item	Implementation Status (Note)			Deviating from the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and the root cause
	Yes	No	Abstract Illustration	
(VII) Information Disclosure				
A. Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status?	V		Z-COM discloses its financials business and corporate governance status on its website at http://www.zcom.com.tw (in Chinese and English). The company’s financial and business information can also be inquired by “Market Observation Post System”.	None
B. Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors’ conference etc.)?	V		The company has set up an English website, and designated a special person to be responsible for information collection and disclosure, and implemented a spokesperson system. The spokesperson is: CEO WU CHIA-FANG. The financial, business and governance information of the company can be inquired through the company's website or “Market Observation Post System.”	None
C. Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second and third quarter financial statements as well		V	The company has not announced and submitted the annual financial report within two months after the end of the fiscal year, nor has it announced and submitted the first, second and third quarter financial reports and the operating conditions of each	It will be adjusted according to the company’s situation.

Assessment Item	Implementation Status (Note)			Deviating from the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and the root cause
	Yes	No	Abstract Illustration	
as the operating status of each month before the prescribed deadline?			month in advance.	
(VIII) Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?	V		<p>The corporate governance best practices and related regulations formulated by our company can be accessed through “Market Observation Post System or Z-COM’s website: http://www.zcom.com.tw/ ◦</p> <p>To prevent the company or insiders from erroneously or intentionally violating the relevant regulations on insider trading due to ignorance of laws and regulations, which will cause the company or insiders to be involved in lawsuits and damage their reputation, the company has established “Procedures for Handling Material Inside Information and the Prevention of Insider Trading” on August 28, 2012, to protect investors and safeguard company interests. The company conducts educational and promotional activities to inform colleagues of relevant laws and regulations and publishes the measures on the company website for reference.</p> <p>1. Employees' rights and interests: The company has always treated employees with integrity and protected their legitimate rights and interests in accordance with the Labor Standards Act.</p>	None

Assessment Item	Implementation Status (Note)			Deviating from the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and the root cause
	Yes	No	Abstract Illustration	
			<p>2. In addition to implementing the pension system, plan employee group insurance and schedule regular health checkups, and encourage employees to participate in various training courses and technical seminars.</p> <p>3. The company has a Welfare Committee, which provides employees with discounts and benefits from manufacturers related to food, clothing, housing, transportation, and entertainment. The company also holds annual employee and family activities to allow employees' families to participate in company events, care for employee physical and mental health, and promote harmony between the company and employees' families.</p> <p>4. The company has multiple channels for employees to voice their concerns, with legal and administrative executives and the general manager safeguarding employees' rights and interests. #Dedicated mailbox for sexual harassment at workplace. # Dedicated mailbox for complaint. #Dedicated mailbox to Z-COM Legal department</p> <p>5. The company has a spokesperson mechanism to answer investor-related questions and maintain a good relationship with investors.</p>	

Assessment Item	Implementation Status (Note)			Deviating from the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and the root cause
	Yes	No	Abstract Illustration	
			<p>6. The company's operating units maintain a good relationship with suppliers, and regularly hold supplier meetings.</p> <p>7. The company's directors arrange training in accordance with relevant regulations. Please refer to page 41-42 of the annual report for details on Board of Directors training record in 2022.</p> <p>8. Our company has established various internal regulations in accordance with the law to carry out various risk management and assessments.</p> <p>9. Implementation of client or customer protection policy: The company maintains a good and stable relationship with customers to create company profits.</p> <p>10. The implementation of the directors' recusal from matters involving conflicts of interest: Directors of the company who have conflicts of interest with the matters discussed in the board meetings have voluntarily recused themselves from voting.</p> <p>11. The company has purchased liability insurance for directors in August 2022, with coverage from August 25, 2022, to August 25, 2023.</p>	
(IX) The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange and priority enhancements and measures for those that have not been improved.				

Assessment Item	Implementation Status (Note)			Deviating from the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and the root cause
	Yes	No	Abstract Illustration	
<p>The improvement status for the result of Corporate Governance Evaluation for 2022:</p> <p>1. At the Annual Shareholders' Meeting in 2022, more than half of the directors (including at least one independent director) and the convener of the audit committee personally attended the meeting and their attendance was disclosed in the minutes.</p> <p>2. The number of independent directors of the company is more than one-third of the directors.</p> <p>3. The company has formulated a policy and specific management plan to safeguard human rights, with reference to the International Covenant on Civil and Political Rights, and has disclosed them on the company's website and annual report.</p> <p>The priority enhancements and measures for those that need to be improved in 2022:</p> <p>1. When the company releases important information, it will also release the English version of important information.</p> <p>2. The company is planning to enhance the disclosure of financial and corporate governance information on its English website.</p>				

E. The composition of the Remuneration Committee, responsibilities, and operation:

1. Remuneration Committee members

Qualification	Name	Professional qualifications and experience	Independent status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director	Note
Independent Director (Convener)	CHOU, YIH-HENG	<p>1. Qualifications: Lecturers or above from public or private universities or colleges with expertise in business, law, finance, accounting, or corporate operations.</p> <p>2. Previous independent director of Z-COM, Inc., Executive Director of Chinese Management Association, and CEO of Accreditation of Chinese Collegiate School of Business (ACCBE).</p>	As an independent director, he/she meets the independence requirements, including but not limited to: the individual, spouse, and relatives within the second degree of kinship who have not served as a director, supervisor, or employee of the Company or its related enterprises; do not hold any shares of the Company; do not serve as a director, supervisor, or employee of companies with specific relationships with the Company; and have not received any compensation for providing business, legal, financial, accounting, or other services to the Company or its related enterprises in the past 2 years.	0	

Qualification	Name	Professional qualifications and experience	Independent status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director	Note
Independent director	Huang, Tai-Sheng	<p>1. Qualifications: Lecturers or above from public or private universities or colleges with expertise in business, law, finance, accounting, or corporate operations.</p> <p>2. Previous Z-COM, Inc. independent director and concurrently served as the associate professor at transportation graduate school of National Chiao Tung University.</p>	As an independent director, he/she meets the independence requirements, including but not limited to: the individual, spouse, and relatives within the second degree of kinship who have not served as a director, supervisor, or employee of the Company or its related enterprises; do not hold any shares of the Company; do not serve as a director, supervisor, or employee of companies with specific relationships with the Company; and have not received any compensation for providing business, legal, financial, accounting, or other services to the Company or its related enterprises in the past 2 years.	0	

Qualification	Name	Professional qualifications and experience	Independent status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director	Note
Independent director	Yuan-liang Su	<p>1. Qualifications: Lecturers or above from public or private universities or colleges with expertise in business, law, finance, accounting, or corporate operations.</p> <p>2. Former independent director of Z-COM, Inc., chairman of Surflux Energy Inc., independent director of Ablrex, director of Arima Lasers Corp., legal representative of Arima Communications Corp.</p>	As an independent director, he/she meets the independence requirements, including but not limited to: the individual, spouse, and relatives within the second degree of kinship who have not served as a director, supervisor, or employee of the Company or its related enterprises; do not hold any shares of the Company; do not serve as a director, supervisor, or employee of companies with specific relationships with the Company; and have not received any compensation for providing business, legal, financial, accounting, or other services to the Company or its related enterprises in the past 2 years.	1	

2. The operation of Remuneration Committee

- (1) There are three members in Remuneration Committee of the Company.
 - (2) Current term of office: May 26, 2022~May 26, 2025. Remuneration Committee has held a total of 3 meetings for 2022 and up until the date of annual report publication.
- (A) The board held 3 meetings with the attendance record and qualification of Committee members as follows :

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (B/A)	Note
Convener	CHOU,YIH-HENG	3	0	100%	
Committee Member	Huang,Tai-Sheng	3	0	100%	
Committee Member	Yuan-liang Su	3	0	100%	

Other required information:

A. If the Board of Directors does not accept or amend the suggestions of the Remuneration Committee, please state the Board meeting date, term, the motions, content of the resolutions of the Board, and the Company' s handling the opinions proposed by the Remuneration Committee: None.

B. For resolutions reached by the Remuneration Committee regarding which independent directors have voiced opposing or opinions of all members, and the handling of the opinions of the members: None.

The current members of 5th Remuneration Committee are 3 independent directors-- Huang, Tai-Sheng, CHOU, YIH-HENG who is the convener of the committee, and Yuan-liang Su. All of them have professional qualifications that comply “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is listed on the Taiwan Stock Exchange or the Taipei Exchange”.

(B) Subjects and resolution results by the Remuneration Committee :

Remuneration Committee	Subjects	Resolution results	Company reaction base on the opinion of Compensation Committee
The 6 th meeting of the 4 th session on March 8, 2022	<ol style="list-style-type: none"> 1. The report on director and employee remuneration for the fiscal year 2021. 2. The report on the performance evaluation results of the Remuneration Committee for the fiscal year 2021. 	Proposal	Presented to the board of directors
The 1 st meeting of the 5 th session on August 8, 2022	<ol style="list-style-type: none"> 1. Retroactive approval of personnel changes and salary. 2. The salary adjustment proposal for managers in 2022. 	Passed by all members unanimously.	Presented by the chairperson of the Compensation Committee to the board of directors.
The 2 nd meeting of the 5 th session on March 6, 2023	<ol style="list-style-type: none"> 1. Report on Directors' Remuneration and Employees' Remuneration for the year 2022. 2. Report on the Performance Evaluation Results of the Remuneration Committee for the year 2022. 	Proposal	Presented to the board of directors

F. Corporate Governance Implementation Status and Deviations from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies:

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX listed Companies and reasons
	Yes	No	Abstract Explanation	
(I) Has the company established an ESG unit (full-or part time), with a senior manager authorized by the Board of Directors to handle and report related activities to the Board of Directors?	V		<p>This corporation has established a Corporate Social Responsibility (CSR) Committee under the Office of the General Manager, which is responsible for drafting and promoting CSR plans and regularly reporting execution results and future goals to the Board of Directors. The Board of Directors listens to management team reports on a regular basis to understand the company's management practices and provide timely recommendations.</p> <p>To align with international ESG trends, in 2022, this corporation held a meeting convened by the General Manager to promote sustainable development and coordinate CSR by formulating relevant management policies and specific action plans through the ESG Execution Team.</p> <p>In 2022, one meeting was held, which included:</p> <p>(1) Greenhouse gas inventory and verification schedule plan.</p> <p>(2) Identification of sustainable issues and formulation of promotion plans.</p> <p>(3) Implementation effectiveness of ESG specific actions.</p>	In the fourth quarter of 2023, it will be included in the board of directors' meeting, and the handling situation will be reported to the board of directors on a regular basis.

(II) Does the company follow principles of materiality in evaluating the risks of environmental, social, and corporate governance, and establish relevant policies or strategies?	V		<p>Our company adheres to the business philosophy of "excel in quality" and the principle of significance. While pursuing sustainable operation and profitability, we fulfill our corporate social responsibility, value the rights and interests of stakeholders, and pay attention to environmental, social, and corporate governance issues. We incorporate them into our management policies and operational activities to achieve the goal of sustainable management.</p> <p>Based on the principle of materiality of corporate social responsibility, the company conducts relevant risk assessments on important issues, and based on the assessed risks, formulates relevant risk management policies as follows:</p> <table><tr><th>Material Issues</th><th>Risk Assessment Items</th><th>Risk Management Policies or Strategies</th></tr><tr><td>Environmental</td><td>1. Environmental protection and ecological conservation</td><td>The company has obtained ISO14001 certification and has formulated "Corporate Environmental and Energy Management Measures", "Environmental Management Objectives", "Water and Electricity Policies", etc., and implements environmental management in accordance with relevant environmental regulations.</td></tr></table>	Material Issues	Risk Assessment Items	Risk Management Policies or Strategies	Environmental	1. Environmental protection and ecological conservation	The company has obtained ISO14001 certification and has formulated "Corporate Environmental and Energy Management Measures", "Environmental Management Objectives", "Water and Electricity Policies", etc., and implements environmental management in accordance with relevant environmental regulations.	Complies with “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”
Material Issues	Risk Assessment Items	Risk Management Policies or Strategies								
Environmental	1. Environmental protection and ecological conservation	The company has obtained ISO14001 certification and has formulated "Corporate Environmental and Energy Management Measures", "Environmental Management Objectives", "Water and Electricity Policies", etc., and implements environmental management in accordance with relevant environmental regulations.								

					<p>The company has set up resource recycling bins for resource classification and has commissioned qualified vendors to handle waste recycling operations. In response to this, it has passed the random inspection of waste removal and transportation every year: the random inspection by Hsinchu Science Park Bureau in 2022, there is no risk.</p>	
				2.Climate change	<p>1. Paperless operations: Use electronic signature methods to reduce paper consumption.</p> <p>2. Air-conditioning equipment: use more energy-saving water chiller and control air-conditioner's setting temperature in summer and winter by EHS staff to effectively use energy to achieve the goal of energy saving and carbon reduction.</p> <p>3. Advocate turning off lights: In addition to posting prominent reminder slogans next to the</p>	

					<p>lamp switch, security personnel will patrol again after 7 pm on weekdays to confirm that the lights have been turned off.</p> <p>4. Daily inspection of the factory area, checking for leaks in flushing toilets, water towers, faucets or other pipe joints, as well as walls or underground pipelines, and adjusting the water flow from the sink.</p> <p>5. Replace traditional lamps with more energy-efficient LED lamps. 98.5% of the energy-saving lamps in the whole factory have been completed and replaced continuously.</p>	
			Social	<p>1. occupational safety</p>	<p>The company has an annual operational environmental measurement plan developed by the dedicated Occupational Safety and Health Office to detect the concentration of carbon dioxide and lead in the work environment. The carbon dioxide concentration is tested twice a year, and the lead</p>	

					<p>concentration is tested once a year. The results show that the measured values of carbon dioxide concentration are all below 5000ppm, and the measured value of lead concentration is less than 0.05 mg/m³.</p> <p>In response to measures related to the protection of employee safety, procedures such as occupational safety and health work rules, hazard communication, and emergency response management procedures have been formulated as the basis for safety and health management, and annual occupational safety and health management plans and implementation projects have been formulated.</p> <p>1.The content includes:</p> <ol style="list-style-type: none"> Purchase and update of protective equipment. Emergency evacuation drills for personnel. Fire safety lectures and 	
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					<p>equipment use.</p> <p>d. Conduct annual health checkups and health seminars for employees.</p> <p>e. Occupational safety and health training for new and returning colleagues.</p> <p>f. Promotion of safety and health-related information.</p> <p>g. Automatic inspections of various equipment</p> <p>2. Employers shall carry out regular general health checkups for in-service workers in accordance with the [Labor Health Protection Rules].</p>	
				2.product safety	<p>The company has formulated the "Environmentally Restricted Substances Management Operation Standards", maintains good communication channels with customers, and provides transparent and effective customer complaint handling procedures for products and services; it has dedicated windows and contact information</p>	

					<p>to protect consumer rights and provide an immediate complaints procedure.</p> <p>The products we produce and sell comply with international regulations on restricted substances (RoHS, REACH, SONY GP).</p> <p>The company has established a "supplier evaluation system".</p> <p>Environmental and social impacts are also evaluated when conducting procurement activities. For parts, suppliers are required to provide SGS certification for the approved parts.</p> <p>For major suppliers, the contract includes clauses for breach of contract compensation and termination. If a supplier illegally uses additives or includes prohibited ingredients, it constitutes a breach of trust, and our company will seek compensation for losses in accordance with the law and</p>	
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					terminate the contract, no longer cooperating with the supplier.	
			governance	Socioeconomic and Legal Compliance	Through the establishment of a governance organization and the implementation of an internal control mechanism, it is ensured that all personnel and operations of the company truly comply with relevant laws and regulations.	
(III) Environmental issue						
A. Does the company establish an appropriate environmental management system based on its industry characteristics?	V		Our company has obtained ISO14001 certification and has formulated the "Corporate Environmental and Energy Saving Management Measures", "Environmental Management Objectives", "Water and Electricity Policies", etc. We also comply with relevant environmental regulations to implement environmental management.			Complies with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies
B. Does the company strive to improve energy use efficiency and use environmentally friendly recycled materials with low environmental impact?	V		Our company has set up recycling bins for resource classification and commissioned qualified vendors to handle waste recycling operations. We have passed the waste transportation and inspection checks conducted through irregular inspections every year. The inspection conducted by the Ministry of Science and Technology in 2022 showed no violations.			Complies with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies
C. Does the company assess the potential risks and opportunities of climate change on its current and future business, and take measures to address climate-related issues?	V		To address the impact of climate change on our business operations and to provide specific information on climate change, our company started conducting business inventory and risk identification related to climate change in 2020. This includes analyzing the direct or indirect impact of extreme			Complies with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies

		<p>weather events, the impact of regulatory, technological, or market demand transformations, and other risks and opportunities related to the human and social aspects of our business activities. We aim to strengthen our climate change governance and systematically evaluate and manage risks and opportunities to reduce risks and seize business opportunities, in order to contribute to sustainable environment and enhance the competitiveness of our industry.</p> <table> <tr> <th>Climate Risk</th><th>Potential Affection</th><th>Climate Opportunity</th><th>Response Measures</th></tr> <tr> <td>Increase in temperature</td><td>Increase in electricity usage, leading to higher costs and carbon emissions</td><td>Promote low-carbon and green production</td><td>Air conditioning equipment: Use more energy-efficient chilled water units and control air conditioning temperature in summer and winter. This is adjusted by the Labor and Safety Office to effectively utilize energy and achieve energy-saving and carbon-reduction goals.</td></tr> <tr> <td>Water and electricity supply instability</td><td>Production impacted, operating costs increased</td><td>Developing green energy, enhancing water resource efficiency,</td><td>1. Promote turning off lights when not in use: Reminders are posted next to light switches, and security guards patrol the area after</td></tr> </table>	Climate Risk	Potential Affection	Climate Opportunity	Response Measures	Increase in temperature	Increase in electricity usage, leading to higher costs and carbon emissions	Promote low-carbon and green production	Air conditioning equipment: Use more energy-efficient chilled water units and control air conditioning temperature in summer and winter. This is adjusted by the Labor and Safety Office to effectively utilize energy and achieve energy-saving and carbon-reduction goals.	Water and electricity supply instability	Production impacted, operating costs increased	Developing green energy, enhancing water resource efficiency,	1. Promote turning off lights when not in use: Reminders are posted next to light switches, and security guards patrol the area after	
Climate Risk	Potential Affection	Climate Opportunity	Response Measures												
Increase in temperature	Increase in electricity usage, leading to higher costs and carbon emissions	Promote low-carbon and green production	Air conditioning equipment: Use more energy-efficient chilled water units and control air conditioning temperature in summer and winter. This is adjusted by the Labor and Safety Office to effectively utilize energy and achieve energy-saving and carbon-reduction goals.												
Water and electricity supply instability	Production impacted, operating costs increased	Developing green energy, enhancing water resource efficiency,	1. Promote turning off lights when not in use: Reminders are posted next to light switches, and security guards patrol the area after												

					and utilizing emerging water sources.	<p>7pm to ensure lights are turned off.</p> <p>2. Conduct daily inspections of the factory to check for leaks in toilet systems, water tanks, faucets, and other pipes and adjust the water flow.</p> <p>3. Replace traditional lighting with energy-saving LED lighting. 98.5% of the factory's lighting has been replaced with energy-saving lighting.</p> <p>4. Energy-saving measures for computer rooms: Implement server virtualization to save electricity and related equipment.</p>	
			Increased greenhouse gas emissions costs	limited production capacity expansion, increased operating	Participation in renewable energy projects and participation in carbon	Reducing the use of environmentally harmful chemicals in products and processes, as well as focusing on product design,	

				costs	market trading.	reducing hazardous substances, and packaging for shipment to reduce greenhouse gas emissions, and striving to reduce greenhouse gas emissions.
			Cost of developing low-carbon and energy-saving products	Increase in cost of developing low-carbon and energy-saving products	Development or expansion of green energy products and services	1.Committed to providing green energy, the subsidiary has established a 350 kW/h solar power system to absorb solar energy and convert it into electricity for self-use. 2.Paperless operation: using electronic signature to reduce paper usage and recycle paper.
			Corporate image impact.	Inability to meet stakeholders' expectations may result in damage to	Enhancing Long-Term Investor Interest	1.Strengthen green manufacturing. Corporate activities comply with environmental regulations and meet the requirements of advanced countries in

				the company's image.		<p>terms of green environmental protection. Product development and packaging use are based on green environmental protection concepts and designed with product safety as a prerequisite.</p> <p>2. Continuously improve processes, working environment, and equipment to reduce pollutant emissions, resource consumption, and safety and health risks.</p> <p>3. Achieve 100% customer satisfaction with environmentally-friendly product quality. Strictly require suppliers to provide raw materials that meet the most advanced green environmental</p>	
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D. Has the company calculated the greenhouse gas emissions, water usage, and total waste weight over the past two years and developed policies for energy conservation, carbon reduction, greenhouse gas reduction, water conservation, or waste management?	V		<table> <tr> <td></td> <td></td> <td></td> <td> requirements. 4.Promote environmental-related information to employees, customers, suppliers, visitors, etc. through communication and education. </td> </tr> </table>				requirements. 4.Promote environmental-related information to employees, customers, suppliers, visitors, etc. through communication and education.	Complies with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies
						requirements. 4.Promote environmental-related information to employees, customers, suppliers, visitors, etc. through communication and education.		
<p>The company has implemented effective waste management practices, including the establishment of a "Waste Control Procedure" and the regular reporting of information to the Environmental Protection Administration's Business Waste Declaration and Management Information System, as well as outsourcing waste disposal to qualified waste management companies. The statistics on greenhouse gas emissions and total waste generated in the past two years can be found on pages 83-86, and the specific results of the company's energy and carbon reduction policies can also be found on these pages.</p> <p>Under the continuous action plan for electricity conservation, the company has replaced traditional lighting with high-efficiency and energy-saving fixtures, conducts daily inspections of the plant to turn off unnecessary lights and air conditioning, sets the air conditioning temperature at 24°C~26°C, reminds employees to conserve electricity at each power switch, turns off lights during lunch breaks, and adjusts the central air conditioning operation and shutdown times based on the weather.</p>								

			Under the continuous action plan for water conservation, the company conducts daily inspections of the plant to check for water leakage from flushing toilets, water tanks, faucets, or other plumbing connections, as well as inspecting walls and underground pipelines for leaks. The company also adjusts the water flow from the sink, uses plastic bottles in the water tank of flushing toilets to reduce water usage.	
(IV) Social issues				
A. Does the company establish relevant management policies and procedures in accordance with relevant laws and international human rights conventions?	V		Our company complies with relevant laws and regulations in Taiwan, supports and respects international labor and human rights norms, and refers to norms such as the International Labor Convention and the United Nations Universal Declaration of Human Rights to formulate standards that are in line with business ethics, environmental and social issues, human rights, and other public policy commitments. We implement and disclose these standards on our company website. We also protect the legitimate rights and interests of our employees in accordance with labor regulations by providing retirement benefits, establishing a workers' welfare committee to handle various welfare matters, and regularly convening labor-management meetings to understand both parties' perspectives and achieve a win-win situation for labor and management.	Complies with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies
B. Does the company establish and implement reasonable employee benefits (including compensation, leave, and other benefits), and appropriately reflect business performance or results in employee compensation?	V		The company has established "Employee Work Rules" and "Attendance Management Measures" in accordance with the Labor Standards Act, which cover the basic wage, working hours, leave, retirement benefits, labor insurance benefits, and occupational accident compensation for hired employees, all of which comply with relevant regulations. Additionally, the	Complies with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies

<p>C. Does the company provide employees with a safe and healthy working environment, and regularly conduct safety and health education for employees?</p>	<p>V</p>	<p>Employee Welfare Committee, which is elected by employees, is responsible for managing various welfare matters (please refer to the annual report for labor-management relations). For employees, regardless of their seniority, department, position, or job changes, the company negotiates different salaries with them in accordance with relevant legal principles based on their job grades, without any differentiation based on gender, age, race, religion, political stance, marital status, or participation in groups.</p> <p>According to the company's bylaws, 10% to 15% of the annual profit is allocated for employee compensation, in addition to promotions and performance bonuses, with a comprehensive and reasonable "salary management and performance evaluation system" policy. There is also a compensation committee that combines the company's related policies, employee and managerial performance evaluation systems, and corporate social responsibility policies each year to consider the policies, systems, standards, and structures of salary compensation and incorporate them into the salary compensation policy.</p> <p>Our company has an annual work environment testing plan developed by the Labor Safety and Health Office, which includes checking the concentration of carbon dioxide and lead in the work environment. The results show that the carbon dioxide concentration is tested twice a year, and all values are below 5000 ppm. The lead concentration is tested once a year, and the value is below 0.05 mg/m³. (For statistics, please refer to pages 83-86).</p> <p>To ensure employee safety, we have established occupational safety and health work rules, hazard communication, and</p>	<p>Complies with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies</p>
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		<p>emergency response management procedures as the basis for safety and health management. We also develop annual occupational safety and health management plans and implementation items.</p> <p>1.The contents include: procurement and updating of protective equipment, emergency evacuation drills, fire safety training and equipment use, annual employee health check-ups and health lectures, occupational safety and health (refresher) training for new and returning colleagues, promotion of safety and health-related information, and automatic inspection of all equipment.</p> <p>2.The company regularly conducts general health check-ups for in-service employees in accordance with the "Labor Health Protection Regulations".</p> <p>3. Training.</p> <table><tr><th>Content/Year</th><th>2021</th><th>2022</th></tr><tr><td>Hazard General Training (New Members)</td><td>22 employees</td><td>16 employees</td></tr><tr><td>Fire education and training Occupational safety and fire education and training</td><td>1.28 employees 2.Whole company fire evacuation drill</td><td>1.26 employees 2.One fire evacuation drill was conducted for the entire company on June 7th and another on December 22nd.</td></tr></table>	Content/Year	2021	2022	Hazard General Training (New Members)	22 employees	16 employees	Fire education and training Occupational safety and fire education and training	1.28 employees 2.Whole company fire evacuation drill	1.26 employees 2.One fire evacuation drill was conducted for the entire company on June 7th and another on December 22nd.	
Content/Year	2021	2022										
Hazard General Training (New Members)	22 employees	16 employees										
Fire education and training Occupational safety and fire education and training	1.28 employees 2.Whole company fire evacuation drill	1.26 employees 2.One fire evacuation drill was conducted for the entire company on June 7th and another on December 22nd.										
D. Does the company establish effective career and	V	Our company's Administrative Management Department	Complies with Corporate									

capability development training plans for employees?		<p>promotes the following initiatives:</p> <ol style="list-style-type: none"> 1. Annual Training Plan," which effectively plans educational and training courses based on the professional needs of each department's employees to strengthen their professional skills. As for career development in other aspects, the Administrative Management Department selects external courses or training based on their needs and recommends colleagues to participate in external training. After the external training, we hold internal sharing sessions within the company. 2. "Management Training" provides education and training in management skills for colleagues who are promoted annually according to their needs in career development. 3. We value employees' self-growth and have formulated an "Education and Training Operating Procedure" that provides full subsidies for in-house training courses and full subsidies for professional external training for employees who have worked for one year or more. We allocate an annual education and training budget of 1% of the total payroll for all employees. 	Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies
E. Does the company comply with relevant laws and international standards related to issues such as customer health and safety, customer privacy, marketing, and labeling of products and services, and have they established policies and complaint procedures to protect consumer or customer rights?	V	<p>Our company has established the "Restricted Substances Management Procedure" and maintains good communication channels with customers. We provide transparent and effective customer complaint handling procedures for our products and services. Each business operation has a dedicated contact point and contact information to protect consumer rights and provide timely complaint procedures.</p> <p>All products produced and sold comply with international regulations on prohibited substances (RoHS, REACH, SONY GP).</p>	Complies with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies

F. Has the company established a supplier management policy that requires suppliers to follow relevant regulations on environmental protection, occupational safety and health, labor rights, and other issues, and what is its implementation status?		V	<p>This corporation has established a "Supplier Management Procedure," in which the environmental and social impacts are also evaluated when conducting procurement activities. For the parts, we require suppliers to provide SGS certification for recognition.</p> <p>Regarding the compliance of suppliers with environmental, occupational safety and health, or labor rights issues, our company has not fully implemented relevant regulations. In the future, we will formulate related regulations and implement a supplier management policy.</p>	Complies with the regulations of the Code of Conduct for Integrity in Business Operations for listed and OTC companies.
(V) Has the company utilized international standards or guidelines when preparing non-financial disclosure reports, such as corporate social responsibility reports? Has the aforementioned report received an attestation or assurance opinion from a third-party verification entity?		V	At present, we have not compiled a corporate social responsibility report. We will consider and evaluate this matter in the future before proceeding with the compilation.	Under cautious evaluation
<p>(VI) If the company has established its own sustainability guidelines in accordance with the " Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, " please describe the differences between its operations and the established guidelines:</p> <p>The company has established its own Practice Guidelines for Corporate Social Responsibility in accordance with the "Practice Guidelines for Corporate Social Responsibility of Listed and OTC Companies." There are no significant differences between the operation and guidelines. At present, the company has not yet compiled a Corporate Social Responsibility report. The company will evaluate and consider the feasibility before proceeding with the compilation.</p>				
<p>(VII) Other important information for understanding the implementation of sustainable development includes:</p> <ol style="list-style-type: none"> 1. In accordance with the regulations of the labor safety and health organization management and automatic inspection method, a labor safety and health organization (occupational safety and health office) and dedicated personnel are established in compliance with the scale and nature of the company to promote safety and health management matters. 2. A safe working environment is provided for employees, and necessary inspections are carried out for various operations, research and development 				

experiments, air conditioning and lighting, and power equipment in accordance with the established plan (daily/weekly/monthly), and records are kept. In addition, to promote environmental activities, the company has set up resource recycling bins for waste sorting, and qualified vendors are commissioned to handle waste recycling operations. The resource recycling area is located at the back door of the factory, separated by a certain distance from the office space area of colleagues to ensure their safety and peace of mind. The office and factory area undergoes regular environmental disinfection each year, and disinfection vendors are specifically required to use non-toxic and low environmentally damaging cleaning products.

3. In compliance with the regulations for the employment of people with disabilities set by the Ministry of Labor, private enterprise organizations with a total workforce of 67 or more must employ people with disabilities at a rate of 1%, with a minimum of one person. The current number of employees in the company is below 67, in compliance with the legal requirements, and suitable employees with disabilities are given priority in recruitment policies.
4. Actively cultivating local talents (residents of Hsinchu County and City account for 70% of the total company employees) to fulfill corporate social responsibility.
5. Participation in community development and charity organizations through public welfare activities, material donations, corporate volunteer services, or other free professional services (such as assistance targets, sponsorship or donation amounts, and public welfare activities): Public welfare activities initiated by the company's administrative management department and welfare committee members from time to time. The 111-year public welfare donation of Inventec Corporation is as follows: [specific information can be inserted here]

Statement	Recipient	The main content	Man-hours	Funding amount for social welfare organizations
This corporation continues to care for various vulnerable groups, such as children, people with disabilities, and the elderly. We support and actively participate in various	Saint Joseph Social Welfare Foundation	We continue to care for different vulnerable groups such as children, people with disabilities, and the elderly, and support various social welfare activities. We sponsored the "Brighten Love" event, which includes the presentation of learning achievements by people with disabilities, an exhibition of their handicrafts, and talent performances. We also sponsored the event	Corporation	NTD 5,000

	social welfare activities.		for the Angel's Art exhibition and talent show.			
		Andrew Charity Association	"Copper coins bring hope, and hope brings warmth to homes" - We provide immediate and appropriate resources to children and youth from vulnerable families based on their individual needs, to help them develop physically and mentally.	All colleagues	NTD 1,128	
		Taiwan Fund for Children and Families, Hsinchu center	The organization is committed to providing assistance for children from low-income families, as well as protecting children who have suffered abuse and those with special needs.	Corporation	NTD 5,000	
		World peace organization	Assistance for daily living, education sponsorship, after-school tutoring, psychological counseling, and loving breakfast program.	All colleagues	NTD 2,326	
		Syin-Lu Social Welfare Foundation, Hsinchu Branch	Love in the Heart ~ Sending Red Envelopes to Intellectually Disabled Children with Resource Shortage to Embrace a Better Future.	All colleagues	NTD 12,430	
		Children Are Us Foundation	We continue to purchase cakes made by Sunshine Bakery, a bakery operated by people with physical or mental challenges, as a way to support their self-care abilities and encourage their independence.	All colleagues	NTD 17,270	

		Camalan Culture Foundation	We aim to cultivate outstanding local talents in Yilan and promote the development of Yilan's tourism industry through the promotion of "Camalan Culture." At the same time, we also assist in promoting the development of cultural and creative industries in Yilan County.	Corporation	NTD 100,000	
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6. The CO2 and lead concentration testing data for the past two years are as follows:

Item	Date	Place	High	Place	Low	Testing agency
CO2	04/22/2021	505 Supervisor's office	638ppm	543 warehouse-2	469ppm	GONG AN ENTERPRISE CO., LTD. Monitoring agency number B0048
CO2	10/26/2021	536 Supervisor's office	829ppm	QE Laboratory	494ppm	GONG AN ENTERPRISE CO., LTD. Monitoring agency number B0048
Lead Concentration	04/22/2021	NA	NA	R&D Laboratory	<0.0004	Sun Win Technology Co., Ltd No.TOSHA-MA10 TAF Occupational Health Laboratory, Accreditation Number 2049

Item	Date	Place	High	Place	Low	Testing agency
CO2	04/06/2022	538 Supervisor's office	653ppm	Office 507	504ppm	GONG AN ENTERPRISE CO., LTD. Monitoring agency number B0048
CO2	09/06/2022	529 Conference room	593ppm	Office 518	456ppm	GONG AN ENTERPRISE CO., LTD. Monitoring agency number B0048

Lead Concentration	04/06/2022	NA	NA	R&D Laboratory	<0.0004	Sun Win Technology Co., Ltd No.TOSHA-MA10 TAF Occupational Health Laboratory, Accreditation Number 2049
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Note 1: The regulatory standard for carbon dioxide is 5,000 ppm.

Note 2: The allowable concentration for lead is 0.05 mg/m³.

7. Waste weight (in kilograms) per year:

Filling date	Waste Code	Total
2021	D-0299, Waste Plastic Mixture	12
	D-1801, Commercial waste	240
	D-0799, Waste wood	16
	E-0217, Waste electronic components, substandard products, and defective products	28.8
2021 Total		275.5
2022	D-0299, Waste Plastic Mixture	12
	D-1801, Commercial waste	240
	D-0799, Waste wood	26
	E-0217, Waste electronic components, substandard products, and defective products	28.8
2022 total		306.8

8. Waste removal:

Filling Date	Name of Cleaner	Name of Handler	Intermediate treatment method	Final disposal method
03/04/2022	Shun Chu Enterprise Co.	Hsinchu Refuse Incineration Plant	Incineration treatment	Landfill treatment
06/13/2022	Shun Chu Enterprise Co.	Hsinchu Refuse Incineration Plant	Incineration treatment	Landfill treatment

09/16/2022	Shun Chu Enterprise Co.	Hsinchu Refuse Incineration Plant	Incineration treatment	Landfill treatment
12/26/2022	Shun Chu Enterprise Co.	Hsinchu Refuse Incineration Plant	Incineration treatment	Landfill treatment
12/15/2022	JIIN YEEH DING ENTERPRISE CORP.	JIIN YEEH DING ENTERPRISE CORP.	Physical treatment	Landfill treatment

9.Implementation of energy-saving policies for water and electricity management has resulted in the following achievements:

Category	Performance measurement indicators.	Energy conservation goal for 2021	Achievement	Energy conservation goal for 2022	Achievement	Energy conservation goal for 2023
Energy Conservation	Annual Energy consumption/ Last year's total Energy consumption	Maintain a $\pm 3\%$ energy conservation rate until the chiller unit is replaced (expected) in 2026.	(Not Achieved)5.8 %	Maintain a $\pm 3\%$ energy conservation rate until the chiller unit is replaced (expected) in 2026.	$\downarrow 19.1\%$ (Achieved)	Maintain a $\pm 2\%$ energy conservation rate

Category	Performance measurement indicators.	Water conservation goal for 2021	Achievement	Water conservation goal for 2022	Achievement	Water conservation goal for 2023
Water Conservation	Annual Water consumption/ Last year's total water consumption	Maintain a $\pm 3\%$ water conservation rate (Exclude public water)	(Achieved)-7.5 %	Maintain a $\pm 3\%$ water conservation rate (Exclude public water)	$\downarrow 32\%$ (Achieved)	Maintain a $\pm 2\%$ water conservation rate (Exclude public water)

10.The specific achievements of implementing environmental policies for energy conservation and carbon reduction are as follows:

Year\ Item	Water	Electronic	Carbon reduction
2020	1,968	221,280	115,992
2021	1,820	234,240	119,255
2022	1,220	189,480	97,971
Last year's equivalent savings.	↓582 degree	↓44,760 degree	↓21,284 kg

G. he Differences and Reasons and of fulfillment of integrity management and differences from the integrity management rules of listed and OTC companies:

Evaluation item	Operation Situation			Differences and reasons for non-compliance with the Code of Conduct for Integrity in Business Operations for listed and OTC companies.
	True	False	Summary description	
(I) Development of integrity and ethics policy and plan A. Has the company developed an integrity and ethics policy approved by the board of directors and clearly stated the policy and practices of integrity and ethics in its regulations and external documents, as well as actively implementing the commitment of the board of directors and senior management to the policy of management?	V		1. In order to establish a culture of integrity and promote sound business operations for sustainable development, this corporation passed the " Procedures for Ethical Management and Guidelines for Conduct" during the shareholders' meeting on May 25th, 101. The relevant provisions will be regularly updated in accordance with changes in laws and regulations by the competent authorities, and implemented after approval by the board of directors and reporting to the shareholders' meeting. The code of conduct and guidelines will also be disclosed on the corporate governance section of the Public Information Observation Station, and applicable to directors, managers, employees, and	Complies with the regulations of the Code of Conduct for Integrity in Business Operations for listed and OTC companies.

Evaluation item	Operation Situation			Differences and reasons for non-compliance with the Code of Conduct for Integrity in Business Operations for listed and OTC companies.
	True	False	Summary description	
			<p>individuals with substantial controlling power in this corporation and affiliated enterprises and organizations, all of whom are required to comply with relevant laws and regulations.</p> <p>2.The Corporation explicitly states the ethical standards for conducting business with integrity in our employee handbook and other regulations. Additionally, we have established a "Rule of Ethics" specifically for our board of directors and managerial staff, who have committed to actively implementing and supervising the execution of our policies for conducting business with integrity.</p> <p>3.Our board of directors and senior management are committed to actively implementing our policies for conducting business with integrity, overseeing the prevention of unethical behavior within the company, and regularly reviewing the</p>	

Evaluation item	Operation Situation			Differences and reasons for non-compliance with the Code of Conduct for Integrity in Business Operations for listed and OTC companies.
	True	False	Summary description	
B. Has the company established a mechanism for assessing the risk of dishonest behavior, regularly analyzing and evaluating business activities with a high risk of dishonest behavior within its business scope, and using it to formulate measures to prevent dishonest behavior, including at least preventive measures for each item of paragraph 2 of Article 7 of the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies"?	V		<p>effectiveness of these policies in order to continuously improve them.</p> <p>This corporation has established a " Procedures for Ethical Management and Guidelines for Conduct" and a " Measures for the Report on Illegal, Immoral and Dishonest Acts " These are overseen by the administrative management department to prevent any illegal activity from occurring. In order to ensure the implementation of business integrity, our internal audit personnel regularly review compliance with these regulations and prepare audit reports to be submitted to the audit committee and board of directors.</p> <p>If any employee of this corporation is directly or indirectly provided with improper benefits, they must either return or refuse the offer. If returning the benefit is not possible, the employee must report the incident to</p>	Complies with the regulations of the Code of Conduct for Integrity in Business Operations for listed and OTC companies.

Evaluation item	Operation Situation			Differences and reasons for non-compliance with the Code of Conduct for Integrity in Business Operations for listed and OTC companies.
	True	False	Summary description	
C. Does the company specify operating procedures, behavior guidelines, penalties for violations, and complaint mechanisms in the plan to prevent dishonest behavior, and implement and regularly review and revise the aforementioned plan?	V		<p>their immediate supervisor and notify the administrative management department for further action within three days of receiving the benefit.</p> <p>To prevent dishonest behavior, this corporation has established the " Procedures for Ethical Management and Guidelines for Conduct" and "Code of Conduct" for directors, managers, and employees, which prohibits any form of dishonest behavior. We actively promote and educate our employees on the importance of ethical conduct. Furthermore, this corporation and its subsidiaries have strict accounting, internal control, and audit systems in place to prevent any dishonest behavior. We have also established a whistleblowing system that encourages both internal and external parties to report any illegal or dishonest behavior. Regular evaluations of relevant</p>	Complies with the regulations of the Code of Conduct for Integrity in Business Operations for listed and OTC companies.

Evaluation item	Operation Situation			Differences and reasons for non-compliance with the Code of Conduct for Integrity in Business Operations for listed and OTC companies.
	True	False	Summary description	
			business processes are conducted to ensure compliance with ethical standards.	
(II) Implementing Business Integrity A. Has the company evaluated the integrity records of its counterparties and included clauses on business integrity in the contracts signed with them?	V		To promote transparency in our transactions and comply with ethical principles, the Corporation has established a written document called the "Supplier Code of Conduct Statement." We provide explanations to our suppliers and require them to sign and return the document.	Complies with the regulations of the Code of Conduct for Integrity in Business Operations for listed and OTC companies.

Evaluation item	Operation Situation			Differences and reasons for non-compliance with the Code of Conduct for Integrity in Business Operations for listed and OTC companies.
	True	False	Summary description	
B. Has the company established a dedicated unit under the board of directors to promote corporate integrity management, and regularly (at least once a year) report to the board of directors on its integrity management policy, measures to prevent dishonest behavior, and the supervision and implementation of such measures?	V		<ol style="list-style-type: none"> 1. This corporation has established an Integrity and Governance Team under the General Manager's Office, responsible for promoting integrity management, anti-corruption, anti-bribery, and compliance with laws and regulations, and reporting on its implementation to the Board of Directors regularly (at least once a year). The implementation of integrity management was reported to the 10th board of directors on November 9th, 2022. 2. The specialized unit of this corporation should hold internal education and training once a year, arranging the Chairman, General Manager or senior management to convey the importance of integrity to directors, employees, and appointees. This corporation should include integrity management in the employee performance evaluation and 	Complies with the regulations of the Code of Conduct for Integrity in Business Operations for listed and OTC companies.

Evaluation item	Operation Situation			Differences and reasons for non-compliance with the Code of Conduct for Integrity in Business Operations for listed and OTC companies.
	True	False	Summary description	
			<p>human resource policies, setting up an effective reward and punishment system and complaint mechanism to implement integrity management and ethical behavior.</p> <p>3. This Corporation has established a specific reporting system in the "Corporate Governance Practices Code," "Integrity Management Operational Procedures and Behavioral Guidelines," "Code of Conduct," and "Handling Procedures for Reporting Illegal, Unethical, or Dishonest Behavior Cases," actively preventing dishonest behavior. The board of directors, audit committee, and audit department are responsible for reporting internal violations of integrity management, and external reporting is accepted through an external reporting mailbox. To ensure the sustainable development of the company,</p>	

Evaluation item	Operation Situation			Differences and reasons for non-compliance with the Code of Conduct for Integrity in Business Operations for listed and OTC companies.
	True	False	Summary description	
			<p>we encourage reporting of any illegal behavior and ensure the legal rights and interests of reporters and relevant personnel, clearly specifying that the company should protect and keep confidential the identities of whistleblowers or persons involved in investigations to prevent them from being treated unfairly or retaliated against.</p> <p>4. The internal control operations of this corporation in the 2022 fiscal year were checked by the auditing unit and did not find any violations of integrity management. This corporation also did not receive any internal or external reporting letters or legal cases related to integrity management, so we did not violate any relevant regulations on corporate integrity management in the 2022 fiscal year.</p>	

Evaluation item	Operation Situation			Differences and reasons for non-compliance with the Code of Conduct for Integrity in Business Operations for listed and OTC companies.
	True	False	Summary description	
C. Has the company established and implemented policies to prevent conflicts of interest, provided appropriate reporting channels?	V		In order to prevent conflicts of interest, our company has established the "" Procedures for Ethical Management and Guidelines for Conduct", and "Code of Conduct for Moral Behavior," and "Rules of Procedure for the Board of Directors Meetings." These regulations and procedures are disclosed on the Public Information Observation System and our company website for investors to inquire about, and channels for investors to express their opinions are also provided. Directors who have an interest in any item on the agenda of the board of directors meeting and whose interests may harm the company's interests shall not participate in the discussion or voting, and shall recuse themselves during the discussion and voting process.	Complies with the regulations of the Code of Conduct for Integrity in Business Operations for listed and OTC companies.
D. Has the company established effective accounting and internal control systems to implement ethical	V		The company has established accounting and internal control systems, which are	Complies with the regulations of the Code of

Evaluation item	Operation Situation			Differences and reasons for non-compliance with the Code of Conduct for Integrity in Business Operations for listed and OTC companies.
	True	False	Summary description	
management, and has it formulated relevant audit plans based on the assessment of the risk of unethical behavior by the internal audit unit, and verified compliance with the plan? Or has it commissioned an auditor to conduct audits?			audited by internal auditors on a regular basis according to a plan, and undergo self-assessment and confirmation by external accountants on a yearly basis to ensure the effectiveness of the system's design and implementation.	Conduct for Integrity in Business Operations for listed and OTC companies.
E. Does the company regularly hold internal and external education and training on ethical management?	V		<p>The company regularly sends senior executives to participate in seminars on corporate integrity organized by regulatory authorities to strengthen the ethical and moral values of the company's management. The company also ensures the implementation of these values in internal management and external business activities.</p> <p>In 2022, the company held external education and training sessions related to corporate integrity issues, including compliance with laws and regulations, accounting systems, and internal controls,</p>	<p>Complies with the regulations of the Code of Conduct for Integrity in Business Operations for listed and OTC companies.</p>

Evaluation item	Operation Situation			Differences and reasons for non-compliance with the Code of Conduct for Integrity in Business Operations for listed and OTC companies.
	True	False	Summary description	
			<p>totaling 66 hours of training for 8 participants. The company also held internal education and training sessions on these issues, using messaging to disseminate information due to the ongoing COVID-19 pandemic.</p> <p>The company has established effective accounting and internal control systems, which are regularly audited by internal auditors. In 2022, the internal audit plan covered 35 audit items, and the results were reported on the public information observation system in accordance with regulations.</p>	
<p>(III) The operation of the company's whistleblowing system</p> <p>A. Does the corporation have a specific whistleblowing and reward system in place, and establish convenient channels for whistleblowing, and assign appropriate dedicated personnel to handle reported cases?</p>	V		<p>The company has established a "Whistleblower and Reward System" in the "Employee Work Rules," which explicitly prohibits employees from using the company's name to handle personal affairs</p>	<p>Complies with the regulations of the Code of Conduct for Integrity in Business Operations for listed and OTC companies.</p>

Evaluation item	Operation Situation			Differences and reasons for non-compliance with the Code of Conduct for Integrity in Business Operations for listed and OTC companies.
	True	False	Summary description	
			<p>or engage in corrupt activities using their authority. Depending on the nature and content of the case, it will be jointly handled by the legal, auditing, and management units.</p> <p>※ For cases of sexual harassment, please use the dedicated mailbox at adm@zcom.com.tw.</p> <p>※ For complaints, please use the mailbox at adm2@zcom.com.tw.</p> <p>※ For legal matters, please use the mailbox at adm3@zcom.com.tw.</p>	
B. Has the company established standard operating procedures for investigating reported matters, including follow-up actions to be taken upon completion of the investigation and related confidentiality mechanisms?	V		This Corporation has formulated the "Measures for the Report on Illegal, Immoral and Dishonest Acts" which are published on the company's website and also posted on the internal bulletin board.	Complies with the regulations of the Code of Conduct for Integrity in Business Operations for listed and OTC companies.
C. Does the company take measures to protect whistleblowers from improper treatment resulting from	V		This corporation is committed to protecting whistleblowers, and it follows the principle	Complies with the regulations of the Code of

Evaluation item	Operation Situation			Differences and reasons for non-compliance with the Code of Conduct for Integrity in Business Operations for listed and OTC companies.
	True	False	Summary description	
their whistleblowing?			of protection. Each case is investigated by a specialized unit in a confidential manner. Furthermore, we ensure that whistleblowers (employees and vendors) are not subjected to any threats.	Conduct for Integrity in Business Operations for listed and OTC companies.
(IV) Strengthen Information Disclosure Has the company disclosed the content and effectiveness of its established Code of Conduct on its website and the Taiwan Stock Exchange website?	V		This corporation has disclosed relevant information such as the Guidelines of Conduct for Ethical Management on its website and annual report.	This complies with the requirements of the Guidelines of Conduct for Listed and OTC Companies regarding ethical management.
(V) If the company has established its own guidelines of Conduct in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", please describe the differences between its operation and the established guidelines: This corporation has established the "Procedures for Ethical Management and Guidelines for Conduct " and has periodically revised certain provisions in accordance with regulatory changes by the competent authority. The revised code has been approved by the Board of Directors and reported to the shareholders' meeting. It has also been disclosed in the corporate governance section of the Taiwan Stock Exchange website. The actual operation of the code is consistent with the established code, and there are no significant differences.				
(VI) Other important information related to the company's integrity operation, such as the review and revision of its integrity code: 1.The company has adopted the "Integrity Operation Procedures and Behavior Guidelines," which was approved by the board of directors on May 25, 2012. The guidelines are periodically revised according to regulatory requirements and implemented after being approved by the board of				

Evaluation item	Operation Situation			Differences and reasons for non-compliance with the Code of Conduct for Integrity in Business Operations for listed and OTC companies.
	True	False	Summary description	
<p>directors and reported to the shareholders. They are also disclosed on the Company's website and on the Market Observation Post System for Corporate Governance.</p> <p>2.The company adheres to the principles of integrity operation by complying with the Company Law, Securities Exchange Act, Business Accounting Act, Political Donation Act, Anti-Corruption Act, Government Procurement Act, Conflict of Interest Avoidance Act, and other relevant laws and regulations.</p> <p>3. The company's "Board Meeting Rules" stipulate a system for director recusal. When a director has a personal interest or an interest on behalf of a legal entity represented by the director that may be harmful to the company's interests or should recuse themselves for other reasons, the director must be recused from the discussion and voting after expressing their opinion and answering questions. The director cannot participate in the discussion or vote and cannot act as a proxy for other directors to exercise their voting rights.</p> <p>4. The company regularly reviews potential risks to its integrity to enhance the effectiveness of its integrity operation.</p> <p>5. All employees of this Corporation have carefully reviewed the "Code of Conduct" established by the management unit to enhance personal ethics promote the principles of integrity in business operations, and fulfill corporate social responsibility.</p>				

H. The method of querying the company's governance practices and related regulations:

The company's governance best practices and related regulations can be accessed through the information available on the Market Information Observation System (<http://mops.twse.com.tw/mops/web/index>), or on the company's website at <http://www.zcom.com.tw/>.

I. Other important information to facilitate better understanding of the company's corporate conduct and ethics compliance practices (e.g., review the company's corporate conduct and ethics policy):

To prevent the company or insiders from erroneously or intentionally violating the relevant regulations on insider trading due to ignorance of laws and regulations, which will cause the company or insiders to be involved in lawsuits and damage their reputation, the company has established "Procedures for Handling Material Inside Information and the Prevention of Insider Trading" to protect investors and safeguard company interests. The company conducts educational and promotional activities at least once a year on

"Procedures for Handling Material Inside Information and the Prevention of Insider Trading", relevant laws and regulations to current directors, managers and employees. For new directors and managers, education is arranged within three months after taking office, and new employees are educated by human resource department during pre-employment training.

Due to the continuous spread of the COVID-19 epidemic this year, in order to avoid crowd gatherings, the current directors, managers and employees will be educated and publicized in the form of information publicity, including business secret publicity. Relevant measures and implementation status have been published on the company website for investors to inquire.

J. Internal Control System Execution Status:

1. Statement of Internal Control System:

Z-COM, Inc.

Statement of Internal Control System

Date: March 6, 2023

Based on the findings of a self-assessment, Z-COM, Inc. states the following with regard to its internal control system during the year 2022:

1. Z-COM's Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Internal control system is designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency and regulatory compliance of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and Z-COM takes immediate remedial actions in response to any identified deficiencies.
3. Z-COM evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component also includes several items which can be found in the Regulations.
4. Z-COM has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, Z-COM believes that, on December 31, 2022, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency and regulatory compliance of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement is an integral part of Z-COM's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement was passed by the Board of Directors in their meeting held on March 6, 2023, with none of the ten attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Z-COM, Inc.

Chairman: Fan En Technology Co., Ltd.

Legal Representative: John S. Shieh

CEO: WU CHIA-FANG

2. If CPA Was Engaged to Conduct a Special Audit of Internal Control System, Provide Its Audit Report: None.

- K. If the company and its internal personnel have been punished according to law in the most recent year and as of the date of publication of the annual report, or the company has punished its internal personnel for violating the provisions of the internal control system, and the punishment result may have a significant impact on shareholders' rights or securities prices, the details of the punishment, main deficiencies, and improvement measures should be disclosed:
None.
- L. Important resolutions made by the shareholders' meeting and board of directors during the recent year and up to the date of the annual report printing are as follows:
1. During the 2022 and 2023 up to the date of the annual report printing, the company held one shareholders' meeting, and the important resolutions are as follows:

Date of shareholders' meeting	Major Resolutions	Matters listed in Securities and Exchange Act§14-3 or§14-5	Opinions of independent directors and company' s treatment of the opinions	Implementation Status				
2022.05.26	Approved							
	1. Annual business report and Financial statements of 2021.	V	None	The matter is approved by all the attendees.				
	2. Loss off-setting proposal of 2021.		None	Due to the loss in 2021, the employees and directors' remuneration were not distributed according to the regulations.				
	Discussed							
	1. Amendment to the articles of association.		None	It has been implemented in accordance with the resolution and announced on the company website.				
	2. Amendments to the "Procedures for Acquisition or Disposal of Assets".	V	None	It has been implemented in accordance with the resolution and announced on the company website.				
	Election							
	1. Proposal for the election of the 10th Board of	V	None	List of elected directors: <table><tr><td>Title</td><td>Name</td></tr><tr><td>Director</td><td>Fan En Technology. Co.,</td></tr></table>	Title	Name	Director	Fan En Technology. Co.,
	Title	Name						
Director	Fan En Technology. Co.,							

	Directors.				Ltd.
				Director	CHEN, YU AN
				Director	WU CHIA-FANG
				Director	WINIFRED INTERNATIONAL CORP.
				Independent director	CHOU, YIH-HENG
				Independent director	HUANG, TAI-SHENG
				Independent director	Yuan-liang Su
	Other				
	1. Proposal to lift the restriction on new directors from engaging in competitive businesses.	V	None	Approved by vote.	

2. The company has held 6 board meetings during 2022 and 2023 up to the date of the annual report printing, and the important resolutions are as follows:

Dates of the Board of Directors meetings	Major Resolutions	Matters listed in Securities and Exchange Act§14-3	Opinions of independent directors and company's treatment of the opinions	Resolution results
2022.03.08 (The 15th meeting of the 9th Board of Directors)	1. Approval of annual business report and financial statements of 2021.	V	None	The matter is approved by all the attendees.
	2. Proposal to loss off-setting for 2021.		None	The matter is approved by all the attendees.
	3. Implementation status of 2021 audit plan and assessment of internal control system.		None	The matter is approved by all the attendees.
	4. Budget of 2022.		None	The matter is

				approved by all the attendees.
	5. Annual Renewal of credit agreement with banks.		None	The matter is approved by all the attendees.
	6. Proposal to significant overdue payments are not loan funds.	V	None	The matter is approved by all the attendees.
	7. Amendment to the articles of association.		None	The matter is approved by all the attendees.
	8. Amendment to the " Corporate Governance Best Practice Principles"		None	The matter is approved by all the attendees.
	9. Amendment to the “Corporate Social Responsibility Best Practice Principles”		None	The matter is approved by all the attendees.
	9. Amendments to the "Procedures for Acquisition or Disposal of Assets"	V	None	The matter is approved by all the attendees.
	10. Proposal for the election of the 10th Board of Directors.	V	None	The matter is approved by all the attendees.
	11. The list of candidates for directors and independent directors of the company.	V	None	The matter is approved by all the attendees.
	12. Proposal to lift the restriction on new directors from engaging in competitive businesses.	V	None	The matter is approved by all the attendees.
	13. Proposal to convene regular meeting of shareholders for 2022.		None	The matter is approved by all the attendees.
	14. Regular meeting of shareholders for 2022 accepted shareholder proposals and nomination-related matters.		None	The matter is approved by all the attendees.
2022.05.10 (the 16 th meeting of 9 th board of	1. Annual renewal of credit agreement with banks.		None	The matter is approved by all the attendees.

directors)	2. Rotation of CPAs in charge of Z-COM starting from the 2 nd quarter of 2022.	V	None	The matter is approved by all the attendees.
2022.05.26 (The 1 st meeting of the 10 th board of directors)	1. Election of the Chairman of the 10th Board of Directors.	V	None	The matter is approved by all the attendees.
	2. Appointment of the Fifth Remuneration Committee.	V	None	The matter is approved by all the attendees.
	3. Appointment of the Second Audit Committee.	V	None	The matter is approved by all the attendees.
	4. Information Disclosure of Greenhouse Gas Inventory and Verification.		None	The matter is approved by all the attendees.
2022.08.08 (the 2 nd meeting of 10 th board of directors)	1. Salary adjustment for employees and managers.		None	The matter is approved by all the attendees.
	2. Annual renewal of credit agreement with banks.		None	The matter is approved by all the attendees.
	3. Amendment to Board Performance Evaluation Measures.	V	None	The matter is approved by all the attendees.
	4. Proposal to significant overdue payments are not loan funds.	V	None	The matter is approved by all the attendees.
	5. The company regularly evaluates the independence and suitability of CPAs.		None	The matter is approved by all the attendees.
	6. Change of Accounting officer and proxy Spokesperson.	V	None	The matter is approved by all the attendees.
	7. The custodian of the seal of the Ministry of Economic Affairs of the company has changed.		None	The matter is approved by all the attendees.
	8. Proposal for new accounting officer's compensation.		None	The matter is approved by all

				the attendees.
2022.11.09 (the 3 rd meeting of 10 th board of directors)	1. Financial statements of the 3 rd quarter of 2022.		None	The matter is approved by all the attendees.
	2. Audit plan for 2023.		None	The matter is approved by all the attendees.
	3. Annual renewal of credit agreement with banks.		None	The matter is approved by all the attendees.
	4. Subsidiary Nanjing Z-Wireless Technology Co., Ltd. Funds loan to NANJING Z-COM WIRELESS Co., Ltd.		None	The matter is approved by all the attendees.
	5. Amendment to Regulations Governing Procedure for Board of Directors.	V	None	The matter is approved by all the attendees.
	6. Amendment to “Internal Handling of Material Information and Prevention of Insider Trading Management Procedures”		None	The matter is approved by all the attendees.
	7. Amendment to “Corporate Governance Best-Practice Principles”		None	The matter is approved by all the attendees.
	8. Amendment to “Rules of Procedure for Shareholder Meetings”		None	The matter is approved by all the attendees.
2023.03.06 (the 4 th meeting of 10 th board of directors)	1. Annual business report and Financial statements of 2022.		None	The matter is approved by all the attendees.
	2. Proposal to loss off-setting for 2022.		None	The matter is approved by all the attendees.
	3. Implementation status of 2022 audit plan and assessment of internal control system.		None	The matter is approved by all the attendees.
	4. The company regularly evaluates the independence and suitability of CPAs;	V	None	The matter is approved by all

	Renewal of appointment of CPAs for 2023.			the attendees.
	5. List of non-assurance services to be provided by Ernst & Young and its related entities in 2023 & 2024.		None	The matter is approved by all the attendees.
	6. Annual renewal of credit agreement with banks.		None	The matter is approved by all the attendees.
	7. Budget for 2023.		None	The matter is approved by all the attendees.
	8. Amendment to “Corporate Governance Best-Practice Principles”		None	The matter is approved by all the attendees.
	9. Amendment to Measures for the Independence Assessment of CPAs in financial statements.		None	The matter is approved by all the attendees.
	10. Proposal to convene regular meeting of shareholders for 2023.		None	The matter is approved by all the attendees.
	11. Regular meeting of shareholders for 2023 accepted shareholder proposals and nomination-related matters.		None	The matter is approved by all the attendees.

M. Major Issues of Record or Written Statements Made by Any Director Dissenting to Important Resolutions Passed by the Board of Directors in recent years and as of the Date of this Annual Report: None.

N. Summary of the resignations and dismissals of the company's chairman, CEO, Accounting officer, financial officer, internal audit officer, research and development officer, in the most recent year and as of the date of publication of the annual report:

Resignation or Dismissal of the Company’s Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit, Corporate Governance and R&D
2023/3/31

Title	Name	Employment Date	Resignation Date	Reasons for resignation or dismissal
Accounting Officer	YA, HSI-CHUN	2021/06/11	2022/06/09	Resigned

(V) Audit Fee

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Audit Fee	Non-audit fee	total	Remarks
Ernst & Young Global Limited, Taiwan	TU, JIA-LING	01.01.2022~03.31.2022	300		300	
	LIU, JUNG-CHIN	01.01.2022~03.31.2022				
Ernst & Young Global Limited, Taiwan	LIU, JUNG-CHIN	04.01.2022~12.31.2022	2,270	200	2,470	Tax certification
	CHANG, CHENG-TAO	04.01.2022~12.31.2022				
	Lin, Chih-Ren	01.01.2022~12.31.2022		300	300	Transfer pricing services

Note1: The amount of audit fees and non-audit fees paid to certified accountants and their affiliated firms and affiliated companies and the content of non-audit services shall be disclosed.

1. If a new PCA Firm is commissioned to serve for an audit fee less than the year before, please disclose the audit fee amount before and after the CPA replacement arranged and the reason for doing so: None.
2. If the audit fee of current year is more than 10% less than the year before, please disclose the audit fee amount and ratio reduced and the root cause of the fee reduction: None.

(VI) Replacement of CPAs

A. Regarding the former CPAs

Replacement Date	May 10, 2022		
Replacement reasons and explanations	The original CPAs of the Company were TU, JIA-LING and LIU, JUNG-CHIN from Ernst & Young Global Limited, Taiwan firm. Due to internal rotation, at Ernst & Young Global Limited, Taiwan firm, the CPAs of the Company were changed to LIU, JUNG-CHIN and CHANG, CHENG-TAO.		
Describe whether the Company terminated or the CPA did not accept the appointment	Parties	CPA	Consignor
	Status		
	Termination of appointment	Not applicable	Not applicable
	No longer accepted (continued) appointment	Not applicable	Not applicable

Other issues (except for unqualified issues) in the audit reports within the last two years	None		
Differences with the company	Yes		Accounting principles or practices
			Disclosure of Financial Statements
			Audit scope or steps
			Others
	None	V	
	Remarks/specify details:		
Other Revealed Matters (Article 10, Subparagraph 6, Subparagraph 1, Item 4 to Item 1, Item 7 of this Code shall be disclosed)	None		

B. Regarding the successor CPAs

Name of accounting firm	Ernst & Young Global Limited, Taiwan
Name of CPA	LIU, JUNG-CHIN and CHANG, CHENG-TAO
Date of appointment	May 10, 2022
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	Not applicable
Succeeding CPA's written opinion of disagreement toward the former CPA	Not applicable

C. The reply of former CPAs on Article 10.6.1 and Article 10.6.2.3 of the Standards: None.

(VII) The company's chairman, CEO and Finance or Accounting Officer have held a position in the independent auditing firm or its affiliates over the past year: None.

(VIII) Change in shares held and pledged by directors, managers, and major shareholders holding over 10% of outstanding shares in the most recent year and up to the publication of the annual report:

Title	Name	2022		1/1/2023-3/26/2023	
		Net change in shareholding	Net Change in Shares Pledged	Net change in shareholding	Net Change in Shares Pledged
Chairman	Fan En Technology. Co., Ltd. Representative: John S. Shieh	36,000	0	0	0
Director	WINIFRED INTERNATIONAL CORP. Representative: WU, TZY-HSIN	0	0	0	0
Director	CHEN, YU AN	0	0	0	0
Director & CEO	WU CHIA-FANG	0	0	0	0
Independent Director	CHOU, YIH-HENG	0	0	0	0
Independent Director	HUANG, TAI-SHENG	0	0	0	0
Independent Director	Yuan-liang Su	0	0	0	0
Legal Representative of the Board and CTO	John S. Shieh	0	0	0	0
Accounting Officer	YA, HSI-CHUN (Note 2)	0	0	0	0
Accounting Officer	CHUANG, HUI-HUA (Note 2)	0	0	0	0

Note 1: (1) The above information is based on the actual number of shares reported to the competent authority.

(2) Share transfer: None.

(3) Share Pledge: None.

Note 2: Ms. YA, HSI-CHUN resigned from the position of accounting officer on June 9 2022 and Ms. CHUANG, HUI-HUA was replaced as the accounting officer.

(IX) The Top-10 shareholders who are the spouses or relatives within second-degree to each other:

March 26, 2023

NAME (NOTE 1)	CURRENT SHAREHOLDING		SPOUSE'S/MINOR'S SHAREHOLDING		SHAREHOLDING BY NOMINEE ARRANGEMENT		NAME AND RELATIONSHIP BETWEEN THE COMPANY'S TOP TEN SHAREHOLDERS, OR SPOUSES OR RELATIVES WITHIN TWO DEGREES (NOTE		REMANRK
	Shares	%	Shares	%	Shares	%	Title (or name)	Relations	
XIN HUI ZHI Investment Co., Ltd Person in charge: WU CHEN HUA	5,298,714	7.39%	Not applicable	Not applicable	Not applicable	Not applicable	None	None	
Fan En Technology Co., Ltd. Person in charge: WU CHIA-FANG	3,618,909	5.05%	Not applicable	Not applicable	Not applicable	Not applicable	None	None	
John S. Shieh	3,173,933	4.43%	0	0	0	0	None	None	
LITE-ON CAPITAL CORPORATION Person in charge: Tom Soong	2,411,587	3.36%	Not applicable	Not applicable	Not applicable	Not applicable	None	None	
Chen, Yu Bang	1,100,890	1.54%	90,887	0.13%	0	0	CHEN, YU AN	Siblings	
CHANG,YU-CHUN	1,099,000	1.53%	0	0	0	0	None	None	
SAN YANG METAL INDUSTRIAL CO., LTD. Person in charge: YEN, INE-TSON	1,060,392	1.48%	Not applicable	Not applicable	Not applicable	Not applicable	None	None	
TU,MENG-HSIA	908,667	1.27%	0	0	0	0	None	None	
WU CHIA-FANG	907,027	1.27%	0	0	0	0	None	None	
CHEN, YU AN	894,935	1.25%	63,194	0.09%	0	0	Chen, Yu Bang	Siblings	

Note 1: All of the top ten shareholders should be listed, and for those who are corporate shareholders, the name of the corporate shareholder and the name of the representative should be listed separately.

Note 2: The shareholders listed above include legal persons and natural persons, and the relationship between them shall be disclosed in accordance with the provisions of the issuer's financial reporting standards.

(X) The shares of the invested company held by the company, the company's directors, supervisors, managers, and companies controlled directly or indirectly, and the aggregated overall shareholding ratio:

Unit: Shares; % December 31, 2022

Affiliated Enterprises	Ownership by the company		Direct or indirect ownership by Directors/ Supervisors/ Managers		Total ownership	
	shares	%	shares	%	shares	%
Z-COM TECHNOLOGY, LTD.	9,830	100.00%	0	0	9,830	100.00%
Z-WIRELESS INTERNATIONAL, LTD.	30	100.00%	0	0	30	100.00%
ZHI WEI YA HK LIMITED	11,000	100.00%	0	0	11,000	100.00%
NANJING Z-COM WIRELESS CO., LTD	28,406	47.34%	7,936	13.23%	36,342	60.57%
Nanjing Z—Wireless Technology Co., Ltd.	NA	100.00%	0	0	NA	100.00%
NANJING ZHI WEI YA COMMUNICATION TECHNOLOGY CO., LTD	NA	100.00%	0	0	NA	100.00%
JiangXi Zwaveasia Technology Co., Ltd.	NA	100.00%	0	0	NA	100.00%
XIN HUI ZHI Investment Co., Ltd (Note 1)	NA	48.81%	NA	51.19%	NA	100.00%
Intelligent platform for IoT services co., LTD.	1,000	100.00%	0	0	1,000	100.00%
ZENEKER INDIA PRIVATE LTD.	NA	100.00%	0	0	NA	100.00%
CHUNGHWA SOCHAMP TECHNOLOGY INC. (Note 2)	NA	27.27%	0	0	NA	27.27%

Note 1: Since Z-COM, Inc. has substantial control over XIN HUI ZHI Investment Co., Ltd it is required to include XIN HUI ZHI Investment Co., Ltd in its consolidated financial statements from the date on which control is obtained.

Note 2: It is a non-public offering company invested by the Group in 2022.

IV. Capital Overview

(I) Capital and Shares

A. Sources of capital:

Month/ Year	Per Value (NT\$)	Authorized capital		Paid-in capital		Remark		
		Shares	Amount	Shares	Amount	Source of capital	Capital increased by assets other than cash	Others
1995.03	10	30,000	300,000	8,400	84,000	Establishment of a capital of 300,000 thousand dollars.	—	Note 1
1995.09	10	30,000	300,000	12,000	120,000	Cash capital increase of 36,000 thousand dollars.	—	Note 2
1996.09	10	30,000	300,000	18,000	180,000	Cash capital increase of 60,000 thousand dollars.	—	Note3
1997.02	14	30,000	300,000	24,000	240,000	Cash capital increase of 60,000 thousand dollars.	—	Note4
1997.12	22	50,000	500,000	35,000	350,000	Cash capital increase of 110,000 thousand dollars.	—	Note5
2000.03	25	50,000	500,000	40,000	400,000	Cash capital increase of 50,000 thousand dollars.	—	Note6
2001.01	25	90,000	900,000	60,000	600,000	Cash capital increase of 200,000 thousand dollars.	—	Note7
2002.06	10	100,000	1,000,000	66,000	660,000	Capital surplus transferred to capital stock for an amount of 60,000 thousand dollars.	—	Note8
2004.08	10	100,000	1,000,000	77,600	776,000	Retained earnings transferred to capital stock for an amount of 83,000 thousand dollars, and capital surplus transferred to capital stock for an amount of 33,000 thousand dollars.	—	Note9
2006.11	10	100,000	1,000,000	68,000	680,000	Reduce capital to offset losses for an amount of 96,000 thousand dollars.	—	Note10
2012.09	10	100,000	1,000,000	69,559	695,590	Exercise of employee stock options for a total of 15,590 thousand dollars.	—	Note11
2012.11	10	100,000	1,000,000	71,100	711,000	Exercise of employee stock	—	Note12

						options for a total of 15,410 thousand dollars.		
2013.07	10	100,000	1,000,000	80,023	800,230	Cash capital increase of 89,130 thousand dollars.	—	Note13
2013.09	10	100,000	1,000,000	79,100	791,000	Cancellation of treasury stock for 9,230 thousand dollars, and exercise of employee stock options for a total of 100 thousand dollars.	—	Note14
2016.09	10	100,000	1,000,000	72,500	725,000	Reduce capital to offset losses for an amount of 66,000 thousand dollars.	—	Note15
2022.01	10	100,000	1,000,000	71,701	717,010	Cancellation of treasury stock for 7,990 thousand dollars.	—	Note16

Note1: Yuanshangzi Letter No. 03446 from Hsinchu Science Park Bureau dated March 10, 1995.

Note2: Yuanshangzi Letter No. 14447 from Hsinchu Science Park Bureau dated September 21, 1995.

Note3: Yuanshangzi Letter No. 14912 from Hsinchu Science Park Bureau dated September 3, 1996.

Note4: Yuanshangzi Letter No. 01187 from Hsinchu Science Park Bureau dated February 4, 1997.

Note5: Yuanshangzi Letter No. 26427 from Hsinchu Science Park Bureau dated December 18, 1997.

Note6: Yuanshangzi Letter No. 4652 from Hsinchu Science Park Bureau dated March 14, 2000.

Note7: Yuanshangzi Letter No. 1164 from Hsinchu Science Park Bureau dated January 30, 2001.

Note8: Yuanshangzi Letter No. 014112 from Hsinchu Science Park Bureau dated June 19, 2002.

Note9: Yuanshangzi Letter No 20277 from Hsinchu Science Park Bureau dated August 6, 2004.

Note10: Yuanshangzi Letter No. 29884 from Hsinchu Science Park Bureau dated November 8, 2006.

Note11: Yuanshangzi Letter No. 28780 from Hsinchu Science Park Bureau dated September 13, 2012.

Note12: Yuanshangzi Letter No. 36227 from Hsinchu Science Park Bureau dated November 26, 2012.

Note13: Yuanshangzi Letter No. 21269 from Hsinchu Science Park Bureau dated July 17, 2013.

Note14: Yuanshangzi Letter No 268987 from Hsinchu Science Park Bureau dated September 4, 2013.

Note15: Zhushangzi Letter No. 1050026663 from Hsinchu Science Park Bureau dated September 23, 2016.

Note16: Zhushangzi Letter No. 1110001651 from Hsinchu Science Park Bureau dated January 17, 2022.

Unit: share; thousand shares

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Order common stock	71,701	28,299	100,000	OTC

The relevant information that should be disclosed for the issuance and offering of securities under the summary declaration system: not applicable.

B. Shareholder structure:

March 26, 2023

QTY \ Shareholder structure	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	1	233	31,910	24	32,168
Shareholding (shares)	0	396	14,577,813	56,716,430	406,361	71,701,000
Percentage	0%	0%	20.33%	79.1%	0.57%	100%

C. Status of Ownership Dispersion:

1. Common Shares

March 26, 2023

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	%
1~ 999	26,293	1,422,075	1.98
1,000~ 5,000	4,430	9,180,939	12.8
5,001~ 10,000	747	5,877,951	8.2
10,001~ 15,000	196	2,478,943	3.46
15,001~ 20,000	135	2,520,153	3.51
20,001~ 30,000	133	3,443,144	4.8
30,001~ 40,000	63	2,243,650	3.13
40,001~ 50,000	35	1,630,835	2.27
50,001~ 100,000	52	3,757,702	5.24
100,001~ 200,000	40	5,985,034	8.35
200,001~ 400,000	24	6,863,599	9.57
400,001~ 600,000	6	2,929,700	4.09
600,001~ 800,000	3	2,045,031	2.85
800,001~ 1,000,000	4	3,558,819	4.96
1,000,001 or Over	7	17,763,425	24.77
Total	32,168	71,701,000	100.00%

2. Preferred Shares: The company does not have preferred stock shares issued.

D. List of major shareholders:

March 26, 2023

Major Shareholder's Name	Shares	shareholding	percentage
XIN HUI ZHI Investment Co., Ltd		5,298,714	7.39%
Fan En Technology. Co., Ltd.		3,618,909	5.05%
John S. Shieh		3,173,933	4.43%
LITE-ON CAPITAL CORPORATION		2,411,587	3.36%
Chen, Yu Bang		1,100,890	1.54%
CHANG,YU-CHUN		1,099,000	1.53%
SAN YANG METAL INDUSTRIAL CO., LTD.		1,060,392	1.48%
TU,MENG-HSIA		908,667	1.27%
WU CHIA-FANG		907,027	1.27%
CHEN, YU AN		894,935	1.25%

E. Market price, net worth, earnings, and dividends of per share within 2 years:

Unit : thousand shares; NT\$

items		year	2021	2022	01/01/2023-03/31/ (Note 8)
Market Price per Share(Note 1)	Highest Market Price		10.65	13.2	14.45
	Lowest Market Price		7.50	8.23	9.21
	Average Market Price		8.91	10.53	12.41
Net Worth per Share(Note2)	Before Distribution		7.66	7	-
	After Distribution		7.66	(Note 9)	-
Earnings per Share	Weighted Average Shares		69,093	69,108	-
	Earnings Per Share (Note 3)		(0.88)	(0.94)	-
Dividends per Share	Cash Dividends		-	(Note 9)	-
	Stock Dividends		-		-
			-		-
	Accumulated Undistributed Dividends (Note 4)		-	-	-

Return on Investment	Price / Earnings Ratio (Note 5)	Not applicable	Not applicable	Not applicable
	Price / Dividend Ratio (Note 6)	Not applicable	Not applicable	Not applicable
	Cash Dividend Yield Rate (Note 7)	Not applicable	Not applicable	Not applicable

Note 1: The highest and lowest market prices of common stocks in each year are listed, and the average market price of each year is calculated based on the transaction value and volume of each year.

Note 2: Please use the number of shares issued at the end of the year as the basis and fill in according to the distribution resolution of the next year's shareholders' meeting.

Note 3: If retroactive adjustment is required due to gratis allotment, etc., the earnings per share before adjustment and after adjustment shall be listed.

Note 4: If the conditions of equity securities issuance stipulate that undistributed dividends for the current year should be accumulated and distributed in a profitable year, the accumulated unpaid dividends up to the current year should be disclosed separately.

Note 5: $\text{Price / Earnings Ratio} = \text{Average Market Price} / \text{Earnings per Share}$

Note 6: $\text{Price / Dividend Ratio} = \text{Average Market Price} / \text{Cash Dividends per Share}$.

Note 7: $\text{Cash Dividend Yield Rate} = \text{Cash Dividends per Share} / \text{Average Market Price}$.

Note 8: The net value per share and earnings per share shall be filled in with the information audited (reviewed) by the CPA for the most recent quarter up to the date of publication of the annual report; the remaining columns shall be filled with the data of the current year up to the date of publication of the annual report.

Note 9: Proposal for offsetting loss in 2022 will be determined after being approved at the shareholders' meeting in 2023.

F. Dividend Policy and Implementation Status:

1. According to the company's article of association, if earnings are available for distribution at the end of a fiscal year, 10% of net earnings – that is, after offsetting any loss from prior year(s) and paying all taxes and dues – shall be set aside as legal reserve and appropriated in accordance with the Securities Exchange Law. The remaining net earnings can be distributed along with prior accumulated unappropriated retained earnings. The Board of Directors will consider the above-mentioned factors when making the dividend distribution proposal. Dividends will be distributed in accordance with the resolution approved by the Board of Directors and at the annual shareholders' meeting.

Our company's dividend distribution policy takes into account factors such as the current and future investment environment, capital needs, domestic and international competition, and capital budget, while considering the interests of shareholders and the company's long-term financial planning. The dividend distribution shall be made from the accumulated distributable profits, which should not be less than 50% of the distributable profits for the current year, and the proportion of cash dividends shall not be less than 10% of the total dividends.

The Board of Directors of our company is authorized to distribute dividends or allocate legal surplus reserves and capital reserves, either in full or in part, in the form of cash, with the attendance of at least two-thirds of the directors and the adoption of resolutions by a majority of the attending directors. The Board shall report to the shareholders' meeting and is not subject to the provisions of this Articles of Association relating to resolutions of the shareholders' meeting.

2. Proposed Distribution of Dividend is to be resolved in this shareholder's meeting:

Proposal for offsetting loss in 2022 was approved by the board of directors on March 6, 2023, as follows:

- (1) In accordance with Article 27 of the company's articles of incorporation, the company shall allocate 10% to 15% of its profits for employee compensation and no more than 3% for director compensation. However, when there is an accumulated deficit, it shall be compensated first. As there was no profit in 2022, no employee or director compensation will be allocated.
- (2) The company's net loss after tax in 2022 was NT\$64,853,849, plus the beginning of the period accumulated deficit of NT\$136,324,019, resulting in an accumulated deficit of NT\$201,177,868 at the end of the period. If there is income in coming years, the accumulated deficit shall be compensated first in accordance with Article 28 of the company's articles of incorporation.
- (3) The board of directors resolved not to distribute dividends.

3. Any expected major changes in the dividend policy: None.

G. The impact of the distribution of stock dividend as proposed in this shareholders meeting on the company's operation performance and earnings per share: The distribution of stock dividend was not proposed in the 2023 shareholders' meeting; therefore, it is not applicable.

H. Compensation of Employees, Directors and Supervisors:

1. Article 27 of the Articles of Incorporation stipulates that: "From the profit earned by the Company as shown through the annual account closing, 10%~15% shall be taken for employee compensation, and less than 3% taken for directors' and supervisors' compensation, provided that the amount of accumulated loss, if any, be first withheld. Employee remuneration may be paid in stock or cash, and the recipients of the stock or cash may include employees of controlled or subordinate companies who meet certain conditions.

The profit status of the current year referred to in the first item refers to the current year's pre-tax profit before deducting the distribution of employee remuneration and director's remuneration.

The distribution of employee remuneration and director's remuneration shall be made by the board of directors with the resolution of more than two-thirds of the directors present and the approval of more than half of the directors present, and report to the shareholders' meeting.

2. The estimation base for the distribution of employee Compensation and remuneration to directors and supervisor, the calculation base of the outstanding shares for the distribution of stock dividend, and the accounting process for the differences between the actual amount distributed

and the estimated amount: None .

3. Information about the proposed distribution of employee bonus as approved by the Board of Director:

The Board of Directors of our company has decided not to distribute employee compensation and director remuneration for 2022. The aforementioned decision of the Board of Directors is consistent with the estimated amount of expenses recognized for 2022.

4. The actual distribution of employee and director remuneration in the previous fiscal year (including the number of shares, amounts, and stock prices) and any differences between the recognized expenses should be explained, including the amount of the difference, reasons, and how it was handled:

No employee compensation or director remuneration was accrued for 2021 due to the absence of profits, as required by regulations.

I. Situations of the Company's buy back stocks: None.

(II) Corporate Bonds: NA

(III) Preferred stock issued: NA

(IV) Global Depository Receipts: NA

(V) Employee Stock Options: None

(VI) Issuance of New Restricted Employee Shares: None

**(VII) Status of New Shares Issuance in Connection with Mergers and Acquisitions:
NA**

(VIII) Financing Plans and Implementation: NA

V. Business Overview

(I) Business content

A. Business Scope

1. The main content of business:

F401021 Restrained Telecom Radio Frequency Equipment's and Materials Import

CC01101 Restrained Telecom Radio Frequency Equipment's and Materials Manufacturing

(1) Research, development, production, manufacturing, and sales of the following products:

A. Fixed wireless data network systems, including fixed data communication machines, network communication software, and network management software.

B. Mobile data communication machines.

C. Digital cellular mobile communication systems.

D. Spread spectrum wireless data communication systems.

E. Digital subscriber loop systems.

(2) System integration and consulting services of the above products.

(3) Engage in import and export trade business related to ZCOM INC's business.

2. Revenue Share:

Unit: NTD 1,000; %

The main products	Fiscal Year 2021		Fiscal Year 2022	
	Amount of Revenue	Proportion of Revenue	Amount of Revenue	Proportion of Revenue
Commodity	129,643	49.91	156,500	48.00
Industrial	42,156	16.23	103,451	31.73
5G & IoT	87,976	33.86	66,079	20.27
Total	259,775	100.00	326,030	100.00

3. The current main product (service) of the company:

(1) Commodity: The wireless audiovisual transmission equipment, European standard wireless phones, wireless data modems, and wireless signal extenders are used for wireless equipment transmission for home use.

(2) Industrial: Industrial gateways and embedded modules (such as wireless industrial-grade modules, power boards, digital boards, etc.) used for communication modules in industrial IoT."

(3) 5G & IoT:

A. Telecom/ Enterprise grade wireless LAN controller

B. Indoor/outdoor wireless access points with high bandwidth and long distance,

suitable for large-scale and wide-range data and image transmission and signal coverage, as well as short, medium, and long-range wireless bridge devices.

C. Gateway: 5G NR Wireless Industrial-grade mobile communication gateway and Wi-Fi serial device server

D. System application solutions: Wi-Fi private network is applied in rail transportation, smart communities, smart energy, and corporate institutions, etc.

4. The development plans that the company plans to undertake:

- (1) Upgrading zMEC platform: Building on the results of the Ministry of Economic Affairs' high-value industry support program, the company plans to further develop 5G IoT Wi-Fi network applications and strengthen information security and protection functions.
- (2) Establishing the series of outdoor and industrial-grade, rail-specific Access Points and 5G IoT gateways, as well as adding application software to optimize network management mechanisms.
- (3) Wi-Fi 6E wireless products.

B. Industry Overview

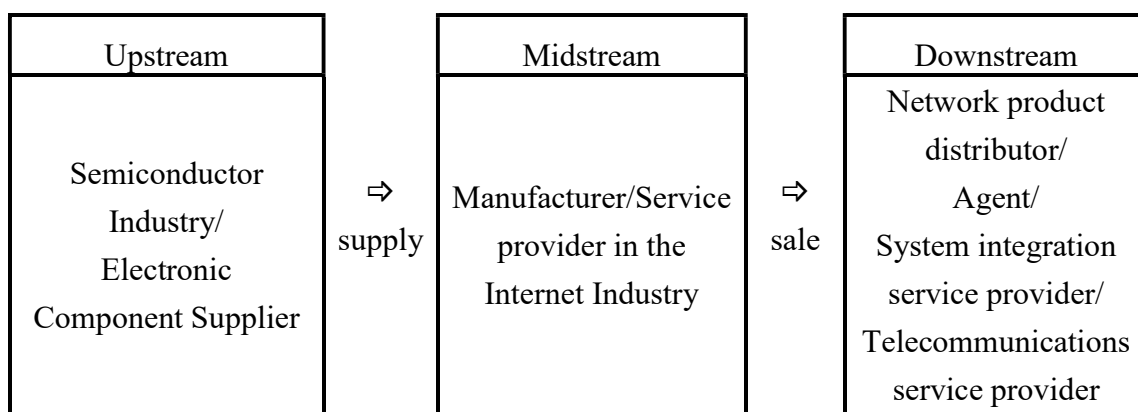
1. The Current Situation and Development of the Industry:

The Wi-Fi wireless network communication industry is one of the fastest-growing and most widely adopted communication industries globally today. The current state of the Wi-Fi wireless network communication industry is as follows:

- (1) The scope of the industry expands: an increasing number of people use smartphones, tablets, laptops, and even IoT devices, all of which require Wi-Fi connectivity.
- (2) Technological advancement: The Wi-Fi wireless network communication technology is constantly advancing, from the initial 802.11b, 802.11g to the current 802.11ax and even 802.11be, with the transmission speed and bandwidth increasing exponentially.
- (3) Intense industry competition: The wireless Wi-Fi communication industry is highly competitive, with intense brand market competition. To increase market share, companies need to continuously improve their market strategies and technology innovation.

2. Interrelation between Upstream, Midstream, and Downstream in the Industry:

The upstream, midstream, and downstream structure of this industry includes product research (chips/components), hardware and software design, manufacturing, assembly (finished products), testing, and sales (agents, distributors, network system integration industry, telecommunications industry), etc.



The manufacturing process of our company's products involves purchasing electronic components such as SoC/IC and circuit boards, followed by SMT processing/DIP, assembly testing, and packaging for shipment. Our completed system products are in the form of solutions, which are leased, sold, and distributed through dealers and agents to system integration service providers, telecom operators, and end customers.

3. The various trends in product development:

(1) Wi-Fi 6→Wi-Fi 6E/Wi-Fi 7:

The development of wireless communication technology is getting faster and faster, and the speed of product development is also accelerating accordingly. The iterative replacement cycle of Wi-Fi 6E/Wi-F is shorter than before. However, the technical differences between Wi-Fi 6E and Wi-Fi 7 are mainly in the frequency bands and speeds. Wi-Fi 6E uses the 6GHz frequency band, providing higher bandwidth and less interference, while Wi-Fi 7 will use even higher frequency bands to provide faster speed and lower latency. Although Wi-Fi 6E is not yet widely used and specific Wi-Fi 7 products have not yet been launched, the opening of 6GHz is a trend, and it can be used by both Wi-Fi 6E and Wi-Fi 7. It is undoubtedly to be a future trend, developing towards higher speed, security, and stability.

(2) MEC (Multi-access Edge Computing):

The main purpose of Multi-access Edge Computing (MEC) technology is to move computing resources to the network edge, enabling applications to perform calculations closer to the user/application terminal, thereby reducing network latency and improving application response times. Additionally, MEC can improve security, as processing data at the network edge can significantly reduce the risk of data transmission over cloud networks. However, with the emergence of new technologies such as IoT and 5G, specialized MEC platforms and products have been developed to meet the needs of various vertical application service industries, coupled with network convergence, which is an important direction for the future development of MEC. For example, the industrial sector can use MEC technology to realize intelligent manufacturing and even 5G+Wi-Fi enterprise private

networks, bringing more efficient, secure, and intelligent application experiences to various industries.

4. The status of competition:

The Wi-Fi industry faces fierce market competition, with renowned international companies such as Cisco, Aruba, and Ruckus being major competitors. To stay ahead, companies need to continuously develop new products to meet the market's demand for high-speed, stable, and reliable wireless network connections. To increase market share, companies must improve their product performance, features, pricing, brand influence, and provide high-quality customer service and support. These factors are crucial to improving market position and competitiveness.

C. Overview of technology and research and development

1. Research and development expenses in 2021 & 2022:

Unit: NT\$ Thousands

Year	2021	2022
Research and development expenses	75,745	68,015

2. Technologies or products that have been successfully developed:

104	<p>1. The full range of on-board transmission equipment, which combines 4G and Wi-Fi, meets the certification requirements for communication equipment in vehicles. It is combined with a wireless controller (AC) and a proprietary cloud management system, and can produce daily equipment management reports.</p> <p>2. Small cells for 4G LTE TDD/FDD public network and private network enterprise and was developed from operator public network TDD and FDD small cells; launched a 4G network solution for private networks.</p> <p>3. Widen product lines for enterprise market, develop IoT industrial control equipment and differentiate intelligent application products such as intelligent APs, intelligent sockets and switches and integrate cloud-based control and smartphone management mechanisms through an APP.</p>
105~111	<p>The main direction of Z-COM product development is communication products including wireless products. We strive to develop products with high quality, high reliability and reasonable costs.</p> <p>Throughout the technological accumulation and partnership with major chipset vendors, Z-COM has successfully established cooperative relationships with famous Telecom carriers in Taiwan, China, Southeast Asia and other regions. Z-COM had been a qualified equipment provider</p>

	<p>for major events such as the Beijing Olympics, Shanghai World Expo, and Nanjing Youth Olympic Games. Additionally, Z-COM also enhances the cooperation with India and implements local production and sales.</p> <p>We will continue to develop various technologically advanced products. The new products developed this year are as follows:</p> <ol style="list-style-type: none"> 1. Research and development of LTE-Fi wireless modules and system application products for vehicles. 2. Research and development of WiFi6 products. 3. Research and development of Wi-Fi 6E and 4.9GHz products. 4. New generation Multi-access Edge Computing (MEC) software system. 5. Development of industrial-grade products for applications in smart factories, smart cities, and smart transportation. 6. Research and development of cloud management system for managing and value-added functionalities.
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D. Business Developing Plan

Long term:

Marketing strategy: Establishing a Taiwan boutique brand image, expanding distribution channels for domestic and international agents and dealers, expanding business scale, conducting various marketing activities and exhibitions, and continuously seeking local partners for cooperation.

Short term:

Providing high-performance, high-quality products and services, maintaining a leading position in software technology that surpasses Taiwan's network communication industry and keeping up with the trends and technological developments of the times to provide customers with the latest technological innovations and functions, and offering differentiated products and services.

(II) Marketing and Business Overview

A. Marketing Analyzing

1. Sales (provision) regions for the company's main products (services):

unit : NTD 1,000 ; %

Area/ Year		Fiscal Year of 2021		Fiscal Year of 2022	
		Amount	%	Amount	%
Export sales	Asia	92,209	35.50	56,248	17.25
	Europe	127,317	49.11	153,845	47.19
	other	722	0.17	1,946	0.60
	subtotal	220,248	84.78	212,039	65.04
Domestic sales		39,527	15.22	113,991	34.96
total		259,775	100.00	326,030	100.00

2. The future supply-demand status and growth prospects: The Wi-Fi wireless network communication product market is expected to maintain a strong growth trend in the coming years. In addition to the continued demand from end markets such as smartphones, tablets, laptops, and other smart devices, as well as the growing popularity of IoT. Additionally, the increasing use of video streaming, AI applications and network security concerns are driving demand. In response, enterprise organizations and government agencies are seeking new Wi-Fi wireless network solutions to improve efficiency and productivity.
As technology continues to advance and the market becomes more competitive, enterprises need to closely monitor market dynamics and technological developments to maintain their competitiveness.
3. Competitive advantages:
 - (1) Experienced management team:
Our management team has accumulated years of experience and expertise in core technologies. In response to the rapidly changing market demands, we can also collaborate with industry leaders in academia, government, and research to launch the latest products and fully grasp the changes in the overall market.
 - (2) Strong R&D team:
Our R&D team has excellent strength in both software and hardware development, and has rich experience in research and development in the field of network communication, such as protocol support, data transmission speed, reliability, and security. By reducing the failure rate and the risk of network interruption, we provide high-quality and cost-effective products and services, which helps to reduce customers' costs and risks.
 - (3) High cost-effectiveness: ZCOM Wi-Fi products and systems offer high cost-effectiveness, providing high-quality and performance products and services, while also reducing customers' costs and risks.

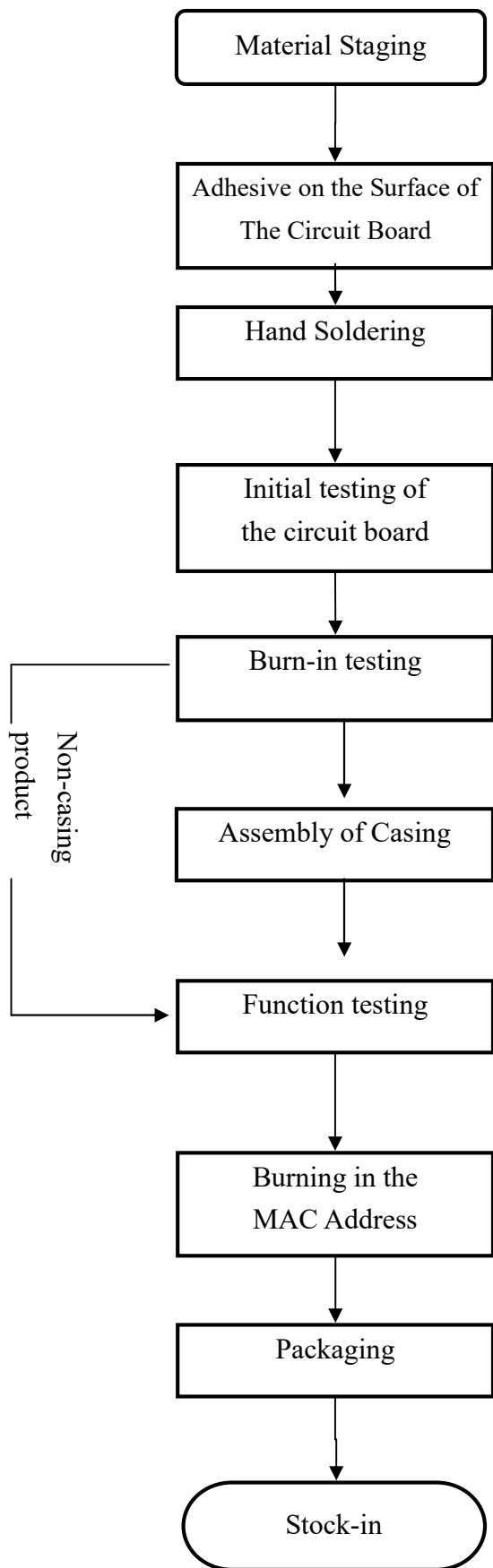
- (4) Customer support and after-sales service: ZCOM attaches great importance to customer support and after-sales service, providing quick and effective technical support and solutions.
- (5) Strategic alliances with international large-scale manufacturers:
We have formed strategic partnerships with leading suppliers of chips, power amplifiers, and critical components in the industry to obtain the most advanced product direction and create a win-win situation.
- (6) Agency distribution partners and system and application integration: In addition to operating local channels through agency distribution, ZCOM responds to industry demands by integrating with partner products, moving towards system integration and application development. We provide customers with more comprehensive and flexible solution.

B. Main applications of major products and their manufacturing processes

【main applications】

major products	main applications
Commodity	<p>1. Home internet : Provides wireless internet service for home users.</p> <p>2. Home audio and video transmission: provide wireless audio and video transmission for home users.</p> <p>3. VOIP (Voice Over Internet Protocol; Internet Telephony) network voice transmission: Provides internet telephony service for home users.</p>
Industrial	<p>Embedded wireless industrial modules, embedded digital boards, etc., are used in communication modules of the Internet of Things and integrated in industrial drone wireless system solutions, creating wireless solutions for Industry 4.0 and AIoT applications.</p>
5G & IoT	<p>Carrier Grade Wireless LAN Controllers</p> <p>Indoor and outdoor wireless base stations, intelligent base stations, etc.</p> <p>Carrier-grade wireless off-load solution</p> <p>Manageable Gateways</p> <p>Wireless Bridges for short/medium/long distance transmission</p> <p>Applications: rail transportation, remote and rural</p> <p>Connectivity, security monitoring, smart energy, etc. as well as smart cities mission.</p>

【Process of producing】



C. The supply situation of the main materials

1. The main raw materials required for our company's production are commonly used in the industry, including integrated circuits, substrates, quartz crystal oscillators, passive components, plastic casings, and packaging materials, which are easily accessible in the industry.
2. The chips produced by our company are mainly purchased from domestic and foreign agents or provided by customers.
3. Other materials used in production can be supplied by domestic and foreign manufacturers.
4. Our company maintains a good grasp of the status and prices of our suppliers, regularly reviews their competitiveness and suitability, conducts visits or audits of suppliers, and can make appropriate adjustments at any time based on market conditions.

D. The name, purchase (sale) amount, and ratio of the suppliers (customers) accounted for over 10% of the total purchase (sale) in one of the last two year, and the reason for the changes in purchase (sales).

1. List of major customers with over 10% of the total sales in one of the last two years:

Unit: NT\$ Thousand

Item	2021				2022			
	Company Name	Amount	Percentage[%]	Relation with Issuer	Company Name	Amount	Percentage[%]	Relation with Issuer
1	Customer A	127,317	49	None	Customer A	153,233	47	None
2	Customer B	46,348	18	None	Customer B	-	-	None
3	Customer C	35,826	14	None	Customer C	98,184	30	None
4	Customer D	10,021	4	None	Customer D	42,806	13	None
	Others	40,263	15		Others	31,807	10	
	net sales	259,775	100		net sales	326,030	100	

Note: Disclose the names and sales amount, as well as the proportion, of customers whose total sales amount accounted for 10% or more of the total sales in the past two years. However, if the contract stipulates that customer names or transaction parties cannot be disclosed, or if the transaction parties are individuals who are not related parties, they may be represented by code.

Reasons for increase or decrease:

- (1) The customer B had no sales in the year 2022, mainly because the project was completed in the year 2021, and the customer currently has no further demand.
- (2) Customer C & Customer D's revenue increased in 2022 because the shortage of materials was alleviated during that year, and shipments were back to normal gradually.

2. The names of suppliers, the amount of each purchase, and the proportion of purchases made from suppliers who accounted for more than 10% of the total purchases in either of the past two fiscal years:

Unit : 1,000 NTD

item	2021 Fiscal Year				2022 Fiscal Year			
	Account	Amount	Percentage of net purchases for the entire year (%)	Relationship with the issuer	Account	Amount	Percentage of net purchases for the entire year (%)	Relationship with the issuer
1	Other	256,439	100	None	Other	227,039	100	None
	Net Purchases	256,439	100		Net Purchases	227,039	100	

Note: The names of suppliers, the amount of each purchase, and the proportion of purchases made from suppliers who accounted for more than 10% of the total purchases in either of the past two fiscal years should be listed. However, if the contract stipulates that the names of suppliers cannot be disclosed or if the counterparty is an individual who is not a related party, a code may be used instead.

Reasons for increase or decrease:

In the second half of 2021, due to the relief of chip shortages, a large amount of production materials were purchased for preparation during production. Therefore, the purchase volume for this year decreased compared to the second half of 2021.

E. Production value in the past two years

Unit : pcs / thousand dollars (NTD)

Production Value Main Products (or Departmental Divisions)	Fiscal Year	2021 Fiscal Year			2022 Fiscal Year		
		Production Capability	Output	Production Capability	Output	Production Capability	Output
Commodity		686,400	156,263	154,160	792,000	227,778	138,484
Industrial		211,200	27,605	35,423	171,600	69,201	59,946
5G & IoT		110,880	27,107	29,504	113,520	25,045	52,759
Total		1,008,480	210,975	219,087	1,077,120	322,024	251,189

F. Shipments and Sales in the Last Two Years

Unit: NT\$ thousands

Shipments & Sales Major Products	year		2021				2022			
			Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Commodity	0	0	234,753	129,642	155,300	2,361	125,246	154,139		
Industrial	26,660	37,280	20,453	4,877	45,186	88,468	21,675	14,983		
5G & IoT	82,112	2,247	777,382	85,729	160,340	23,162	267,358	42,917		
Total	108,772	39,527	1,032,588	220,248	360,826	113,991	414,279	212,039		

(III) The number of employees, average years of service, average age, and educational distribution ratio of employees for the past two fiscal years and up to the date of the annual report printing are as follows

Unit: person; %

Year		Dec 31 st , 2021	Dec 31 st , 2022	As of March 31, 2022 in the current year
Number of employees	Management	31	28	27
	R&D	65	54	57
	Technician	35	9	9
	Others	49	78	77
	total	180	169	170
Average age		36	38.2	37.9
Average length of service		5	5.3	5
Educational distribution ratio of Employees	Doctorate	1%	1%	2%
	Master's Degree	12%	11%	10%
	Bachelor's Degree	53%	64%	65%
	Doctorate	21%	5%	5%
	Master's Degree	13%	17%	18%

(IV) Environmental Protection Expenditures

In the most recent fiscal year and up to the date of the annual report printing, there were no losses incurred due to environmental pollution, including compensation and penalties for violating environmental protection regulations. If there were any violations, the date of the penalty, penalty number, violated regulations, and the content of the violation and penalty should be disclosed. The estimated amount and corresponding measures for current and future potential violations should also be disclosed. If it is impossible to estimate reasonably, the reasons should be explained. In this fiscal year, there were no incidents of environmental pollution and therefore no compensation amounts were incurred.

(V) Labor-Management Relations

1. The company's various employee welfare measures, training and development, retirement system, their implementation status, as well as agreements between labor and management and

measures to protect various employee rights are as follows:

(1) Welfare measures and their implementation:

Employee welfare measures include labor insurance, health insurance, group insurance, annual employee health check-ups, retirement fund allocation system, employee stock bonus, etc. In addition, a "Employee Welfare Committee" has been established in accordance with the law, and employee welfare funds are allocated monthly from the total operating income and each employee's salary, in accordance with the regulations, to coordinate various employee welfare measures, including wedding, funeral, celebration, childbirth, cultural and sports activities, festival gifts, children's education scholarships, annual travel, and other welfare and subsidies.

※The information from 2015 to 2022:

<u>Unpaid leave of absence</u>			<u>Unpaid Parental leave</u>			<u>Paternity Leave</u>	<u>Maternity Leave</u>
Number of people	Number of employees returning from leave	Percentage of employees returning from leave	Number of people	Number of employees returning from leave	Percentage of employees returning from leave	Number of people	Number of people
3	3	100%	7	6	85%	8	11

※Travel grant (Maximum NTD 13,000 per person):

Year	2021	2022
Subsidy from the Company	The annual subsidy has been temporarily suspended due to the COVID-19 pandemic.	The annual subsidy has been temporarily suspended due to the COVID-19 pandemic.
Subsidies from Welfare Committee	63,000	57,000
Total	\$63,000	\$57,000

※Scholarship for employees' education:

Year	2021	2022
Employee Training and Development	49,000	28,600
Scholarship (1 st / 2 nd semester)	62,400	50,800
Total	\$111,400	\$79,400

(2) Training and Implementation Status:

To enhance the quality of our employees and improve their work efficiency and quality, this Corporation provides guidance and training on job content for new

employees upon their arrival. In addition, in accordance with the "Education and Training Management Measures," we plan an annual education and training program and regularly organize related training courses and activities to support this corporation's development strategy and enhance employee capabilities. Furthermore, employees can participate in external organization training programs to strengthen their professional skills according to their professional needs.

※Annual Training and Implementation:

Year	2021		2022	
Item	Total Number of Personnel	Total Number of Time	Total Number of Personnel	Total Number of Time
Total number of new hires and professional training sessions	60	166.5	56	102

(3) Retirement System and Implementation Status:

This corporation has legally established a "Labor Pension Reserve Supervisory Committee" and follows the provisions of Article 2 of the Labor Pension Reserve Fund Contribution and Management Measures set by the Ministry of the Interior for employees who were hired before July 1, 2005. For these employees, the company contributes 2% of the total monthly salary as retirement funds to the Labor Pension Reserve Supervisory Committee, which deposits the funds into a special account at the Central Trust of China. The company also hires qualified actuaries to conduct retirement fund calculation and assessment in accordance with the accounting principles of retirement funds.

The company has a retirement plan for its employees, which provides for two times the basic salary for each year of service in the first 15 years and one times the basic salary for each year of service thereafter, up to a maximum of 45 times the basic salary. The payment of retirement benefits to employees is calculated based on their years of service and the salary they received in the six months prior to retirement. The company has settled the old retirement system with employees who were hired before July 1, 2005, according to the agreed-upon payment conditions and legal procedures, and processed their applications for payment and withdrawal of balances. This was completed in December of 2015.

Since July 1, 2005, this Corporation has established a retirement plan with defined contributions in accordance with the Labor Pension Act for employees who are nationals of the Republic of China (ROC). With regard to the portion of the plan applicable to employees who choose to adopt the labor pension system as defined in the Labor Pension Act, the company deducts 6% of the employee's monthly salary and deposits it into the employee's individual account at the

Bureau of Labor Insurance. The payment of retirement benefits to employees is based on the amount accumulated in their individual retirement accounts and the accrued interest, and may be received in the form of monthly payments or a lump sum.

Our subsidiary in Mainland China complies with the pension insurance system established by the government of the People's Republic of China, as required by law. Pursuant to this system, our subsidiary sets aside a certain percentage of the total monthly salaries of its local employees as pension insurance. The retirement benefits of each employee are managed and coordinated by the local government in accordance with the relevant laws and regulations. The Corporation ensures that it handles these retirement benefits in compliance with all applicable laws and regulations without any issues or violations.

(4) Agreement between labor and management and the situation regarding various employee rights protection measures:

This corporation has an internal control system - the salary cycle, which includes comprehensive planning for employee recruitment, employment, training, promotion, transfer, training, and retirement. This is a shared norm that the company and employees follow. In addition, for labor-management communication, we adopt a two-way communication approach and regularly (quarterly) hold labor-management meetings, quarterly meetings, and seminars to exchange and interact, resulting in a harmonious labor-management relationship.

2. For the current fiscal year and up until the date of publication of this annual report, the losses suffered by the company due to labor-management disputes (including violations of labor standards identified in labor inspections, specifying the date and number of the sanction, the relevant legal provisions violated, the content of the violations, and the content of the sanction) have been disclosed, as well as estimated amounts and corresponding measures for current and potential future incidents. If a reasonable estimate cannot be made, the fact that a reasonable estimate cannot be made shall be explained:

A harmonious labor-management relationship is the cornerstone of this Corporation's development. Both labor and management follow the Labor Standards Act as the standard and adhere to legal administration. We adopt a humane management approach in our operations and management, resulting in a positive and harmonious labor-management relationship.

There have been no losses caused by labor-management disputes. In the future, we will continue to uphold the principles of full communication, mutual benefit, and so on. Therefore, we expect that there will be no losses caused by labor-management disputes in the future.

(VI) Cybersecurity Management

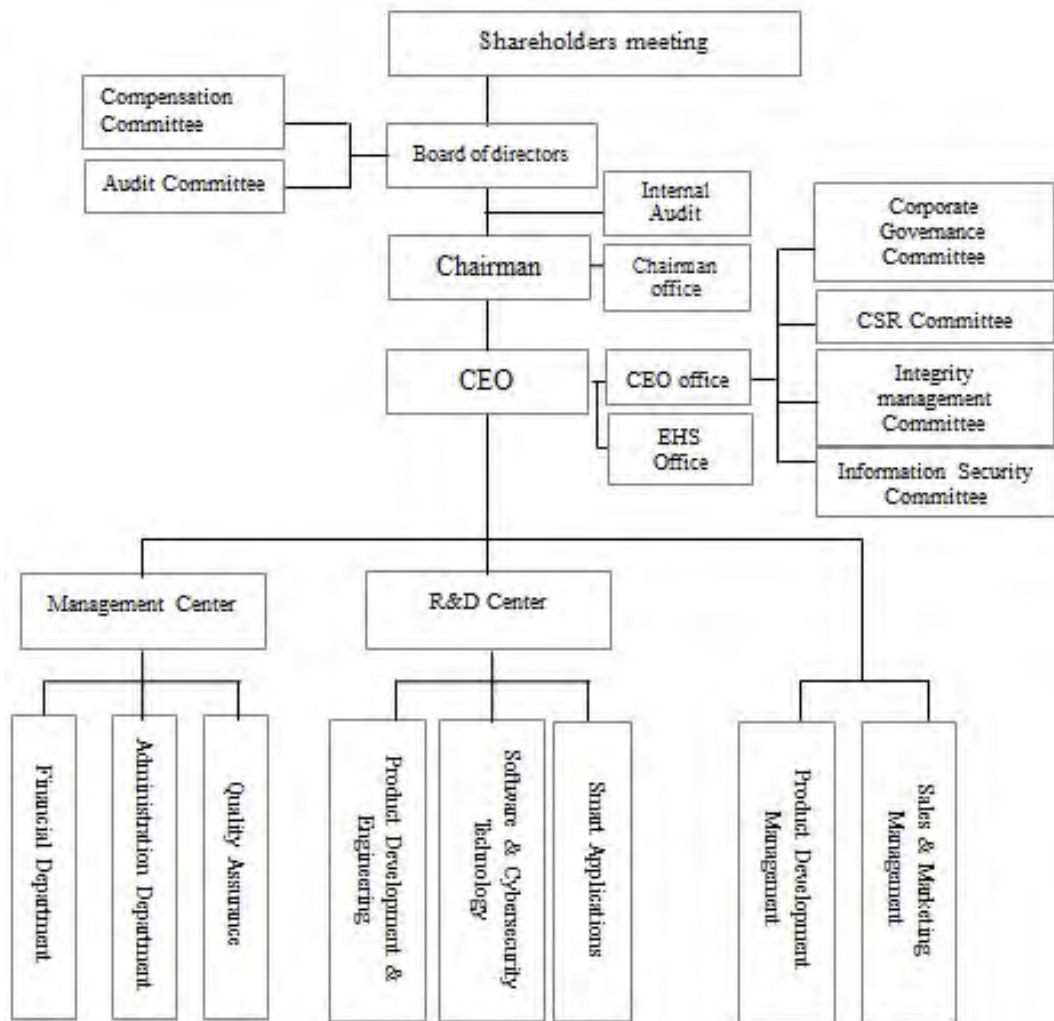
1. Cybersecurity Risk Management Framework, Cybersecurity Policies, Specific Management Plans, and Resources Invested in Cybersecurity Management:

Since the company currently does not meet the conditions stipulated in Article 9-1 of the Processing Standards, a dedicated information security unit and designated personnel have not been officially established. The relevant control operations are still being planned gradually.

- (1) The goal of cybersecurity:

Ensuring the protection of the company's trade secrets and compliance with the Personal Information Protection Act of the government, the company continuously improves its cybersecurity governance and strengthens its protective capabilities. All information operations comply with international cybersecurity standards and meet the requirements of domestic and foreign cybersecurity laws and regulations.

- (2) Current plan of the organizational structure of the future Cybersecurity Team:



2. For the current and previous fiscal years up to the date of printing of this report, there have been no losses or potential impacts due to significant cybersecurity incidents that cannot be reasonably estimated, and no explanations are required for such inability to provide reasonable estimates.

(VII) Important Contract

Contractual Nature	Party/ Parties	Contract Start and End Date	Main Content	Restrictive Clause
Lease Agreement	Hsinchu Science Park Bureau, NSTC	01/01/2023~ 12/31/2042	Hsinchu Science Park Land Lease	None
Product Sales Contract	WAVE SINE TECHNOLOGY LTD	10/07/2022~ 10/07/2023	Being the representative of ZCOM in Bangladesh	None
Memorandum of Understanding	Loop Telecommunication International, Inc.	10/24/2022~ 10/25/2027	Amendment to Memorandum of Understanding	Within five years after the acceptance of the termination of the trading relationship, ZCOM shall not directly or indirectly contact, quote, or engage in transactions with any third party regarding the sale of products under the sales plan.

VI. Financial Information

(I) Condensed Balance Sheet, Comprehensive Income Statement from 2018 to 2022

A. Condensed Balance Sheet, Comprehensive Income Statement—with IFRS adopted

Consolidated Condensed Balance Sheet—with IFRS adopted

Unit: NT\$ thousands

item \ Year		Financial data within 5 years (Note 1)				
		2018	2019	2020	2021	2022
Current Assets		672,453	647,199	397,234	478,384	514,294
Property, Plant and Equipment		253,019	220,305	195,726	150,375	135,208
Intangible Assets		1,707	4,192	3,318	1,081	785
Other Assets		282,002	250,040	226,340	113,433	124,160
Total Assets		1,209,181	1,121,736	822,618	743,273	774,447
Current Liabilities	Before Distribution	405,678	354,303	176,001	113,453	231,381
	After Distribution	448,699	365,058	176,001	113,453	(Note 2)
Noncurrent Liabilities		11,267	30,021	24,918	23,692	26,306
Total Liabilities	Before Distribution	416,945	384,324	200,919	137,145	257,687
	After Distribution	459,966	395,079	200,919	137,145	(Note 2)
Equity Attributable to Shareholders of the Parent		765,288	722,665	624,997	555,059	501,807
Capital Stock		725,000	725,000	725,000	725,000	717,010
Capital Surplus		1,025	2,221	2,577	2,577	33
Retained Earnings	Before Distribution	93,743	65,181	(33,440)	(100,548)	(163,295)
	After Distribution	50,722	54,426	(33,440)	(100,548)	(Note 2)
Others		(24,936)	(37,884)	(33,239)	(36,069)	(24,731)
Treasury stock		(29,544)	(31,853)	(35,901)	(35,901)	(27,210)
Noncontrolling Interests		26,948	14,747	(3,298)	51,069	14,953
Total Equity	Before Distribution	792,236	737,412	621,699	606,128	516,760
	After Distribution	749,215	726,657	621,699	606,128	(Note 2)

Note1: The financial data above were audited by the CPA

Note2: The loss appropriation for 2022 is awaiting approval and will be confirmed after the shareholders' meeting on May, 24th, 2023.

Consolidated Condensed Comprehensive Income Statement—with IFRS adopted

Unit: NT\$ thousands

<div> <div>year</div> <div>item</div> </div>	Financial data within 5 years (note)				
	2018	2019	2020	2021	2022
Operating Income	1,080,407	1,081,624	411,961	259,775	326,030
Gross Profit	296,448	247,509	99,383	68,372	92,748
Operating profit or loss	(9,653)	(14,139)	(141,591)	(130,563)	(75,210)
Non-operating income and expense	21,248	28,051	21,030	149,386	15,847
Net income (loss) before tax	11,595	13,912	(120,561)	18,823	(59,363)
Net income (loss) of continuing operations	5,462	2,897	(108,891)	(4,115)	(64,670)
Loss from Discontinued Operations	0	0	0	0	0
Net income (loss)	5,462	2,897	(108,891)	(4,115)	(64,670)
Other Comprehensive Income (Loss) for the Year, Net of Income Tax	(8,571)	(14,845)	4,946	(2,716)	6,046
Total Comprehensive Income for the Year	(3,109)	(11,948)	(103,945)	(6,831)	(58,624)
Net Income Attributable to: Shareholders of the Parent	45,737	14,459	(87,866)	(60,952)	(64,854)
Net Income Attributable to Noncontrolling Interests	(40,275)	(11,562)	(21,025)	56,837	184
Total Comprehensive Income Attributable to Shareholders of the Parent	37,977	1,511	(83,221)	(63,782)	(53,516)
Total Comprehensive Income Attributable to Noncontrolling Interests	(41,086)	(13,459)	(20,724)	56,951	(5,108)
Earnings (loss) per share	0.64	0.21	(1.27)	(0.88)	(0.94)

Note: The financial data above were audited by the CPA.

Condensed Balance Sheet (Unconsolidated)-- with IFRS adopted

Unit: NT\$ thousands

<div>year</div> <div>item</div>		Financial data within 5 years (Note1)				
		2018	2019	2020	2021	2022
Current Assets		258,910	258,596	204,562	148,119	205,880
Property, Plant and Equipment		71,788	63,026	52,443	44,984	43,758
Intangible Assets		255	2,088	1,557	0	0
Other Assets		645,944	598,210	524,342	486,505	424,587
Total Assets		976,897	921,920	782,904	679,608	674,225
Current liabilities	Before Distribution	201,811	175,593	134,125	100,857	148,888
	After Distribution	244,832	186,348	134,125	100,857	(Note 2)
Noncurrent Liabilities		9,798	23,662	23,782	23,692	23,530
Total Liabilities	Before Distribution	211,609	199,255	157,907	124,549	172,418
	After Distribution	254,630	210,010	157,907	124,549	(Note 2)
Capital Stock		725,000	725,000	725,000	725,000	717,010
Capital Surplus		1,025	2,221	2,577	2,577	33
Retained Earnings	Before Distribution	93,743	65,181	(33,440)	(100,548)	(163,295)
	After Distribution	50,722	54,426	(33,440)	(100,548)	(Note 2)
Others		(24,936)	(37,884)	(33,239)	(36,069)	(24,731)
Treasury Stock		(29,544)	(31,853)	(35,901)	(35,901)	(27,210)
Total Equity	Before Distribution	765,288	722,665	624,997	555,059	501,807
	After Distribution	722,267	711,910	624,997	555,059	(Note 2)

Note1: The financial data above were audited by the CPA.

Note2: The loss appropriation for 2022 is awaiting approval and will be confirmed after the shareholders' meeting on May, 24th, 2023.

Condensed Comprehensive Income Statement (Unconsolidated)-- with IFRS adopted

Unit: NT\$ thousands

<div> <div>year</div> <div>item</div> </div>	Financial data within 5 years (Note)				
	2018	2019	2020	2021	2022
Operating Income	1,015,591	1,008,605	358,372	214,645	270,871
Gross Profit	204,297	149,806	89,750	62,225	65,429
Operating profit or loss	55,760	7,534	(57,174)	(45,150)	(37,052)
Non-operating income and expense	(10,259)	19,652	(40,260)	7,070	(22,495)
Net income (loss) before tax	45,501	27,186	(97,434)	(38,080)	(59,547)
Net income (loss) of continuing operations	45,737	14,459	(87,866)	(60,952)	(64,854)
Loss from Discontinued Operations	0	0	0	0	0
Net income (loss)	45,737	14,459	(87,866)	(60,952)	(64,854)
Other Comprehensive Income (Loss) for the Year, Net of Income Tax	(7,760)	(12,948)	4,645	(2,830)	11,338
Total current comprehensive profit and loss	37,977	1,511	(83,221)	(63,782)	(53,516)
Earnings per share	0.64	0.21	(1.27)	(0.88)	(0.94)

Note: The 2018-2022 financial data were reviewed by the CPA.

B. The name and opinion of the independent auditor within the last 5 years.

Year	Name of CPAs	Name of CPA Firm	Auditor' s opinions
2018	Cheng, Ya-Huei/ Wen, Fang-Yu	PriceaterhouseCoopers Taiwan	Modified Unqualified opinion
2019	Chiang, Tsai-Yen/ Wen, Fang-Yu	PriceaterhouseCoopers Taiwan	Modified Unqualified opinion
2020	Chiang, Tsai-Yen/ Wen, Fang-Yu	PriceaterhouseCoopers Taiwan	Modified Unqualified opinion
2021	TU, JIA-LING/ LIU,JUNG-CHIN	Ernst & Young Private Limited, Taiwan	Modified Unqualified opinion
2022	LIU,JUNG-CHIN/ CHANG, CHENG-TAO	Ernst & Young Private Limited, Taiwan	Modified Unqualified opinion

Reasons of changing CPAs in the last 5 years are explained below:

- (1) In 2019 and 2022, the CPAs are replaced due to the internal rotation of the CPA firms.
- (2) In 2021, the change was made in consideration of the company's business development and internal management needs.

(II) Financial analysis within the last 5 years

A. Consolidated Financial Analysis—with IFRS adopted

Year (Note1)		2018	2019	2020	2021	2022
Analysis item (Note2)						
Finance structure (%)	Debt to assets ratio	34.48	34.26	24.42	18.45	33.27
	Long term funds to property, plant, and equipment ratio	313.11	334.72	317.64	403.08	382.20
Solvency (%)	Current ratio (%)	165.76	182.67	225.70	421.66	222.27
	Quick ratio (%)	74.91	117.90	136.23	254.05	121.78
	Interest coverage ratio	3.26	3.23	(18.11)	3.70	(31.12)
Operating ability	Receivables turnover (times)	7.45	6.19	2.96	3.37	4.07
	Accounts receivable collecting days	49	58.97	123.31	108.31	89.90
	Inventory turnover (times)	1.77	2.50	1.35	0.87	0.88
	Payables turnover (times)	5.24	6.21	4.21	4.08	4.34
	Average inventory turnover on sales	206	146	270	420	415
	Property, plant, and property turnover (times)	3.45	4.57	1.98	1.50	2.28
	Total asset turnover (times)	0.82	0.93	0.42	0.33	0.43
Profitability	Return on assets (%)	0.73	0.68	(10.68)	0.19	(8.33)
	Return on equity (%)	0.66	0.38	(16.02)	(0.67)	(11.52)
	Ratio of net income before tax to paid-in capital (%)	1.60	1.92	(16.63)	2.60	(8.28)
	Profit margin (%)	0.51	0.27	(26.43)	(1.58)	(19.84)
	Earnings Per Share (NT\$)	0.64	0.21	(1.27)	(0.88)	(0.94)
Cash flow	Cash flow ratio (%)	23.06	14.40	6.11	(Note 4)	(Note 4)
	Cash flow Adequacy Ratio (%)	73.53	119.73	119.17	68.12	(Note 4)
	Cash Flow Re-investment Ratio (%)	5.66	1.14	0.08	(Note 4)	(Note 4)
Leverage	Operating leverage	(Note 5)	(Note 5)	(Note 5)	(Note 5)	(Note 5)
	Financial leverage	(Note 5)	(Note 5)	(Note 5)	(Note 5)	(Note 5)
	Reasons for changes in various financial ratios over the past two years (for changes of 20% or more):					

	<p>(1) Increase in the debt-to-asset ratio: Due to an increase in short-term borrowing and accounts payable in 2022.</p> <p>(2) Decrease in current ratio and quick ratio: Due to an increase in current liabilities in 2022.</p> <p>(3) Decrease in interest coverage ratio: Due to a decrease in pre-tax net loss in 2022.</p> <p>(4) Increase in accounts receivable turnover, fixed assets turnover, and total asset turnover: Due to revenue growth in 2022.</p> <p>(5) Decrease in profitability-related financial ratios: Due to an increase in losses in 2022.</p>
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Note1: The financial data above were audited by the CPAs.

Note2: For companies listed or whose stocks have been traded at securities firms before the printing date of the annual report, if there is any recent audited or reviewed financial information by an accountant, it should be included in the analysis.

Note3: Calculation formulas for financial ratios:

1. Capital Structure Analysis

(1) Debt Ratio = $\text{Total Liabilities} / \text{Total Assets}$

(2) Long-term Fund to Property, Plant and Equipment Ratio = $(\text{Shareholders' Equity} + \text{Noncurrent Liabilities}) / \text{Net Property, Plant and Equipment}$

2. Liquidity Analysis

(1) Current Ratio = $\text{Current Assets} / \text{Current Liabilities}$

(2) Quick Ratio = $(\text{Current Assets} - \text{Inventories} - \text{Prepaid Expenses}) / \text{Current Liabilities}$

(3) Times Interest Earned = $\text{Earnings before Interest and Taxes} / \text{Interest Expenses}$

3. Operating Performance Analysis

(1) Accounts receivable turnover ratio = $\text{Net sales} / \text{Average accounts receivable (including accounts receivable and notes receivable generated from business operations) balance for the period.}$

(2) Average Collection Period = $365 / \text{Accounts Receivable Turnover Ratio}$

(3) Inventory turnover ratio = $\text{Cost of Goods Sold} / \text{Average Inventory}$

(4) Accounts payable turnover ratio = $\text{Cost of Goods Sold} / \text{Average Account payable (including accounts payable and notes payable generated from business operations) balance for the period.}$

(5) Days Inventory Outstanding = $365 / \text{Inventory turnover}$

(6) Property, Plant and Equipment Turnover = $\text{Net Sales} / \text{Average Net Property, Plant and Equipment}$

(7) Total Asset Turnover = $\text{Net Sales} / \text{Average Total Assets}$

4. Profitability Analysis

(1) Return on Total Assets = $[\text{Net Income} + \text{Interest Expenses} \times (1 - \text{Effective Tax Rate})] / \text{Average Total Assets}$

(2) Return on Equity = $\text{Net Income} / \text{Average Total Equity}$

(3) Net Profit Margin = $\text{Net Income} / \text{Net Sales}$

(4) Earning Per Share = $(\text{Net Income Attributable to Shareholder of the Parent} - \text{Preferred Stock Dividend}) / \text{Weighted Average Number of Share Outstanding}$

5. Cash Flow

(1) Cash Flow Ratio = Operating cash flow / Current liabilities

(2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend

(3) Cash Reinvestment Ratio = (Operating Cash Flow – Cash Dividends) / (Gross Property, Plant and Equipment + Long-Term Investments + Other Non-Current Assets + Operating Working Capital) °

6. Leverage:

(1) Operating Leverage = (Net Sales – Variable Cost & Expenses) / Operating Income

(2) Financial Leverage = Operating Income / (Operating Income – Interest Expenses).

Note 4: The ratio is zero or a negative value.

Note 5: It is not calculated when there is an operating loss.

B. Proprietary Financial Analysis-- with IFRS adopted

Year (Note 1)		2018	2019	2020	2021	2022
Analysis item (Note 2)						
Finance structure (%)	Debt to assets ratio	21.66	21.63	20.17	18.33	25.57
	Long term funds to property, plant, and equipment ratio	1,066.04	1,146.61	1,191.76	1,233.90	1,146.78
Solvency (%)	Current ratio (%)	128.29	147.27	152.52	146.86	138.28
	Quick ratio (%)	52.51	96.42	98.35	100.24	96.23
	Interest coverage ratio	21.99	20.99	(128.74)	(81.60)	(39.95)
Operating ability	Receivables turnover (times)	18.87	14.70	4.81	3.91	5.04
	Accounts receivable collecting days	19	25	76	93	72
	Inventory turnover (times)	5.4	7.46	3.09	2.21	3.03
	Payables turnover (times)	15.57	20.15	3.78	1.88	5.38
	Average inventory turnover on sales	68	49	118	165	120
	Property, plant, and property turnover (times)	12.99	14.96	6.21	4.41	6.1
	Total asset turnover (times)	0.94	1.06	0.42	0.29	0.40
Profitability	Return on assets (%)	4.38	1.64	(10.24)	(8.28)	(9.41)
	Return on equity (%)	5.90	1.94	(13.04)	(10.33)	(12.27)
	Ratio of net income before tax to paid-in capital (%)	6.28	3.75	(13.44)	(5.25)	(8.3)
	Profit margin (%)	4.50	1.43	(24.52)	(28.40)	(23.94)
	Earnings Per Share (NT\$)	0.64	0.21	(1.27)	(0.88)	(0.94)
Cash flow	Cash flow ratio (%)	48.59	2.60	63.32	(Note 3)	(Note 3)
	Cash flow Adequacy Ratio (%)	394.13	181.90	189.59	196.50	73.77
	Cash Flow Re-investment Ratio (%)	8.64	(5.74)	12.19	(Note 3)	(Note 3)
Leverage	Operating leverage	18.21	133.87	(Note 4)	(Note 4)	(Note 4)
	Financial leverage	1.04	1.22	(Note 4)	(Note 4)	(Note 4)

	<p>Reasons for changes in various financial ratios over the past two years (for changes of 20% or more):</p> <p>(1) Increase in the debt-to-asset ratio: Due to an increase in short-term borrowing and accounts payable in 2022.</p> <p>(2) Decrease in interest coverage ratio: Due to a decrease in pre-tax net loss in 2022.</p> <p>(3) Increase in accounts receivable turnover ratio / decrease in average collection days: Due to the increase in net sales in 2022.</p> <p>(4) Increase in inventory turnover ratio / decrease in average sales days: Due to the increase in cost of goods sold in 2022.</p> <p>(5) Increase in accounts payable turnover ratio: Due to the increase in cost of goods sold and the decrease in average accounts payable in 2022.</p> <p>(6) Increase in property, plant, and equipment turnover ratio and total asset turnover ratio: Due to the growth in revenue in 2022.</p> <p>(7) Decline in profitability-related financial ratios: Due to the decrease in net profit after tax in 2022.</p> <p>(8) Decrease in cash flow adequacy ratio: Due to the net cash outflow from operating activities in 2022.</p>
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Note1: The financial data above were audited by the CPAs.

Note 2: Calculation formulas for financial ratios:

Capital Structure Analysis

(1) Debt Ratio = $\text{Total Liabilities} / \text{Total Assets}$

(2) Long-term Fund to Property, Plant and Equipment Ratio = $(\text{Shareholders' Equity} + \text{Noncurrent Liabilities}) / \text{Net Property, Plant and Equipment}$

2. Liquidity Analysis

(1) Current Ratio = $\text{Current Assets} / \text{Current Liabilities}$

(2) Quick Ratio = $(\text{Current Assets} - \text{Inventories} - \text{Prepaid Expenses}) / \text{Current Liabilities}$

(3) Times Interest Earned = $\text{Earnings before Interest and Taxes} / \text{Interest Expenses}$

3. Operating Performance Analysis

(1) Accounts receivable turnover ratio = $\text{Net sales} / \text{Average accounts receivable (including accounts receivable and notes receivable generated from business operations) balance for the period.}$

(2) Average Collection Period = $365 / \text{Accounts Receivable Turnover Ratio}$

(3) Inventory turnover ratio = $\text{Cost of Goods Sold} / \text{Average Inventory}$

(4) Accounts payable turnover ratio = $\text{Cost of Goods Sold} / \text{Average Account payable (including accounts payable and notes payable generated from business operations) balance for the period.}$

(5) Days Inventory Outstanding = $365 / \text{Inventory turnover}$

(6) Property, Plant and Equipment Turnover = $\text{Net Sales} / \text{Average Net Property, Plant and Equipment}$

(7) Total Asset Turnover = $\text{Net Sales} / \text{Average Total Assets}$

4. Profitability Analysis

(1) Return on Total Assets = $\left[\text{Net Income} + \text{Interest Expenses} \times (1 - \text{Effective Tax Rate}) \right] / \text{Average Total Assets}$

(2) Return on Equity = $\text{Net Income} / \text{Average Total Equity}$

(3) Net Profit Margin = $\text{Net Income} / \text{Net Sales}$

(4) Earning Per Share = $(\text{Net Income Attributable to Shareholder of the Parent} - \text{Preferred Stock Dividend}) / \text{Weighted Average Number of Share Outstanding}$

5. Cash Flow

(1) Cash Flow Ratio = $\text{Operating cash flow} / \text{Current liabilities}$

(2) Cash Flow Adequacy Ratio = $\text{Five-year Sum of Cash from Operations} / \text{Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend}$

(3) Cash Reinvestment Ratio = $(\text{Operating Cash Flow} - \text{Cash Dividends}) / (\text{Gross Property, Plant and Equipment} + \text{Long-Term Investments} + \text{Other Non-Current Assets} + \text{Operating Working Capital})$

6. Leverage :

(1) Operating Leverage = $(\text{Net Sales} - \text{Variable Cost \& Expenses}) / \text{Operating Income}$

(2) Financial Leverage = $\text{Operating Income} / (\text{Operating Income} - \text{Interest Expenses})$.

Note 3: The ratio is zero or a negative value.

Note 4: It is not calculated when there is an operating loss.

(III) Supervisors' /Audit Committee's Report for the Most Recent Year:

The Board of Directors has submitted the annual business report, financial statements, and proposal for handling losses for the fiscal year of our company. The financial statements have been audited by Ernst & Young and their audit report has been issued. The aforementioned business report, financial statements, and proposal for handling losses have been reviewed by our Audit Committee, and no issues were found to be in violation. Therefore, we report the above in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please review the information accordingly.

Sincerely,

2023 Annual General Shareholders Meeting of ZCOM

Z-COM, INC

Chairman of the Audit Committee: CHOU, YIH-HENG

March 06th, 2023

- (IV) Financial Statements of the most recent year: Please refer to page 171-234.**
- (V) Standalone Financial Statements audited and certified by CPAs in the most recent years: Please refer to page 235-301.**
- (VI) Financial difficulties, if any, encounter by the Company and its affiliated companies in the most recent year and up to the publication of the annual report, and its impact on the Company's financial status: None.**

VII. Review of Financial Conditions, Operating Results, and Risk Management

(I) Financial Status:

Unit: NT\$ Thousand

Item \ Year	2021	2022	Difference	
			Amount	%
Current assets	478,384	514,294	35,910	7.51%
Property, plant, and equipment	150,375	135,208	(15,167)	(10.09%)
Intangible assets	1,081	785	(296)	(27.38%)
Other assets	113,433	124,160	10,727	9.46%
Total assets	743,273	774,447	31,174	4.19%
Current liabilities	113,453	231,381	117,928	103.94%
Noncurrent liabilities	23,692	26,306	2,614	11.03%
Total liabilities	137,145	257,687	120,542	87.89%
Capital stock	725,000	717,010	(7,990)	(1.10%)
Additional paid-in capital	2,577	33	(2,555)	(99.14%)
Retained earnings	(100,548)	(163,295)	(62,747)	(62.41%)
Other equity	(36,069)	(24,731)	11,338	31.43%
Treasury stock	(35,901)	(27,210)	8,691	24.21%
Non-controlling equity	51,069	14,953	(36,116)	(70.72%)
Total equity	606,128	516,760	(89,368)	(14.74%)

1. Changes exceeding 20% in the past two years and with a change amount of over 10 million New Taiwan Dollars:

- (1) Increase in current liabilities and total liabilities: mainly due to an increase in short-term borrowings and accounts payable in 2022.
- (2) Decrease in retained earnings: mainly due to the loss incurred in 2022, which resulted in an increase in the accumulated deficit to be made up.
- (3) Increase in other equity adjustment items: mainly due to the increase in exchange differences resulting from the translation of the financial statements of foreign operating entities due to the fluctuation of the US dollar exchange rate in 2022.
- (4) Decrease in non-controlling equity: mainly due to the cash reduction of subsidiaries that are not 100% owned in 2022.
- (5) Decrease in total equity: mainly due to the loss in the 111th year, the increase in accumulated

deficit, and the cash reduction of subsidiaries that are not 100% owned.

2. Significant impact should be explained along with future response plans:

The aforementioned changes have no significant impact on the company's finances or operations.

(II) Financial performance

A. Analysis of financial performance

Unit: NT\$ Thousand

Year item	2021	2022	Difference	
			Amount	%
Operating Income	259,775	326,030	66,255	25.50%
Gross profit	68,372	92,748	24,376	35.65%
Operating profit (loss)	(130,563)	(75,210)	55,353	73.60%
Other operating income and expenses	149,386	15,847	(133,539)	(89.39%)
Net Income (loss) before tax	18,823	(59,363)	(78,186)	(415.37%)
Net Income (loss)	(4,115)	(64,670)	(60,555)	(1,471.57%)
Total Comprehensive Net Income (Loss) for the Year	(6,831)	(58,624)	(51,793)	(758.21%)

Analysis of Deviation over 20% and change amount more than NT10million in the last 2 years:

- (1) Increase in operating income and gross profit: mainly due to the gradual improvement in the shortage of key chips in the second half of the year, which led to an increase in shipments and gross profit growth.
- (2) Decrease in operating loss: mainly due to significant growth in operating income and gross profit, as well as a decrease in operating expenses due to the reduction in the scale of operations in Mainland China.
- (3) Decrease in non-operating income and expenses: In the year 2021, it was due to the net profit generated from the disposal of the Nanjing ZDC Building, which was classified as a non-current asset.
- (4) Net loss before tax, net loss for the current period and comprehensive loss for the current period decreased:
The building of NANJING Z-COM WIRELESS CO., LTD was sold in 2021 that resulted in high disposal benefits and a profit before tax for that year.
Compared with previous year, although the revenue and gross profit increased this year and the operating loss decreased, there was no such event in 2022, so this year is a loss before tax.

B. The impact on company's financial performance and the countermeasures of Sales Volume

Forecast and Related Information:

The company is committed to expanding the market. In addition to strengthening the EMS/ODM/OEM customer base, it is also committed to developing new products to meet market demand. A series of efforts have been made for brand promotion, including the launch of Wi-Fi 6 series products and the development of vertical applications. In terms of vertical applications, we combine 5G and Wi-Fi 6 private networks to develop more innovative products and services, and work with well-known system integration companies (SI) to promote smart rail and smart energy management. These applications not only meet the development trend of modern cities but also improve operational efficiency. In addition, we also collaborate with well-known domestic operators and regional system integration companies (SI) to promote the brand through localized application software and enhance the marketing of system application products.

The possible impacts on company's future financial performance and the countermeasures:

- (1) Increase revenue and profit: By developing new products and vertical applications, as well as collaborating with well-known domestic operators and regional system integration companies (SI), the company can expand its market size.
- (2) Increase investment and costs: Developing new products and vertical applications requires a large amount of capital and manpower, and brand expansion and customer relationship maintenance also require corresponding resources to be invested.

Therefore, the company has corresponding risk response measures to deal with these possible impacts: 1. Strengthen capital management and risk control, adopt effective financial strategies to reduce investment and costs, and ensure that financial risks are effectively controlled. The second is to strengthen market research, ensure that the development of new products and vertical applications meets market demand, reduce risks, and improve product market competitiveness.

(III) Cash Flow

A. Liquidity Analysis within the last 2 years:

Unit : NT\$ Thousand

Cash balance-beginning	Annual cash flow	Cash Balance(deficit)	Remedy for Liquidity shortfall	
			Investment Plan	Financing Plan
189,280	34,315	223,595	None	None

1. Cash outflow from operating activities was NT\$53.144 million: primarily due to operating losses and an increase in inventory.
2. Cash inflow from investing activities was NT\$19.281 million: primarily due to a decrease in financial assets measured at amortized cost.
3. Cash inflow from financing activities was NT\$61.203 million: primarily due to an increase in short-term borrowing during the current year.

B. Remedial Actions for Liquidity Shortfall : Our company currently does not have a situation of insufficient cash liquidity.

C. Cash Flow Projection for Next Year: Not applicable.

(IV) Recent Years Major Capital Expenditures and Impact on Financial and Business : None.

(V) Reinvestment policy in the most recent year, the reasons for profit or loss resulted, its improvement plan, and next year's investment plan:

A. Reinvestment policy in the most recent year:

The financial and business management policy of our company for overseas reinvestment is based on the relevant management measures of our company's internal control system, and follows the regulations of the "Subsidiary Supervision Operations Regulations" and the "Procedures for Transactions with Related Parties, Specific Companies, and Group Enterprises". We also follow the guidelines of the "Criteria for Publicly Issued Companies to Establish Internal Control Systems" to supervise and manage reinvestment operations.

B. The main reasons for the profit or loss from reinvestment and improvement plans:

Unit: NT\$ Thousand

Invested company name	Main business activities	Recognition of Investment Losses in 2022 of the Invested Company	The main reason for profit or loss	Improvement Plan
Z-WIRELESS INTERNATIONAL LTD.	General Investment	(4,583)	The main reason for loss is mainly due to the recognition of investment losses in Nanjing Z—Wireless Technology Co., Ltd.	-
Z-COM TECHNOLOGY LTD.	General Investment	(44)	The main reason for profit is mainly due to the recognition of investment profit in NANJING Z-COM WIRELESS CO., LTD.	-
ZHI WEI YA HK LIMITED	General trade business	(24,429)	The main reason for loss is mainly due to the recognition of investment losses in JiangXi Zwaveasia Technology Co., Ltd.	-
XIN HUI ZHI Investment Co., Ltd	General Investment	(360)	The main reason for loss is mainly due to the recognition of the loss of management expenses in the current period.	-
NANJING Z-COM WIRELESS CO., LTD	Research and development and sales of communication equipment and modems	862	The main reason for profit is mainly due to the recognition of interest income and transfer of payables to income.	-

Invested company name	Main business activities	Recognition of Investment Losses in 2022 of the Invested Company	The main reason for profit or loss	Improvement Plan
Nanjing Z—Wireless Technology Co., Ltd.	Research and development and sales of communication equipment and modems	(4,583)	The main reason for loss is mainly due to the recognition of investment losses in NANJING ZHI WEI YA COMMUNICATION TECHNOLOGY CO., LTD.	-
NANJING ZHI WEI YA COMMUNICATION TECHNOLOGY CO., LTD	R & D and sales of communication equipment and network equipment	(2,560)	The main reason for the loss in the current year is mainly due to the decrease in operating income.	-
JiangXi Zwaveasia Technology Co., Ltd.	R & D, production and sales of communication electronic products	(22,617)	The main reason for the loss is mainly due to the inability to reach breakeven in business scale.	-
Intelligent platform for IoT services co., LTD. (Note1)	Sales of communication electronic products	(729)	The main reason for loss is mainly due to the recognition of the loss of management expenses in the current period.	Note 1
ZENEKER INDIA PRIVATE LTD. (Note1)	Sales of communication electronic products	(915)	The main reason for the loss is mainly due to the inability to reach breakeven in business scale.	Note 1
CHUNGHWA SOCHAMP TECHNOLOGY INC.	Manufacturing and sales of license plate recognition products	-		Note 2

Note 1: It is a subsidiary newly established and invested by the Group in 2021. It is still in the stage of preparation and has no major operating activities.

Note 2: CHUNGHWA SOCHAMP TECHNOLOGY INC. was invested in December 2022 and therefore, the relevant investment gains and losses were not recognized.

- C. Investment plan for the next year: The investment plan for the next year also focuses on expanding overseas sales channels.

(VI) Assessment of risk factors for the current fiscal year and up to the date of printing of the annual report

- A. Interest rates, exchange rates, and inflation, their impact on the Company's profit or loss, and future countermeasures:

In 2022, the interest expense of the Company, net of interest income, was NTD 207,000 accounting for less than 1% of the consolidated revenue, thus the impact of interest rate changes on the Company is minimal. The Company's major interest rate risk comes from short-term borrowing, and the current interest rate for the Group's short-term borrowing is between 2.00% and 2.21%, so the interest rate risk from short-term borrowing is not significant.

In 2022, the Company had NTD 7,032 thousand dollars in net foreign exchange gains. The Company's exchange rate risk mainly comes from US dollar income and expenses. Therefore, in addition to natural hedging methods, the finance department also keeps a close eye on changes in the domestic and foreign economic environment and conducts hedging planning based on the exchange rate trend and expected daily foreign currency balances and cash flows. As for inflation, in the 110th fiscal year, the global pandemic continued to rage, followed by the outbreak of the Russo-Ukrainian War, and global inflation followed one after another. In order to control inflation, many countries have raised interest rates. However, Taiwan's inflation pressure is significantly lower than that of the global average. The finance department will keep a close eye on changes in the domestic and foreign economic environment and propose timely response measures.

- B. Engage in the policies of high-risk, highly-leveraged investments, loaning of funds, endorsements and guarantees, and derivative transactions, the reasons for profit or loss resulted, and the future countermeasures:

In 2022, our company did not engage in high-risk, high-leverage investments or derivative trading. The company's execution of fund lending and endorsement guarantees followed the company's "Fund Lending Operation Procedure" and "Endorsement Guarantee Operation Procedure," as well as relevant regulations, and reported regularly to the board of directors on the execution situation. The above-mentioned information is announced monthly on the Public Information Observation Station in accordance with regulations for investors to refer to.

- C. Research and development plans and expected R&D expenses in the future:

Our company is launching a series of Wi-Fi 6 products and moving towards IoT 5G/AIoT applications. In addition to expanding our 5G gateway product line, the zMEC edge server will increase communication support for various types of sensors and data collectors through

Serial-Gateway, which can be used for dedicated networks (5G/Wi-Fi 6) and AIoT applications and management. We also plan to participate in smart new energy and smart rail applications first. Our company will continue to develop and design various cutting-edge technologies and future-oriented products. The new products and services we plan to develop are as follows:

1. Research and development of LTE-Fi wireless modules and system application products for vehicles.
2. Research and development of Wi-Fi6 products.
3. Research and development of Wi-Fi 6E and 4.9GHz products.
4. New generation Multi-access Edge Computing (MEC) software system
5. Development of commercial-grade IoT Gateway products for applications in smart stores, smart logistics, and smart warehouses.
6. Research and development of cloud-based system management and value-added functionalities.

D. Impact of significant domestic and foreign policy and law changes on the Company's financial operations and related countermeasures:

In addition to complying with relevant domestic and international laws and regulations in daily operations, the company also pays close attention to the development trends of domestic and foreign policies and changes in laws and regulations, in order to fully grasp and respond to changes in the market environment. Relevant information is collected and provided to the management team for decision-making reference, to adjust our company's related operational strategies. Therefore, changes in domestic and foreign policies and laws in recent years have not had a significant impact on the company's financial operations.

E. The impact of technological changes (including cybersecurity risks) and industry changes on the company's financial and business operations, as well as the countermeasures, are as follows:

Wireless communication network equipment belongs to the high-tech communication industry, and the industry is currently in a rapid growth stage. There are numerous types of wireless network communication products and continuous development and improvement. Our company has been deeply involved in the wireless network communication industry for many years, and we can accurately handle and control the production equipment, research and development personnel, and the latest technology to cope with the industry's rapid changes. We constantly innovate and develop various communication network products, so technological changes and industry changes will help expand our company's business. Our company also actively improves production capacity and research and development capabilities, grasps industry dynamics and market information, and adopts a conservative financial management strategy to maintain market competitiveness. In the future, our company will continue to pay attention to relevant technological changes and evaluate their impact on our operations, making corresponding adjustments to strengthen our business development and

financial status.

Cybersecurity Risks and Response Measures:

Past and Present Solution:

To prevent and reduce damages caused by ransomware attacks resulting from phishing emails, the company has implemented relevant improvement measures and continues to optimize them, including malicious email filtering mechanisms to reduce the entry of phishing emails into employee inboxes, strengthening network firewalls and controls to prevent the lateral spread of malicious software, multi-level controls for privileged accounts to prevent theft, implementation of advanced solutions for compliance machine audits, introduction of new technologies to detect and handle malicious software, regular execution of system vulnerability scanning and repairs, and employee awareness testing.

Future:

1. Customer data is not leaked through multiple layers of protection.
2. Strengthen overall cybersecurity defense and monitoring mechanisms, and fully deploy endpoint detection and response software to ensure visibility of abnormal behavior.
3. Internal system isolation, data centers adopt a zero-trust network architecture, and strengthen information system operation continuous practice.

F. The impact of changes in corporate image on crisis management and response measures for enterprises:

Our company upholds the principles of honesty and professionalism in our operations and places importance on corporate image and risk management, therefore, there have been no significant events that have affected the company's corporate image.

G. The expected benefit, the potential risks, and countermeasures of merger and acquisition:

The company has no plan for mergers and acquisitions, but if there is a plan for mergers and acquisitions in the future, it will be implemented in accordance with the company's "Procedures for Acquisition or Disposal of Assets" and relevant laws and regulations and adopt a cautious and prudent attitude to evaluate whether the merger or acquisition can bring concrete comprehensive benefits to the company, in order to ensure the interests and rights of the company and shareholders.

H. Expected benefits, potential risks, and countermeasures of a plant expansion: None.

I. Risks and countermeasures associated with concentrated purchasing or sales:

1. Risks and countermeasures associated with concentrated purchasing:

The company maintains business relationships with at least two suppliers for major procurement items to reduce the proportion of purchases from a single supplier. Additionally,

the main material suppliers are well-coordinated and have a long-term cooperative relationship with the company, which eliminates the risk of excessive concentration in purchasing.

However, as the poor market conditions in the information and communication industry are a common issue, the company needs to prepare in advance to address any potential risks.

2. Risk of Customer concentration and the countermeasures:

Although the company's two major customers accounted for a high proportion of revenue in the 2022, the company has had a long-standing cooperative relationship with these two customers based on good product quality and technical support. With the customer's demand for new products that import orders, there is a risk of concentration of sales due to the resulting economies of scale.

3. Countermeasures:

- (1) The company not only has the ability to integrate software, hardware, and systems but also has manufacturing capabilities to provide competitive pricing and excellent quality products. The company also provides customization services to meet customers' needs, assist the key customers in developing business with end-users, and maintain long-term cooperation. The company actively responds to customer needs to improve customer satisfaction, increase customer loyalty, and establish good customer relationships.
- (2) Diversification of customers and markets: the company is committed to diversifying customer and markets by these following measures: developing new products and markets, expanding marketing channels, actively developing multiple customers and markets, reducing dependence on a single customer or market, diversifying risks, and increasing sources of revenue. Therefore, through various business models such as EMS/OEM/ODM and brand promotion, our company actively improves its market competitiveness.
- (3) Strengthen market analysis: Conduct in-depth market analysis, grasp market trends, understand changes in customer demand, and adjust marketing strategies in a timely manner.

J. The impact of the massive equity transfer or exchange by the directors, supervisors, or shareholders holding more than 10% shareholding on the company, the risk, and the countermeasures: None.

K. The impact of the changes in the ownership on the Company, the risk and the countermeasures: None.

L. For litigation or non-litigation events, which may have a significant impact on the shareholder's equity or security prices should be illustrated: None.

M. Other significant risks and mitigation measures:

Cybersecurity Risk Management Operations in 2022

Risk	Accountability unit	Risk factors	Prevention	The Operation Situation
The risk of cybersecurity	Department of the System software and Network security technology	<p>It refers to the possibility of unacceptable risks to the information assets of an enterprise, where the confidentiality, integrity, and availability of information cannot be guaranteed. This includes unauthorized access to information, inability to ensure that the content and processing methods of information are correct and complete, and inability of authorized users to access information and related assets in a timely manner, which may result in potential losses.</p> <p>1. Enhance cybersecurity defense capabilities</p>	<p>The Information Security Unit is responsible for coordinating and executing the company's information security policies, disseminating information security messages, and enhancing employee awareness of information security. They regularly report information security achievements to the Chief Information Security Officer, General Manager, and Chairman, and assess the effectiveness of internal controls over information operations to safeguard the confidentiality, integrity, and availability of information.</p> <p>1. Use access control (AC) to protect the access of sensitive documents and use data loss prevention</p>	<p>Establishing an architecture for "active security detection and defense - IDS, IPS, DLP, AC" to reduce the risk of unauthorized use, damage, or leakage of information.</p> <p>1. Continuous internal and external cybersecurity defense is necessary to prevent inside-outside collaboration in cyberattacks, which are</p>

			<p>(DLP) devices to record readers accessing sensitive data. Regularly perform internal network security scans and product security scans to check the effectiveness of antivirus software and firewalls.</p>	<p>currently the most significant cybersecurity threats. "Internal" refers to vulnerabilities within the organization, while "external" refers to the exposed attack surface. Regular manual cybersecurity audits, network packet inspections, and tool scans to check for network vulnerabilities ensure the effectiveness of physical controls and meet the requirements of regulations and stakeholders (such as customers and consumer groups).</p>
		2. Refine information security management procedures	2. Compliance with information security-related ISO standards, ITRI DNP3, and the Ministry of Economic Affairs' certification standards for information security, continuously improves through annual review operations.	2. The company has established a network security technology department to conduct regular security procedures and ensure that relevant operations are implemented effectively.
		3. Responses to Security Risks	3. Control information security risks and ensure that the critical core systems of our company	3. Information security risk governance: Adopting the ISO27001 information management system, implementing

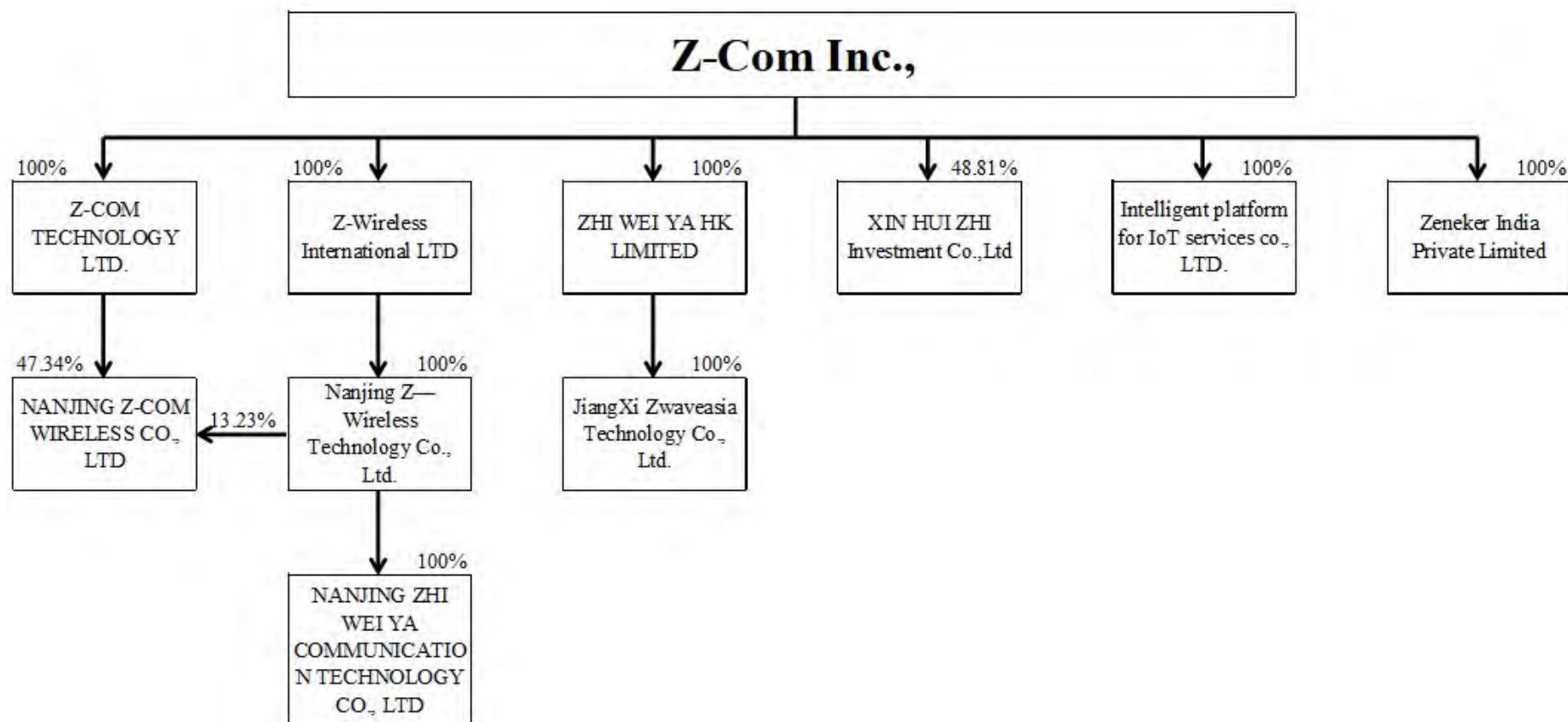
			maintain a certain level of system availability.	information security policy management and compliance control, and continuously conducting operational emergency response drills, in compliance with the Financial Supervisory Commission's securities information security law and the Hsinchu Science Park Administration's information security standards for risk improvement.
		4. Employee education and training of cybersecurity	4. Provide information security education and training to promote employees' awareness of information security and enhance their understanding of related responsibilities.	4. Qualified trainers with internal cybersecurity certifications in the company will conduct internal information security awareness campaigns, provide all-employee cybersecurity education and training, and perform periodic social engineering phishing tests to enhance cybersecurity awareness.

(VII) Other important matters: None.

VIII. Special Disclosure

(I) Affiliated company's information

A. Organization Chart of the affiliated companies:



B. Summary of Affiliated Companies:

Unit : \$NT thousand

Name of Subsidiary	Date of Incorporation	Place of Registration	Paid-in capital	Business Activities
Z-COM TECHNOLOGY LTD.	2001.01	P.O.Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands.	102,413	General Investment
Z-WIRELESS INTERNATIONAL LTD.	2003.12	OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands.	96,316	General Investment
ZHI WEI YA HK LIMITED	2007.10	1501 Capital Centre, 151 Gloucester Road, Wan Chai, Hong Kong.	336,342	General trade business
NANJING Z-COM WIRELESS CO., LTD	2000.08	Room 202, Building 13, Jiangsu Software Park, No. 699-22 Xuanwu Avenue, Xuanwu District, Nanjing, Jiangsu Province, China	200,154	Research and development and sales of communication equipment and modems
Nanjing Z—Wireless Technology Co., Ltd.	2004.11	Room 202, Building 13, Jiangsu Software Park, No. 699-22 Xuanwu Avenue, Xuanwu District, Nanjing, Jiangsu Province, China	96,316	Research and development and sales of communication equipment and modems
NANJING ZHI WEI YA COMMUNICATION TECHNOLOGY CO., LTD	2009.07	Room 202, Building 13, Jiangsu Software Park, No. 699-22 Xuanwu Avenue, Xuanwu District, Nanjing, Jiangsu Province, China	21,364	Research and development and sales of communication equipment and modems
JiangXi Zwaveasia Technology Co., Ltd.	2012.09	No. 2 Anshun Road, Automotive Industry Park, Economic and Technological Development Zone, Jiujiang City, Jiangxi Province, China	336,342	R & D, production and sales of communication electronic products
XIN HUI ZHI Investment Co., Ltd	2015.11	2F., No. 5, Ln. 277, Jiaying Rd., Zhubei City, Hsinchu County, Taiwan	59,000	General Investment
Intelligent platform for IoT services co., LTD. (Note1)	2021.04	2F., No. 5, Ln. 277, Jiaying Rd., Zhubei City, Hsinchu County, Taiwan	10,000	Sales of communication electronic products
ZENEKER INDIA PRIVATE LTD. (Note1)	2021.06	16A/20 W.E.A. Ajmal Khan Road, Karol Bagh, New Delhi – 110005, India	9,536	Sales of communication electronic products

Note1: It is a subsidiary newly established and invested by the Group in 2021. It is still in the stage of preparation and has no major operating activities.

C. Shareholders in Common of Z-COM and Its Subsidiaries with Deemed Control and Subordination: None.

D. Each affiliated company's director, supervisor, and CEO:

December 31, 2022 Unit: share

Company name	title	Name or representative	shareholding	
			shares	shares
Z-COM TECHNOLOGY LTD.	Director	Representative of Z-COM, Inc.: John S. Shieh	9,830,000	100%
Z-WIRELESS INTERNATIONAL LTD.	Director	Representative of Z-COM, Inc.: John S. Shieh	30,000	100%
ZHI WEI YA HK LIMITED	Director	Representative of Z-COM, Inc.: John S. Shieh	11,000,000	100%
NANJING Z-COM WIRELESS CO., LTD	Director	Z-COM TECHNOLOGY,LTD Representative: WU CHIA-FANG	36,341,976	60.57%
Nanjing Z—Wireless Technology Co., Ltd.	Director	Z-WIRELESS INTERNATIONAL LIMITED. Representative: Chen Te Kun	not applicable	100%
NANJING ZHI WEI YA COMMUNICATION TECHNOLOGY CO., LTD	Director	NANJING ZHI WEI YA COMMUNICATION TECHNOLOGY CO., LTD: Chen Te Kun Representative:	not applicable	100%
JiangXi Zwaveasia Technology Co., Ltd.	Director	ZHI WEI YA HK LIMITED Representative: HU TA YU	not applicable	100%
XIN HUI ZHI Investment Co., Ltd	Director	Representative of Z-COM, Inc.: John S. Shieh	not applicable	48.81%
Intelligent platform for IoT services co., LTD.	Director	WU CHIA-FANG	1,000,000	100%
ZENEKER INDIA PRIVATE LTD.	Shareholder	Representative of Z-COM, Inc.: John S. Shieh	not applicable	100%
CHUNGHWA SOCHAMP TECHNOLOGY INC.	Director	Representative of Z-COM, Inc.: WU CHIA-FANG	15,000,000	27.27%

E. Operational Highlights of Z-COM Subsidiaries:

December 31, 2022 Unit: NT\$ thousands

Company	Capital Stock	Assets	Liabilities	net value per share	Income (Loss) from Operation	Operation profits	Net Income (Loss)	EPS (Loss) (After tax)
Z-COM TECHNOLOGY LTD.	102,413	16,225	-	1.58	-	(226)	(44)	-
Z-WIRELESS INTERNATIONAL LTD.	96,316	21,566	-	2.24	-	-	(4,583)	(0.47)
ZHI WEI YA HK LIMITED	336,342	297,641	-	8.85	-	-	(24,429)	(0.73)
NANJING Z-COM WIRELESS CO., LTD	200,154	61,178	28,457	1.63	816	(4,369)	1,423	0.07
Nanjing Z—Wireless Technology Co., Ltd.	96,316	21,608	43	Not applicable	313	(2,539)	(4,583)	Not applicable
NANJING ZHI WEI YA COMMUNICATION TECHNOLOGY CO., LTD	21,364	717	8,395	Not applicable	3,913	(2,444)	(2,560)	Not applicable
JiangXi Zwaveasia Technology Co., Ltd.	336,342	385,636	85,451	Not applicable	271,587	(24,352)	(22,617)	Not applicable
XIN HUI ZHI Investment Co., Ltd	59,000	57,062	69	Not applicable	-	(740)	(737)	Not applicable
Intelligent platform for IoT services co., LTD.	10,000	9,368	167	9.20	-	(762)	(729)	(0.73)
ZENEKER INDIA PRIVATE LTD.	9,536	8,148	485	Not applicable	1,330	(913)	(915)	Not applicable

F. The affiliate' s consolidated financial statements: please refer to page 171-234.

G. Related party transactions and disclosures: Not applicable ◦

(II) Private Placement Securities in the most recent years and as of the Date of this Annual Report : None.

**(III) In the most recent year and as of the publication date of the annual report,
Status of Z-COM Common Shares Disposed of, and Held by Subsidiaries:**

Unit: NT\$ Thousand; 1000 shares; %

Company (Note 1)	Paid-in capital	Source of capital	Percentage of shares held by the company	Acquisition or disposal date	Number and amount of shares acquired (Note 2)	Number and amount of shares disposed of (Note 2)	Investment profit and loss	Number and amount of shares held as of the date of printing of the annual report (Note 3)	the setting of pledge rights (Note 4)	the company's endorsement guarantee amount for the subsidiary	the amount of the company's loan to the subsidiary
XIN HUI ZHI Investment Co., Ltd	59,000	private capital	48.81%	11/12/2015~ 12/31/2022	5,344	(45)	-	5,299	-	-	-
					\$56,217	(474)		\$55,743			
				01/01/2023~ 03/31/2023	-	--	-	5,299			
					-			\$55,743			

Note 1: Please provide separate disclosure by subsidiary.

Note 2: The amount mentioned refers to the actual acquisition or disposal amount.

Note 3: The holding and disposition status should be separately disclosed and the impact on the company's financial performance and financial condition should be explained.

(IV) Other necessary supplementary notes: None.

(V) The occurrence of any events as stated in Item 2 Paragraph 2 in Article 36 of the Securities Exchange Act that had significant impact on shareholder's equity or securities prices in the most recent year and up to the publication of the annual report: None.

REPRESENTATION LETTER

The entities included in the consolidated financial statements as of December 31, 2022 and for the year then ended prepared under the International Financial Reporting Standards, No.10 are the same as the entities to be included in the combined financial statements of the Company, if any to be prepared, pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises (referred to as “Combined Financial Statements”). Also, the footnotes disclosed in the Consolidated Financial Statements have fully covered the required information in such Combined Financial Statements. Accordingly, the Company did not prepare any other set of Combined Financial Statements than the Consolidated Financial Statements.

Hereby declare,

Z-Com, Inc.

Chairman: FAN-AN Technology Limited Company

Representative: Xie Jinshan

March 6, 2023

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Z-Com, Inc.

Opinion

We have audited the accompanying consolidated balance sheets of Z-Com, Inc. (the “Company”) and its subsidiaries (collectively, the “Group”) as at December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. 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 judgement, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2022 are stated as follows:

Evaluation of inventories

The Group is engaged in the manufacturing and selling of products related to wireless data network systems. Its inventories were measured at the lower of cost and net realisable value. The Group's inventories were significant to the consolidated financial statements and the determination of net realizable value for the inventories involves subjective judgement. Therefore, the evaluation of inventories was identified as a key audit matter.

Our audit procedures including (but are not limited to) assessing the appropriateness of the management's accounting policy for inventory evaluation; evaluating and testing the effectiveness of relevant internal control; sampling and testing the entry timing in the inventory aging report and checking accuracy of inventory aging calculation; assessed the reasonableness of provision on inventory allowance through testing the determination of net realisable values; notice if any obsolete and damaged inventories while stock-taking.

Please refer to Notes 4, 5 and 6(6) of the consolidated financial statements for the accounting policies on inventories, critical accounting estimation uncertainty and the details of inventories, respectively.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 auditing standards generally accepted in 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 consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.
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 ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2022 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's 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.

Other

We have audited and expressed an unqualified opinion on the parent company only financial statements of the Company as of and for the years ended December 31, 2022 and 2021.

Liu, Jung Chin
Chang, Cheng-Tao

Ernst & Young, Taiwan
March 17, 2023

Notice to Readers

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

Z-COM, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2022 and 2021
(Expressed in thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
CURRENT ASSETS					
Cash and cash equivalents	6(1)	\$223,595	29	\$189,280	25
Financial assets at amortised cost-current	6(4) and 8	2,770	-	42,269	6
Contract assets-current	6(15)	-	-	2,010	-
Notes receivable, net	6(5)	29,449	4	6,853	1
Accounts receivable, net	5 and 6(5)	25,804	3	46,540	6
Other receivables		48	-	1,113	-
Current tax assets		104	-	168	-
Inventories, net	5 and 6(6)	202,938	26	167,880	23
Prepayments and other current assets		29,586	4	22,271	3
Total Current Assets		514,294	66	478,384	64
NON-CURRENT ASSETS					
Financial assets at fair value through profit or loss-non-current	6(2)	-	-	109	-
Financial assets at fair value through other comprehensive income-non-current	6(3)	1,200	-	1,900	-
Financial assets at amortised cost-non-current	6(4) and 8	7,302	1	7,302	1
Investments accounted for using equity method	6(7)	15,000	2		
Property, plant and equipment	6(8)	135,208	18	150,375	21
Right-of-use assets	6(10)	57,301	7	53,176	7
Investment property, net	6(9)	5,730	1	6,414	1
Intangible assets		785	-	1,081	-
Deferred tax assets	6(19)	36,314	5	44,135	6
Prepayment for equipment		463	-	-	-
Refundable deposits		850	-	397	-
Total Non-current Assets		260,153	34	264,889	36
TOTAL ASSETS		\$774,447	100	\$743,273	100
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Short-term borrowings	6(11)	\$100,000	13	\$25,000	3
Contract liabilities-current	6(15)	1,311	-	9,575	1
Accounts payable		64,742	8	42,791	6
Other payables	6(12)	61,619	8	34,951	5
Lease liabilities-current	6(10)	3,014	1	564	-
Other current liabilities		695	-	72	-
Total Current Liabilities		231,381	30	112,953	15
NON-CURRENT LIABILITIES					
Lease liabilities-non	6(10)	14,136	2	11,885	2
Other liabilities-current	6(13)	12,170	1	11,807	1
Total Non-current Liabilities		26,306	3	23,692	3
TOTAL LIABILITIES		257,687	33	136,645	18
EQUITY					
Share capital - common stock	6(14)	717,010	93	725,000	99
Capital surplus	6(14)	33	-	2,577	-
Retained earnings	6(14)				
Legal reserve		-	-	10,264	1
Special reserve		37,884	5	37,884	5
Accumulated deficit		(201,179)	(26)	(148,696)	(20)
Other equity		(24,731)	(3)	(36,069)	(5)
Treasury stocks	6(14)	(27,210)	(4)	(35,901)	(5)
Equity attributable to owners of the parent		501,807	65	555,059	75
Non-controlling interests	6(21)	14,953	2	51,069	7
TOTAL EQUITY		516,760	67	606,128	82
TOTAL LIABILITIES AND EQUITY		\$774,447	100	\$743,273	100

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

Z-COM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2022 and 2021
(Expressed in thousands of New Taiwan Dollars)

		For the Year Ended December 31, 2022		For the Year Ended December 31, 2021	
	Notes	Amount	%	Amount	%
Operating revenue	6(15)	\$326,030	100	\$259,775	100
Operating costs	6(6) and 6(16)	(233,282)	(72)	(191,403)	(74)
Operating margin		<u>92,748</u>	<u>28</u>	<u>68,372</u>	<u>26</u>
Operating expenses	6(16)				
Selling expenses		(25,238)	(8)	(44,059)	(17)
General and administrative expenses		(52,731)	(16)	(77,492)	(30)
Research and development expenses		(68,015)	(21)	(75,745)	(29)
Expected credit losses	12(4)	(21,194)	(6)	(2,178)	(1)
Total operating expenses		<u>(167,178)</u>	<u>(51)</u>	<u>(199,474)</u>	<u>(77)</u>
Net other (expenses) income	6(9)	(780)	-	539	-
Operating loss		<u>(75,210)</u>	<u>(23)</u>	<u>(130,563)</u>	<u>(51)</u>
Non-operating income and expenses					
Interest income	6(17)	1,641	1	938	-
Other income	6(17)	5,861	2	10,342	4
Other gains and losses	6(17)	10,193	3	145,081	56
Finance costs	6(17)	(1,848)	(1)	(6,975)	(2)
Total non-operating income and expenses		<u>15,847</u>	<u>5</u>	<u>149,386</u>	<u>58</u>
Net (loss) income before income tax	6(18)	(59,363)	(18)	18,823	7
Income tax expense		(5,307)	(2)	(22,938)	(9)
Net loss for the year		<u>(64,670)</u>	<u>(20)</u>	<u>(4,115)</u>	<u>(2)</u>
Other comprehensive income (loss)					
Items that may not be reclassified subsequently to profit or loss:					
Unrealized losses from equity instrument investments measured at fair value through other comprehensive income		(700)	-	-	-
Items that may be reclassified subsequently to profit or loss:					
Financial statements translation differences of foreign operations		9,267	3	(3,424)	(1)
Income tax related to the items comprehensive income that may be reclassified subsequently to profit or loss	6(18)	(2,521)	(1)	708	-
Other comprehensive income (loss) for the year		<u>6,046</u>	<u>2</u>	<u>(2,716)</u>	<u>(1)</u>
Total comprehensive loss for the year		<u>\$ (58,624)</u>	<u>(18)</u>	<u>\$ (6,831)</u>	<u>(3)</u>
Net loss for the year attributable to:					
Owners of the parent		\$ (64,854)	(20)	\$ (60,952)	(24)
Non-controlling interests		184	-	56,837	22
		<u>\$ (64,670)</u>	<u>(20)</u>	<u>\$ (4,115)</u>	<u>(2)</u>
Total comprehensive (loss) income attributable to:					
Owners of the parent		\$ (53,516)	(16)	\$ (63,782)	(25)
Non-controlling interests		(5,108)	(2)	56,951	22
		<u>\$ (58,624)</u>	<u>(18)</u>	<u>\$ (6,831)</u>	<u>(3)</u>
Basic earnings per share (in New Taiwan Dollars)	6(19)	<u>\$ (0.94)</u>		<u>\$ (0.88)</u>	
Diluted earnings per share (in New Taiwan Dollars)	6(19)	<u>\$ (0.94)</u>		<u>\$ (0.88)</u>	

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

Z-COM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2022 and 2021

(Expressed in thousands of New Taiwan Dollars)

Items	Equity attributable to owners of the parent										
	Share capital - common stock	Capital surplus	Retained Earnings			Other equity		Treasury stocks	Total	Non-controlling interests	Total equity
			Legal reserve	Special reserve	Accumulated deficit	Financial statements translation differences of foreign operations	Unrealized loss on financial assets at fair value through other comprehensive income				
Balance at January 1, 2021	\$725,000	\$2,577	\$14,909	\$37,884	\$(86,233)	\$(33,239)	\$-	\$(35,901)	\$624,997	\$(3,298)	\$621,699
Net loss for the year	-	-	-	-	(60,952)	-	-	-	(60,952)	56,837	(4,115)
Other comprehensive loss for the year	-	-	-	-	-	(2,830)	-	-	(2,830)	114	(2,716)
Total comprehensive income (loss) for the year	-	-	-	-	(60,952)	(2,830)	-	-	(63,782)	56,951	(6,831)
Cover the deficit of 2020											
Legal reserve cover the deficit	-	-	(4,645)	-	4,645	-	-	-	-	-	-
Changes in ownership interests in subsidiaries	-	-	-	-	(6,156)	-	-	-	(6,156)	(2,584)	(8,740)
Balance at December 31, 2021	\$725,000	\$2,577	\$10,264	\$37,884	\$(148,696)	\$(36,069)	\$-	\$(35,901)	\$555,059	\$51,069	\$606,128
Balance at January 1, 2022	\$725,000	\$2,577	\$10,264	\$37,884	\$(148,696)	\$(36,069)	\$-	\$(35,901)	\$555,059	\$51,069	\$606,128
Net loss for the year	-	-	-	-	(64,854)	-	-	-	(64,854)	184	(64,670)
Other comprehensive income (loss) for the year	-	-	-	-	-	11,679	(341)	-	11,338	(5,292)	6,046
Total comprehensive income (loss) for the year	-	-	-	-	(64,854)	11,679	(341)	-	(53,516)	(5,108)	(58,624)
Cover the deficit of 2021											
Legal reserve and capital surplus cover the deficit	-	(2,107)	(10,264)	-	12,371	-	-	-	-	-	-
Treasury stocks transaction	-	33	-	-	-	-	-	231	264	277	541
Treasury stocks cancellation	(7,990)	(470)	-	-	-	-	-	8,460	-	-	-
Capital reduction by cash-non-controlling interests	-	-	-	-	-	-	-	-	-	(31,285)	(31,285)
Balance at December 31, 2022	\$717,010	\$33	\$-	\$37,884	\$(201,179)	\$(24,390)	\$(341)	\$(27,210)	\$501,807	\$14,953	\$516,760

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

Z-COM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021
(Expressed in thousands of New Taiwan Dollars)

	For the Year Ended December 31, 2022	For the Year Ended December 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income before income tax	\$(59,363)	\$18,823
Adjustments for:		
Depreciation	21,288	29,929
Amortization	313	2,213
Expected credit losses	21,194	2,178
Net gains on financial assets at fair value through profit or loss	(2)	(270)
Interest expenses	1,848	6,975
Interest income	(1,641)	(938)
Loss (gain) on disposal of property, plant and equipment	4,542	(148,686)
Changes in operating assets and liabilities:		
Financial assets at fair value through profit or loss	-	374
Contract assets	2,010	(748)
Notes receivable	22,596	(1,065)
Accounts receivable	(458)	9,945
Other receivables	1,065	1,479
Inventories, net	(35,058)	(34,915)
Prepayments and other current assets	(7,315)	2,361
Contract liabilities	(8,264)	7,573
Accounts payable	21,951	(8,161)
Other payables	7,006	(10,293)
Other current liabilities	123	(673)
Other liabilities-non-current	363	(661)
Cash flows used in operating activities	<u>(52,994)</u>	<u>(124,560)</u>
Interest received	1,641	938
Interest paid	(1,848)	(6,975)
Income taxes refunded	57	1,106
Net cash used in operating activities	<u>(53,144)</u>	<u>(129,491)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	111	-
Decrease in financial assets measured at amortised cost	39,499	31,949
Acquisitions of investment accounted for using equity method	(15,000)	-
Acquisitions of property, plant and equipment	(4,493)	(2,109)
Proceeds from disposal of property, plant and equipment	80	226,600
(Increase) decrease in refundable deposits	(453)	2,207
Increase in prepaid equipment	(463)	-
Net cash provided by investing activities	<u>19,281</u>	<u>258,647</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in short-term borrowings	340,000	138,623
Decrease in short-term borrowings	(265,000)	(193,165)
Repayment of principal portion of lease liabilities	(2,715)	(555)
Price of treasury stock disposal	541	-
Proceeds from disposal of treasury stock	-	-
Acquisitions of ownership interests in subsidiaries	(4,348)	(4,392)
Capital reduction by cash-non-controlling interests	(7,275)	-
Net cash provided by (used in) financing activities	<u>61,203</u>	<u>(59,489)</u>
EFFECT OF CHANGES IN EXCHANGE RATES	<u>6,975</u>	<u>(1,800)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>34,315</u>	<u>67,867</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>189,280</u>	<u>121,413</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u><u>\$223,595</u></u>	<u><u>\$189,280</u></u>

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

Z-COM, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and organization

Z-Com, Inc. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in research, development and design of software and hardware, manufacturing, sales and system integration for wireless communication systems. The shares of the Company commenced trading on the Taipei Exchange in June 2013. The Group’s principal places of operation are located in is F5, No. 8, Xin-An Road, Hsinchu Science Park, Taiwan and No.2, An-Shun Road, Jiujiang City, Jiangxi Province, Mainland China.

2. Date and procedures of authorization of financial statements for issue

The consolidated financial statements of the Group for the years ended 31 December 2022 and 2021 were authorized for issue by the Company’s Board of Directors on 6 March 2023.

3. Newly issued or revised standards and interpretations

(1) Changes in accounting policies resulting from applying for the first-time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended (collectively, IFRSs”) which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January 2022. The adoption of these new standards and amendments had no material impact on the Group.

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below:

Item	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	1 January 2023
b	Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
c	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2023, and have no material impact on the Group.

- (3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”–Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	1 January 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2024
d	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
e	Non-current Liabilities with Covenants – Amendments to IAS 1	1 January 2024

The abovementioned standards and interpretations issued by IASB have not yet been recognized by FSC at the date of issuance of the Company’s financial statements, the local effective dates are to be determined by FSC. The abovementioned standards and interpretations have no material impact on the Group.

4. Summary of significant accounting policies

(1) Statement of compliance

The consolidated financial statements of the Group for the years ended 31 December 2022 and 2021 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and IFRS, endorsed by FSC.

(2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars (“NT\$”) unless otherwise stated.

(3) Basis of consolidation

Preparation principle of consolidated financial statement

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- (a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (b) exposure, or rights, to variable returns from its involvement with the investee; and
- (c) the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements;
- (c) the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Group loses control of a subsidiary, it:

- (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- (b) derecognizes the carrying amount of any non-controlling interest;
- (c) recognizes the fair value of the consideration received;
- (d) recognizes the fair value of any investment retained;
- (e) recognizes any surplus or deficit in profit or loss; and
- (f) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership (%)		Note
			31 Dec. 2022	31 Dec. 2021	
Z-Com, Inc.	Z-Wireless International Limited	Investments	100	100	
Z-Com, Inc.	Zhi Wei Ya HK Limited	Trades	100	100	
Z-Com, Inc.	Xin Huizhi Investment Co., Limited	Investments	48.81	48.81	1
Z-Com, Inc.	Z-Com Technology Limited	Investments	100	100	
Z-Com, Inc.	Intelligent platform for IoT services Co., Ltd.	Sale & communication electronics products	100	100	
Z-Com, Inc.	Zeneker India Private Limited	Sale & communication electronics products	100	100	
Z-Com Technology Limited	Nanjing ZCOM Wireless Co., Ltd.	Research and development, and sales of communication device and modem.	47.34	47.34	2
Z-Wireless International Limited	Nanjing Z-Wireless Technology Co., Ltd.	Research and development and sales of communication device and modem	100	100	
Nanjing Z-Wireless Technology Co., Limited	Nanjing Zwaveasia Communication Technology Co., Ltd.	Research and development and sales of communication device and network device	100	100	
Nanjing Z-Wireless Technology Co., Limited	Nanjing ZCOM Wireless Co., Limited	Sales of communication device and modem	13.23	13.23	2
Zhi Wei Ya HK Limited	Jiangxi Zwaveasia Technology Co., Ltd.	Research and development, manufacturing and sales of communication electronics products	100	100	

Note 1: As the shareholders of Xin Hui Zhi Investment Co., Limited are the management of Z-Com, Inc., Z-Com, Inc. has substantial control over Xin Hui Zhi Investment Co., Limited and thus was included in the consolidated financial statements starting from the date that Z-Com, Inc. obtained control over Xin Hui Zhi Investment Co., Limited in accordance with the regulations.

Note 2: The comprehensive shareholding ratio is over 50%.

Subsidiaries that have non-controlling interests that are material to the Group:

The information on non-controlling interest and respective subsidiary is as follows:

Name of Subsidiary	Principal place of business	December 31, 2022	December 31, 2021
Nanjing ZCOM Wireless Co., Limited	China	39.43%	39.43%

Summarised financial information of the subsidiary:

Name of Subsidiary	December 31, 2022	December 31, 2021
Nanjing ZCOM Wireless Co., Limited	\$12,903	\$48,560

Nanjing ZCOM Wireless Co., Limited sold its property and collected the disposal proceeds in the fourth quarter of 2021. Therefore, there are no significant assets or liabilities except cash and cash equivalent, and no significant operating activity occurred. The information on assets and liabilities of Nanjing ZCOM Wireless Co., Limited is as follow:

Balance sheets

	December 31, 2022	December 31, 2021
Cash and cash equivalent	\$54,964	\$112,048
Other assets	6,214	11,587
Capital reduction payable	(24,010)	-
Other liabilities	(4,448)	(14,596)
Total net assets	\$32,720	\$109,039

(4) Foreign currency transactions

The Group's consolidated financial statements are presented in NT\$, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- Foreign currency items within the scope of IFRS 9 *Financial Instruments* are accounted for based on the accounting policy for financial instruments.

- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. On the partial disposal of foreign operations that result in a loss of control, loss of significant influence or joint control but retain partial equity is considering as disposal.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Current and non-current distinction

An asset is classified as current when:

- (a) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
- (b) The Group holds the asset primarily for the purpose of trading.
- (c) The Group expects to realize the asset within twelve months after the reporting period.
- (d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- (a) The Group expects to settle the liability in its normal operating cycle
- (b) The Group holds the liability primarily for the purpose of trading
- (c) The liability is due to be settled within twelve months after the reporting period
- (d) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(7) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within three months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of:

- (a) the Group's business model for managing the financial assets and
- (b) the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables, financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

- (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.

Such financial assets are subsequently measured at amortized cost and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (a) purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- (b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; 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.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
 - i. Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - ii. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, at initial recognition, the Group makes an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies. Amounts presented in other comprehensive income are not subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and should be recorded as financial assets measured at fair value through other comprehensive income on balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

B. Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the balance sheet.

The Group measures expected credit losses of a financial instrument in a way that reflects:

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) the time value of money; and
- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follow:

- (a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- (b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- (c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.
- (d) For lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

C. Derecognition of financial assets

A financial asset is derecognized when:

- (a) The rights to receive cash flows from the asset have expired.
- (b) The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
- (c) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

D. Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

(9) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement assumes that the transaction of selling assets or transferring liabilities takes place either:

- A. the principal market for the asset or liability; or
- B. If there is no major market, the most favorable market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value measurement of an asset or a liability uses the assumptions that market participants would use when pricing the asset or liability, which assumes that those market participants are in their economically best interests.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient information is available to measure fair value, and maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

(10)Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials – Purchase cost on a first in, first out basis

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(11)Investments accounted for using equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence.

Under the equity method, the investment in the associate is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's related interest in the associate.

When changes in the net assets of an associate occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Group's percentage of ownership interests in the associate, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate on a pro rata basis.

When the associate issues new stock, and the Group's interest in an associate is reduced or increased as the Group fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in capital surplus and investment accounted for using equity method. When the interest in the associate is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Group disposes the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate, and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income. In determining the value in use of the investment, the Group estimates:

- A. Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- B. The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate is not separately recognized, it is not tested for impairment separately by applying the requirements for goodwill impairment testing.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

(12) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, plant and equipment*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	5-30 years
Machinery and equipment	3-10 years
Transportation equipment	5-10 years
Office equipment	2-5 years
Other equipment	2-10 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate, and are treated as changes in accounting estimates.

(13) Investment property

The Group's owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, investment properties are measured using the cost model in accordance with the requirements of IAS 16 *Property, plant and equipment* for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

Depreciation is calculated on a straight-line based over the estimated economic life of 20 years.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Group transfers properties to or from investment properties according to the actual use of the properties.

Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

(14) Leases

The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

- A. the right to obtain substantially all of the economic benefits from use of the identified asset; and
- B. the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

Group as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- A. fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- B. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- C. amounts expected to be payable by the lessee under residual value guarantees;
- D. the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- E. payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- A. the amount of the initial measurement of the lease liability;
- B. any lease payments made at or before the commencement date, less any lease incentives received;
- C. any initial direct costs incurred by the lessee; and
- D. an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use asset applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements of comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

Group as a lessor

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Group allocates the consideration in the contract applying IFRS 15.

The Group recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

(15) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss.

Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life.

(16) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(17) treasury stock

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. Any difference between the carrying amount and the consideration is recognized in equity.

(18) Revenue recognition

- A. The Group is engaged in research, development and design of software and hardware, manufacturing, sales and system integration for wireless communication systems. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- B. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(19) Loans

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(20) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

(21) Post-employment benefits

All regular employees of the Group and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Group and its domestic subsidiaries. Therefore, fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Group and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Group recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

(22) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- A. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- B. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- A. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- B. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(1) Judgement

None.

(2) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

A. Trade receivables—estimation of impairment loss

The Group estimates the impairment loss of trade receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 12(4) for more details.

B. Inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation. Please refer to Note 6(6) for more details.

6. Contents of significant accounts

(1) Cash and cash equivalents

	As at	
	December 31, 2022	December 31, 2021
Cash on hand	\$444	\$474
Checking accounts and demand deposits	216,825	188,806
Time deposits	6,326	-
Total	<u>\$223,595</u>	<u>\$189,280</u>

The Group recognised time deposits with maturities over three months as well as cash and cash equivalents pledged to others as collateral under “financial assets at amortised cost”, please refer to Note 6(4) for the details.

(2) Financial assets at fair value through profit or loss

	As at	
	December 31, 2022	December 31, 2021
Non-Current items:		
Listed stocks	<u>\$-</u>	<u>\$109</u>

(3) Financial assets at fair value through other comprehensive income

	As at	
	December 31, 2022	December 31, 2021
Equity instrument investments measured at fair value through other comprehensive income-non-current:		
Unlisted stocks	<u>\$1,200</u>	<u>\$1,900</u>

The Group has elected to classify the investment in Chenyi Rail Technology Corp. that are considered to be strategic investments which recorded under financial assets at fair value through other comprehensive income. Financial assets at fair value through other comprehensive income were not pledged.

(4) Financial assets measured at amortized cost

	As at	
	December 31, 2022	December 31, 2021
Current		
Time deposits with maturities over three months	\$2,770	\$17,357
Time deposits for the purpose of pledging	7,302	32,214
Total	<u>\$10,072</u>	<u>\$49,571</u>
Non-current		
Time deposits with maturities over three months	\$2,770	\$42,269
Time deposits for the purpose of pledging	7,302	7,302
Total	<u>\$10,072</u>	<u>\$49,571</u>

Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.

(5) Notes receivables and accounts receivable, net

	As at	
	December 31, 2022	December 31, 2021
Notes receivable	<u>\$29,449</u>	<u>\$6,853</u>
Accounts receivable	\$61,004	\$63,051
Less: Loss allowance	(35,200)	(16,511)
Total	<u>\$25,804</u>	<u>\$46,540</u>

The aging analysis of notes receivable and accounts receivable is as follows:

	December 31, 2022		December 31, 2021	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$24,831	\$29,449	\$35,773	\$6,853
Overdue:				
1 to 90 days	973	-	10,213	-
91 to 180 days	-	-	155	-
181 to 360 days	7,504	-	399	-
Over 360 days	27,696	-	16,511	-
Loss allowance	(35,200)	-	(16,511)	-
Total	<u>\$25,804</u>	<u>\$29,449</u>	<u>\$46,540</u>	<u>\$6,853</u>

The above aging analysis was based on past due date.

The Group's credit period of sales was ranged from 30 days to 90 days. Information relating to loss allowance and credit risk of accounts receivable is provided in Note 12(4).

No notes receivable and accounts receivable were pledged.

(6) Inventories

	As at	
	December 31, 2022	December 31, 2021
Raw materials	\$144,845	\$116,255
Work in progress	20,100	26,482
Finished goods	37,993	25,143
Total	<u>\$202,938</u>	<u>\$167,880</u>

The cost of inventories recognized in expenses amounts to \$233,282 and \$191,403 for the years ended December 31, 2022 and 2021, respectively, including the allowance for inventories provision of \$11,234 and \$6,513, respectively.

No inventories were pledged.

(7) Investments accounted for using equity method

The following table lists the investments accounted for using equity method of the Group:

Investees	As at			
	December 31, 2022		December 31, 2021	
	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Investments in associate:				
Chunghwa Sochamp Technology Inc.	<u>\$15,000</u>	27.27%	<u>\$-</u>	-

The Group invested in Chunghwa Sochamp Technology Inc. in December 2022, with the original investment amount of \$15,000 thousand dollars. It is engaged in the manufacture or sale of license plate recognition software and hardware products. The Group obtained the same or similar non-contractual customer relationship (business cooperation) through strategic investment in its equity. The Group expected to obtain future economic benefits generated from the aforementioned customer relationship.

The principal operating place of the associate is at Room 38-3B, 3 F, No. 5, Section 5, Xinyi Road, Xinyi District, Taipei City.

Reconciliation of the associate's summarized financial information presented to the carrying amount of the Group's interest in the associate:

	December 31, 2022
Current assets	\$128,355
Non-current assets	22,999
Current liabilities	(133,492)
Non-current liabilities	(193)
Equity	<u>17,669</u>
Proportion of the Group's ownership	<u>27.27%</u>
Subtotal	4,818
Customers relationship	<u>10,182</u>
Carrying amount of the investment	<u>\$15,000</u>

The associate had no contingent liabilities, capital commitments or guarantees as at December 31, 2022.

(8) Property, plant and equipment

	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Others	Equipment awaiting examination	Total
Cost:							
As at 1 Jan. 2022	\$191,540	\$151,886	\$3,775	\$7,095	\$34,692	\$-	\$388,988
Additions	717	804	804	-	2,168	-	4,493
Disposition	-	(41,302)	(392)	(309)	(5,799)	-	(47,802)
Derecognition	-	-	-	-	(9,321)	-	(9,321)
Exchange differences	1,753	1,628	47	75	436	-	3,939
As at 31 Dec. 2022	<u>\$194,010</u>	<u>\$113,016</u>	<u>\$4,234</u>	<u>\$6,861</u>	<u>\$22,176</u>	<u>\$-</u>	<u>\$340,297</u>
Depreciation:							
As at 1 Jan. 2022	\$79,752	\$127,615	\$2,678	\$4,701	\$23,867	\$-	\$238,613
Depreciation	8,409	5,173	450	485	2,091	-	16,608
Disposition	-	(37,163)	(353)	(278)	(5,386)	-	(43,180)
Derecognition	-	-	-	-	(9,321)	-	(9,321)
Exchange differences	726	1,247	35	55	306	-	2,369
As at 31 Dec. 2022	<u>\$88,887</u>	<u>\$96,872</u>	<u>\$2,810</u>	<u>\$4,963</u>	<u>\$11,557</u>	<u>\$-</u>	<u>\$205,089</u>
Net carrying amount as at 31 Dec. 2022:	<u>\$105,123</u>	<u>\$16,144</u>	<u>\$1,424</u>	<u>\$1,898</u>	<u>\$10,619</u>	<u>\$-</u>	<u>\$135,208</u>
Cost:							
As at 1 Jan. 2021	\$252,343	\$156,919	\$3,279	\$7,134	\$35,616	\$1,523	\$456,814
Additions	-	617	674	-	818	-	2,109
Disposals	(59,365)	(6,000)	(155)	-	(1,511)	-	(67,031)
Transfer	-	1,243	-	-	-	(1,510)	(267)
Exchange differences	(1,438)	(893)	(23)	(39)	(231)	(13)	(2,637)
As at 31 Dec. 2021	<u>\$191,540</u>	<u>\$151,886</u>	<u>\$3,775</u>	<u>\$7,095</u>	<u>\$34,692</u>	<u>\$-</u>	<u>\$388,988</u>
Depreciation:							
As at 1 Jan. 2021	\$109,355	\$122,367	\$2,419	\$4,163	\$22,784	\$-	\$261,088
Depreciation	9,812	11,161	372	565	1,232	-	23,142
Disposals	(38,750)	(5,275)	(97)	-	-	-	(44,122)
Exchange differences	(665)	(638)	(16)	(27)	(149)	-	(1,495)
As at 31 Dec. 2021	<u>\$79,752</u>	<u>\$127,615</u>	<u>\$2,678</u>	<u>\$4,701</u>	<u>\$23,867</u>	<u>\$-</u>	<u>\$238,613</u>
Net carrying amount as at 31 Dec. 2021:	<u>\$111,788</u>	<u>\$24,271</u>	<u>\$1,097</u>	<u>\$2,394</u>	<u>\$10,825</u>	<u>\$-</u>	<u>\$150,375</u>

Please refer to Note 8 for more details on property, plant and equipment under pledge.

The Group has no capitalization of interest attributable to the property, plant and equipment for the years ended December 31, 2022, and 2021.

(9) Investment property

	<u>Buildings</u>
Cost:	
As at 1 Jan. 2022	\$17,040
Exchange differences	251
As at 31 Dec. 2022	<u>\$17,291</u>
Depreciation:	
As at 1 Jan. 2022	\$10,626
Depreciation	779
Exchange differences	156
As at 31 Dec. 2022	<u>\$11,561</u>
Net carrying amount as at 31 Dec. 2022:	<u>\$5,730</u>
Cost:	
As at 1 Jan. 2021	\$172,908
Disposals	(154,351)
Exchange differences	(1,517)
As at 31 Dec. 2021	<u>\$17,040</u>
Depreciation and impairment:	
As at 1 Jan. 2021	\$105,750
Disposals	(99,346)
Depreciation	5,150
Exchange differences	(928)
As at 31 Dec. 2021	<u>\$10,626</u>
Net carrying amount as at 31 Dec. 2021:	<u>\$6,414</u>

	<u>Years ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Rental income from investment property	\$-	\$5,690
Less: Direct operating expenses arising from the investment property that generated rental income	(780)	(5,151)
Net other (expenses) income	<u>\$(780)</u>	<u>\$539</u>

The Group signs commercial property leasing contracts for its own investment real estate, and the leasing period ranges from 1 to 5 years.

The Group sold the property in Jiangxuanwu District, Nanjing City in November 2021 (originally recorded under investment property and portion recorded under property plant and equipment), and the disposal proceeds was around \$260,280 deducting the related transaction cost \$33,680 and the carrying amount of \$74,944 on the date of disposal, the disposal gain is \$151,656, which is recorded under other gains and losses.

The fair value of the investment properties held by the Group on December 31, 2022 is \$14,040. The fair value is based on the recent transaction prices in neighboring areas.

No investment property was pledged.

(10) Leases

Group as a lessee

The Group leases land properties. The lease terms range from 12 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants.

The Group's leases effect on the financial position, financial performance and cash flows are as follow:

A. Right-of-use assets

	As at	
	December 31, 2022	December 31, 2021
Land	\$56,547	\$52,421
Parking lot	754	755
Carrying amount	<u>\$57,301</u>	<u>\$53,176</u>

Depreciation

	Years ended December 31,	
	2022	2021
Land	\$3,888	\$1,625
Parking lot	13	12
Total	<u>\$3,901</u>	<u>\$1,637</u>

For the years ended December 31, 2022 and 2021, the Group's additions to right-of-use assets amounting to \$7,416 and \$0, respectively.

B. Lease liabilities

	As at	
	December 31, 2022	December 31, 2021
Current	\$3,014	\$564
Non-current	14,136	11,885
Lease liabilities	<u>\$17,150</u>	<u>\$12,449</u>

Please refer to Note 12(5) liquidity risk management for the maturity analysis of lease liabilities.

C. Lessee's income and expenses related to leasing activities

	Years ended December 31,	
	2022	2021
Interest expense on lease liability	<u>\$449</u>	<u>\$233</u>
Short-term and low-value leases	<u>\$417</u>	<u>\$1,034</u>

D. Cash outflows related to leasing activities

For the years ended December 31, 2022 and 2021, the Group's total lease cash outflows were \$3,581 and \$1,822, respectively.

E. Other Information Relating to Rental Activities

Lease extension option and lease termination option

When determining the lease term, the Group takes into account all facts and circumstances that create economic incentives to exercise the option to renew the lease. The lease term will be re-estimated when a significant event occurs in assessing the exercise of the option to renew the lease.

(11) Short-term borrowings

	As at	
	December 31, 2022	December 31, 2021
Unsecured bank borrowings	<u>\$100,000</u>	<u>\$25,000</u>
Interest rates (%)	2.00%~2.21%	1.25%~1.38%

The Group's unused amount of bank facility is as follows:

	As at	
	December 31, 2022	December 31, 2021
Facility of short-term loan	\$50,000	\$183,000
Facility of financing of import bills	70,000	132,000
Total	<u>\$120,000</u>	<u>\$315,000</u>

(12) Other payables

	As at	
	December 31, 2022	December 31, 2021
Salary and bonus payable	\$16,112	\$15,469
Capital reduction payable to non-controlling interests	24,010	-
Other payables	21,497	19,482
Total	<u>\$61,619</u>	<u>\$34,951</u>

(13) Post-employment benefits

Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

The Company's mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

The pension costs under defined contribution pension of the Group for the years ended December 31, 2022, and 2021 were \$7,323, and \$5,956, respectively.

The Company additionally proposed pension provision for appointed managers for the years ended December 31, 2022, and 2021 amounting to \$1,774 and \$1,928. As of December 31, 2022 and 2021, the accrued pension liabilities of appointed managers (recorded under other liabilities-non-current), were \$11,992 and \$11,615, respectively.

(14)Equities

A. Common stock

As of December 31, 2022 and 2021, the Company's authorised capital was \$1,000,000, and the issued capital were \$717,010 and \$725,000 with a par value of \$10 (in new Taiwan dollars) per share is entitled to vote and to receive dividends. Movements in the number of the Company's outstanding stocks are as follows:

	Unit: share in thousands		
	2022		
	Issued stock	Treasury stocks	Outstanding stocks
At January 1	72,500	(3,407)	69,093
Treasury stock cancellation	(799)	799	-
Treasury stock transaction	-	22	22
At December 31	<u>71,701</u>	<u>(2,586)</u>	<u>69,115</u>

In January 2022, the Company cancelled treasury stocks in accordance with Article 28-2 of the Securities and Exchange Act, by reducing share stocks \$7,990 (799 thousand shares) and capital surplus \$470, respectively.

	2021		
	Issued stock	Treasury stocks	Outstanding stocks
At January 1 and December 31	<u>72,500</u>	<u>(3,407)</u>	<u>69,093</u>

B. Treasury stocks

(a) Reasons and numbers for the Company's treasury stocks are as follows:

Name of Company holding the stocks	Purpose of buy-back	As at December 31, 2022	
		Number of shares (in thousands)	Carrying amount
Subsidiary-Xin Hui Zhi Investment Co., Limited	Business strategy	2,586	<u>\$27,210</u>

Name of Company holding the stocks	Purpose of buy-back	As at December 31, 2021	
		Number of shares (in thousands)	Carrying amount
The Company	Transfer to employees	799	\$8,460
Subsidiary-Xin Hui Zhi Investment Co., Limited	Business strategy	2,608	<u>27,441</u>
			<u>\$35,901</u>

- (b) Pursuant to the Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.
- (c) Pursuant to the Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (d) Pursuant to the Securities and Exchange Act (previous act), treasury shares should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.
- (e) On November 8, 2018, the Board of Directors of the Company resolved to repurchase its shares and transfer to employees. The Company bought back 799 thousand shares in total at the average repurchase price of \$ 10.59 (in New Taiwan dollars) amounting to \$8,460. In January 2022, the Company cancelled treasury stocks in accordance with Article 28-2 of the Securities and Exchange Act, by reducing share stocks \$7,990 (799 thousand shares) and capital surplus \$470, respectively.
- (f) The subsidiary, Xin Hui Zhi Investment Co., Limited whose shareholding ratio held is less than 50% but is substantially controlled by the Company, due to business strategies acquired the Company's shares, which were treated as treasury stocks. The costs of the treasury shares were calculated based on the carrying amount of the Company's shares held by Xin Hui Zhi Investment Co., Limited in each period and the share ownership of Xin Hui Zhi Investment Co., Limited held by the Company. As of December 31, 2022 and 2021, the Company's shares held by Xin-Zhi Investment Co., Ltd. amounted to 5,299 thousand and 5,344 thousand shares, respectively, at the average carrying amount of \$ \$10.52 in New Taiwan dollars per share, respectively, and the fair value per share amounted to \$10 and \$9.23 in dollars, respectively. The parent company's shares held by the subsidiaries carry no voting power before the transfer.

C. Capital surplus

	As at	
	December 31, 2022	December 31, 2021
Treasury stock transactions	\$33	\$2,553
Changes in ownership interests in subsidiaries	-	24
Total	<u>\$33</u>	<u>\$2,577</u>

According to the Company Act, the capital reserve shall not be used except for offset the deficit of the Company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

D. Retained earnings and dividend policies

- (a) The Company's current year earnings, if any, shall first be used to pay all taxes and offset accumulated deficits, then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve amount equals the paid-in capital amount and then special reserve shall be set aside or reversed in accordance with the regulations. The remaining earnings, if any, along with the accumulated unappropriated earnings may be distributed as shareholder's dividends and bonus, which shall be proposed by the Board of Directors and resolved by the shareholders at the stockholders' meeting. For all or a portion of distributable dividends, legal reserve and capital surplus that are distributed in the form of cash, will be adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, and will be reported to the shareholders, and the provisions of the articles of association concerning the resolution of the shareholders' meeting are not applicable.
- (b) The Company's dividend policy is as follows: The Company takes into account current and future investment environment, capital needs, domestic and foreign competition, and capital budget, etc. along with shareholders' interests and the long-term financial plans. The accumulated distributable earnings are appropriated as dividend to shareholders, of which the distributable earnings during the current year shall account for at least 50% and cash dividend shall account for at least 10% of the total dividends distributed.
- (c) Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- (d)
 - i. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
 - ii. The amount of \$21,047, cumulative translation adjustments transferred to retained earnings on the translation date, previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Order No. Financial-Supervisory-Securities-Corporate-1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

- (e) i. The proposal for covering the deficit was approved by the board of directors of the Company on March 6, 2023.
- ii. The proposal for covering the deficit was approved by the board of directors of the Company on March 8, 2022, and approved at the shareholders' meeting on May 26, 2022.
- iii. The proposal for covering the deficit was approved by the board of directors of the Company on March 9, 2021, and approved at the shareholders' meeting on July 26, 2021.

Please refer to Note 6(16) on employees' compensation and directors' remuneration.

(15) Operating revenue

	Years Ended December 31	
	2022	2021
Revenue from contracts with customers	<u>\$326,030</u>	<u>\$259,775</u>

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the following major product lines:

Revenue from contracts:	Years Ended December 31	
	2022	2021
Commodity	\$159,500	\$129,643
Industrial	103,451	42,156
5G & IoT	66,079	87,976
Total	<u>\$326,030</u>	<u>\$259,775</u>

Timing of revenue recognition		
At a point in time	\$322,117	\$243,661
Over time	3,913	16,114
Total	<u>\$326,030</u>	<u>\$259,775</u>

B. Contract balance

(a) Contract assets-current

	As at	
	December 31, 2022	December 31, 2021
Sales of goods and rendering of services	<u>\$-</u>	<u>\$2,010</u>

(b) Contract liabilities-current

	As at	
	December 31, 2022	December 31, 2021
Sale of goods and rendering of services	\$1,311	\$9,575

Changes in contract liabilities are primarily attributable to timing differences between satisfaction of performance obligations and payment by customers.

The contract liabilities at the beginning of the year recognized as profit or loss for the years ended December 31, 2022 and 2021 were \$8,264 and \$619, respectively.

- (16) The Group's employee benefits, depreciation and amortization expenses for the years ended December 31, 2022 and 2021 are summarized by function as follows:

	2022			2021		
	Operation costs	Operation expenses	Total	Operation costs	Operation expenses	Total
Employee benefit expense						
Wages and salaries	\$18,702	\$79,784	\$98,486	\$13,342	\$99,230	\$112,572
Labor and health insurance	590	6,498	7,088	977	7,337	8,314
Pension	1,487	7,610	9,097	-	7,884	7,884
Other employee benefit expenses	97	3,406	3,503	102	2,694	2,796
Depreciation	5,826	15,462	21,288	3,639	26,290	29,929
Amortization	13	300	313	19	2,194	2,213

The employees' compensation and director's remuneration policies stipulated in the Company's articles of association are as follows:

In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall be 10%~15% for employees' compensation and shall not be higher than 3% for directors' remuneration.

The Company accrued employees' compensation and directors' remuneration based on the aforementioned percentage of profit. If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimate.

The Company did not accrue employees' compensation and directors' remuneration due to losses in 2022 and 2021.

The board of directors of the Company made resolutions on March 6, 2023 and March 8, 2022, respectively, that no distribution of employees' compensation and directors' remuneration as no profit in 2022 and 2021.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(17) Non-operating income and expenses

A. Interest income

	Years ended December 31,	
	2022	2021
Interest income from bank	\$1,641	\$938

B. Other income

	Years ended December 31,	
	2022	2021
Government grants	\$1,055	\$5,227
Compensation income	2,494	-
Others	2,312	5,115
Total	\$5,861	\$10,342

C. Other gains and losses

	Years ended December 31,	
	2022	2021
Net (losses) gains on disposals of property, plant and equipment and investment property	\$(4,542)	\$148,686
Net foreign exchange gains (losses)	7,032	(2,092)
Net gains on financial assets at fair value through profit or loss	2	270
Others	7,701	(1,783)
Total	\$10,193	\$145,081

D. Finance costs

	Years ended December 31,	
	2022	2021
Interest expense from bank borrowings	\$1,399	\$6,742
Interest expense from lease liabilities	449	233
Total	\$1,848	\$6,975

(18) Income tax

A. Components of income tax:

	Years ended December 31,	
	2022	2021
Current tax:		
Prior years income tax adjustment	\$7	\$4,980
Deferred tax:		
The origination and reversal of temporary differences	5,300	17,958
Income tax expense	<u>\$5,307</u>	<u>\$22,938</u>

The income tax expense (benefit) relating to other comprehensive income is as follows:

	Years ended December 31,	
	2022	2021
Currency translation differences	<u>\$2,521</u>	<u>\$(708)</u>

Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2022	2021
Net (loss) income before income tax	<u>\$(59,363)</u>	<u>\$18,823</u>
Income tax (benefit) expense at the statutory rate	\$(1,187)	\$3,765
Temporary differences not recognised as deferred tax assets	1,187	(3,765)
The origination and reversal of temporary differences	5,300	17,958
Prior years income tax adjustment	7	4,980
Income tax expense	<u>\$5,307</u>	<u>\$22,938</u>

B. The movements of deferred tax assets or liabilities arising from temporary differences and taxable losses are as follows:

	2022			
		Recognised in	Recognised in other comprehensive income	
	January 1	profit or loss		December 31
Deferred tax assets:				
Currency translation differences	\$3,756	\$-	\$(2,521)	\$1,235
Unrealised long-term investment losses and taxable losses	30,976	(8,953)	-	22,023
Unrealised loss for obsolete and impairment of inventories	6,117	578	-	6,695
Others	3,286	3,075	-	6,361
Total	<u>\$44,135</u>	<u>\$(5,300)</u>	<u>\$(2,521)</u>	<u>\$36,314</u>

	2021			
		Recognised in	Recognised in other comprehensive income	
	January 1	profit or loss		December 31
Deferred tax assets:				
Currency translation differences	\$3,048	\$-	\$708	\$3,756
Unrealised long-term investment losses and taxable less	49,514	(18,538)	-	30,976
Unrealised loss for obsolete and impairment of inventories	5,259	858	-	6,117
Others	3,564	(278)	-	3,286
Total	<u>\$61,385</u>	<u>\$(17,958)</u>	<u>\$708</u>	<u>\$44,135</u>

C. The deductible temporary differences that are not recognised as deferred tax assets are as follows:

	As at	
	December 31, 2022	December 31, 2021
Deductible temporary differences	<u>\$224,714</u>	<u>\$92,651</u>

As of December 31, 2022, the Company's unused loss carryforwards for which no deferred tax assets have been recognized:

Year	Taxable loss	Unused loss carry forwards	Expiry year
2022 (Estimated)	\$9,539	\$9,539	2032
2021 (Filing)	63,789	63,789	2031
2020 (Assessment)	1,327	1,327	2030

D. The assessment of income tax returns:

As of 31 December 2022, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

The assessment of income tax returns	
The Company	Assessed and approved up to 2020

The subsidiaries of the Company are located in the Cayman Islands, British Virgin Islands, PRC and Hong Kong. The aforementioned tax authorities will not take the initiative to send a tax returns assessment to enterprises. When there are tax disputes, they issued a tax payment notice to enterprises and reserve the right to propose additional taxes.

(19) Earnings per share

The basic earnings per share is calculated by dividing the net loss in the current periods attributable to ordinary shares holders of the parent entity by the weighted average number of ordinary outstanding in the current period.

	Years ended December 31,	
	2022	2021
Net loss for the year attributable to ordinary shares holders of the parent entity	\$(64,854)	\$(60,952)
Weighted average outstanding shares (thousand shares)	69,108	69,093
Basic earnings per share (in New Taiwan dollar)	\$(0.94)	\$(0.88)
Diluted earnings per share (in New Taiwan dollar)	\$(0.94)	\$(0.88)

(20) Supplemental cash flow information

A. Financing activities with partial cash payments:

	Years ended December 31,	
	2022	2021
Capital reduction by cash to non-controlling interests	\$31,285	\$-
Less: Ending balance of payables	(24,010)	-
Cash paid during the year	\$7,275	\$-

	Years ended December 31,	
	2022	2021
Acquisitions of ownership interests in subsidiaries	\$-	\$8,740
Add: Opening balance of payable	4,348	-
Less: Ending balance of payable	-	(4,348)
Cash paid during the year	\$4,348	\$4,392

(21) Changes in Ownership Interests in Subsidiaries

Acquisitions of ownership interests in subsidiaries

Nanjing Z-Wireless Technology Co., Limited, a subsidiary of the Company, acquired a 10.53% ownership in 2021. The impact of changes in equity attributable to owners of the parent is as follows:

	Amounts
Acquisitions of ownership interests in subsidiaries	\$8,740
Less: Carrying amount of non-controlling interests	2,584
Decrease in retained earnings-the difference between the acquisitions of ownership interests in subsidiaries and the carrying amount	\$6,156

7. Related Party Transactions

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
All directors (including the chairman Xie Jinshan, and other directors) and general manager	The management of the Company

(2) Significant related party transactions

None.

(3) Key management compensation

	Years ended December 31,	
	2022	2021
Short-term employee benefits	\$7,961	\$8,896
Post-employment benefits	1,838	1,991
Total	<u>\$9,799</u>	<u>\$10,887</u>

8. Pledged Assets

The Group's assets pledged as collateral are as follows:

Pledged asset	Carrying amount		Purpose
	December 31, 2022	December 31, 2021	
Time deposits (recorded under carrying amount financial assets at amortised cost- current)	\$-	\$24,912	Performance bond
Time deposits (recorded under carrying amount financial assets at amortised cost - non - current)	6,440	6,440	Performance bond
Time deposits (recorded under carrying amount financial assets at amortised cost - non - current)	862	862	Guarantee deposits to Hsinchu Science Park Bureau, Ministry of Science and Technology
Total	<u>\$7,302</u>	<u>\$32,214</u>	

9. Significant Contingent Liabilities And Unrecognised Contract Commitments

(1) Contingencies

None.

(2) Commitments

As of December 31, 2022, the balance of unused letters of credit issued by the Company was \$4,916.

10. Significant Disaster Loss

None.

11. Significant Events After The Balance Sheet Date

None.

12. Others

(1) Financial instruments

A. Financial instruments by category

	As at	
	December 31, 2022	December 31, 2021
<u>Financial assets</u>		
Financial assets at fair value through profit or loss	\$-	\$109
Financial assets at fair value through other comprehensive income	1,200	1,900
Financial assets at amortised cost		
Cash and cash equivalents	223,595	189,280
Financial assets at amortised cost	10,072	49,571
Notes receivable	29,449	6,853
Accounts receivable	25,804	46,540
Other receivables	48	1,113
Refundable deposits	850	397
Total	<u>\$291,018</u>	<u>\$295,763</u>

	As at	
	December 31, 2022	December 31, 2021
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$100,000	\$25,000
Accounts payable	64,742	42,791
Other payables	61,619	34,951
Other current liabilities	695	572
Total	<u>\$227,056</u>	<u>\$103,314</u>
Lease liabilities	<u>\$17,150</u>	<u>\$12,449</u>

(2) Financial risk management policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the board of directors and audit committee of the Company must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and price risk.

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and set investments in foreign operations.

Management has set up a policy to require all operating units in the Group to manage their foreign exchange risk against the functional currency. Group treasury adopts capital requirements of each currency and net position of assets and liabilities denominated in foreign currencies to implement natural hedge, or adopts forward foreign exchange contracts to implement hedging. Foreign exchange risk arises when the future commercial transactions and recognized assets or liabilities are not valued by the functional currency of each individual.

The sensitivity analysis of the Group's exchange rate risk mainly focuses on the end date of the financial reporting period, the main foreign currency monetary items, and the impact of the related foreign currency appreciation/depreciation on the Group's profit and loss. The Group's exchange rate risk is mainly affected by fluctuations in the exchange rates of US dollar and RMB. Sensitivity analysis information is as follows:

- A. When New Taiwan dollar appreciates/depreciates by 1% against U.S. dollar, the Group's net income before income tax in 2022 and 2021 will decrease/increase by \$1,355 and increase/decrease by \$102, respectively.
- B. When RMB appreciates/depreciates by 1% against US dollar, the Group's net income before income tax in 2022 and 2021 will increase/decrease by \$91 and increase/decrease by \$475, respectively.

Interest Rate Risk

Interest rate risk is the risk of fluctuations in the fair value of financial instruments or future cash flows due to changes in market interest rates. The Group's interest rate risk mainly arises from borrowings.

The Group manages the interest risk by maintaining an optimal fixed and variable interest rate portfolio to ensure that the hedging strategy adapted by the Group is most cost efficient.

Except the aforementioned strategy, as of December 31, 2022, the Group's bank savings are higher than bank borrowings. Therefore, the Group does not expect to have significant interest rate risk and interest risk has no significant impact on the Group.

(4) Credit risk

Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their clients, including assessing customers' financial condition, historical transaction records and other factors which may affect customers' ability to repay the payments. The utilisation of credit limits is regularly monitored. Credit risk arises from deposits with banks and financial institutions, as well as receivables received from customers. The Group only transacts with the bank and financial institutions with good credit quality, therefor, the exposure to credit risk is not expected.

The Group's accounts receivable concentrate in certain clients who are mainly internationally renowned enterprises and are not connected. Credit assessment on the financial status of the clients have been conducted. The Group assessed expected credit loss by individually clients.

The movements of allowance loss of accounts receivable are as follows:

	2022	2021
At January 1	\$16,511	\$19,780
Provision for impairment loss	21,194	2,178
Written off	(2,067)	(5,391)
Exchange differences	(438)	(56)
At December 31	<u>\$35,200</u>	<u>\$16,511</u>

(5) Liquidity risk management

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times.

Operating entities invest surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts.

The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity:

December 31, 2022

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Short-term borrowings	\$100,214	\$-	\$-	\$-	\$100,214
Accounts payable	64,742	-	-	-	64,742
Other payables	61,619	-	-	-	61,619
Lease liabilities (Note)	3,404	4,435	2,375	9,236	19,450
Other current liabilities	695	-	-	-	695
Total	<u>\$230,674</u>	<u>\$4,435</u>	<u>\$2,375</u>	<u>\$9,236</u>	<u>\$246,720</u>

December 31, 2021

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Short-term borrowings	\$25,040	\$-	\$-	\$-	\$25,040
Accounts payable	42,791	-	-	-	42,791
Other payables	34,951	-	-	-	34,951
Lease liabilities (Note)	788	788	2,365	9,984	13,925
Other current liabilities	572	-	-	-	572
Total	<u>\$104,142</u>	<u>\$788</u>	<u>\$2,365</u>	<u>\$9,984</u>	<u>\$117,279</u>

Note: Excluding cash flows from short-term leases and lease contracts of low-value assets.

(6) Reconciliation of liabilities arising from financing activities

2022:

	Short-term borrowings interests	Lease liabilities	Payables for acquisitions of ownership	Payables for capital reduction	Liabilities arising from financing activities
1 Jan. 2022	\$25,000	\$12,449	\$4,348	\$-	\$41,797
The change in other non-cash items	-	7,416	-	31,285	38,701
Financing cash flow	75,000	(2,715)	(4,348)	(7,275)	60,662
Interest expense on lease liabilities	-	449	-	-	449
Interest paid on lease liabilities	-	(449)	-	-	(449)
31 Dec. 2022	<u>\$100,000</u>	<u>\$17,150</u>	<u>\$-</u>	<u>\$24,010</u>	<u>\$141,160</u>

2021:

	Short-term borrowings interests	Lease liabilities	Payables for acquisitions of ownership	Liabilities arising from financing activities
1 Jan. 2021	\$80,261	\$13,004	\$-	\$93,265
The change in other non-cash items	-	-	8,740	8,740
Financing cash flow	(54,542)	(555)	(4,392)	(59,489)
Interest expense on lease liabilities	-	233	-	233
Interest paid on lease liabilities	-	(233)	-	(233)
Exchange differences	(719)	-	-	(719)
31 Dec. 2021	<u>\$25,000</u>	<u>\$12,449</u>	<u>\$4,348</u>	<u>\$41,797</u>

(7) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

B. Fair value information of investment property measured at cost is provided in Note 6(9).

C. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, refundable deposits, short-term borrowings, notes payable, accounts payable, other payables and guarantee deposits received are approximate to their fair values.

D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

(a) The related information of natures of the assets and liabilities is as follows:

	Level 1	Level 2	Level 3	Total
December 31, 2022				
<u>Recurring fair value measurements for</u>				
<u>assets</u>				
Financial assets at fair value through				
other comprehensive income	\$-	\$-	\$1,200	\$1,200

	Level 1	Level 2	Level 3	Total
December 31, 2021				
<u>Recurring fair value measurements for</u>				
<u>assets</u>				
Financial assets at fair value through profit or loss				
Listed equity securities	\$109	\$-	\$-	\$109
Financial assets at fair value through other comprehensive income				
Unlisted equity securities	-	-	1,900	1,900

(b) The methods and assumptions the Group used to measure fair value are as follows:

- i. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed shares</u>
Market quoted price	Closing price

- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.

E. For the years ended December 31, 2022 and 2021, there was no transfer between Level 1 and Level 2.

F. For the years ended December 31, 2022 and 2021, there was no transfer into or out from Level 3.

G. For the years ended December 31, 2022 and 2021, the movements for Level 3 of non-derivative equity instruments are as follow:

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Opening Balance	\$1,900	\$1,900
Evaluation adjustment	(700)	-
Ending Balance	<u>\$1,200</u>	<u>\$1,900</u>

H. Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

31 Dec. 2022			
	Foreign currency	Rate	NTD
<u>Financial assets</u>			
Monetary Item :			
USD : NTD	\$5,740	30.71	\$176,275
USD : RMB	147	30.71	4,514
<u>Financial liabilities</u>			
Monetary Item :			
USD : NTD	\$1,328	30.71	\$40,783
USD : RMB	442	30.71	13,574

31 Dec. 2021			
	Foreign currency	Rate	NTD
<u>Financial assets</u>			
Monetary Item :			
USD : NTD	\$2,375	27.68	\$65,740
USD : RMB	2,232	27.68	61,782
<u>Financial liabilities</u>			
Monetary Item :			
USD : NTD	\$2,007	27.68	\$55,554
USD : RMB	571	27.68	14,311

The total exchange (losses) gains, including realised and unrealized arising from significant foreign exchange variation on the monetary items held by the Group please refer to Note 6(17).

I. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Supplementary Disclosures

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period: Please refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost reaching \$300 million or 20% of paid-in capital or more: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 3.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-Group transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 5.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 6.
- B. Ceiling in reinvestments in Mainland China: Please refer to table 6.
- C. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area are as follows:

(a) Purchase

The Company purchased from investees in Mainland China

	Year ended December 31, 2022	
		As a percentage of the Company's purchase amount, net
Investees in Mainland China	Amount	
Jiangxi Zwaveasia Technology Co., Limited	\$220,716	92%

(b) Accounts payable

The Company transacted with investees in Mainland China

	As at December 31, 2022	
		As a percentage of the Company's accounts payable amount, net
Investees in Mainland China	Amount	
Jiangxi Zwaveasia Technology Co., Limited	\$21,123	89%

(4) Major shareholders information

Major shareholders information: Please refer to table 7.

14. Segment Information

The Company and its subsidiaries operated only one sole industry and the chief operating decision maker reviews the overall operating results to make decisions about resources to be allocated to and evaluates the overall performance. Therefore, the Group is aggregated into a single segment. The segment's accounting policies are the same as significant accounting policies stated in Note 4. The basis for the measurement segment information of income from operations, assets and liabilities, etc. are the same as that for the preparation of financial statements.

(1) General information

The Group operates business only in a single industry, and allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

(2) Information on products and services

Revenue information: Please refer to note 6(15).

(3) Geographical information

Geographical information for the years ended December 31, 2022 and 2021 is as follows:

	Years ended December 31,			
	2022		2021	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$113,991	\$56,768	\$39,527	\$58,293
Mainland China	56,094	142,561	45,130	152,713
Germany	153,233	-	127,317	-
Others	2,712	158	47,801	40
Total	<u>\$326,030</u>	<u>\$199,487</u>	<u>\$259,775</u>	<u>\$211,046</u>

(4) Major customer information

Major customer information of the Group for the years ended December 31, 2022 and 2021 is as follows:

Customer	Year ended December 31, 2022		Customer	Year ended December 31, 2021	
	Revenue	%		Revenue	%
A	\$153,233	47	A	\$127,317	49
B	-	-	B	46,348	18
C	98,184	30	C	35,826	14

Z-Com, Inc. and subsidiaries
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Table 1 : Loans to others

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2022	Balance at December 31, 2022	Actual amount drawn down	Interest rate %	Nature of loan (Note 2)	Amount of transactions with the borrower	Reason for short- term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single (Note 3)	Ceiling on total loans granted (Note 3)	Footnote
													Item	Value			
1	Nanjing Z-Wireless Technology Co., Ltd.	Nanjing Zwaveasia Communication Technology Co., Ltd.	Other receivables	Yes	\$4,506	\$-	\$-	4.35%	2	\$-	Business operation	\$-	None	\$-	\$8,626	\$8,626	
1	Nanjing Z-Wireless Technology Co., Ltd.	Nanjing Zwaveasia Communication Technology Co., Ltd.	Other receivables	Yes	4,408	4,408	4,408	4.35%	2	-	Business operation	-	None	-	8,626	8,626	

Note 1 : The numbers filled in for the loans provided by the Company is '0' or the subsidiaries are numbered in order starting from '1'.

Note 2 : The numbers filled in for the loans provided by Ongoing business is '1' and Short-term financing '2'.

Note 3 : As prescribed in the Nanjing Z-Wireless Technology Co., Limited "Procedures for Provision of Loans" of :

- (1) Limit on loans granted to a single party for business transactions is the total value of business transactions in the most recent year and for short-term financing is 5% of the parent company's net assets on the latest financial statements, subject to ceiling on total loans amount.
- (2) Ceiling on total loans granted is the lower of 40% of the net assets of the investee on the latest financial statements or 5% of the net assets of the parent company on the latest financial statements.

Z-Com, Inc. and subsidiaries
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Table 2 : Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2022				Footnote
				Number of shares (in thousands)	Book value	Ownership (%)	Fair value	
Xin Huizhi Investment Co., Limited	Stocks-Z-Com, Inc.	Ultimate parent company	Financial assets at fair value through other comprehensive income	5,299	\$52,987	7.39%	\$52,987	Note 1 and 2
Xin Huizhi Investment Co., Limited	Stocks-Chenyi Rail Technology Co., Ltd.	None	Financial assets at fair value through other comprehensive income	190	1,200	16.38%	1,200	

Note 1 : The fair value for listed stocks is based on the closing price at the balance sheet date.

Note 2 : The Company's shares held by Xin Hui Zhi Investment Co., Limited are accounted for as treasury stocks.

Z-Com, Inc. and subsidiaries

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Table 3 : Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

Expressed in thousands of NTD

Purchaser / seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes / accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales) (%)	Credit term	Unit price	Credit term	Balance	Percentage of total notes / accounts receivable (payable) (%)	
Z-Com, Inc.	Jiangxi Zwaveasia Technology Co., Ltd.	Parent company to subsidiary	Purchases	\$220,716	92%	Net 14 days	\$-	-	\$21,123	89%	Note 1

Note 1 : Inter-company transactions within the Group are eliminated in the consolidated financial statements.

Z-Com, Inc. and subsidiaries
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Table 4 : Significant inter-company transactions during the reporting periods

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	Z-Com, Inc.	Jiangxi Zwaveasia Technology Co., Ltd.	1	Purchases	\$220,716	Note 4	68%
0	Z-Com, Inc.	Jiangxi Zwaveasia Technology Co., Ltd.	1	Accounts payable	21,123	Note 4	3%

Note 1 : The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1)Parent company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2 : Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to

(If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

Note 3 : Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total asset for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4 : The price and terms on purchase are available to the third parties and the payment term is Net 14 days.

Z-Com, Inc. and subsidiaries
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Table 5 : Information on investees

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares (in thousands)	Ownership (%)	Carrying amount			
Z-Com, Inc	Z-Com Technology Limited	Cayman Island	General investment business	\$102,413	\$153,979	9,830	100%	\$16,225	\$(44)	\$(44)	Subsidiary
Z-Com, Inc	Z-Wireless International Limited	British Virgin Island	General investment business	96,316	96,316	30	100%	21,566	(4,583)	(4,583)	Subsidiary
Z-Com, Inc	Zhi Wei Ya HK Limited	Hong Kong	General investment business	336,342	336,342	11,000	100%	297,641	(24,429)	(24,429)	Subsidiary
Z-Com, Inc	Xin Huizhi Investment Co., Limited	Taiwan	General investment business	28,802	28,802	N/A	48.81%	1,955	(737)	(360)	Subsidiary
Xin Huizhi Investment Co., Limited	Z-Com India Private Limited	India	Trading of communication-electronics products	172	172	N/A	43%	-	-	-	Note 1
Z-Com, Inc	Intelligent platform for IoT services Co., Ltd.	Taiwan	Trading of communication-electronics products	10,000	10,000	1,000	100%	9,202	(729)	(729)	Subsidiary
Z-Com, Inc	Zeneker India Private Limited	India	Trading of communication-electronics products	9,536	9,536	N/A	100%	7,663	(915)	(915)	Subsidiary
Z-Com, Inc	Chunghwa Sochamp Technology Inc.	Taiwan	Trading and manufacturing of Automatic License Plate Recognition products	15,000	-	1,500	27%	1,500	-	-	Associate (Note 2)

Note 1 : Z-Com, Inc's subsidiary.Xin Huizhi Investment Co., Limited is held investments accounted for using equity method.When the Group's interest in the associate is reduced to zero, the Group does not recognise further share of loss of the associate.

Note 2 : Z-Com, Inc invested the associate in December 2022 and no investment income (loss) recognized accordingly.

Z-Com, Inc. and subsidiaries
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Table 6 : Information on investments in Mainland China

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for the year ended December 31, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee as of December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Nanjing ZCOM Wireless Co., Limited	Research and development and sales of communication device and modem	\$200,154	2、3	\$153,979	\$-	\$51,566	\$102,413	\$1,423	60.57%	\$862	\$20,379	\$-	Note 2
Nanjing Z-Wireless Technology Co., Ltd.	Research and development and sales of communication device and modem	96,316	2	96,316	-	-	96,316	(4,583)	100%	(4,583)	21,566	-	Note 3
Nanjing Zwaveasia Communication Technology Co., Ltd.	Research and development and sales of communication device and network device	21,364	3	-	-	-	-	(2,560)	100%	(2,560)	(7,678)	-	Note 4
Jiangxi Zwaveasia Technology Co., Ltd.	Research and development, manufacturing and sales of communication-electronics products	336,342	2	336,342	-	-	336,342	(22,617)	100%	(22,617)	300,185	-	Note 5

2. Ceiling on investments in Mainland China :

Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
\$535,071	\$539,426	\$301,084

Note 1 : Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1) Investment in Mainland China companies by remittance through a third region.
- (2) Investment in Mainland China companies through a company invested and established in a third region.
- (3) Others.

Note 2 : Joint investment through Z-Com Technology, Limited and Nanjing Z-Wireless Technology Co., Limited.

Note 3 : Investing through Z-Wireless International, Limited.

Note 4 : Investing through Nanjing Z-Wireless Technology Co., Limited.

Note 5 : Investing through Zhi Wei Ya HK Limited.

Z-Com, Inc. and subsidiaries

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Table 7 : Major shareholders information

Name of major shareholders	Number of shares held	Ownership (%)
Xin Huizhi Investment Co., Limited	5,298,714	7.39%

Description: If company applies Taiwan Depository & Clearing Corporation for the information of the table, the following can be explained in the notes of the table:

- (1) The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded in the financial statements may differ from the actual number of shares issued in dematerialised form because of a different calculation basis.
- (2) If the aforementioned data contains shares which were held in trust by the shareholders, the data disclosed is the settlor's separate account for the fund set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10% in accordance with Securities and Exchange Act, the shares include the self-owned shares and shares held in trust, and at the same time, the shareholder has the power to decide how to allocate the trust assets. The information on the reported share equity of insider is provided in the "Market Observation Post System".

Independent Auditors' REPORT

To the Board of Directors and Shareholders of Z-Com, Inc.

Opinion

We have audited the accompanying parent company only balance sheets of Z-Com, Inc. (the “Company”) as at December 31, 2022 and 2021, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and 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 at December 31, 2022 and 2021, 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 and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the 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 (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. 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 judgement, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2022. 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, 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, 2022 are stated as follows:

Evaluation of inventories

The Company is engaged in the manufacturing and selling of products related to wireless data network systems. Its inventories were measured at the lower of cost and net realisable value. The Company's inventories were significant to the parent company only financial statements and the determination of net realizable value for the inventories involves subjective judgement. Therefore, the evaluation of inventories was identified as a key audit matter.

Our audit procedures including (but are not limited to) assessing the appropriateness of the management's accounting policy for inventory evaluation; evaluating and testing the effectiveness of relevant internal control; sampling and testing the entry timing in the inventory aging report and checking accuracy of inventory aging calculation; assessed the reasonableness of provision on inventory allowance through testing the determination of net realisable values; notice if any obsolete and damaged inventories while stock-taking.

Please refer to Notes 4, 5 and 6(4) of the parent company only financial statements for the accounting policies on inventories, critical accounting estimation uncertainty and the details of inventories, respectively.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the requirements of 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 ability to continue as a going concern of the Company, 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 audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company.

Auditor's 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 auditor's 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 auditing standards generally accepted in 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 auditing standards generally accepted in 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 auditor's 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 auditor's 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 the accompanying 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 and its subsidiaries to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2022 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor's 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.

Liu, Jung Chin
Chang, Cheng-Tao

Ernst & Young, Taiwan
March 17, 2023

Notice to Readers

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

Z-COM, INC.
BALANCE SHEETS
December 31, 2022 and 2021
(Expressed in thousands of New Taiwan Dollars)

Assets	Notes	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
CURRENT ASSETS					
Cash and cash equivalents	6(1)	\$124,289	19	\$35,217	5
Financial assets at amortised cost-current	6(2) and 8	-	-	24,912	4
Accounts receivable, net	5 and 6(3)	18,949	3	40,830	6
Other receivables		31	-	64	-
Current tax assets		7	-	72	-
Inventories, net	5 and 6(4)	43,032	6	28,662	4
Prepayments and other current assets		19,572	3	18,362	3
Total Current Assets		205,880	31	148,119	22
NON-CURRENT ASSETS					
Financial assets at fair value through profit or loss-non-current	6(2) and 8	7,302	1	7,302	1
Investments accounted for using equity method	6(5)	369,252	55	422,755	62
Property, plant and equipment	6(6) and 8	43,758	6	44,984	7
Right-of-use assets	6(7)	11,593	2	12,194	2
Deferred tax assets	6(15)	36,314	5	44,135	6
Refundable deposits		126	-	119	-
Total Non-current Assets		468,345	69	531,489	78
TOTAL ASSETS		\$674,225	100	\$679,608	100
Liabilities and Equity					
CURRENT LIABILITIES					
Short-term borrowings	6(8)	100,000	15	25,000	4
Contract liabilities-current	6(12)	630	-	4,741	1
Accounts payable		2,563	-	648	-
Accounts payable-related parties	7	21,123	3	52,033	8
Other payables	6(9)	23,995	4	17,871	2
Lease liabilities-current	6(7)	577	-	564	-
Total Current Liabilities		148,888	22	100,857	15
NON-CURRENT LIABILITIES					
Lease liabilities-non-current	6(7)	11,360	2	11,885	2
Other liabilities-non-current	6(10)	12,170	2	11,807	2
Total Non-current Liabilities		23,530	4	23,692	4
TOTAL LIABILITIES		172,418	26	124,549	19
EQUITY					
Share capital - common stock	6(11)	717,010	106	725,000	107
Capital surplus	6(11)	33	-	2,577	-
Retained earnings	6(11)				
Legal reserve		-	-	10,264	1
Special reserve		37,884	6	37,884	5
Accumulated deficit		(201,179)	(30)	(148,696)	(22)
Other equity		(24,731)	(4)	(36,069)	(5)
Treasury stocks	6(11)	(27,210)	(4)	(35,901)	(5)
TOTAL EQUITY		501,807	74	555,059	81
TOTAL LIABILITIES AND EQUITY		\$674,225	100	\$679,608	100

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

Z-COM, INC.
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2022 and 2021
(Expressed in thousands of New Taiwan Dollars)

		For the Years Ended December 31, 2022		For the Years Ended December 31, 2021	
	Notes	Amount	%	Amount	%
Operating revenue	6(12) and 7	\$270,871	100	\$214,645	100
Operating costs	6(4) and 7	(205,442)	(76)	(153,767)	(72)
Operating margin before realized		65,429	24	60,878	28
Realized profit on sales to subsidiaries		-	-	1,347	-
Operating margin		65,429	24	62,225	28
Operating expenses	6(13)				
Selling expenses		(20,688)	(8)	(35,120)	(16)
General and administrative expenses		(28,249)	(10)	(32,278)	(15)
Research and development expenses	7	(33,248)	(12)	(39,379)	(18)
Expected credit losses	12(4)	(20,296)	(8)	(598)	-
Total operating expenses		(102,481)	(38)	(107,375)	(49)
Operating loss		(37,052)	(14)	(45,150)	(21)
Non-operating income and expenses					
Interest income	6(14)	179	-	134	-
Other income	6(14)	3,383	1	6,282	3
Other gains and losses	6(14)	6,457	2	(44)	-
Finance costs	6(14)	(1,454)	-	(461)	-
Share of profit and loss of subsidiaries and associates accounted for using equity method	6(5)	(31,060)	(11)	1,159	1
Total non-operating income and expenses		(22,495)	(8)	7,070	4
Net loss before income tax		(59,547)	(22)	(38,080)	(17)
Income tax expense	6(15)	(5,307)	(2)	(22,872)	(11)
Net loss for the year		(64,854)	(24)	(60,952)	(28)
Other comprehensive income (loss)					
Items that may not be reclassified subsequently to profit or loss:					
Unrealized losses from equity instrument investments measured at fair value through other comprehensive income		(341)	-	-	-
Items that may be reclassified subsequently to profit or loss:					
Financial statements translation differences of foreign operations		14,200	5	(3,538)	(2)
Income tax related to the items comprehensive income that may be reclassified subsequently to profit or loss	6(15)	(2,521)	(1)	708	-
Other comprehensive income (loss) for the year		11,338	4	(2,830)	(2)
Total comprehensive loss for the year		<u><u>\$ (53,516)</u></u>	<u><u>(20)</u></u>	<u><u>\$ (63,782)</u></u>	<u><u>(30)</u></u>
Earnings per share					
Basic earnings per share (in New Taiwan Dollars)	6(16)	<u><u>\$ (0.94)</u></u>		<u><u>\$ (0.88)</u></u>	
Diluted earnings per share (in New Taiwan Dollars)	6(16)	<u><u>\$ (0.94)</u></u>		<u><u>\$ (0.88)</u></u>	

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

Z-COM, INC.
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2022 and 2021
(Expressed in thousands of New Taiwan Dollars)

Items	Equity attributable to owners of the parent								Total
	Share capital - common stock	Capital surplus	Retained Earnings			Other equity		Treasury stocks	
			Legal reserve	Special reserve	Accumulated deficit	Financial statements translation differences of foreign operations	Share of loss of associates and joint ventures accounted for using equity method		
Balance at January 1, 2021	\$725,000	\$2,577	\$14,909	\$37,884	\$(86,233)	\$(33,239)	\$-	\$(35,901)	\$624,997
Cover the deficit of 2020									
Legal reserve appropriated	-	-	(4,645)	-	4,645	-	-	-	-
Profit (loss) for the year	-	-		-	(60,952)	-	-	-	(60,952)
Other comprehensive loss for the year	-	-	-	-	-	(2,830)	-	-	(2,830)
Total comprehensive income (loss) for the year	-	-	-	-	(60,952)	(2,830)	-	-	(63,782)
Subsidiaries received cash dividends paid by the parent		-	-		(6,156)	-	-		(6,156)
Balance at December 31, 2021	\$725,000	\$2,577	\$10,264	\$37,884	\$(148,696)	\$(36,069)	\$-	\$(35,901)	\$555,059
Balance at January 1, 2022	\$725,000	\$2,577	\$10,264	\$37,884	\$(148,696)	\$(36,069)	\$-	\$(35,901)	\$555,059
Cover the deficit of 2021									
Legal reserve and capital surplus cover the deficit	-	(2,107)	(10,264)	-	12,371	-	-	-	-
Profit (loss) for the year	-	-	-	-	(64,854)	-	-	-	(64,854)
Other comprehensive loss for the year	-	-	-	-	-	11,679	(341)	-	11,338
Total comprehensive income (loss) for the year	-	-	-	-	(64,854)	11,679	(341)	-	(53,516)
Treasury stocks transaction	-	33	-	-	-	-	-	231	264
Treasury stocks cancellation	(7,990)	(470)	-	-	-	-	-	8,460	-
Balance at December 31, 2022	\$717,010	\$33	\$-	\$37,884	\$(201,179)	\$(24,390)	\$(341)	\$(27,210)	\$501,807

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

Z-COM, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021
(Expressed in thousands of New Taiwan Dollars)

	For the Years Ended December 31, 2022	For the Years Ended December 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss before income tax	\$(59,547)	\$(38,080)
Adjustments		
Depreciation	3,514	8,414
Amortization	-	1,557
Expected credit losses	20,296	598
Net gains on financial assets at fair value through profit	-	(291)
Interest expense	1,454	461
Interest income	(179)	(134)
Share of profit and loss of subsidiaries and associates accounted for using equity method	31,060	(1,159)
Realized profit on sales to subsidiaries	-	(1,347)
Changes in operating assets and liabilities:		
Financial assets at fair value through profit or loss	-	374
Accounts receivable	1,585	774
Other receivables	33	2,314
Inventories, net	(14,370)	24,704
Prepayments and other current assets	(1,210)	926
Contract liabilities-current	(4,111)	4,710
Account payable	1,915	73
Account payable-related parties	(30,910)	(58,233)
Other payables	6,124	(4,228)
Net defined benefit liabilities	363	475
Cash outflows from operating activities	(43,983)	(58,092)
Interest received	179	134
Interest paid	(1,454)	(461)
Income taxes refunded	58	1,345
Net cash flows used in operating activities	(45,200)	(57,074)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease in financial assets at amortised cost	24,912	31,448
Capital reduction from investee accounted for using equity method	51,566	-
Acquisitions of investment accounted for using equity method	(15,000)	-
Acquisitions of property, plant and equipment	(1,632)	(302)
(Decrease) increase in refundable deposits	(7)	1,555
Increase in investment in subsidiaries	-	(19,536)
Net cash flows provided by investing activities	59,839	13,165
		33
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in short-term borrowings	340,000	138,623
Decrease in short-term borrowings	(265,000)	(114,223)
Repayment of principal portion of lease liabilities	(567)	(555)
Net cash flows provided by financing activities	74,433	23,845
Net increase (decrease) in cash and cash equivalents	89,072	(20,064)
Cash and cash equivalents at beginning of year	35,217	55,281
Cash and cash equivalents at end of year	\$124,289	\$35,217

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

Z-COM, INC.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and organization

Z-Com, Inc. (the “Company”) was established in March 1995. The Company is primarily engaged in research, development and design of software and hardware, manufacturing, sales and system integration for wireless communication systems. The shares of the Company commenced trading on the Taipei Exchange in June 2013. The Company’s registered office and the main business location is at F5, No. 8, Xin-An Road, Hsinchu Science Park, Taiwan.

2. Date and procedures of authorization of financial statements for issue

The parent company only financial statements of the Company for the years ended December 31, 2022 and 2021 were authorized for issue by the Company’s Board of Directors on 6 March 2023.

3. Newly issued or revised standards and interpretations

- (1) Changes in accounting policies resulting from applying for the first-time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended (collectively, IFRSs”) which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January 2022. The adoption of these new standards and amendments had no material impact on the Company.

- (2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below:

Item	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	1 January 2023
b	Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
c	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2023, and have no material impact on the Company.

- (3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”–Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	1 January 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2024
d	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
e	Non-current Liabilities with Covenants – Amendments to IAS 1	1 January 2024

The abovementioned standards and interpretations issued by IASB have not yet been recognized by FSC at the date of issuance of the Company’s financial statements, the local effective dates are to be determined by FSC. The abovementioned standards and interpretations have no material impact on the Company.

4. Summary of significant accounting policies

(1) Statement of compliance

The accompanying parent company only financial statements of the Company for the years ended 31 December 2022 and 2021 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

According to article 21 of the Regulations, the profit or loss and other comprehensive income presented in the parent company only financial reports will be the same as the allocations of profit or loss and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports will be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis. Therefore, the investments in subsidiaries will be disclosed under “Investments accounted for using the equity method” in the parent company only financial report and change in value will be adjusted.

The parent company only financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The parent company only financial statements are expressed in thousands of New Taiwan Dollars (“NT\$”) unless otherwise stated.

(3) Foreign currency transactions

The Company's parent company only financial statements are presented in NT\$, which is also the Company's functional currency.

Transactions in foreign currencies are initially recorded by the Company's functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IFRS 9 *Financial Instruments* are accounted for based on the accounting policy for financial instruments.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(4) Translation of financial statements in foreign currency

Each foreign operation of the Company determines its function currency upon its primary economic environment and items included in the financial statements of each operation are measured using that functional currency.

The assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. On the partial disposal of foreign operations that result in a loss of control, loss of significant influence or joint control but retain partial equity is considering as disposal.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(5) Current and non-current distinction

An asset is classified as current when:

- (a) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
- (b) The Company holds the asset primarily for the purpose of trading.
- (c) The Company expects to realize the asset within twelve months after the reporting period.
- (d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- (a) The Company expects to settle the liability in its normal operating cycle
- (b) The Company holds the liability primarily for the purpose of trading
- (c) The liability is due to be settled within twelve months after the reporting period
- (d) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within three months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(7) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

The Company accounts for regular way purchase or sales of financial assets on the trade date.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of:

- (c) the Company's business model for managing the financial assets and
- (d) the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables, financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

- (c) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- (d) 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.

Such financial assets are subsequently measured at amortized cost and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (c) purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- (d) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- (c) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- (d) 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.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- (d) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (e) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (f) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
 - iii. Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - iv. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, at initial recognition, the Company makes an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies. Amounts presented in other comprehensive income are not subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and should be recorded as financial assets measured at fair value through other comprehensive income on balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

B. Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the balance sheet.

The Company measures expected credit losses of a financial instrument in a way that reflects:

- (d) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (e) the time value of money; and
- (f) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follow:

- (e) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- (f) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- (g) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.
- (h) For lease receivables arising from transactions within the scope of IFRS 16, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

C. Derecognition of financial assets

A financial asset is derecognized when:

- (a) The rights to receive cash flows from the asset have expired.
- (b) The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
- (c) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

D. Financial liabilities and equity

Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

(8) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement assumes that the transaction of selling assets or transferring liabilities takes place either:

- A. the principal market for the asset or liability; or
- B. If there is no major market, the most favorable market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company.

The fair value measurement of an asset or a liability uses the assumptions that market participants would use when pricing the asset or liability, which assumes that those market participants are in their economically best interests.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient information is available to measure fair value, and maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

(9) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials – Purchase cost on a first in, first out basis

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(10) Investments accounted for using equity method

The Company's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence.

Under the equity method, the investment in the associate is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the Company's related interest in the associate.

When changes in the net assets of an associate occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Company's percentage of ownership interests in the associate, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate on a pro rata basis.

When the associate issues new stock, and the Company's interest in an associate is reduced or increased as the Company fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in capital surplus and investment accounted for using equity method. When the interest in the associate is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate.

The financial statements of the associate are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate, and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income. In determining the value in use of the investment, the Company estimates:

- A. Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- B. The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate is not separately recognized, it is not tested for impairment separately by applying the requirements for goodwill impairment testing.

Upon loss of significant influence over the associate, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

(11) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, plant and equipment*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	8-30 years
Machinery and equipment	5 years
Transportation equipment	5 years
Office equipment	3 years
Other equipment	5 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate, and are treated as changes in accounting estimates.

(12) Leases

The Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, has both of the following:

- A. the right to obtain substantially all of the economic benefits from use of the identified asset; and
- B. the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximising the use of observable information.

Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- A. fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- B. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- C. amounts expected to be payable by the lessee under residual value guarantees;
- D. the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- E. payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- A. the amount of the initial measurement of the lease liability;
- B. any lease payments made at or before the commencement date, less any lease incentives received;
- C. any initial direct costs incurred by the lessee; and
- D. an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements of comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

(13) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss.

Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life.

(14) Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(15) treasury stock

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. Any difference between the carrying amount and the consideration is recognized in equity.

(16) Revenue recognition

A. The Company is engaged in research, development and design of software and hardware, manufacturing, sales and system integration for wireless communication systems. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

B. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(17) Loans

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(18) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

(19) Post-employment benefits

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore, fund assets are not included in the Company's parent only financial statements.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

(20) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- A. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- B. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- A. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- B. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities 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. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. Significant accounting judgements, estimates and assumptions

The preparation of the Company's parent company only financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(1) Judgement

None.

(2) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

A. Trade receivables—estimation of impairment loss

The Company estimates the impairment loss of trade receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 12(4) for more details.

B. Inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation. Please refer to Note 6(4) for more details.

6. Contents of significant accounts

(1) Cash and cash equivalents

	As at	
	December 31, 2022	December 31, 2021
Cash on hand	\$224	\$232
Checking accounts and demand deposits	124,065	34,985
Total	<u>\$124,289</u>	<u>\$35,217</u>

The Company recognised time deposits with maturities over three months as well as cash and cash equivalents pledged to others as collateral under “financial assets at amortised cost”, please refer to Note 6(2) for the details.

(2) Financial assets measured at amortized cost

	As at	
	December 31, 2022	December 31, 2021
Current		
Time deposits for the purpose of pledging	\$-	\$24,912
Non-current		
Time deposits for the purpose of pledging	\$7,302	\$7,302

Details of the Company's financial assets at amortised cost pledged to others as collateral are provided in Note 8.

(3) Accounting receivables

	As at	
	December 31, 2022	December 31, 2021
Accounts receivable	\$52,967	\$54,552
Less: Loss allowance	(34,018)	(13,722)
Total	\$18,949	\$40,830

The aging analysis of accounts receivable is as follows:

	As at	
	December 31, 2022	December 31, 2021
Not past due	\$18,153	\$30,286
1 to 90 days	796	10,146
91 to 180 days	-	-
181 to 360 days	7,504	398
Over 360 days	26,514	13,722
Loss allowance	(34,018)	(13,722)
Total	\$18,949	\$40,830

The above aging analysis was based on past due date.

The Company's credit period of sales was ranged from 30 days to 90 days. Information relating to loss allowance and credit risk of accounts receivable is provided in Note 12(4).

No accounts receivable were pledged.

(4) Inventories

	As at	
	December 31, 2022	December 31, 2021
Raw materials	\$9,245	\$9,357
Work in progress	5,865	5,898
Finished goods	27,922	13,407
Total	<u>\$43,032</u>	<u>\$28,662</u>

The cost of inventories recognized in expenses amounts to \$205,422 and \$153,767 for the years ended 31 December 2022 and 2021, respectively, including the allowance for inventories provision of \$2,889 and \$4,287, respectively.

No inventories were pledged.

(5) Investments accounted for using equity method

The following table lists the investments accounted for using equity method of the Company:

Investees	As at			
	December 31, 2022		December 31, 2021	
	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Investments in Subsidiaries:				
Z-Com Technology Limited	\$16,225	100.00	\$64,217	100.00
Z-Wireless International Limited	21,566	100.00	20,195	100.00
Zhi Wei Ya HK Limited	297,641	100.00	317,445	100.00
Xin Hui Zhi Investment Co., Limited	1,955	48.81	2,393	48.81
Zeneker India Private Limited	7,663	100.00	8,574	100.00
Intelligent platform for IoT services Co., Ltd.	9,202	100.00	9,931	100.00
Investments in Associates:				
Chunghwa Sochamp Technology Inc.	<u>15,000</u>	27.27	<u>-</u>	-
Total	<u>369,252</u>		<u>\$422,755</u>	

Please refer to Note 4(3) for information on subsidiaries of the Company's consolidated financial statements for the year ended December 31, 2022.

The Company invested in Chunghwa Sochamp Technology Inc. in December 2022, with the original investment amount of \$15,000 thousand dollars. It is engaged in the manufacture or sale of license plate recognition software and hardware products. The Company obtained the same or similar non-contractual customer relationship (business cooperation) through strategic investment in its equity. The Company expected to obtain future economic benefits generated from the aforementioned customer relationship.

The principal operating place of the associate is at Room 38-3B, 3 F, No. 5, Section 5, Xinyi Road, Xinyi District, Taipei City.

Reconciliation of the associate's summarized financial information presented to the carrying amount of the Company's interest in the associate:

	December 31, 2022
Current assets	\$128,355
Non-current assets	22,999
Current liabilities	(133,492)
Non-current liabilities	(193)
Equity	17,669
Proportion of the Company's ownership	27.27%
Subtotal	4,818
Customers relationship	10,182
Carrying amount of the investment	<u>\$15,000</u>

The associate had no contingent liabilities, capital commitments or guarantees as at December 31, 2022.

The share of profit and (loss) of subsidiaries and associates accounted for using equity method for the years ended December 31, 2022 and 2021 amounted to \$(31,060) and \$1,159, respectively.

(6) Property, plant and equipment

	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Others	Total
Cost:						
As at 1 Jan. 2022	\$72,551	\$42,097	\$562	\$592	\$5,075	\$120,877
Additions	-	-	-	-	1,632	1,632
As at 31 Dec. 2022	<u>\$72,551</u>	<u>\$42,097</u>	<u>\$562</u>	<u>\$592</u>	<u>\$6,707</u>	<u>\$122,509</u>
Depreciation:						
As at 1 Jan. 2022	\$29,433	\$42,070	\$291	\$592	\$3,507	\$75,893
Depreciation	2,243	10	76	-	529	2,858
As at 31 Dec. 2022	<u>\$31,676</u>	<u>\$42,080</u>	<u>\$367</u>	<u>\$592</u>	<u>\$4036</u>	<u>\$78,751</u>
Net carrying amount as at 31 Dec., 2022:	<u>\$40,875</u>	<u>\$17</u>	<u>\$195</u>	<u>\$-</u>	<u>\$2,671</u>	<u>\$43,758</u>
Cost:						
As at 1 Jan. 2021	\$72,551	\$42,097	\$260	\$592	\$5,075	\$120,575
Additions	-	-	302	-	-	302
As at 31 Dec., 2021	<u>\$72,551</u>	<u>\$42,097</u>	<u>\$562</u>	<u>\$592</u>	<u>\$5,075</u>	<u>\$120,877</u>
Depreciation:						
As at 1 Jan. 2021	\$26,852	\$37,420	\$260	\$559	\$3,041	\$68,132
Depreciation	2,581	4,650	31	33	466	7,761
As at 31 Dec. 2021	<u>\$29,433</u>	<u>\$42,070</u>	<u>\$291</u>	<u>\$592</u>	<u>\$3,507</u>	<u>\$75,893</u>
Net carrying amount as at 31 Dec. 2021:	<u>\$43,118</u>	<u>\$27</u>	<u>\$271</u>	<u>\$-</u>	<u>\$1,568</u>	<u>\$44,984</u>

Please refer to Note 8 for more details on property, plant and equipment under pledge.

The Company has no capitalization of interest attributable to the property, plant and equipment for the years ended December 31, 2022, and 2021.

(7) Leases

Company as a lessee

The Company leases land properties. The lease terms range from 12 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants.

A. The Company's leases effect on the carrying amount and recognized depreciation are as follow:

Right-of-use assets

	As at	
	December 31, 2022	December 31, 2021
Land	\$11,593	\$12,194

Depreciation

	Years ended December 31,	
	2022	2021
Land	\$656	\$653

For the years ended December 31, 2022 and 2021, the Company's additions to right-of-use assets amounting to \$55 and \$0, respectively.

B. Lease liabilities

	As at	
	December 31, 2022	December 31, 2021
Current	\$577	\$564
Non-current	11,360	11,885
Lease liabilities	\$11,937	\$12,449

Please refer to Note 12(5) liquidity risk management for the maturity analysis of lease liabilities.

C. Lessee's income and expenses related to leasing activities

	Years ended December 31,	
	2022	2021
Interest expense on lease liability	\$224	\$233
Short-term and low-value leases	\$417	\$615

D. Cash outflows related to leasing activities

For the years ended December 31, 2022 and 2021, the Company's total lease cash outflows were \$1,208 and \$1,403, respectively.

E. Other Information Relating to Rental Activities

Lease extension option and lease termination option

When determining the lease term, the Company takes into account all facts and circumstances that create economic incentives to exercise the option to renew the lease. The lease term will be re-estimated when a significant event occurs in assessing the exercise of the option to renew the lease.

(8) Short-term borrowings

	As at	
	December 31, 2022	December 31, 2021
Unsecured bank borrowings	\$100,000	\$25,000
Interest rates (%)	2.00%~2.21%	1.25%~1.38%

The Company's unused amount of bank facility is as follows:

	As at	
	December 31, 2022	December 31, 2021
Facility of short-term loan	\$50,000	\$183,000
Facility of financing of import bills	70,000	132,000
Total	\$120,000	\$315,000

(9) Other payable

	As at	
	December 31, 2022	December 31, 2021
Payable salary and year-end bonus	\$7,213	\$8,416
Other expenses payable	16,782	9,455
Total	\$23,995	\$17,871

(10) Post-employment benefits

Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

The pension costs under defined contribution pension of the Company for the years ended December 31, 2022, and 2021 were \$2,379, and \$2,567, respectively.

The Company additionally proposed pension provision for appointed managers for the years ended December 31, 2022, and 2021 amounting to \$1,774 and \$1,928. As of December 31, 2022 and 2021, the accrued pension liabilities of appointed managers (recorded under other liabilities-non-current), were \$11,992 and \$11,615, respectively.

(11)Equities

A. Common stock

As of December 31, 2022 and 2021, the Company's authorised capital was \$1,000,000, and the issued capital were \$717,010 and \$725,000 with a par value of \$10 (in new Taiwan dollars) per share is entitled to vote and to receive dividends. Movements in the number of the Company's outstanding stocks are as follows:

	Unit: share in thousands		
	2022		
	Issued stock	Treasury stocks	Outstanding stocks
At January 1	72,500	(3,407)	69,093
Treasury stock cancellation	(799)	799	-
Treasury stock transaction	-	22	22
At December 31	71,701	(2,586)	69,115

In January 2022, the Company cancelled treasury stocks in accordance with Article 28-2 of the Securities and Exchange Act, by reducing share stocks \$7,990 (799 thousand shares) and capital surplus \$470, respectively.

	2021		
	Issued stock	Treasury stocks	Outstanding stocks
At January 1 and December 31	72,500	(3,407)	69,093

B. Treasury stocks

(a) Reasons and numbers for the Company's treasury stocks are as follows:

Name of Company holding the stocks	Purpose of buy-back	As at December 31,2022	
		Number of shares (in thousands)	Carrying amount
Subsidiary-Xin Hui Zhi Investment Co., Limited	Business strategy	2,586	\$27,210

		As at December 31, 2021	
Name of Company		Number of shares	
holding the stocks	Purpose of buy-back	(in thousands)	Carrying amount
The Company	Transfer to employees	799	\$8,460
Subsidiary-Xin Hui Zhi Investment Co., Limited	Business strategy	2,608	27,441
			<u>\$35,901</u>

- (b) Pursuant to the Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.
- (c) Pursuant to the Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (d) Pursuant to the Securities and Exchange Act (previous act), treasury shares should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.
- (e) On November 8, 2018, the Board of Directors of the Company resolved to repurchase its shares and transfer to employees. The Company bought back 799 thousand shares in total at the average repurchase price of \$ 10.59 (in New Taiwan dollars) amounting to \$8,460. In January 2022, the Company cancelled treasury stocks in accordance with Article 28-2 of the Securities and Exchange Act, by reducing share stocks \$7,990 (799 thousand shares) and capital surplus \$470, respectively.
- (f) The subsidiary, Xin Hui Zhi Investment Co., Limited whose shareholding ratio held is less than 50% but is substantially controlled by the Company, due to business strategies acquired the Company's shares, which were treated as treasury stocks. The costs of the treasury shares were calculated based on the carrying amount of the Company's shares held by Xin Hui Zhi Investment Co., Limited in each period and the share ownership of Xin Hui Zhi Investment Co., Limited held by the Company. As of December 31, 2022 and 2021, the Company's shares held by Xin-Zhi Investment Co., Ltd. amounted to 5,299 thousand and 5,344 thousand shares, respectively, at the average carrying amount of \$ \$10.52 in New Taiwan dollars per share, respectively, and the fair value per share amounted to \$10 and \$9.23 in dollars, respectively. The parent company's shares held by the subsidiaries carry no voting power before the transfer.

C. Capital surplus

	As at	
	December 31, 2022	December 31, 2021
Treasury stock transactions	\$33	\$2,553
Changes in ownership interests in subsidiaries	-	24
Total	<u>\$33</u>	<u>\$2,577</u>

According to the Company Act, the capital reserve shall not be used except for offset the deficit of the Company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

D. Retained earnings and dividend policies

- (a) The Company's current year earnings, if any, shall first be used to pay all taxes and offset accumulated deficits, then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve amount equals the paid-in capital amount and then special reserve shall be set aside or reversed in accordance with the regulations. The remaining earnings, if any, along with the accumulated unappropriated earnings may be distributed as shareholder's dividends and bonus, which shall be proposed by the Board of Directors and resolved by the shareholders at the stockholders' meeting. For all or a portion of distributable dividends, legal reserve and capital surplus that are distributed in the form of cash, will be adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, and will be reported to the shareholders, and the provisions of the articles of association concerning the resolution of the shareholders' meeting are not applicable.
- (b) The Company's dividend policy is as follows: The Company takes into account current and future investment environment, capital needs, domestic and foreign competition, and capital budget, etc. along with shareholders' interests and the long-term financial plans. The accumulated distributable earnings are appropriated as dividend to shareholders, of which the distributable earnings during the current year shall account for at least 50% and cash dividend shall account for at least 10% of the total dividends distributed.
- (c) Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

- (d) i. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- ii. The amount of \$21,047, cumulative translation adjustments transferred to retained earnings on the translation date, previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Order No. Financial-Supervisory-Securities-Corporate-1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.
- (e) i. The proposal for covering the deficit was approved by the board of directors of the Company on March 6, 2023.
- ii. The proposal for covering the deficit was approved by the board of directors of the Company on March 8, 2022, and approved at the shareholders' meeting on May 26, 2022.
- iii. The proposal for covering the deficit was approved by the board of directors of the Company on March 9, 2021, and approved at the shareholders' meeting on July 26, 2021.

Please refer to Note 6(13) on employees' compensation and directors' remuneration.

(12) Operating revenue

	Years Ended December 31	
	2022	2021
Revenue from contracts with customers	<u>\$270,871</u>	<u>\$214,645</u>

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the following major product lines:

Revenue from contracts:	Years Ended December 31	
	2022	2021
Commodity	\$151,221	\$127,234
Industrial	101,036	37,932
5G & IoT	18,614	49,479
Total	<u>\$270,871</u>	<u>\$214,645</u>
Timing of revenue recognition		
At some point	<u>\$270,871</u>	<u>\$214,645</u>

B. Contract liabilities-current

	As at	
	December 31, 2022	December 31, 2021
Sale of goods	\$630	\$4,741
	Years Ended December 31	
	2022	2021
The contract liabilities at the beginning of the year recognized as revenue	\$4,111	\$31

(13) The Company's employee benefits, depreciation and amortization expenses for the years ended December 31, 2022 and 2021 are summarized by function as follows:

	2022			2021		
	Operation costs	Operation expenses	Total	Operation costs	Operation expenses	Total
Employee benefit expense						
Wages and salaries	\$-	\$48,242	\$48,242	\$-	\$54,093	\$54,093
Labor and health insurance	-	4,693	4,693	-	5,031	5,031
Pension	-	4,153	4,153	-	4,495	4,495
Other employee benefit expenses	-	2,468	2,468	-	2,250	2,250
Depreciation	-	3,514	3,514	-	8,414	8,414
Amortization	-	-	-	-	1,557	1,557

The employees' compensation and director's remuneration policies stipulated in the Company's articles of association are as follows:

In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall be 10%~15% for employees' compensation and shall not be higher than 3% for directors' remuneration.

The Company accrued employees' compensation and directors' remuneration based on the aforementioned percentage of profit. If there is a change in the proposed amounts after the annual parent company only financial statements are authorized for issue, the differences are recorded as a change in accounting estimate.

The Company did not accrue employees' compensation and directors' remuneration due to losses in 2022 and 2021.

The board of directors of the Company made resolutions on March 6, 2023 and March 8, 2022, respectively, that no distribution of employees' compensation and directors' remuneration as no profit in 2022 and 2021.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(14) Non-operating revenue and expense:

A. Interest income

	Years ended December 31,	
	2022	2021
Interest income from bank	\$179	\$134

B. Other income

	Years ended December 31,	
	2022	2021
Government grants	\$-	\$5,166
Compensation income	2,494	-
Others	889	1,116
Total	\$3,383	\$6,282

C. Other gains and losses

	Years ended December 31,	
	2022	2021
Net foreign exchange gains (losses)	\$6,481	\$(328)
Net gains on financial assets at fair value through profit or loss	-	291
Others	(24)	(7)
Total	\$(6,457)	\$(44)

D. Finance costs

	Years ended December 31,	
	2022	2021
Interest expense from bank borrowings	\$1,230	\$228
Interest expense from lease liabilities	224	233
Total	\$1,454	\$461

(15) Income tax

A. Components of income tax:

	Years ended December 31,	
	2022	2021
Current tax:		
Prior years income tax adjustment	\$7	\$4,914
Deferred tax:		
The origination and reversal of temporary differences	5,300	17,958
Income tax expense	\$5,307	\$22,872

The income tax expense (benefit) relating to other comprehensive income is as follows:

	Years ended December 31,	
	2022	2021
Currency translation differences	\$2,521	\$(708)

Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2022	2021
Net loss before income tax	\$(59,547)	\$(38,080)
Income tax (benefit) expense at the statutory rate	\$(11,909)	\$(7,616)
Temporary differences not recognised as deferred tax assets	11,909	7,616
The origination and reversal of temporary differences	5,300	17,958
Prior years income tax adjustment	7	4,914
Income tax expense	\$5,307	\$22,872

B. The movements of deferred tax assets or liabilities arising from temporary differences and taxable losses are as follows:

	2022			
		Recognised in	other	
	January 1	profit or loss	comprehensive income	December 31
Deferred tax assets:				
Currency translation differences	\$3,756	\$-	\$(2,521)	\$1,235
Unrealised long-term investment losses and taxable losses	30,976	(8,953)	-	22,023
Unrealised loss for obsolete and impairment of inventories	6,117	578	-	6,695
Others	3,286	3,075	-	6,361
Total	\$44,135	\$(5,300)	\$(2,521)	\$36,314

	2021			
		Recognised in	other	
	January 1	profit or loss	comprehensive income	December 31
Deferred tax assets:				
Currency translation differences	\$3,048	\$-	\$708	\$3,756
Unrealised long-term investment losses and taxable less	49,514	(18,538)	-	30,976
Unrealised loss for obsolete and impairment of inventories	5,259	858	-	6,117
Others	3,564	(278)	-	3,286
Total	\$61,385	\$(17,958)	\$708	\$44,135

C. The deductible temporary differences that are not recognised as deferred tax assets are as follows:

	As at	
	December 31, 2022	December 31, 2021
Deductible temporary differences	\$224,714	\$92,651

As of December 31, 2022, the Company's unused loss carryforwards for which no deferred tax assets have been recognized:

Year	Taxable loss	Unused loss carry forwards	Expiry year
2022 (Estimated)	\$9,539	\$9,539	2032
2021 (Filing)	63,789	63,789	2031
2020 (Assessment)	1,327	1,327	2030

D. The assessment of income tax returns:

As of 31 December 2022, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

The assessment of income tax returns	
The Company	Assessed and approved up to 2020

(16) Earnings per share

The basic earnings per share is calculated by dividing the net loss in the current periods attributable to ordinary shares holders of the parent entity by the weighted average number of ordinary outstanding in the current period.

	Years ended December 31,	
	2022	2021
Net loss for the year available to ordinary shares	\$(64,854)	\$(60,952)
Weighted average outstanding shares (thousand shares)	69,108	69,093
Basic earnings per share (in New Taiwan dollar)	\$(0.94)	\$(0.88)
Diluted earnings per share (in New Taiwan dollar)	\$(0.94)	\$(0.88)

(17) Changes in Ownership Interests in Subsidiaries

Acquisitions of ownership interests in subsidiaries

Nanjing Z-Wireless Technology Co., Limited, a subsidiary of the Company, acquired a 10.53% ownership in 2021. The impact of changes in equity attributable to owners of the parent is as follows: .

	Amounts
Acquisitions of ownership interests in subsidiaries	\$8,740
Less: Carrying amount of non-controlling interests	2,584
Decrease in retained earnings-the difference between the acquisitions of ownership interests in subsidiaries and the carrying amount	\$6,156

7. Related Party Transactions

(1) Significant related party transactions

A. Operating revenue:

	Years ended December 31,	
	2022	2021
Subsidiaries :		
Zeneker India Private Limited	\$936	\$-

B. Purchases

	Years ended December 31,	
	2022	2021
Subsidiaries:		
Jiangxi Zwaveasia Technology Co., Ltd.	\$220,716	\$132,894

C. Payables to related parties:

Accounts payable:

	As at	
	December 31, 2022	December 31, 2021
Subsidiaries:		
Jiangxi Zwaveasia Technology Co., Ltd.	\$21,123	\$52,033

D. Research and development expense:

	Years ended December 31,	
	2022	2021
Subsidiaries:		
Nanjing ZCOM Wireless Co. , Ltd.	\$800	\$1,153

E. Endorsements and guarantees provided to related parties:

As of December 31, 2022 and 2021, the amounts of endorsements and guarantees provided to related parties for bank borrowing are as follows:

	As at	
	December 31, 2022	December 31, 2021
Subsidiaries:		
Nanjing ZCOM Wireless Co. , Ltd.	\$-	\$55,360

(2) Key management compensation

	Years ended December 31,	
	2022	2021
Salaries and other short-term employee benefits	\$7,753	\$8,693
Post-employment benefits	1,838	1,991
Total	<u>\$9,591</u>	<u>\$10,684</u>

8. Pledged Assets

The Company's assets pledged as collateral are as follows:

Pledged asset	Carrying amount		Purpose
	December 31, 2022	December 31, 2021	
Time deposits (recorded under carrying amount financial assets at amortised cost- current)	\$-	\$24,912	Performance bond
Time deposits (recorded under carrying amount financial assets at amortised cost - non - current)	6,440	6,440	Performance bond
Time deposits (recorded under carrying amount financial assets at amortised cost - non - current)	862	862	Guarantee deposits to Hsinchu Science Park Bureau, Ministry of Science and Technology
Total	<u>\$7,302</u>	<u>\$32,214</u>	

9. Significant Contingent Liabilities And Unrecognised Contract Commitments

(1) Contingencies

None.

(2) Commitments

As of December 31, 2022, the balance of unused letters of credit issued by the Company was \$4,916.

10. Significant Disaster Loss

None.

11. Significant Events After The Balance Sheet Date

None.

12. Others

(1) Financial instruments

A. Financial instruments by category

	As at	
	December 31, 2022	December 31, 2021
<u>Financial assets</u>		
Financial assets at amortised cost		
Cash and cash equivalents	\$124,289	\$35,217
Financial assets at amortised cost	7,302	32,214
Accounts receivable	18,949	40,830
Other receivables	31	64
Refundable deposits	126	119
Total	<u>\$150,697</u>	<u>\$108,444</u>
	As at	
	December 31, 2022	December 31, 2021
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$100,000	\$25,000
Accounts payable (including related party)	23,686	52,681
Other payables	23,995	17,871
Total	<u>\$147,681</u>	<u>\$95,552</u>
Lease liabilities	<u>\$11,937</u>	<u>\$12,449</u>

(2) Financial risk management policies

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Company identifies measures and manages the aforementioned risks based on the Company's policy and risk appetite.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the board of directors and audit committee of the Company must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and price risk.

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and set investments in foreign operations.

Management has set up a policy to require all operating units in the Company to manage their foreign exchange risk against the functional currency. Company treasury adopts capital requirements of each currency and net position of assets and liabilities denominated in foreign currencies to implement natural hedge, or adopts forward foreign exchange contracts to implement hedging. Foreign exchange risk arises when the future commercial transactions and recognized assets or liabilities are not valued by the functional currency of each individual.

The sensitivity analysis of the Company's exchange rate risk mainly focuses on the end date of the financial reporting period, the main foreign currency monetary items, and the impact of the related foreign currency appreciation/depreciation on the Company's profit and loss. The Company's exchange rate risk is mainly affected by fluctuations in the exchange rates of US dollar and RMB. Sensitivity analysis information is as follows:

When New Taiwan dollar appreciates/depreciates by 1% against U.S. dollar, the Company's net income before income tax in 2022 and 2021 will decrease/increase by \$1,355 and increase/decrease by \$102, respectively.

Interest Rate Risk

Interest rate risk is the risk of fluctuations in the fair value of financial instruments or future cash flows due to changes in market interest rates. The Company's interest rate risk mainly arises from borrowings.

The Company manages the interest risk by maintaining an optimal fixed and variable interest rate portfolio to ensure that the hedging strategy adapted by the Company is most cost efficient.

Except the aforementioned strategy, as of December 31, 2022, the Company's bank savings are higher than bank borrowings. Therefore, the Company does not expect to have significant interest rate risk and interest risk has no significant impact on the Company.

(4) Credit risk

Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Company's credit policy, each local entity in the Company is responsible for managing and analyzing the credit risk for each of their clients, including assessing customers' financial condition, historical transaction records and other factors which may affect customers' ability to repay the payments. The utilisation of credit limits is regularly monitored. Credit risk arises from deposits with banks and financial institutions, as well as receivables received from customers. The Company only transacts with the bank and financial institutions with good credit quality, therefor, the exposure to credit risk is not expected.

The Company's accounts receivable concentrate in certain clients who are mainly internationally renowned enterprises and are not connected. Credit assessment on the financial status of the clients have been conducted. The Company assessed expected credit loss by individually clients.

The movements of allowance loss of accounts receivable are as follows:

	2022	2021
At January 1	\$13,722	\$13,124
Provision for impairment loss	20,296	598
At December 31	<u>\$34,018</u>	<u>\$13,722</u>

(5) Liquidity risk management

The Company maintaining sufficient financial headroom on its cash and cash equivalent and undrawn committed borrowing facilities.

The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity:

December 31, 2022

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Short-term borrowings	\$100,214	\$-	\$-	\$-	\$100,214
Accounts payable (including related party)	23,686	-	-	-	23,686
Other payables	23,995	-	-	-	23,995
Lease liabilities (Note)	792	1,583	2,375	9,236	13,986
Total	<u>\$148,687</u>	<u>\$1,583</u>	<u>\$2,375</u>	<u>\$9,236</u>	<u>\$161,881</u>

December 31, 2021

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Short-term borrowings	\$25,040	\$-	\$-	\$-	\$25,040
Accounts payable (including related party)	52,681	-	-	-	52,681
Other payables	17,871	-	-	-	17,871
Lease liabilities (Note)	788	788	2,365	9,984	13,925
Total	<u>\$96,380</u>	<u>\$788</u>	<u>\$2,365</u>	<u>\$9,984</u>	<u>\$109,517</u>

Note: Excluding cash flows from short-term leases and lease contracts of low-value assets.

(6) Reconciliation of liabilities arising from financing activities

2022:

	Short-term borrowings	Lease liabilities	Liabilities arising from financing activities
1 Jan. 2022	\$25,000	\$12,449	\$37,449
The change in other non-cash items	-	55	55
Financing cash flow	75,000	(567)	74,433
Interest expense on lease liabilities	-	224	224
Interest paid on lease liabilities	-	(224)	(224)
31 Dec. 2022	<u>\$100,000</u>	<u>\$11,937</u>	<u>\$111,937</u>

2021:

	Short-term borrowings	Lease liabilities	Liabilities arising from financing activities
1 Jan. 2021	\$600	\$13,004	\$13,604
Financing cash flow	24,400	(555)	23,845
Interest expense on lease liabilities	-	233	233
Interest paid on lease liabilities	-	(233)	(233)
31 Dec. 2021	<u>\$25,000</u>	<u>\$12,449</u>	<u>\$37,449</u>

(7) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, refundable deposits, short-term borrowings, notes payable, accounts payable, other payables and guarantee deposits received are approximate to their fair values.

(8) Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	December 31, 2022		
	Foreign currency	Rate	NTD
Financial assets			
Monetary Item :			
USD : NTD	\$5,740	30.71	\$176,275
Financial liabilities			
Monetary Item :			
USD : NTD	\$1,328	30.71	\$40,783
	December 31, 2022		
	Foreign currency	Rate	NTD
Financial assets			
Monetary Item :			
USD : NTD	\$2,375	27.68	\$65,740
Financial liabilities			
Monetary Item :			
USD : NTD	\$2,007	27.68	\$55,554

The total exchange (losses) gains, including realised and unrealized arising from significant foreign exchange variation on the monetary items held by the Company please refer to Note 6(14).

(9) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Supplementary Disclosures

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period: Please refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost reaching \$300 million or 20% of paid-in capital or more: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 3.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 4.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 5.
- B. Ceiling in reinvestments in Mainland China: Please refer to table 5.
- C. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area are as follows:

(a) Purchase

The Company purchased from investees in Mainland China

	Year ended December 31, 2022	
	Amount	As a percentage of the Company's purchase amount, net
Investees in Mainland China		
Jiangxi Zwaveasia Technology Co., Limited	\$220,716	92%

(b) Accounts payable

The Company transacted with investees in Mainland China

	As at December 31, 2022	
	Amount	As a percentage of the Company's accounts payable amount, net
Investees in Mainland China		
Jiangxi Zwaveasia Technology Co., Limited	\$21,123	89%

(4) Major shareholders information

Major shareholders information: Please refer to table 6.

14. Segment Information

The Company has provided the operating segments disclosure in the consolidated financial statements.

Z-Com, Inc.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Table 1 : Loans to others

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2022	Balance at December 31, 2022	Actual amount drawn down	Interest rate %	Nature of loan (Note 2)	Amount of transactions with the borrower	Reason for short- term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 3)	Ceiling on total loans granted (Note 3)	Footnote
													Item	Value			
1	Nanjing Z-Wireless Technology Co., Ltd.	Nanjing Zwaveasia Communication Technology Co., Ltd.	Other receivables	Yes	\$4,506	\$-	\$-	4.35%	2	\$-	Business operation	\$-	None	\$-	\$8,626	\$8,626	
1	Nanjing Z-Wireless Technology Co., Ltd.	Nanjing Zwaveasia Communication Technology Co., Ltd.	Other receivables	Yes	4,408	4,408	4,408	4.35%	2	-	Business operation	-	None	-	8,626	8,626	

Note 1 : The numbers filled in for the loans provided by the Company is '0' or the subsidiaries are numbered in order starting from '1'.

Note 2 : The numbers filled in for the loans provided by Ongoing business is '1' and Short-term financing '2'.

Note 3 : As prescribed in the Nanjing Z-Wireless Technology Co., Limited "Procedures for Provision of Loans" of :

(1) Limit on loans granted to a single party for business transactions is the total value of business transactions in the most recent year and for short-term financing is 5% of the parent company's net assets on the latest financial statements, subject to ceiling on total loans amount.

(2) Ceiling on total loans granted is the lower of 40% of the net assets of the investee on the latest financial statements or 5% of the net assets of the parent company on the latest financial statements.

Z-Com, Inc.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Table 2 : Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2022				Footnote
				Number of shares (in thousands)	Book value	Ownership (%)	Fair value	
Xin Huizhi Investment Co., Limited Xin Huizhi Investment Co., Limited	Stocks-Z-Com, Inc.	Ultimate parent company	Financial assets at fair value through other comprehensive income	5,299	\$52,987	7.39%	\$52,987	Note 1 and 2
	Stocks-Chenyi Rail Technology Co., Ltd.	None	Financial assets at fair value through other comprehensive income	190	1,200	16.38%	1,200	

Note 1 : The fair value for listed stocks is based on the closing price at the balance sheet date.

Note 2 : The Company's shares held by Xin Hui Zhi Investment Co., Limited are accounted for as treasury stocks.

Z-Com, Inc.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Table 3 : Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

Expressed in thousands of NTD

Purchaser / seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes / accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales) (%)	Credit term	Unit price	Credit term	Balance	Percentage of total notes / accounts receivable (payable) (%)	
Z-Com, Inc.	Jiangxi Zwaveasia Technology Co., Ltd.	Parent company to subsidiary	Purchases	\$220,716	92%	Net 14 days	\$-	-	\$21,123	89%	Note 1

Note 1 : Inter-company transactions within the Group are eliminated in the consolidated financial statements.

Z-Com, Inc.
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Table 4 : Information on investees

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares (in thousands)	Ownership (%)	Carrying amount			
Z-Com, Inc	Z-Com Technology Limited	Cayman Island	General investment business	\$102,413	\$153,979	9,830	100%	\$16,225	\$(44)	\$(44)	Subsidiary
Z-Com, Inc	Z-Wireless International Limited	British Virgin Island	General investment business	96,316	96,316	30	100%	21,566	(4,583)	(4,583)	Subsidiary
Z-Com, Inc	Zhi Wei Ya HK Limited	Hong Kong	General investment business	336,342	336,342	11,000	100%	297,641	(24,429)	(24,429)	Subsidiary
Z-Com, Inc	Xin Huizhi Investment Co., Limited	Taiwan	General investment business	28,802	28,802	N/A	48.81%	1,955	(737)	(360)	Subsidiary
Xin Huizhi Investment Co., Limited	Z-Com India Private Limited	India	Trading of communication-electronics products	172	172	N/A	43%	-	-	-	Note 1
Z-Com, Inc	Intelligent platform for IoT services Co., Ltd.	Taiwan	Trading of communication-electronics products	10,000	10,000	1,000	100%	9,202	(729)	(729)	Subsidiary
Z-Com, Inc	Zeneker India Private Limited	India	Trading of communication-electronics products	9,536	9,536	N/A	100%	7,663	(915)	(915)	Subsidiary
Z-Com, Inc	Chunghwa Sochamp Technology Inc.	Taiwan	Trading and manufacturing of Automatic License Plate Recognition products	15,000	-	1,500	27.27%	15,000	-	-	Associate (Note 2)

Note 1 : Z-Com, Inc's subsidiary. Xin Huizhi Investment Co., Limited is held investments accounted for using equity method. When the Group's interest in the associate is reduced to zero, the Group does not recognise further share of loss of the associate.

Note 2 : Z-Com, Inc invested the associate in December 2022 and no investment income (loss) recognized accordingly.

Z-Com, Inc.
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Table 5 : Information on investments in Mainland China

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for the year ended December 31, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee as of December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Nanjing ZCOM Wireless Co., Limited	Research and development and sales of communication device and modem	\$200,154	2、3	\$153,979	\$-	\$51,566	\$102,413	\$1,423	60.57%	\$862	\$20,379	\$-	Note 2
Nanjing Z-Wireless Technology Co., Ltd.	Research and development and sales of communication device and modem	96,316	2	96,316	-	-	96,316	(4,583)	100%	(4,583)	21,566	-	Note 3
Nanjing Zwaveasia Communication Technology Co., Ltd.	Research and development and sales of communication device and network device	21,364	3	-	-	-	-	(2,560)	100%	(2,560)	(7,678)	-	Note 4
Jiangxi Zwaveasia Technology Co., Ltd.	Research and development, manufacturing and sales of communication-electronics products	336,342	2	336,342	-	-	336,342	(22,617)	100%	(22,617)	300,185	-	Note 5

2. Ceiling on investments in Mainland China :

Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
\$535,071	\$539,426	\$301,084

Note 1 : Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1) Investment in Mainland China companies by remittance through a third region.
- (2) Investment in Mainland China companies through a company invested and established in a third region.
- (3) Others.

Note 2 : Joint investment through Z-Com Technology, Limited and Nanjing Z-Wireless Technology Co., Limited.

Note 3 : Investing through Z-Wireless International, Limited.

Note 4 : Investing through Nanjing Z-Wireless Technology Co., Limited.

Note 5 : Investing through Zhi Wei Ya HK Limited.

Z-Com, Inc.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Table 6 : Major shareholders information

Name of major shareholders	Number of shares held	Ownership (%)
Xin Huizhi Investment Co., Limited	5,298,714	7.39%

Description: If company applies Taiwan Depository & Clearing Corporation for the information of the table, the following can be explained in the notes of the table:

- (1) The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded in the financial statements may differ from the actual number of shares issued in dematerialised form because of a different calculation basis.
- (2) If the aforementioned data contains shares which were held in trust by the shareholders, the data disclosed is the settlor's separate account for the fund set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10% in accordance with Securities and Exchange Act, the shares include the self-owned shares and shares held in trust, and at the same time, the shareholder has the power to decide how to allocate the trust assets. The information on the reported share equity of insider is provided in the "Market Observation Post System".

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

ITEM	STATEMENT INDEX
Major accounting items in assets, liabilities and equity	
Statement of cash and cash equivalents	1
Statement of notes and accounts receivable, net	2
Statement of inventories, net	3
Statement of changes in investments accounted for using equity method	4
Statement of changes in property, plant and equipment	Note 6(6)
Statement of changes in accumulated depreciation and accumulated impairment	Note 6(6)
Statement of deferred income tax assets	Note 6(15)
Statement of short-term borrowings	5
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Major accounting items in profit or loss	
Statement of operating revenue	7
Statement of operating costs	8
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Statement of general and administrative expenses	10
Statement of research and development expenses	11
Statement of labor, depreciation and amortization by function	12

Z-COM, INC.

1. Statement of cash and cash equivalents

December 31, 2022

(Expressed in thousands of New Taiwan dollars)

Item	Summary	Amount
Cash on hand		\$224
Cash in banks		
Demand deposits - NTD		9,551
- Foreign currency	Including US\$3,772.61 and other foreign currency	114,484
Check Deposit - NTD		30
		<u>\$124,289</u>

Z-COM, INC.

2. Statement of notes and accounts receivable, net

December 31, 2022

(Expressed in thousands of New Taiwan dollars)

Client Name	Amount	Note
Clients:		
650003	\$19,867	
110432	15,865	
650001	14,151	
Others	3,084	The amount of individual clients included does not exceed 5% of the account balance.
Subtotal	52,967	
Less: Loss allowance	(34,018)	
Total	\$18,949	

Z-COM, INC.

3. Statement of inventories, net

December 31, 2022

(Expressed in thousands of New Taiwan dollars)

Item	Amount		Note
	Cost	Market value	
Raw materials	\$16,203	\$9,245	Replacement cost as market price
Semi-finished goods	6,325	5,865	Net realisable value as market price
Finished goods	53,977	27,922	Net realisable value as market price
Subtotal	76,505	\$43,032	
Less: Allowance for inventory valuation and obsolescence losses	(33,473)		
Total	\$43,032		

Z-COM, INC.

4. Statement of changes in investments accounted for using equity method

December 31, 2022

(Expressed in thousands of New Taiwan dollars)

Name	Opening Balance		Additions (Reduction)		Investment income (loss)	Ending Balance			Market Value or Net Assets Value		Collateral	Note
	Shares (in thousands)	Amount	Shares (in thousands)	Amount (Note 1)		Shares (in thousands)	Percentage of Ownership	Amount	Unit Price	Total Amount		
Z-Com Technology Limited	9,830	\$64,217	-	\$(47,948)	\$(44)	9,830	100%	\$16,225	\$1.65	\$16,225	Nil	
Z-Wireless International Limited	30	20,195	-	5,954	(4,583)	30	100%	21,566	718.87	21,566	Nil	
Zhi Wei Ya HK Limited	11,000	317,445	-	4,625	(24,429)	11,000	100%	297,641	27.06	297,641	Nil	
Z-Com India Private Limited	-	-	-	-	-	-	-	-	-	-	Nil	
Intelligent platform for IoT services Co., Ltd.	1,000	9,931	-	-	(729)	1,000	100%	9,202	9.20	9,202	Nil	
Zeneker India Private Limited	NA	8,574	-	4	(915)	NA	-	7,663	NA	7,663	Nil	
Xin Hui zhi Investment Co., Limited	NA	29,834	-	(309)	(360)	NA	-	29,165	NA	29,165	Nil	
The Company's share held by subsidiaries recognised as treasury stocks	-	(27,441)	-	231	-	-	-	(27,210)	-	-	Nil	
Chunghwa Sochamp Technology Inc.	-	-	1,500	15,000	-	1,500	27.27%	15,000	10.00	15,000	Nil	Note 2
Total		<u>\$422,755</u>		<u>\$(22,443)</u>	<u>\$(31,060)</u>			<u>\$369,252</u>				

Note 1: Including exchange differences on translation of foreign financial statements of the investees, unrealised internal (loss) gain and capital reduction adjustment, etc..

Note 2: Z-Com, Inc invested the associate in December 2022 and no investment income (loss) recognized accordingly.

Z-COM, INC.

5. Statement of short-term borrowings

December 31, 2022

(Expressed in thousands of New Taiwan dollars)

Type	Description	Ending Balance	Contract period	Interest rate	Credit facility	Collateral or pledge	Note
Unsecured loans	Facility of short-term loan	\$100,000	August 2022- February 2023	2.00%-2.21%	\$150,000	Nil	

Z-COM, INC.

6. Statement of accounts payables

December 31, 2022

(Expressed in thousands of New Taiwan dollars)

Vendor Name	Amount	Note
Suppliers:		
EC043	\$1,391	
EF001	324	
ED106	195	
MC107	164	
MI004	146	
Other	343	The amount of individual vendor included does not exceed 5% of the account balance.
Subtotal	2,563	
Related parties:		
Jiangxi Zwaveasia Technology Co., Ltd.	21,123	
Total	\$23,686	

Z-COM, INC.

7. Statement of operating revenue

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan dollars)

Item	Quantities	Amount	Note
Sales revenue			
Commodity	243 thousand units	\$151,221	
Industrial	56 thousand units	101,036	
5G&IoT	421 thousand units	18,625	
		<hr/> 270,882	
Less: Allowance for sales returns and discounts		(11)	
		<hr/> \$270,871 <hr/>	

Z-COM, INC.**8. Statement of operating costs****For the year ended December 31, 2022****(Expressed in thousands of New Taiwan dollars)**

Item	Amount
Raw materials at beginning of year	\$13,679
Add: Raw materials purchased during the year	13,525
Less: Raw materials at the end of year	(16,202)
Raw materials sold	(5,306)
Transferred to expenses	(112)
Other	1,415
Raw materials used for the year	6,999
Add: Semi-finished goods at beginning of year	6,368
Semi-finished goods purchased	640
Less: Semi-finished goods at the end of year	(6,325)
Semi-finished goods for sale	(4)
Transferred to expenses	(85)
Cost of semi-finished goods	7,593
Add: finished goods at beginning of year	39,199
finished goods purchased	203,484
Less: finished goods at the end of year	(53,977)
Transferred to expenses	944
Purchase cost	197,243
Cost of raw materials sold	5,306
Cost of semi-finished goods sold	4
Allowance loss for inventory valuation	2,889
Total	\$205,442

Z-COM, INC.

9. Statement of selling expenses

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Wages and salaries		\$14,326	The amount of each expense included does not exceed 5% of the selling expenses.
Insurance expenses		1,429	
Other expenses		4,933	
		<u>\$20,688</u>	

Z-COM, INC.

10. Statement of general and administrative expenses

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Wages and salaries		\$15,004	The amount of each expense included does not exceed 5% of the general and administrative expenses.
Insurance expense		1,553	
Depreciation expense		1,467	
Service fees		4,508	
Office expenses		1,987	
Other expenses		3,730	
		<u>\$28,249</u>	

Z-COM, INC.

11. Statement of research and development expenses

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Wages and salaries		\$23,066	The amount of each expense included does not exceed 5% of the research and development expenses.
Insurance expense		2,439	
Contracted research expenses		2,395	
Other expenses		5,348	
		<u>\$33,248</u>	

Z-COM, INC.

12. Current employee benefits, depreciation, and amortisation expenses summarised by function

For the year ended December 31, 2022 and 2021

(Expressed in thousands of New Taiwan dollars)

By nature \ By function	2022			2021		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefit expense						
Wages and salaries	\$-	\$48,242	\$48,242	\$-	\$53,391	\$53,391
Labour and health insurance fees	-	4,693	4,693	-	5,031	5,031
Pension	-	4,153	4,153	-	4,495	4,495
Directors' remuneration	-	702	702	-	702	702
Other personnel expenses	-	2,468	2,468	-	2,250	2,250
Total	\$-	\$60,258	\$60,258	\$-	\$65,869	\$65,869
Depreciation	\$-	\$3,514	\$3,514	\$-	\$8,414	\$8,414
Amortisation	\$-	\$-	\$-	\$-	\$1,557	\$1,557

Note:

1. As of December 31, 2020 and 2019, the Company had an average of 61 and 64 employees, respectively, including 5 non-employee directors for both years.
2. The shares of the Company listed in the Taiwan Stock Exchange or Taipei Exchange should disclose the following information:
 - A. Average employee benefits for the years ended December 31, 2022 and 2021 were \$1,063 and \$1,105, respectively.
 - B. Average wages and salaries for the years ended December 31, 2022 and 2021 were \$861 and \$905, respectively.
 - C. The average wages and salaries decreased by 5% over the year (Note).

Note: Due to the resignation of senior employees in 2022, the average wages and salaries has declined accordingly.

However, the average wages and salaries for incumbent employees in 2022 maintains the increase of 1.5%.

- D. The Company set up an audit committee and thus there's no supervisors' remuneration for both years.

- G. Criteria applied for compensation:

General employees: The Company assesses employees' salaries based on the industry standard, the Company's operation structure, and makes adjustments depending on the market salary dynamics, changes in the overall economic and industrial climate, and the laws and regulations.

Directors and management: The Company refers to the general pay levels in the industry and considers individual's performance and the Company's operation the correlation of and future risk exposure.

Z-COM, Inc.

Chairman: Fan En Technology. Co., Ltd.

Legal Representative: John S. Shieh