



Stock code: 8176

Z-COM, Inc.,

2023 Annual Report

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

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

Printed date: March 31, 2024

I. Names, titles, phones and emails of the spokesman and the deputy spokesman:

Spokesman	Deputy spokesman
Name : WU CHIA-FANG	Name : CHUANG, HUI-HUA
Title : President	Title : Accounting Supervisor
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Email : catherine@zcom.com.tw	Email : jessie@zcom.com.tw

II. Addresses and phones of Headquarters, Branches and Plant:

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III. Name, address, website and phone of the Stock Agent :

Name : SinoPac Securities Corp.-- Stock Registration Division
Address : 3F., No. 17, Bo-ai Rd., Zhongzheng District, Taipei City 100, Taiwan
Website : www.sinotrade.com.tw
Phone : (02)2381-6288

IV. Name, Firm, address and phone of the acting independent auditors :

CPAs : Liu, Jung-Chin and Chang, Cheng-Tao
CPA Firm : EY Business Advisory Services Inc.
Address : 9F., No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City
Website : www.ey.com/taiwan
Tel. : (02)2757-8888

V. Foreign securities exchange corporation listing : None

VI. Website : www.zcom.com.tw

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I · Letter to Shareholders

Dear Shareholders,

We would like to express our gratitude for your care and support towards Z-COM. Below is a summary report on the business performance for 2023 and an outline of the business plan for 2024. °

As the threat of COVID-19 gradually subsided in 2023, various industries began to recover. However, the ongoing escalation of the Russia-Ukraine conflict has led to global economic instability, with widespread declines in demand. With the war now lasting over two years, there is a prevailing sense of pessimism internationally. Additionally, the Israel-Hamas conflict in Gaza-Israel border since October last year has expanded to threaten Red Sea shipping, further impacting the economy negatively. Furthermore, the isolationist rhetoric of the Trump administration in the United States election this year is deepening the uncertainty in the international economy.

Although we received many new orders from existing customers last year, the downturn in the European economy resulted in reduced shipping demand from our clients. Consequently, our performance growth was limited. However, we managed to turn losses into profits, successfully weathering the storm and awaiting a rebound in the market.

We have been implementing the pre-6G technology development project from the Ministry of Economic Affairs to enrich zMEC functionalities. This includes integrating cybersecurity features and enhancing AI/ML algorithm capabilities. Additionally, we are utilizing the newly approved Ministry of Transportation project "5G-Driven Smart Transportation Technology and Service Innovation and Industry Development Subsidy Program" to introduce 5G Wi-Fi heterogeneous network products such as Car Specification/Track Specification GTW through Point of Sale (PoS) deployment in the Taoyuan Airport MRT Company's Danhai Light Rail. We also plan to introduce new communication technologies to improve domestic light rail (MRT) operational performance, which will contribute to brand promotion and vertical application opportunities. We will gradually introduce new products for domestic rail transit systems for AIoT applications.

I. Financial performance of 2023 :

- i. Operating Results: The individual financial statement for 2023 of the Republic of China showed operating income of NT\$387 million, although still sluggish, it has grown compared to the previous year. The gross profit margin was 24%, operating net loss was NT\$14,620 thousand,

and after-tax net profit was only NT\$5,763 thousand, with earnings per share of NT\$0.08. Consolidated operating income was NT\$432 million, with a gross profit margin of 34%, operating net loss of NT\$14,276 thousand, and consolidated after-tax net profit of NT\$4,715 thousand.

- ii. Budget Execution Status: The company did not publicly forecast financial performance for 2023.
- iii. Analysis of financial revenue and expenditure and profitability: The company's consolidated operating income for 2023 was NT\$432 million, up more than 30% from the previous year, with a gross profit margin of 34%, slightly higher than the previous year's 28%. Consolidated after-tax net profit was NT\$4,715 thousand, and after-tax net profit attributable to the parent company was NT\$5,763 thousand, with earnings per share of NT\$0.08.
- iv. Technological Developments:
 - a) Utilizing the Ministry of Economic Affairs subsidy project to upgrade zMEC with time-sensitive networking (TSN) and cybersecurity firewall functionalities to serve as a 5G-Wi-Fi private network AIoT application platform. We are also deploying cybersecurity functions UTM on GTW to facilitate AIoT promotion. This system can integrate and manage 5G and Wi-Fi 6 heterogeneous networks, enhancing vertical application capabilities.
 - b) Promoting system applications in ESG new energy fields, including energy generation, storage, consumption monitoring, energy conservation, and smart rail applications, using IoT technology to enter new fields of energy conservation and carbon reduction.
 - c) Introducing Wi-Fi 6E to achieve speeds of up to 10 Gbps, and establishing outdoor and industrial-grade smart boxes, smart poles, and other IoT AI applications.

II. Summary of 2024 Operational Plan and Future Development Strategy for the Company:

- i. Enterprise network systems and outdoor application systems have been listed for sale by major domestic manufacturers, aiming to expand business opportunities and increase brand visibility. In the future, we will promote vertical application networks to Southeast Asia and India.
- ii. Utilizing scientific projects to enhance cooperation with Yang Ming Chiao Tung University and Industrial Technology Research Institute, and industry partners. Providing high-performance, high-quality products and services to domestic enterprise customers, strengthening strategic partnerships to jointly develop new markets.
- iii. Marketing Policy: Continuing to strengthen OEM customer base and deepen brand layout and vertical application successful stories to increase cooperation opportunities with SI strategically at home and abroad.
- iv. Product Development: In addition to mass-producing Wi-Fi 6E for industrial users, we will also

launch 5G Wi-Fi gateways for rail use. We will also introduce Wi-Fi 7 TSN product lines and continue to enhance Wi-Fi 6+ 5G/AIoT IoT application solutions. In addition to integrating the 5G Gateway product line into zMEC edge servers, we plan to establish a cybersecurity protection mechanism (UTM) to effectively manage critical devices and promote the application opportunities for 5G Wi-Fi private networks and AIoT.

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

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

- i. In the post-pandemic era, digitization, cybersecurity requirements, remote monitoring, and effective use of AI/ML and other AI generation tools are becoming prevalent in new applications.
- ii. Promotion of renewable energy policies: Seizing opportunities in environmental sustainable ESG and new energy.
- iii. Overall economic environment: International economic growth momentum is slowing down, moving towards a slow recovery phase.
- iv. External competitive environment: Adjusting profit models dynamically in response to changes in market business models.

IV. Conclusion: Thank you for the support of our shareholders. The management team and all employees will work tirelessly to utilize new technologies to bring profits to our shareholders and fulfill our corporate social responsibility.

Wish all shareholders good health and success in all endeavors.

Chairman, Fan En Technology Co., Ltd.

Legal representative, John S. Shieh

II 、 Introduction to the Company

Established date

The company was established on March 10, 1995

(I) 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.
- 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.
- 2004.08 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.

- 2005.12 Approved by the Industrial Development Bureau of the Ministry of Economic Affairs and subsidized for WiMAX TDP (Technology Development Program).
- 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.
- 2008 Qualified supplier for indoor base stations of Beijing Olympic
- 2008.08 Cooperated with Intel to develop RCP ODU 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.
- 2010.10 802.11n 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.
- 2012.11 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.
- 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 Reduced the capital by cash refund of NT66,000,000 and the in-paid capital was reduced to NT725,000,000.
 - 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.
 - 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)".
 - 2019.05 Established a functional committee "Audit Committee".
 - 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."
 - 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.
 - 112.10 Won 2023 Digital Transformation Model Award and participated in the 6th Taiwan International AIoT show.
 - 112.11 Certificated as "Taiwan iSports Enterprise" by Sports Administration, Ministry of Education.

Department	Main Responsibilities
Internal Audit	<ol style="list-style-type: none"> 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 areas as well as to assist in enhancing corporate governance and risk management mechanism.
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; 4. 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.
ESG Office	<ol style="list-style-type: none"> 1. Design and promote the company's sustainable development policies and direction. 2. Plan and supervise the operation and execution of corporate social responsibility and sustainable development. 3. Execute the company's governance and stock affairs. 4. Execute the tasks of the board of directors and functional committees. 5. Execute salary-related tasks.
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.
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

Department	Main Responsibilities
	<ol style="list-style-type: none"> 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.
Quality Assurance Department	<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 7. Review the prohibited and restricted substances in products 8. Execute product reliability verification
Sales & Marketing Management (Sales Development Section/ Sales Management Section)	<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.
Sales & Marketing Management (Marketing Section)	<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.
Product Development & Engineering Department (Product Development Section)	<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.

Department	Main Responsibilities
	<ol style="list-style-type: none"> 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.
Product Development Management Department (System Application & Engineering Section)	<ol style="list-style-type: none"> 1. Apply and get compliance certifications for company products. 2. Verify and evaluate product functions and performance. 3. Verify the functions and performance of the applications of product system. 4. Provide onsite technical support and service. 5. Provide technical support and service for company products. 6. Develop and design the applications of product system.
Product Development Management Department (Operations Management Section)	<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.
Product Development Management Department (Product Management Section)	<ol style="list-style-type: none"> 1. Manage ISO audits. 2. Manage the calibrations of equipment. 3. Manage and execute DCC-related matters. 4. Create part numbers and BOM (Bill of materials).
Software & Cybersecurity Technology Department	<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.
Smart Applications	<ol style="list-style-type: none"> 1. Promote network product application solutions. 2. Create project specification documents for system integration and propose project development plans. 3. Plan the applications for networking, innovation services, smart campus, as well as smart transportation.

(II) Directors, Supervisors and Management Team

A. Directors and Supervisors:

1. Directors and Supervisors:

March 31, 2024

Title	Nationality/ Place of Incorporation	Name	Gender Age	Date Elected	Term	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding 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	-			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	2022.05.26	3	1995.02.23	3,173,933	4.43%	3,153,933	4.40%	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.	-	2022.05.26	3	1995.02.23	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	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.	Non e	Non e	None	Non e
Director	R.O.C.	CHEN, YU AN	M 61~70	2022.05.26	3	2015.05.29	894,935	1.25%	894,935	1.25%	63,194	0.09%	0	0	0	0	Master's degree in Engineering from the Transportation Research Institute at National Chiao Tung University Chairman of Ablerex Electronic Co., Ltd. Supervisor of United Integrated Services Co., Ltd Supervisor of Z-COM, Inc.	Vice Chairman of Ablerex Electronic Co., Ltd. Director of Ablerex Electronic Co., Ltd. Director of United Integrated Services Co., Ltd Director of Z-COM, Inc. Director of Eco Energy Corporation.	Non e	Non e	None	Non e

Title	Nationality/ Place of Incorporation	Name	Gender Age	Date Elected	Term	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks (Note)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	

Director	R.O.C.	WU CHIA-FANG	F	Director	R.O.C.	WU CHIA-FANG	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 CHUNGHWA SOCHAMP TECHNOLOGY INC. CEO of Z-COM, Inc.	Non	Non	None	Non
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.	Non	Non	None	Non
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.	Non	Non	None	Non

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	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 Surflux 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.	Non e	Non e	None	Non e
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2. Major shareholders of the institutional shareholders:

March 31, 2024

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 31, 2024

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:

Name	Criteria	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	<ol style="list-style-type: none"> 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	<ol style="list-style-type: none"> 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	<ol style="list-style-type: none"> 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	

Name \ Criteria	Professional Qualification Requirements & Work Experiences	Independence Status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
WU CHIA-FANG	<ol style="list-style-type: none"> 1. Possess the professional qualifications and experience required for business, legal affairs, finance, accounting/company business. 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. 		0
CHOU, YIH-HENG	<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 an independent director, Executive Director of Chinese Management Association, CEO of Accreditation of Chinese Collegiate School of Business (ACCBE) 	<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” 	0

Name Criteria	Professional Qualification Requirements & Work Experiences	Independence Status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
HUANG, TAI-SHENG	<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 an independent director of Z-COM, Inc., a Lecturer and Associate Professor, Traffic and Transportation Graduate Program, National Yang-Ming Chiao Tung University. 	<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” 	0

Name Criteria	Professional Qualification Requirements & Work Experiences	Independence Status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
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 Surflux Energy Inc., Chairman of Arima Lasers Corp., Independent Director of Ablere 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 management	Capability of risk	Industry	Capability	Communications	Transportation	Sales & Marketing	Financial	Environment	Medical Education
of Pan En Technology Co., Ltd. John S. Shieh S.	M	✓			✓			✓	✓	✓	✓	✓	✓	✓			✓
of Winifred International Corp. · WU,	F			✓				✓	✓	✓	✓	✓					✓
CHEN, YU AN	M			✓				✓	✓	✓	✓	✓	✓	✓		✓	✓
WU CHIA-FANG	F	✓	✓					✓	✓	✓	✓	✓	✓				
Chou, I-Heng	M				✓		✓	✓	✓	✓	✓	✓			✓	✓	✓
Huang, Tai-Sheng	M				✓		✓	✓	✓	✓	✓	✓	✓	✓		✓	✓
Yuan-liang Su	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 Company has stipulated in Article 20 of the "Corporate Governance Best Practice Principles" that the composition of the Board of Directors should consider diversification. The Company should formulate appropriate diversification policies based on its own operation, operation type, and development needs. These policies should include, but not limited to, the following criteria:

Basic conditions and values: gender, age, nationality, and culture.

Professional knowledge and skills: professional backgrounds (such as law, accounting, industry, finance, marketing, or technology), professional skills, and industrial experience.

The composition of the Company's Board of Directors considers diversification, and appropriate diversification policies are formulated based on its own operation, operation type, and development needs. The nomination and selection of members of the Board of Directors follow the provisions of the Company's Articles of Association. In addition to evaluating the academic and professional qualifications of each candidate, stakeholder opinions are also considered, and relevant regulations such as the "Director Election Regulations" and "Corporate Governance Best Practices" are adhered to, ensuring the diversity and independence of the Board members.

The current Board of Directors consists of 7 members, including 4 directors and 3 independent directors, who possess expertise in finance, management, and the Company's industry. Each director and independent director has their own specific expertise. The 4 directors excel in leadership, operational judgment, management, crisis management, and possess industry knowledge and international market insight. Additionally, the 3 independent directors, namely Chou I-Heng, Huang Tai-Sheng, and Yuan-Liang Su, specialize in finance and taxation, environmental energy, communication engineering, transportation, and business marketing, providing valuable insights into the Company's operations. There are five directors who are not employees of the Company. Four directors are aged over 70, two directors are aged between 61 to 69, and one director is aged under 60. Female directors occupy two seats. 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 31, 2024

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by nominee arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			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	
Governance 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, Billionton 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 Avision 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				
Audit Officer	R.O.C.	Tu, Chien Ping	M	112.07.03	0	0%	0	0	0	0	Master of Accounting, Providence University Deputy Section Chief at Ernst & Young Global Limited, Taiwan firm Account of Z-COM, Inc. Audit Officer of Z-COM, Inc.	None	None	None	None	

(III) Remuneration Paid to Directors, President, Vice President

A. Remuneration Paid to Directors and Independent Directors

2023/12/31 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)		Z-COM	From All Consolidated Entities
		ZCOM	From All Consolida ted Entities (Note9)	Z-COM	From All Consolida ted Entities	Z-COM	From All Consolida ted Entities	Z-COM	From All Consolida ted Entities		
Chairman	Fan En Technology. Co., Ltd. Representative: John S. Shieh	0	0	0	0	0	0	30	30	0.52%	0.52%
Director	Winifred International Corp. Representative: WU, TZY-HSIN	0	0	0	0	0	0	6	6	0.10%	0.10%

Director	CHEN, YU AN	0	0	0	0	0	0	24	24	0.42%	0.42%
Director	WU CHIA-FANG	0	0	0	0	0	0	30	30	0.52%	0.52%
Independent Director	CHOU, YIH-HENG	150	150	0	0	0	0	30	30	3.12%	3.12%
Independent Director	Huang, Tai-Sheng	150	150	0	0	0	0	30	30	3.12%	3.12%
Independent Director	Yuan-liang Su	150	150	0	0	0	0	18	18	2.92%	2.92%

*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	Z-COM		From All Consolidated Entities (Note6)				
		Cash	Stock	Cash	Stock	Cash	Stock	Cash	Stock	Z-COM	From All Consolidated Entities	

Chairman	Fan En Technology. Co., Ltd. Representative: John S. Shieh	3,300	3,300	879	879	0	0	0	0	73.03%	73.03%	None
Director	Winifred International Corp. Representative: WU, TZY-HSIN	0	0	0	0	0	0	0	0	0.10%	0.10%	None
Director	CHEN, YU AN	0	0	0	0	0	0	0	0	0.42%	0.42%	None
Director	WU CHIA-FANG	3,373	3,565	879	879	0	0	0	0	74.30%	77.63%	None
Independent Director	CHOU, YIH-HENG	0	0	0	0	0	0	0	0	3.12%	3.12%	None
Independent Director	Huang, Tai-Sheng	0	0	0	0	0	0	0	0	3.12%	3.12%	None
Independent Director	Yuan-liang Su	0	0	0	0	0	0	0	0	2.92%	2.92%	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 businzhicles). 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 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.

Note6: 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 2023 was 5,763 thousand NTD.

Note7. 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.

Note8: 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:

2023/12/31 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	3,373	3,565	879	879	0	0	0	0	0	0	73.78%	77.11%	None
Chief Technology Officer (Note2)	John S. Shieh	3,300	3,300	879	879	0	0	0	0	0	0	72.51%	72.51%	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, 2024.

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: 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 2023 was 5,763 thousand NTD.

C. Employee Compensation amount paid to managers

2023/12/31 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	CHUANG,HUI-HUA	0	0	0	0%
	Governance Officer (Notec2)	Chen Te Kun	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 2024.

Note2: Chen Te Kun assumed the position of governance officer on June 25th of 2023.

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

2023/12/31 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 (%) (Note5)		Remuneration received from investee enterprises other than subsidiaries or
		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			

														from the parent company
CEO	WU CHIA-FANG	3,373	3,565	879 (Note3)	879 (Note3)	0	0	0	0	0	0	73.78%	77.11%	None
Representative appointed by the Chairman / CTO	John S. Shieh	3,300	3,300	879 (Note3)	879 (Note3)	0	0	0	0	0	0	72.51%	72.51%	None
Accounting Officer	CHUANG ,HUI-HUA	1,167	1,167	63	63	0	0	0	0	0	0	21.34%	21.34%	None
Governance Officer(Note2)	Chen Te Kun	677	677	36	36	0	0	0	0	0	0	12.37%	12.37%	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 2024.

Note2: Chen Te Kun assumed the position of governance officer on June 25th of 2023.

Note3: 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.

Note4: In the fiscal year 112 (2023), 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.

Note5: 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 2023 was 5,763 thousand NTD.

E. Remuneration Policy

1. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, president and vice presidents of the Company, to the net income. The total remuneration paid to directors and supervisors decreased in fiscal year 112 (2023) compared to fiscal year 111(2022), due to a decrease

in the attendance rate of board meetings in fiscal year 112(2023). The total remuneration paid to the CEO and the CTO increased in fiscal year 112(2023) compared to fiscal year 111(2022), due to discretionary adjustments made in fiscal year 112(2023) to compensate for salary reductions taken in fiscal year 111(2022) due to operational conditions.

2023/12/31 Unit : NT\$ Thousand

Item/year	Z-COM				All consolidated subsidiaries			
	2022		2023		2022		2023	
	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	642	(0.99%)	618	10.72%	642	(0.99%)	618	10.72%
CEO and CTO	7,691	(11.859%)	8,431	146.30%	8,538	(13.165%)	8,623	149.63%
Total	8,333	(12.849%)	9,049	157.02%	9,180	(14.155%)	9,241	160.35%
Net Income	(64,854)	100%	5,763	100.00%	(64,854)	100%	5,763	100.00%

2. 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:

- A. 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.
- B. 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.

C. 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 2023 and up until the date of printing of the annual report for 2024, our board of directors held a total of 5 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	5	0	100%	
Director	Winifred International Corp. Representative: WU, TZY-HSIN	1	3	20%	
Director	CHEN, YU AN	5	0	100%	
Director	WU CHIA-FANG	5	0	100%	
Independent Director	CHOU, YIH-HENG	5	0	100%	
Independent Director	Huang, Tai-Sheng	5	0	100%	
Independent Director	Yuan-liang Su	4	0	80%	

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
CHOU, YIH-HENG	⊙	⊙	⊙	⊙	⊙
Huang, Tai-Sheng	⊙	⊙	⊙	⊙	⊙
Yuan-liang Su	⊙	⊙	⊙	*	⊙

(i) 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).

(ii) 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.

On August 8th, 2023, at the sixth meeting of the tenth board of directors, regarding the salary adjustment for managers and general employees for the fiscal year 112, in accordance with Article 16 of the board of directors' regulations, those with conflicts of interest with themselves or their representatives should recuse themselves. Therefore, Chairman John S. Shieh and Director WU CHIA-FANG of Fan En Technology. Co., Ltd. recused themselves. When the Chairman recused himself from the case, the salary adjustment was made after consultation with the Chairman according to the decision of the Compensation Committee. The attendance directors present had no objections, and the case was passed. After review by the Compensation Committee, it was decided that the salary adjustment for managers would be assigned within an average increase of 4% in line with the adjustment for general employees. Independent Director CHOU, YIH-HENG temporarily assumed the role of Chairman.

On August 8th, 2023, at the sixth meeting of the tenth board of directors, regarding the salary of the company's governance executives, in accordance with Article 16 of the board of directors' regulations, those with conflicts of interest with themselves or their representatives should recuse themselves. Therefore, the company's governance executives recused themselves. The Chairman consulted the attending directors, and there were no objections to the case, and it was passed.

- (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 34~37 for details on the implementation of the board of directors' self-evaluation for 2023.

- (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.

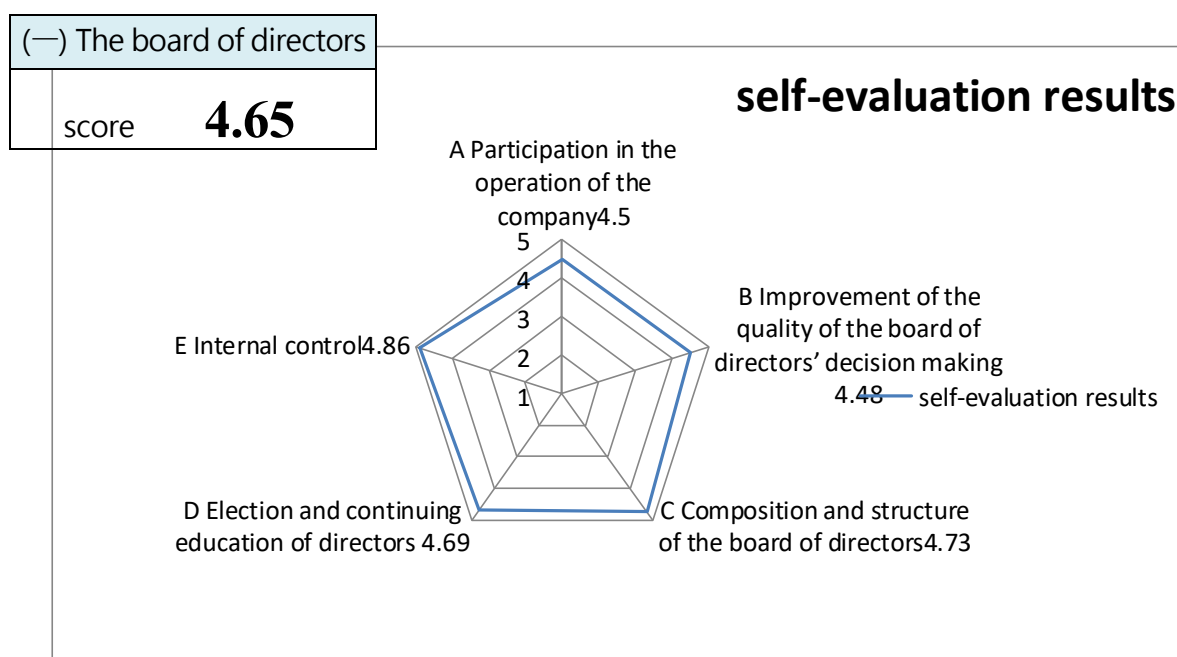
- (i) Strengthen the Board's Functions: The Audit Committee of the Company holds at least one meeting per quarter as required by law, and may convene meetings as necessary to assist the Board of Directors in making decisions and strengthen the Board's supervisory function.
- (ii) Improve information 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.
- (iii) From 2023 to 2024 the date of the printing date of the annual report, a total of 5 audit committee meetings and 5 board meetings were held, with at least two independent directors present at each meeting.
- (iv) 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	2023/1/1~2023/12/31	Board of Director	Board of directors self-evaluation	A. Participation in the operation of the company B. Improvement of the quality of the board of directors' decision making C. Composition and structure of the board of directors. D. Election and continuing education of directors E. Internal control.



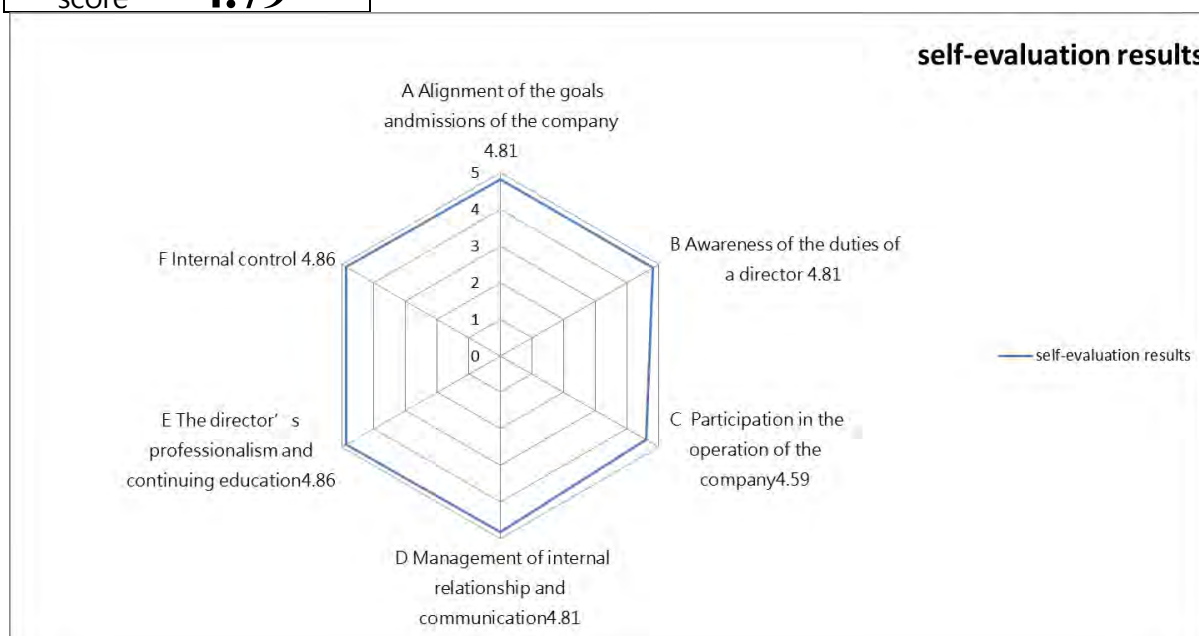
The average score for the overall performance of the Board of Directors is 4.65 out of 5, between "strongly agree" and "agree". As demonstrated, the overall board's operation has been effective. The board of directors has fully guided and supervised the company's strategy, major business and risk management, which meets the requirements 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	2023/1/1~2023/12/31	Individual	board	A. Alignment of the goals and

		directors' performance evaluation	member' s self-evaluation	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
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(-) Members of the board
score 4.79



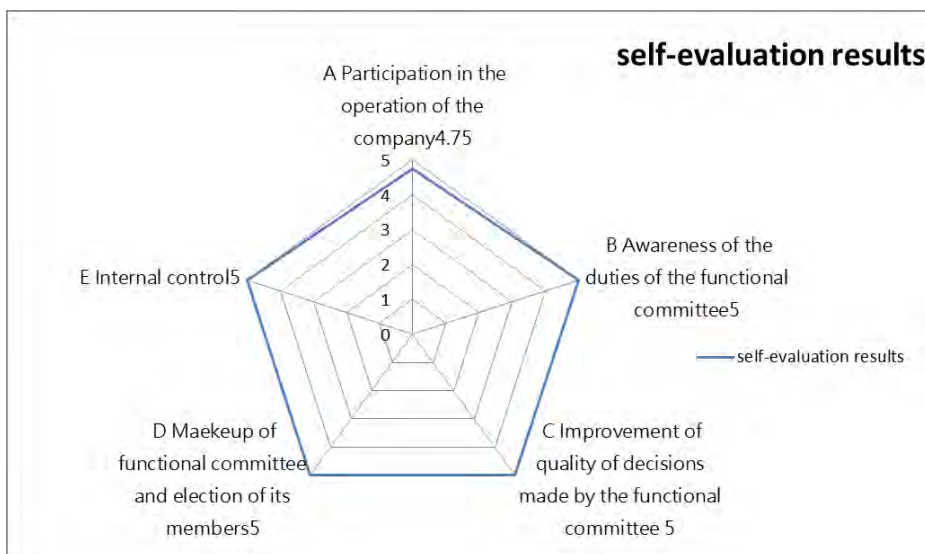
The average score for the performance of the individual directors is 4.79 out of 5, between "strongly agree" and "agree". The directors strongly agree with most of the performance of evaluation items. As demonstrated, the directors have positive comments on the efficiency and effectiveness of the operation of various indicators.

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

evaluation	evaluation period	evaluation	evaluation	Evaluation items
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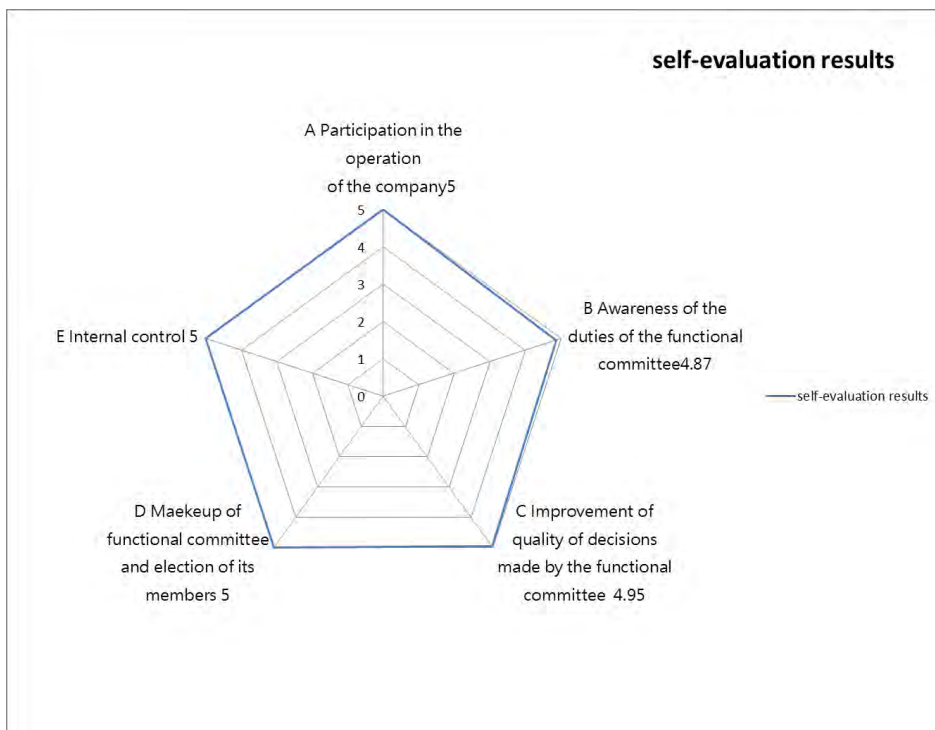
cycle		scope	method	
Once a year	2023/1/1~2023/12/31	Audit Committee	self-evaluation of Audit Committee members	A. Participation in the operation of the company B. Awareness of the duties of the functional committee C. Improvement of quality of decisions made by the functional committee D. Makeup of functional committee and election of its members E. Internal control
Once a year	2023/1/1~2023/12/31	Compensation Committee	self-evaluation of Compensation Committee members	A. Participation in the operation of the company B. Awareness of the duties of the functional committee C. Improvement of quality of decisions made by the functional committee D. Makeup of functional committee and election of its members E. Internal control

(三) Audit Committee
 score **4.95**



(三) Compensation Committee

score **4.96**



The overall average scores for the performance of Audit Committee and Compensation Committee are above 4 out of 5, between "strongly agree" and "agree". Overall, the functional committees are well functioning and are in compliance with the requirements of corporate governance. Each committee has performed its duties and effectively enhances the powers of the board of directors.

C. Audit Committee:

A total of 5 (A) Audit Committee meetings were held in 2023 and the date of 2024 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	4	0	80%	

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.

(i) Matters referred in Article 14-5 of the Securities and Exchange Act.

(ii) 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 3rd meeting of the 2nd session on March 6, 2023	1. 2022 operating report and financial statements of the company. 2. 2022 loss-off setting proposal 3. The implementation of the 2022 annual audit plan and the effectiveness assessment of the internal control system.	The matter is approved by all Independent Directors. The matter is approved by all Independent Directors. The matter is approved by all Independent Directors.	Execute according to the resolution. Execute according to the resolution. Execute according to the resolution.	V V V V	None

	<p>4. The company regularly evaluates the independence and competency of certified accountants and the rotation of certified public accountants in 2023.</p> <p>5. List of untrustworthy services expected to be provided by Ernst & Young and its affiliates in 2023 and 2024.</p> <p>6. Renew annual credit contract 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>Execute according to the resolution.</p> <p>Execute according to the resolution.</p> <p>Execute according to the resolution.</p>		
<p>The 4th meeting of the 2nd session on May 8, 2023</p>	<p>1. 2023 first quarter financial statements.</p> <p>2. Appointment of the governance officer of Z-COM.</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>	V	None
<p>The 5th meeting of the 2nd session on August 8, 2023</p>	<p>1. 2023 2nd quarter financial statements.</p> <p>2. Annual renewal of credit agreement with banks.</p> <p>3. Appointment of new audit officer.</p> <p>4. Amendment of “Implementation Rules of Internal</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</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</p>	V V V	None

	<p>Audit and Internal Control System”</p> <p>5. Amendment of “Management for Loans of Funds to Others”.</p> <p>6. Amendment of “Standard operating procedures for handling requests from directors”.</p> <p>7. Amendment of “Procedures for Handling Material Inside Information and the Prevention of Insider Trading”</p>	<p>approved by all Independent Directors.</p> <p>1.Regarding the amendment, Director CHOU, YIH-HENG proposed to refine the wording of the articles.</p> <p>2. After the chairman consulted the attending members, the revised content was approved without objection.</p> <p>The matter is approved by all Independent Directors.</p> <p>The matter is approved by all Independent Directors.</p>	<p>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>The 6th meeting of the 2nd session on November 7, 2023</p>	<p>1. 2023 third quarter financial statements.</p> <p>2. Making 2024 internal audit plan.</p> <p>3. Discussion on renewal of</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</p>	<p>Execute according to the resolution.</p> <p>Execute according to the resolution.</p> <p>Execute</p>	<p>V</p> <p>V</p>	<p>None</p>

	annual credit agreement with banks.	approved by all Independent Directors.	according to the resolution.		
The 7th meeting of the 2nd session on March 6, 2024	1. 2023 business report & 2023 annual financial statements	The matter is approved by all Independent Directors.	Execute according to the resolution.	V	None
	2. loss-off setting proposal for 2023	The matter is approved by all Independent Directors.	Execute according to the resolution.	V	
	3. Discussion on the execution status of the audit plan for 2023 and the assessment of the effectiveness of internal control systems is proposed.	The matter is approved by all Independent Directors.	Execute according to the resolution.	V	
	4. Assessment of Independence & qualifications of CPAs and renewal of 2024 CPAs.	The matter is approved by all Independent Directors.	Execute according to the resolution.		
	5. List of non-assurance services to be provided by Ernst & Young and its related entities in 2024.	The matter is approved by all Independent Directors.	Execute according to the resolution.		
	6. Amendment of “Organizational Rules of Audit Committee”.	The matter is approved by all Independent Directors.	Execute according to the resolution.		

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 (which should include the material items, methods, and results of the audits on the corporate finance and/or operations, etc.).

(i) The communication between Independent directors' and CPAs:

Date	Independent directors	Audit Committee	Discussion items with CPAs	Opinion & Result
2023.05.08	√	√	CPA explained the audit results of financial statements for the 1 st	no objection

			quarter of 2023.	
2023.11.07	√	√	CPA explained the audit results of financial statements for the 3rd quarter of 2023.	no objection
2024.03.06	√	√	CPA explained the audit results of financial statements of 2023 (consolidated and unconsolidated).	no objection

(ii) The communication between Independent directors and internal Auditors:

Date	Independent directors	Audit Committee	Discussion items with Chief internal auditor	Opinion & Result
2023.01.10	√	√	Audit plan execution status for December 2022.	no objection
2023.02.21	√	√	Audit plan execution status for January 2023.	no objection
2023.03.08	√	√	Execution status of the audit plan for 2022, tracking status of the audit report for 2022-Q4.	no objection
2023.03.13	√	√	Audit plan execution status for February 2023.	no objection
2023.04.27	√	√	Audit plan execution status for March 2023.	no objection
2023.05.08	√	√	2023 Audit Report Tracking Status-Q1.	no objection
2023.05.18	√	√	Audit plan execution status for April 2023.	no objection
2023.06.07	√	√	Audit plan execution status for May 2022.	no objection
2023.07.13	√	√	Audit plan execution status for June 2022.	no objection
2023.08.08	√	√	2023 Audit Report Tracking Status-Q2.	no objection
2023.08.13	√	√	Audit plan execution status for July 2023.	no objection
2023.09.28	√	√	Audit plan execution status for August 2022.	no objection
2023.10.31	√	√	Audit plan execution status for September 2022.	no objection
2023.11.07	√	√	2023 Audit Report Tracking Status-Q3.	no objection
2023.11.24	√	√	Audit plan execution status for October 2023.	no objection
2023.12.14	√	√	Audit plan execution status for November 2023.	no objection
2024.01.25	√	√	Audit plan execution status for December 2023.	no objection

(Appendix I: Board of Directors training record in 2023)

Title	Name	Date of appointment	Training date		Organizer(s)	Courses	Training hours
			start	end			
Independent Director	CHOU, YIH-HEN G	2022/05/26	2023/06/09	2023/06/09	Taiwan Corporate Governance Association	Promoting Sustainable Development through Risk Management	3.0
Independent Director	CHOU, YIH-HEN G	2022/05/26	2023/6/30	2023/6/30	Taiwan Corporate Governance Association	Global Future Risks and Opportunities for Sustainable Transformation	3.0

Independent Director	HUANG, TAI-SHEUNG	2022/05/26	2023/09/04	2023/09/04	Securities & Futures Institute	The 14 th Taipei Corporate Governance Forum	6.0
Independent Director	HUANG, TAI-SHEUNG	2022/05/26	2023/09/07	2023/09/07	Securities & Futures Institute	Technology development and business opportunities of electric vehicles and smart vehicles	3.0
Independent Director	Yuan-lian g Su	2022/05/26	2023/10/20	2023/10/20	Taiwan Corporate Governance Association	Climate Change: An Undeniable Reality	3.0
Independent Director	Yuan-lian g Su	2022/05/26	2023/11/06	2023/11/06	Taipei Foundation of Finance	Regional Revitalization and Circular Economy	3.0
Independent Director	Yuan-lian g Su	2022/05/26	2023/11/13	2023/11/13	Taipei Foundation of Finance	Carbon Risk in Corporate Supply Chains and Case Studies Introduction	2.0
Legal representative of the board of directors	John S. Shieh	2022/05/26	2023/03/10	2023/03/10	Taiwan Corporate Governance Association	Shareholders' Meeting, Proxy Contest and Ownership Strategy	3.0
Legal representative of the board of directors	John S. Shieh	2022/05/26	2023/07/24	2023/07/24	Taipei Foundation of Finance	Artificial Intelligence Booming: The Technology Development and Application Opportunities of the Chatbot	3.0
Legal representative	WU, TZY-HSI	2022/05/26	2023/02/14	2023/02/14	Taiwan Corporate Governance	New Challenge to Corporate Governance as ESG	3.0

ntative of the board of directo rs	N				Association	Knocking	
Legal represe ntative of the board of directo rs	WU, TZY-HSI N	2022/05/26	2023/02/15	2023/02/15	Taipei Foundation of Finance	Trends in Sustainable Development and Sustainable Governance	3.0
Legal represe ntative of the board of directo rs	WU, TZY-HSI N	2022/05/26	2023/05/08	2023/05/08	Taipei Foundation of Finance	Regional Revitalization and Circular Economy	3.0
Directo r	CHEN, YU AN	2022/05/26	2023/03/21	2023/03/21	Taiwan Securities Association	Legal Liability and Case Analysis of Corporate Fraud	3.0
Directo r	CHEN, YU AN	2022/05/26	2023/06/06	2023/06/06	Taiwan Securities Association	Legal Liability and Case Analysis of Trade Secret Protection	3.0
Directo r	WU CHIA-FA NG	2022/05/26	2023/07/18	2023/07/18	Taiwan Corporate Governance Association	Corporate Governance 3.0- Practical Analysis of “ESG report”	3.0
Directo r	WU CHIA-FA NG	2022/05/26	2023/07/24	2023/07/24	Taipei Foundation of Finance	Artificial Intelligence Booming: The Technology Development and Application Opportunities of the Chatbot	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 (i) 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	
(ii) Does Company process a list of major shareholders and beneficial owners of these major shareholders?	V		inquiries, and disputes. 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.	None
(iii) Has the Company built and execute a risk management system and “firewall” between the Company and its affiliates?	V		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.	None
(iv) Has the Company established internal rules	V		1. On August 28, 2012, the company established the "Internal	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	
prohibiting insider trading on undisclosed information?			<p>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.</p> <p>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.</p> <p>3. In 2023, 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. On April 27th, 2023, during the quarterly meeting, all employees were</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>educated and informed about preventing insider trading. Additionally, on April 14th, 2023, and June 28th, 2023, educational guidance was provided to company supervisors and employees via email. The relevant education and training materials are posted on the internal employee system for reference by current employees.</p> <p>4. Furthermore, on December 29th, 2023, a notice was sent out reminding directors and internal personnel not to trade their stocks during the thirty days preceding the announcement of the annual financial report, and the fifteen days preceding the announcement of each quarterly financial report, to avoid inadvertent violation of this regulation. In the future, reminders regarding insider trading regulations will be regularly included in the monthly notifications of changes in stock ownership for internal personnel.</p>	
<p>III 、Composition and Responsibilities of the Board of Directors.</p> <p>(i) Has the Board of Directors established a diversity policy, set goals, and implemented them accordingly?</p>	V		<p>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,</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>business models, and development needs, which should include but are not limited to the following two aspects of standards:</p> <p>(1) Basic criteria and values: gender, age, nationality, and culture.</p> <p>(2) Professional knowledge and skills: professional backgrounds (such as law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience.</p> <p>2. According to Article 20 of "Corporate Governance Best 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> <p>(1) Operational judgment ability.</p> <p>(2) Accounting and financial analysis ability.</p> <p>(3) Business management ability.</p> <p>(4) Crisis management ability.</p> <p>(5) Industry knowledge.</p> <p>(6) International market perspective.</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	
(ii) 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>(7) Leadership ability.</p> <p>(8) Decision-making ability.</p> <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 the diversity of our board of directors, please refer to page20-21.</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

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	
(iii) 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 and functional committees for 2023 has been submitted to the Board on March 6 2024 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>requirements. None.</p>
(iv) Does the Company regularly evaluate its external auditors’ independence?	V		<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,</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>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 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>1. 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 border="1"> <thead> <tr> <th>Independence</th> <th>Yes</th> <th>No</th> </tr> </thead> <tbody> <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> </tbody> </table>	Independence	Yes	No	(I) Has the CPA not served as a director of the company or an affiliated company?	V		
Independence	Yes	No								
(I) Has the CPA not served as a director of the company or an affiliated company?	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																			
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			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																			

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	
			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 corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors, assisting directors’ compliance of law, handling matters related to board meetings and shareholders’ meetings according to law, and recording minutes of board meetings and shareholders’ meetings)?	V		The company has set up part-time personnel for corporate governance, responsible for corporate governance-related 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.	None
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		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.	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	
			3. In addition, the company website also has multiple contact windows such as "Contact Us" and "Investor Zone" for diversified communication.	
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
VII、Information Disclosure				
(i) 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
(ii) 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
(iii) Does the Company announce and report the			The company has not announced and submitted the annual	t will be adjusted

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	
annual financial statements within two months after the end of the fiscal year, and announce and report the first, second and third quarter financial statements as well as the operating status of each month before the prescribed deadline?		V	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 month in advance.	according to the company’s situation.
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</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>treated employees with integrity and protected their legitimate rights and interests in accordance with the Labor Standards Act.</p> <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.</p> <p>5. The company has a spokesperson mechanism to answer investor-related questions and maintain a good relationship</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>with investors. °</p> <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 42-44 of the annual report for details on Board of Directors training record in 2023.</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 2023, with coverage from August 25, 2023, to August 25, 2024.</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 2023:</p> <ol style="list-style-type: none"> 1. The company uploaded the shareholder meeting handbook and supplementary materials 30 days before the shareholders' annual meeting. 2. The interim financial reports for 2023 of the company were all approved by the audit committee and submitted to the Board of Directors for discussion and resolution. 3. In 2023, the company appointed a governance officer responsible for governance-related matters, and the scope of authority and professional development were explained on the company's website and in the annual report. 4. The company uploaded the annual financial reports disclosed in English 7 days before the shareholders' annual meeting in 2023. <p>The priority enhancements and measures for those that need to be improved in 2023:</p> <ol style="list-style-type: none"> 1. When the company releases important information, it will also release the English version of important information. 2. The company is planning to enhance the disclosure of financial and corporate governance information on its English website. 				

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 (Convenor)	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>	<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.</p>	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>	<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.</p>	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 Surplux Energy Inc., independent director of AblereX, director of Arima Lasers Corp., legal representative of Arima Communications Corp.</p>	<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.</p>	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 2023-2024 and up until the date of annual report publication.

(A) Member qualifications and attendance status are 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 of 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 2 nd meeting of the 5 th	1. The report on director and employee remuneration for the fiscal year 2022. 2. The report on the performance evaluation	Proposal	Presented to the board of directors

session on March 6, 2023	results of the Remuneration Committee for the fiscal year 2022.		
The 3 rd meeting of the 5 th session on August 8, 2023	<ol style="list-style-type: none"> 1. Request for Retrospective Approval of Appointment and Compensation for Governance Officer. 2. Review of Salary Adjustment Proposal for Managers in 2023. 	Discussion Items	Presented for Board Discussion
The 4 th meeting of the 5 th session on March 6, 2024	<ol style="list-style-type: none"> 1. Report on Directors' Remuneration and Employees' Remuneration for the year 2023. 1. Report on the Performance Evaluation Results of the Remuneration Committee for the year 2023. 	Report itmes	Presented for Board Reporting
		Discussion Items	Presented for Board Discussion

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>1. In pursuit of corporate sustainability, the company has established sustainability practice guidelines and solidified its corporate sustainability policy to: a. Implement corporate governance, b. Foster environmental sustainability, c. Uphold social welfare, and d. Enhance disclosure of sustainability information.</p> <p>2. To align with international ESG trends, the company established an ESG office in 2023. This office regularly reports to the board of directors, at least once a year, on the progress of corporate sustainability initiatives and stakeholder communication. The board reviews relevant strategies and may request adjustments from the ESG Office when necessary.</p>	<p>On March 6th, 2024, the report on the execution status of 2023 was scheduled for presentation at the board meeting, and regular updates on the progress were provided to the board of directors.</p>
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</p>	<p>Complies with “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”</p>

management policies and operational activities to achieve the goal of sustainable management.

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:

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. 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

				<p>transportation every year: the random inspection by Hsinchu Science Park Bureau in 2023, there is no risk.</p>
			2.Climate change	<ol style="list-style-type: none"> 1. Paperless operations: Use electronic signature methods to reduce paper consumption. 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. 3. Advocate turning off lights: In addition to posting prominent reminder slogans next to the lamp switch, security personnel will patrol again after 7 pm on weekdays to confirm that the lights have been turned off. 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

				<p>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 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</p>	

				<p>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> <ul style="list-style-type: none"> a. Purchase and update of protective equipment. b. Emergency evacuation drills for personnel. c. Fire safety lectures and equipment use. d. Conduct annual health checkups and health seminars for employees. e. Occupational safety and health training for new and returning colleagues. f. Promotion of safety and health-related information. g. Automatic inspections of various equipment <p>2. Employers shall carry out regular</p>	
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				<p>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 to protect consumer rights and provide an immediate complaints procedure. The products we produce and sell comply with international regulations on restricted substances (RoHS, REACH, SONY GP). The company has established a "supplier evaluation system". Environmental and social impacts are also evaluated when conducting procurement activities. For parts, suppliers are required to provide SGS certification for the approved</p>	

				<p>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 terminate the contract, no longer cooperating with the supplier.</p>	
			governance	<p>Socioeconomic and Legal Compliance</p> <p>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.</p>	
<p>III、Environmental issue</p> <p>(i) Does the company establish an appropriate environmental management system based on its industry characteristics?</p>	V		<p>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.</p>	<p>Complies with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies</p>	
<p>(ii) Does the company strive to improve energy use efficiency and use environmentally</p>	V		<p>Our company has set up recycling bins for resource classification and commissioned qualified vendors to handle waste recycling</p>	<p>Complies with Corporate Social Responsibility Best</p>	

<p>friendly recycled materials with low environmental impact?</p> <p>(iii) 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?</p>	<p>V</p>	<p>operations. We have passed the waste transportation and inspection checks conducted through irregular inspections every year. The inspection conducted by Hsinchu Science Park Bureau and in 2023 showed no violations.</p> <p>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 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 border="1" data-bbox="913 935 1749 1445"> <thead> <tr> <th data-bbox="913 935 1055 1018">Climate Risk</th> <th data-bbox="1055 935 1196 1018">Potential Affection</th> <th data-bbox="1196 935 1375 1018">Climate Opportunity</th> <th data-bbox="1375 935 1749 1018">Response Measures</th> </tr> </thead> <tbody> <tr> <td data-bbox="913 1018 1055 1445">Increase in temperature</td> <td data-bbox="1055 1018 1196 1445">Increase in electricity usage, leading to higher costs and carbon emissions</td> <td data-bbox="1196 1018 1375 1445">Promote low-carbon and green production</td> <td data-bbox="1375 1018 1749 1445">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> </tbody> </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.	<p>Practice Principles for TWSE/GTSM-Listed Companies</p> <p>Complies with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies</p>
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.								

			<p>Water and electricity supply instability</p>	<p>Production impacted, operating costs increased</p>	<p>Developing green energy, enhancing water resource efficiency, and utilizing emerging water sources.</p>	<ol style="list-style-type: none"> Promote turning off lights when not in use: Reminders are posted next to light switches, and security guards patrol the area after 7pm to ensure lights are turned off. Conduct daily inspections of the factory to check for leaks in toilet systems, water tanks, faucets, and other pipes and adjust the water flow. Replace traditional lighting with energy-saving LED lighting. 98.5% of the factory's lighting has been replaced with energy-saving lighting. Energy-saving measures for computer rooms: Implement server virtualization to save electricity and related equipment. 	
			<p>Increased greenhouse gas emissions costs</p>	<p>limited production capacity expansion</p>	<p>Participation in renewable energy projects and</p>	<p>Reducing the use of environmentally harmful chemicals in products and processes, as well as focusing on product design,</p>	

				n, increased operating costs	participation in carbon 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 the company's image.	Enhancing Long-Term Investor Interest	1. Strengthen green manufacturing. Corporate activities comply with environmental regulations and meet the requirements of advanced countries in terms of green environmental protection. Product development and packaging use are based on green environmental

<p>(iv) 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,</p>	<p>V</p>				<p>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 requirements.</p> <p>4. Promote environmental-related information to employees, customers, suppliers, visitors, etc. through communication and education.</p>	<p>Complies with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed</p>
			<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</p>			

<p>carbon reduction, greenhouse gas reduction, water conservation, or waste management?</p>		<p>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> <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.</p>	<p>Companies.</p>
<p>IV、Social issues (i) Does the company establish relevant management policies and procedures in accordance with relevant laws and international human rights conventions?</p>	<p>V</p>	<p>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,</p>	<p>Complies with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies</p>

<p>(ii) 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?</p>	<p>V</p>	<p>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.</p> <p>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 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</p>	<p>Complies with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies</p>
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<p>(iii) Does the company provide employees with a safe and healthy working environment, and regularly conduct safety and health education for employees?</p>	V	<p>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 pages83-86)</p> <p>To ensure employee safety, we have established occupational safety and health work rules, hazard communication, and 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>	<p>Complies with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies</p>	
	V	<table border="1"> <tr> <td>Content/Year</td> <td>2022</td> <td>2023</td> </tr> </table>		Content/Year
Content/Year	2022	2023		

			Hazard General Training (New Members)	16 employees	5	
			Occupational Education Training for First Aid Personnel Safety and Health	0	1	
			1. Fire Safety Education and Training	1.26 employees	1.15 employees	
			2. Occupational Safety and Fire Safety Education and Training	2. Company-wide fire evacuation drills on June 7 & December 22.	2. Company-wide fire evacuation drills on June 17 & December 8.	
(iv) Does the company establish effective career and capability development training plans for employees?	V		<p>4. No fire incidents occurred in 2023.</p> <p>Our company's Administrative Management Department 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 			Complies with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies

<p>(v) 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?</p> <p>(vi) 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?</p>		<p>worked for one year or more. We allocate an annual education and training budget of 1% of the total payroll for all employees.</p> <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> <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>	<p>Complies with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies</p> <p>In the future, relevant regulations will be established and the supplier management policy will be implemented.</p>
<p>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</p>		<p>V At present, we have not compiled an ESG report and it is expected the compilation will take place in 2024.</p>	<p>Under evaluation</p>

<p>attestation or assurance opinion from a third-party verification entity?</p>				
<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: 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 ESG 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 public welfare donation of Z-COM in 2023 is as follows: 				

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 social welfare activities.	Saint Joseph Social Welfare Foundation	"Sponsorship for 'Illuminate Love - Presentation of Learning Achievements by Persons with Disabilities', 'Handicraft Exhibition by Angels of Love', and Talent Performances."	The company	NTD 5,000
	Andrew Charity Association	"Every Penny Brings Hope, Delivering Hope to Homes" - For disadvantaged children from low-income families, we provide timely and tailored resources based on individual circumstances to support their holistic development."	All colleagues	NTD21,902
	Taiwan Fund for Children and Families, Hsinchu center	The organization is dedicated to providing life assistance to children from impoverished families, as well as protecting children who have been abused or have special needs.	The company	NTD 5,000
	World peace organization	Life assistance, educational scholarships, after-school tutoring, psychological counseling, and compassionate breakfast programs.	All colleagues	NTD 4,135
	St. Teresa Children Center	Provide orphans with a warm and joyful Children's Day celebration.	The company	NTD 10,000

		Children Are Us Foundation	Continuously purchase cakes made by Children Are Us Foundation, encouraging the self-care abilities of individuals with disabilities.	All colleagues	NTD 9,000
		Formosa Cancer Foundation	Integrate "Public Welfare, Health, and Exercise" as the main theme. Raise awareness among colleagues about breast cancer prevention and encourage the adoption of regular exercise habits.	All colleagues	NTD 11,700

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	2022/04/06	538 Supervisor's office	653ppm	Office 507	504ppm	GONG AN ENTERPRISE CO., LTD. Monitoring agency number B0048
CO2	202/09/06	Meeting room 529	593ppm	Office 518	456ppm	GONG AN ENTERPRISE CO., LTD. Monitoring agency number B0048
Lead Concentration	2022/04/06	NA	NA	RD 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	2023/03/02	536 Supervisor's office	510ppm	Office 511	424ppm	GONG AN ENTERPRISE CO., LTD. Monitoring agency number B0048
CO2	2023/09/13	Meeting room 526	729ppm	Warehouse	627ppm	GONG AN ENTERPRISE CO., LTD. Monitoring agency number B0048

Lead Concentration	2023/03/02	NA	NA	RD Laboratory	<0.000920	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
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
2023	D-0299, Waste Plastic Mixture	12
	D-1801, Commercial waste	240
	D-0799, Waste wood	30
	E-0217, Waste electronic components, substandard products, and defective products	28.8
2023 Total		310.8

8. Waste removal:

Filling Date	Name of Cleaner	Name of Handler	Intermediate treatment method	Final disposal method
03/28/2023	Shun Chu Enterprise Co.	Hsinchu Refuse Incineration Plant	ncineration treatment	Landfill treatment

06/28/2023	Shun Chu Enterprise Co.	Hsinchu Refuse Incineration Plant	ncineration treatment	Landfill treatment
09/20/2023	Shun Chu Enterprise Co.	Hsinchu Refuse Incineration Plant	ncineration 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 2022	Achievement	Energy conservation goal for 2023	Achievement	Energy conservation goal for 2024
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.	↓ 19.1%(Achieved)	Maintain a $\pm 3\%$ energy conservation rate until the chiller unit is replaced (expected) in 2026.	↓5.8%(Achieved)	Maintain a $\pm 2\%$ energy conservation rate

Category	Performance measurement indicators.	Energy conservation goal for 2022	Achievement	Energy conservation goal for 2023	Achievement	Energy conservation goal for 2024
Water	Annual Water consumption/ Last year's total water consumption	Maintain a $\pm 3\%$ water conservation rate (Exclude public water)	(Achieved) ↓ 32%	Maintain a $\pm 3\%$ water conservation rate (Exclude public water)	↓10.8%(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
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2020	1,968	221,280	115,992	
2021	1,820	234,240	119,255	
2022	1,220	189,480	97,971	
2023	1,094	178,440	89,753	
Last year's equivalent savings.	↓126 degrees	↓11,040 degrees	↓8,218 KG	

G. The 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.
	Yes	No	Summary description	
<p>I、Development of integrity and ethics policy and plan</p> <p>(i) 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?</p>	V		<p>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, 2012. 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</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.
	Yes	No	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 Company 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.
	Yes	No	Summary description	
(ii) 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		effectiveness of these policies in order to continuously improve them. 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.	Complies with the regulations of the Code of Conduct for Integrity in Business Operations for listed and OTC companies.
	V		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 their immediate supervisor and notify the	

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.
	Yes	No	Summary description	
(iii) 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?			<p>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.</p> <p>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 business processes are conducted to ensure</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.
	Yes	No	Summary description	
			compliance with ethical standards.	
<p>II、Implementing Business Integrity</p> <p>(i) Has the company evaluated the integrity records of its counterparties and included clauses on business integrity in the contracts signed with them?</p> <p>(ii) Has the company established a dedicated unit under the board of directors to promote corporate</p>	V		<p>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.</p> <p>1. The company has established an</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.
	Yes	No	Summary description	
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?			<p>Integrity and Governance Team under ESG 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 execution status of corporate integrity operations was reported at the 10th session of the 7th board meeting on November 7th, 2023 and documented accordingly.</p> <p>2. The specialized unit of the company should hold internal education and training once a year, arranging the Chairman, CEO (President) or senior management to convey the importance of integrity to directors, employees, and appointees. This company should include integrity management in the employee performance evaluation and human</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.
	Yes	No	Summary description	
			<p>resource policies, setting up an effective reward and punishment system and complaint mechanism to implement integrity management and ethical behavior.</p> <p>3. The company 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, we</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.
	Yes	No	Summary description	
(iii) Has the company established and implemented	V		<p>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 the company in the 2023 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 2023.</p>	Complies with the

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.
	Yes	No	Summary description	
<p>policies to prevent conflicts of interest, provided appropriate reporting channels?</p> <p>(iv) Has the company established effective accounting and internal control systems to implement ethical management, and has it formulated relevant audit plans based on the assessment of the risk of</p>	V		<p>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.</p> <p>The company has established accounting and internal control systems, which are audited by internal auditors on a regular basis according to a plan, and undergo</p>	<p>regulations of the Code of Conduct for Integrity in Business Operations for listed and OTC companies.</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.
	Yes	No	Summary description	
<p>unethical behavior by the internal audit unit, and verified compliance with the plan? Or has it commissioned an auditor to conduct audits?</p> <p>(v) Does the company regularly hold internal and external education and training on ethical management?</p>	V		<p>self-assessment and confirmation by external accountants on a yearly basis to ensure the effectiveness of the system's design and implementation.</p> <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 2023, the company held external education and training sessions related to corporate integrity issues, including compliance with laws and regulations, accounting systems, and internal controls. Internal education and training sessions were also conducted periodically during various meetings (such as</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.
	Yes	No	Summary description	
			<p>labor-management meetings), actively advocating for and nurturing attitudes of integrity, honesty, fairness, and responsibility among employees.</p> <p>In 2023, the company implemented the integrity operations policy as follows:</p> <ol style="list-style-type: none"> 1. The company participated in 11 external education and training sessions related to integrity operations, including courses on compliance with integrity regulations, prevention of insider trading, accounting systems, and internal controls. This amounted to a total of 101 hours. 2. The company organized internal education and training sessions related to integrity operations (mainly focusing on compliance with integrity regulations, prevention of insider trading, accounting systems, and internal controls). Due to the ongoing COVID-19 pandemic, these sessions were conducted through 	

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.
	Yes	No	Summary description	
			<p>informational dissemination to avoid gatherings.</p> <p>3. The company has established effective accounting systems and internal control systems. Internal audit personnel regularly audit the adherence to these systems. In 2023, the audit plan included 35 audit itmes which were reported as required on the Market Observation Post System.</p>	
<p>III、The operation of the company's whistleblowing system</p> <p>(i) 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 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>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.
	Yes	No	Summary description	
(ii) 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		※ For cases of sexual harassment, please use the dedicated mailbox at adm@zcom.com.tw. ※ For complaints, please use the mailbox at adm2@zcom.com.tw. ※ For legal matters, please use the mailbox at adm3@zcom.com.tw. The company has formulated a “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.
(iii) Does the company take measures to protect whistleblowers from improper treatment resulting from their whistleblowing?	V		This company is committed to protecting whistleblowers, and it follows the principle 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.	Complies with the regulations of the Code of Conduct for Integrity in Business Operations for listed and OTC companies.
IV 、Strengthen Information Disclosure Has the company disclosed the content and	V		The company has disclosed relevant	Complies with the

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.
	Yes	No	Summary description	
effectiveness of its established Code of Conduct on its website and the Taiwan Stock Exchange website?			information such as the Guidelines of Conduct for Ethical Management on its website and annual report.	regulations of the Code of Conduct for Integrity in Business Operations for listed and OTC companies.
<p>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:</p> <p>This company 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 Market Observation Post System website. The actual operation of the code is consistent with the established code, and there are no significant differences.</p>				
<p>VI、Other important information related to the company's integrity operation, such as the review and revision of its integrity code:</p> <ol style="list-style-type: none"> 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 (first revision on May 29th, 2015, second revision on May 31st, 2019, and third revision on May 29th, 2020) according to regulatory requirements and implemented after being approved by the board of 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. 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. 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 				

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.
	Yes	No	Summary description	
in the discussion or vote and cannot act as a proxy for other directors to exercise their voting rights.				
4. The company regularly reviews potential risks to its integrity to enhance the effectiveness of its integrity operation.				
5. All employees of the company 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.				

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 education and guidance 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 of assuming their positions, and new employees are educated by human resource department during pre-employment training.

On June 28, 2023 and on December 29, 2023, the company conducted education and guidance for current directors, managers, and employees through informational dissemination. The content included education on trade secrets and insider trading under the Securities Exchange Act. The relevant measures and implementation status have been published on the company's website for investor reference.

J. Internal Control System Execution Status:

1. Statement of Internal Control System:

Z-COM, Inc.

Statement of Internal Control System

Date: March 6, 2024

Based on the findings of a self-assessment, Z-COM, Inc. states the following with regard to its internal control system during the year 2023:

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, 2023, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency 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, 2024, 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 2023 and 2024 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
2023.05.24	Approved			
	1. Annual business report and Financial statements of 2022	V	None	Approved.
	2. Loss off-setting proposal of 2022		None	Due to the loss in 2022, the employees and directors' remuneration were not distributed according to the regulations.
	Discussed			
	1. Amendment of "Rules of Procedure for Shareholders' Meeting."		None	It has been implemented in accordance with the resolution and announced on the company website.

2. During the 2023 and 2024 up to the date of the annual report printing, the company held 6 board meetings, and the important resolutions are as follows:

Date of shareholders' meeting	Major Resolutions	Matters listed in Securities and	Opinions of independent directors and	Resolution
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		Exchange Act§14-3 or§14-5	company' s treatment of the opinions	
2023.03.06 (the 4 th meeting of 10 th board of directors)	1. Approval of annual business report and financial statements of 2022	V	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; Renewal of appointment of CPAs for 2023.		None	The matter is approved by all 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.	V	None	The matter is approved by all the attendees.
	7. Budget of 2023	V	None	本案謝金生董事長建議檢查毛利率估算是否須修正，經主席徵詢出席董事，無異議照案通過。
	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.
2023.05.08 (the 5 th meeting of 10 th board of directors)	1. 2023 first quarter financial statements.		None	The matter is approved by all the attendees.
	2. Appointment of the governance officer of Z-COM.		None	The matter is approved by all the attendees.
2023.08.08 (the 6 th meeting of 10 th board of directors)	1. 2023 2nd quarter financial statements.		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. Salary adjustment for employees and managers.		None	The matter is approved by all the attendees.
	4. Governance Officer's Compensation		None	The matter is approved by all the attendees.
	5. Appointment of new internal audit officer.	V	None	The matter is approved by all the attendees.
	6. Amendment of "Implementation Rules of Internal Audit and Internal Control System"	V	None	The matter is approved by all the attendees.
	7. Amendment of "Management for Loans of Funds to Others"	V	None	The proposal was discussed with attending directors by the chairman, and following the decision of the audit committee, the amended content of the article was approved without

				objection.
	8. Amendment of “Standard operating procedures for handling requests from directors”.		None	The matter is approved by all the attendees.
	9. Amendment of “Procedures for Handling Material Inside Information and the Prevention of Insider Trading”	V	None	The matter is approved by all the attendees.
	10. Amendment of “Rules of Procedure for Shareholders' Meeting”		None	The matter is approved by all the attendees.
	11. Amendment of “Sustainable Development Best Practice Principles”		None	The matter is approved by all the attendees.
	12. Amendment to the "Transaction Procedures for Related Persons, Specific Companies and Group Enterprises"		None	The matter is approved by all the attendees.
2023.11.07 (the 7 th meeting of 10 th board of directors)	1. 2023 third quarter financial statements.		None	The matter is approved by all the attendees.
	2. Making 2024 internal audit plan.		None	The matter is approved by all the attendees.
	3. Discussion on renewal of annual credit agreement with banks.		None	The matter is approved by all the attendees.
113.03.06 (the 8 th meeting of 10 th board of directors)	1. 2023 business report & 2023 annual financial statements	V	None	The matter is approved by all the attendees.
	2. loss-off setting proposal for 2023		None	The matter is approved by all the attendees.
	3. Discussion on the execution status of the audit plan for 2023 and the assessment of the effectiveness of internal control systems is proposed		None	The matter is approved by all the attendees.
	4. Assessment of Independence & qualifications of CPAs and renewal of	V	None	The matter is approved by all

	2024 CPAs.			the attendees.
	5. List of non-assurance services to be provided by Ernst & Young and its related entities in 2024.		None	The matter is approved by all the attendees.
	6. Budget for 2024	V	None	The matter is approved by all the attendees.
	7. Amendment of “Rules of Procedure for Board of the Directors Meeting”		None	The matter is approved by all the attendees.
	8. Amendment of “Organizational Rules of Audit Committee”		None	The matter is approved by all the attendees.
	9. Proposal to convene regular meeting of shareholders for 2024.		None	The matter is approved by all the attendees.
	10. Regular meeting of shareholders for 2024 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

2024/3/31

Title	Name	Employment Date	Resignation Date	Reasons for resignation or dismissal
Internal Audit Officer	Chen Te Kun	2018/11/08	2023/06/25	Job adjustment

(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	LIU, JUNG-CHIN	2023.01.01~ 2023.12.31	2,600	200	2,800	Tax certification
	CHANG,CHENG-TAO	2023.01.01~ 2023.12.31				
	Lin, Chih-Ren	2023.01.01~ 2023.12.31		200	200	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 : 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	2023		1/1/2024-3/26/2024	
		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	(20,000)	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	0	0	0	0
Governance Officer	Chen Te Kun	0	0	0	0

Note1 : (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.

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

March 26, 2024

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 2)		REMARK
	Shares	%	Shares	%	Shares	%	Title (or name)	Relations	
XIN HUI ZHI Investment Co.,Ltd Person in charge: WU CHEN HUA	5,162,714	7.20%	Not applicable	Not applicable	Not applicable	Not applicable	WU CHIA-FANG	Siblings	
Fan En Technology. Co., Ltd. Person in charge: WU CHIA-FANG	3,618,909	5.05%	Not applicable	Not applicable	Not applicable	Not applicable	WU CHEN HUA	Siblings	
John S. Shieh	3,153,933	4.40%	0	0	0	0	None	None	
CHEN, SSU-YI	1,253,000	1.75%	0	0	0	0	None	None	
Chen, Yu Bang	998,890	1.39%	70,887	0.10%	0	0	CHEN, YU AN	Siblings	
TU,MENG-HSIA	908,667	1.27%	0	0	0	0	None	None	
WU CHIA-FANG	907,027	1.27%	0	0	0	0	Fan En Technology. Co., Ltd.	The same person	
CHEN, YU AN	894,935	1.25%	63,194	0.09%	0	0	Chen, Yu Bang	Siblings	
CHIANG CHIH HAO	869,000	1.21%	0	0	0	0	None	None	
Berkeley Capital SBL/PB investment account held in trust by Citibank	643,000	0.90%	Not applicable	Not applicable	Not applicable	Not applicable	None	None	

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, 2023.

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.	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.

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 options for a total of 15,410 thousand dollars.	—	Note12
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		Total Shares	
Order common stock	71,701	OTC	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, 2024

Shareholder structure	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
QTY						
Number of Shareholders	0	0	241	36,081	31	36,353
Shareholding (shares)	0	0	10,646,662	59,278,599	1,775,739	71,701,000
Percentage	0%	0%	14.85%	82.67%	2.48%	100%

C. Status of Ownership Dispersion:

1. Common Shares

March 26, 2024

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	%
1~999	30,134	1,389,763	1.94
1,000~5,000	4,658	9,799,932	13.67
5,001~10,000	832	6,577,384	9.17
10,001~15,000	211	2,642,938	3.69
15,001~20,000	126	2,357,012	3.29
20,001~30,000	132	3,369,097	4.70
30,001~50,000	100	3,942,269	5.50
50,001~100,000	77	5,338,667	7.44
100,001~200,000	36	5,202,343	7.25
200,001~400,000	29	8,436,575	11.77
400,001~600,000	6	3,004,068	4.19
600,001~800,000	3	1,873,877	2.61
800,001~1,000,000	5	4,578,519	6.39
1,000,001 or over	4	13,188,556	18.39
Total	36,353	71,701,000	100.00%

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

D. List of major shareholders:

March 26, 2024

Shares	shareholding	percentage
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Major Shareholder's Name		
XIN HUI ZHI Investment Co.,Ltd	5,162,714	7.20%
Fan En Technology. Co., Ltd.	3,618,909	5.05%
John S. Shieh	3,153,933	4.40%
CHEN, SSU-YI	1,253,000	1.75%
Chen, Yu Bang	998,890	1.39%
TU,MENG-HSIA	908,667	1.27%
WU CHIA-FANG	907,027	1.27%
CHEN, YU AN	894,935	1.25%
CHIANG CHIH HAO	869,000	1.21%
Berkeley Capital SBL/PB investment account held in trust by Citibank	643,000	0.90%

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

Unit : thousand shares; NT\$

items		year	2022	2023	01/01/2024-03/31/2024 (Note 8)
Market Price per Share(Note 1)	Highest Market Price		13.2	19.0	15.55
	Lowest Market Price		8.23	9.21	13.5
	Average Market Price		10.53	12.21	14.22
Net Worth per Share(Note2)	Before Distribution		7.26	7.27	-
	After Distribution		7.26	(註 9)	-
Earnings per Share	Weighted Average Shares		69,115	69,181	-
	Earnings Per Share (Note 3)		(0.94)	0.08	-
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: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 6: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share.

Note 7: Cash Dividend Yield Rate = Cash Dividends per Share / 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 2023 will be determined after being approved at the shareholders' meeting in 2024.

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.
 - (2) The company's net income after tax in 2023 was NT\$5,763,103, plus the beginning of the period accumulated deficit of NT\$201,177,868, resulting in an accumulated deficit of NT\$195,414,765 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 2024 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 2023. The aforementioned decision of the Board of Directors is consistent with the estimated amount of expenses recognized for 2023.

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 2022 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 major Business Operation of the Company:

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	2022		2023	
	Amount of Revenue	Proportion of Revenue	Amount of Revenue	Proportion of Revenue
Commodity	316,078	73.18	156,500	48.00
Industrial	50,325	11.65	103,451	31.73
5G & IoT	65,537	15.17	66,079	20.27
Total	431,940	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/ Wi-Fi7 wireless products.

B. Industry Overview

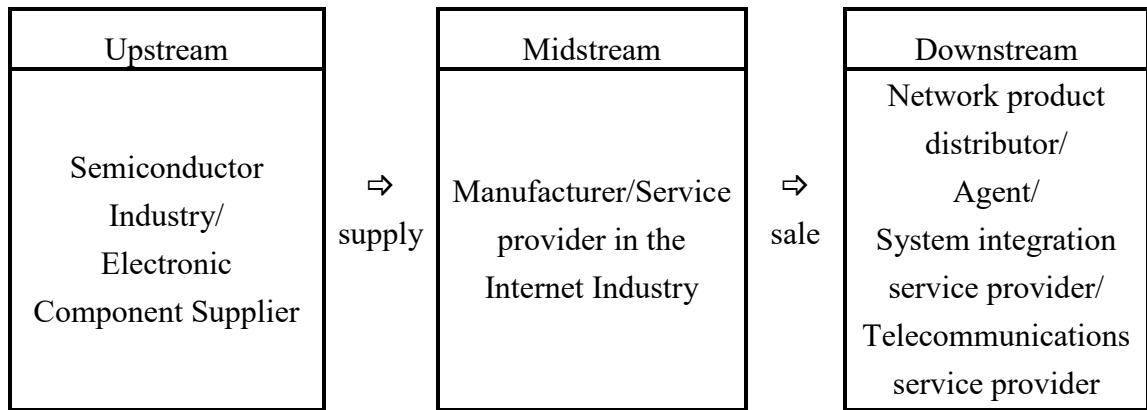
1. The Current Situation and Development of the Industry:

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 market size continues to expand steadily, driven not only by internet usage but also by the increasing demand for AI application transmission rates.
- (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, telecommunication 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 products are going to launch gradually.

(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 2022 & 2023:

Unit: NT\$ Thousands

Year	2023	2022
Research and development expenses	81,713	68,015

2. 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 for major events such as the Beijing Olympics, Shanghai World Expo, and Nanjing Youth Olympic Games. Additionally, Z-COM also enhances the</p>

	<p>cooperation with India and implements local production and sales.</p> <p>We will continue to develop various technologically advanced products.</p> <p>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.
112	<ol style="list-style-type: none"> 1. Industrial-grade Wi-Fi 6e wireless modules offer faster bandwidth for industrial users and are less susceptible to interference compared to 2.4GHz/5GHz. 2. 5G NR Gateway for industrial, vehicle and rail applications feature M12 connectors and support dual SIM cards, 5GNR module as well as rail-related reliability certificate. 3. The new generation Wi-Fi 7 enterprise-grade Gateway adopts tri-band 2x2 architecture, providing faster data rates, lower latency, increased user capacity, with maximum throughput of 9335Mbps high-speed bandwidth.

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. Additionally, we aim to penetrate various industry applications through collaborations with the Ministry of Economic Affairs, Ministry of Transportation and Communication, as well as academic and research institutions.

Short term:

We provide high-efficiency, high-performance, and high-quality products and services, maintaining a leading position in software technology within the Taiwanese communication industry. We strive to offer customers the latest technological innovations and functionalities, along with 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 ; %

Regin/Year		2023		2022	
		Amount	%	Amount	%
Export s a l e s	Asia	50,715	11.74	56,248	17.25
	Europe	317,537	73.52	153,845	47.19
	other	1,434	0.33	1,946	0.60
	subtotal	369,686	85.59	212,039	65.04
Domestic sales		62,254	14.41	113,991	34.96
total		431,940	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.

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. As Wi-Fi technology evolves, we place particular emphasis on heat dissipation solutions to minimize failure rates and the risk of network interruptions.

(3) High cost-effectiveness:

Z-COM 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) 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.

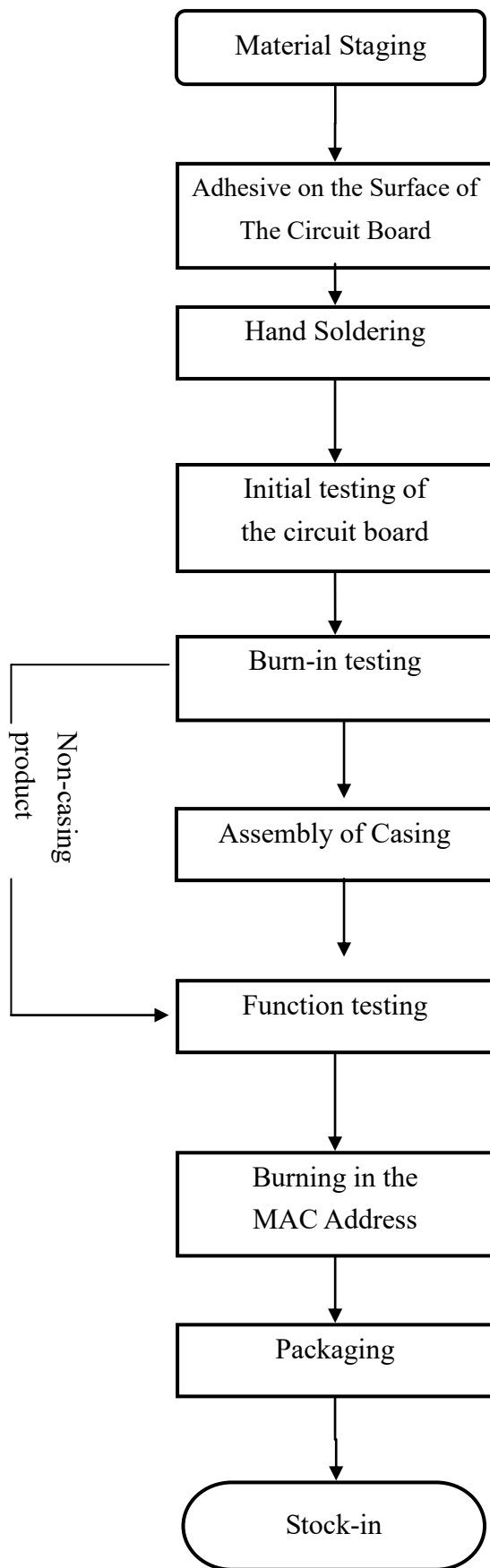
- (5) Agency distribution partners and system and application integration: In addition to operating local channels through agency distribution, ZCOM responds to industry demands by integrating with partner products, moving towards system integration and application development. We provide customers with more comprehensive and flexible solution.

B. Main applications of major products and their manufacturing processes

【main applications】

major products	main applications
Commodity	1. Home internet : Provides wireless internet service for home users. 2. Home audio and video transmission: provide wireless audio and video transmission for home users. 3. VOIP (Voice Over Internet Protocol; Internet Telephony) network voice transmission: Provides internet telephony service for home users.
Industrial	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.
5G & IoT	Carrier Grade Wireless LAN Controllers Indoor and outdoor wireless base stations, intelligent base stations, etc. Carrier-grade wireless off-load solution Manageable Gateways Wireless Bridges for short/medium/long distance transmission Applications: rail transportation, remote and rural Connectivity, security monitoring, smart energy, etc. as well as smart cities mission.

【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.

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	2022				2023				Up to the end of previous quarter of 2024 (Note 2)			
	Company Name	Amount	Percentage [%]	Relation with Issuer	Company Name	Amount	Percentage [%]	Relation with Issuer	Company Name	Amount	Percentage [%]	Relation with Issuer
1	Customer A	153,233	47	None	Customer A	317,417	73	None				
2	Customer B	98,184	30	None	Customer B	52,061	12	None				
3	Customer C	42,806	13	None	Customer C	33,219	8	None				
4	Others	31,807	10	None	Others	29,243	7	None	Others			
	net sales	326,030	100		net sales	431,940	100		net sales	(Note 2)	(Note 2)	(Note 2)

Note 1: 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.

Note 2: As of the date of publication of the annual report, companies that are listed or whose stocks have been traded on the business premises of securities firms should disclose the latest financial information that has been audited or reviewed by accountants.

Reasons for increase or decrease:

- (1) The increase in Customer A's revenue in 2023 was attributed to the smooth supply of materials and the mass production of new machine models during that year, leading to an increase in shipments.
- (2) Customer B experienced a decrease in shipments for the year due to inventory level management.

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

	2022				2023				Up to the end of previous quarter of 2024 (Note 2)			
Item	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	Account	Amount	Percentage of net purchases for the entire year (%)	Relationship with the issuer
1	Other	227,039	100	None	Other	201,562	100	None	Other	(Note2)	(Note 2)	
	Net Purchases	227,039	100		Net Purchases	201,562	100		Net Purchases	(Note 2)	(Note 2)	

Note 1: 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.

Note 2: As of the date of publication of the annual report, companies that are listed or whose stocks have been traded on the business premises of securities firms should disclose the latest financial information that has been audited or reviewed by accountants.

Reasons for increase or decrease: The company does not have any suppliers that account for more than 10% of the total purchase volume.

E. Production value in the past two years

Unit : pcs / thousand dollars (NTD)

Production Value Main Product (or Departmental Divisions)	2023			2022		
	Production Capability	Output	Output Value	Production Capability	Output	Output Value
Commodity	369,600	341,530	204,809	792,000	227,778	138,484
Industrial	39,600	26,886	24,732	171,600	69,201	59,946
5G & IoT	23,760	18,653	43,755	113,520	25,045	52,759
Total	432,960	387,069	273,296	1,077,120	322,024	251,189

F.Shipments and Sales in the Last Two Years

Unit: NT\$ thousands

Year Shipments & Sales Products	2023				2022			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Commodity	0	0	385,761	316,078	155,300	2,361	125,246	154,139
Industrial	27,400	48,606	1,905	1,719	45,186	88,468	21,675	14,983
5G & IoT	384,360	14,092	713,295	51,445	160,340	23,162	267,358	42,917
Total	411,760	62,698	1,100,961	369,242	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 , 2022	Dec 31 st , 2023	As of March 31, 2024 in the current year
Number of employees (Note 1)	Management	28	20	20
	R&D	54	49	45
	Marketing	9	16	16
	Ohters	78	65	64
	total	169	150	145
Average age		38.2	42.9	42.9
Average year of services		5.3	8.6	8.8
Eductional distribution ratio of Employees	Doctorate	1%	2%	2%
	Master's Degree	11%	30%	30%
	Bachelor's Degree	64%	65%	65%
	High school	5%	3%	3%
	Below high school	17%	0%	0%

Note 1 : Including number of subsidiaries

(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.

1. The amount of penalty/fine (including compensation) imposed due to environmental pollution in the most recent year and up to the publication of the annual report and potential expenditures:
None

2. Countermeasures:

The company has incorporated the risks of potential violations of various environmental regulations into its daily operational management systems and mechanisms, following the principles of preventive management. It actively monitors government-planned environmental policies and draft legislation to proactively implement corresponding measures. Currently, there has been no environmental pollution or related compensation, penalties or other expenditures.

The company places great importance on corporate environmental responsibility and actively promotes environmental protection measures, such as green procurement, paperless offices, LED lights throughout the factory, water and electricity energy saving and carbon reduction, and recycling of waste batteries, etc. Additionally, all general waste generated during the production process is regularly disposed by qualified professional organizations.

(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 2023:

<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
4	4	100%	9	7	89%	8	13

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

Year	2022	2023

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	57,000	269,300
Total	\$57,000	\$269,300

※Scholarship for employees' education:

Year	2022	2023
Employee Training and Development	28,600	95,152
Scholarship (1 st / 2 nd semester)	50,800	56,000
Total	\$79,400	\$151,152

(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	2022		2023	
	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	56	102	94	294

(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

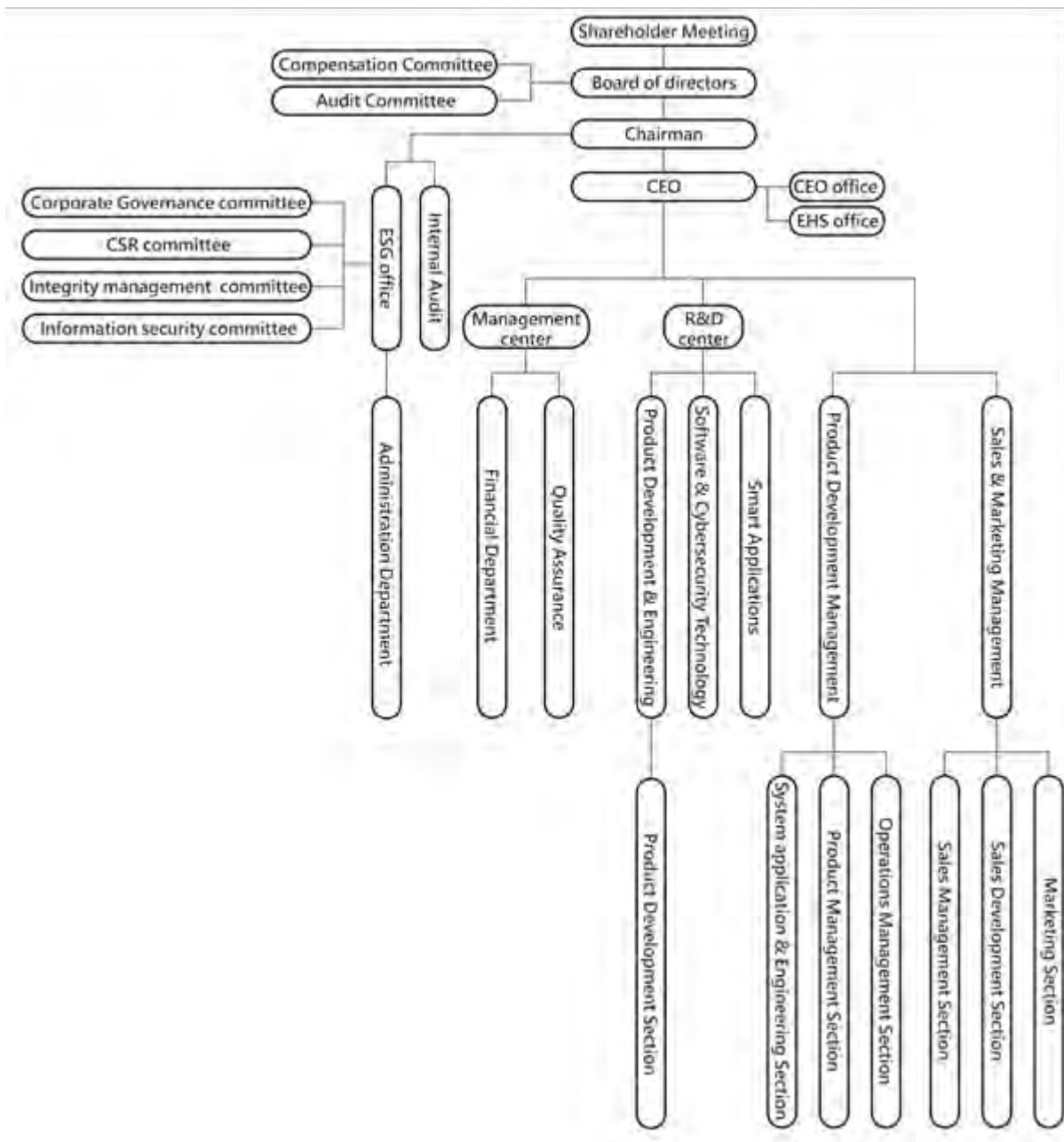
1. Cybersecurity Risk Management Framework, Cybersecurity Policies, Specific Management Plans, and Resources Invested in Cybersecurity Management:

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: None.

(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	Bharat Sanchar Nigam Limited	112/06/30~117/06/30	Wi-Fi network deployment of India Courts	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 2019 to 2023

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

Consolidated Condensed Balance Sheet—with IFRS adopted

Unit: NT\$ thousands

Year item		Financial data within 5 years (Note 1)				
		2019	2020	2021	2022	2023
Current Assets		647,199	397,234	478,384	514,294	484,753
Property, Plant and Equipment		220,305	195,726	150,375	135,208	120,465
Intangible Assets		4,192	3,318	1,081	785	477
Other Assets		250,040	226,340	113,433	124,160	117,497
Total Assets		1,121,736	822,618	743,273	774,447	723,192
Current Liabilities	Before Distribution	354,303	176,001	113,453	231,381	180,858
	After Distribution	365,058	176,001	113,453	231,381	(Note 2)
Noncurrent Liabilities		30,021	24,918	23,692	26,306	25,111
Total Liabilities	Before Distribution	384,324	200,919	137,145	257,687	205,969
	After Distribution	395,079	200,919	137,145	257,687	(Note 2)
Equity Attributable to Shareholders of the Parent		722,665	624,997	555,059	501,807	503,494
Capital Stock		725,000	725,000	725,000	717,010	717,010
Capital Surplus		2,221	2,577	2,577	33	489
Retained Earnings	Before Distribution	65,181	(33,440)	(100,548)	(163,295)	(157,532)
	After Distribution	54,426	(33,440)	(100,548)	(163,295)	(Note 2)
Others		(37,884)	(33,239)	(36,069)	(24,731)	(29,961)
Treasury stock		(31,853)	(35,901)	(35,901)	(27,210)	(26,512)
Noncontrolling Interests		14,747	(3,298)	51,069	14,953	13,729

Total Equity	Before Distribution	737,412	621,699	606,128	516,760	517,223
	After Distribution	726,657	621,699	606,128	516,760	(Note 2)

Note1: The financial data above were audited by the CPA

Note2: The loss appropriation for 2023 is awaiting approval and will be confirmed after the shareholders' meeting on May, 24th, 2024.

Consolidated Condensed Comprehensive Income Statement—with IFRS adopted

Unit: NT\$ thousands

item \ year	Financial data within 5 years (note)				
	2019	2020	2021	2022	2023
Operating Income	1,081,624	411,961	259,775	326,030	431,940
Gross Profit	247,509	99,383	68,372	92,748	145,447
Operating profit or loss	(14,139)	(141,591)	(130,563)	(75,210)	(14,276)
Non-operating income and expense	28,051	21,030	149,386	15,847	21,435
Net income (loss) before tax	13,912	(120,561)	18,823	(59,363)	7,159
Net income (loss) of continuing operations	2,897	(108,891)	(4,115)	(64,670)	4,715
Loss from Discontinued Operations	0	0	0	0	0
Net income (loss)	2,897	(108,891)	(4,115)	(64,670)	4,715
Other Comprehensive Income (Loss) for the Year, Net of Income Tax	(14,845)	4,946	(2,716)	6,046	(6,617)
Total Comprehensive Income for the Year	(11,948)	(103,945)	(6,831)	(58,624)	(1,902)
Net Income Attributable to: Shareholders of the Parent	14,459	(87,866)	(60,952)	(64,854)	5,763
Net Income Attributable to Noncontrolling Interests	(11,562)	(21,025)	56,837	184	(1,048)
Total Comprehensive Income Attributable to Shareholders of the Parent	1,511	(83,221)	(63,782)	(53,516)	533
Total Comprehensive Income Attributable to Noncontrolling Interests	(13,459)	(20,724)	56,951	(5,108)	(2,435)
Earnings (loss) per share	0.21	(1.27)	(0.88)	(0.94)	0.08

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

Condensed Balance Sheet (Unconsolidated)-- with IFRS adopted

Unit: NT\$ thousands

year item		Financial data within 5 years (Note1)				
		2019	2020	2021	2022	2023
Current Assets		258,596	204,562	148,119	205,880	203,235
Property, Plant and Equipment		63,026	52,443	44,984	43,758	40,165
Intangible Assets		2,088	1,557	0	0	0
Other Assets		598,210	524,342	486,505	424,587	412,981
Total Assets		921,920	782,904	679,608	674,225	656,381
Current Liabilities	Before Distribution	175,593	134,125	100,857	148,888	128,174
	After Distribution	186,348	134,125	100,857	148,888	(Note 2)
Noncurrent Liabilities		23,662	23,782	23,692	23,530	24,713
Total Liabilities	Before Distribution	199,255	157,907	124,549	172,418	152,887
	After Distribution	210,010	157,907	124,549	172,418	(Note 2)
Capital Stock		725,000	725,000	725,000	717,010	717,010
Capital Surplus		2,221	2,577	2,577	33	489
Retained Earnings	Before Distribution	65,181	(33,440)	(100,548)	(163,295)	(157,532)
	After Distribution	54,426	(33,440)	(100,548)	(163,295)	(Note 2)
Others		(37,884)	(33,239)	(36,069)	(24,731)	(29,961)
Treasury Stock		(31,853)	(35,901)	(35,901)	(27,210)	(26,512)
Total Equity	Before Distribution	722,665	624,997	555,059	501,807	503,494
	After Distribution	711,910	624,997	555,059	501,807	(Note 2)

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

Note2: The loss appropriation for 2023 is awaiting approval and will be confirmed after the shareholders' meeting on May 24th, 2024.

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

Unit: NT\$ thousands

item \ year	Financial data within 5 years (Note)				
	2019	2020	2021	2022	2023
Operating Income	1,008,605	358,372	214,645	270,871	386,693
Gross Profit	149,806	89,750	62,225	65,429	91,642
Operating profit or loss	7,534	(57,174)	(45,150)	(37,052)	(14,620)
Non-operating income and expense	19,652	(40,260)	7,070	(22,495)	22,827
Net income (loss) before tax	27,186	(97,434)	(38,080)	(59,547)	8,207
Net income (loss) of continuing operations	14,459	(87,866)	(60,952)	(64,854)	5,763
Loss from Discontinued Operations	0	0	0	0	0
Net income (loss)	14,459	(87,866)	(60,952)	(64,854)	5,763
Other Comprehensive Income (Loss) for the Year, Net of Income Tax	(12,948)	4,645	(2,830)	11,338	(5,230)
Total current comprehensive profit and loss	1,511	(83,221)	(63,782)	(53,516)	533
Earnings per share	0.21	(1.27)	(0.88)	(0.94)	0.08

Note: 2019-2023 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
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
2023	LIU,JUNG-CHIN/	Ernst & Young Private Limited,	Modified Unqualified

	CHANG, CHENG-TAO	Taiwan	opinion
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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

Analysis item (Note 2)		Year (Note 1)				
		2019	2020	2021	2022	2023
Finance structure (%)	Debt to assets ratio	34.26	24.42	18.45	33.27	28.48
	Long term funds to property, plant, and equipment ratio	334.72	317.64	403.08	382.20	429.36
Solvency (%)	Current ratio (%)	182.67	225.70	421.66	222.27	268.03
	Quick ratio (%)	117.90	136.23	254.05	121.78	159.45
	Interest coverage ratio	3.23	(18.11)	3.70	(31.12)	3.59
Operating ability	Receivables turnover (times)	6.19	2.96	3.37	4.07	4.57
	Accounts receivable collecting days	58.97	123.31	108.31	89.90	79.86
	Inventory turnover (times)	2.50	1.35	0.87	0.88	1.12
	Payables turnover (times)	6.21	4.21	4.08	4.34	5.82
	Average inventory turnover on sales	146	270	420	415	326
	Property, plant, and property turnover (times)	4.57	1.98	1.50	2.28	3.38
	Total asset turnover (times)	0.93	0.42	0.33	0.43	0.58
Profitability	Return on assets (%)	0.68	(10.68)	0.19	(8.33)	0.92
	Return on equity (%)	0.38	(16.02)	(0.67)	(11.52)	0.91
	Ratio of net income before tax to paid-in capital (%)	1.92	(16.63)	2.60	(8.28)	1.00
	Profit margin (%)	0.27	(26.43)	(1.58)	(19.84)	1.09
	Earnings Per Share (NT\$)	0.21	(1.27)	(0.88)	(0.94)	0.08

Cash flow	Cash flow ratio (%)	14.40	6.11	(Note 4)	(Note 4)	21.01
	Cash flow Adequacy Ratio (%)	119.73	119.17	68.12	(Note 4)	(Note 4)
	Cash Flow Re-investment Ratio (%)	1.14	0.08	(Note 4)	(Note 4)	5.77
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)
<p>Reasons for changes in various financial ratios over the past two years (for changes of 20% or more):</p> <p>(1) Increase in Current Ratio and Quick Ratio: This is attributed to the decrease in current liabilities in 2023.</p> <p>(2) Increase in Interest Coverage Ratio: This is due to the increase in profits in 2023.</p> <p>(3) Increase in Inventory Turnover Ratio, Payable Turnover Ratio, and Decrease in Average inventory turnover on sales: This is a result of inventory clearance in 2023 leading to a decrease in inventory and accounts payable.</p> <p>(4) Increase in Property, plant, and property turnover ratio: it is due to the growth in revenue in 2023.</p> <p>(5) Increase in Profitability-related Financial Ratios: This is attributed to the growth in revenue and increased profitability in 2023.</p> <p>(6) Increase in Cash Flow Ratio and Cash to Investment Ratio: This is due to the net cash inflow from operating activities in 2023.</p>						

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 = Total Liabilities / Total Assets

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

2. Liquidity Analysis

(1) Current Ratio = Current Assets / Current Liabilities

(2) Quick Ratio = (Current Assets – Inventories – Prepaid Expenses) / Current Liabilities

(3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses

3. Operating Performance Analysis

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

(2) Average Collection Period = 365 / Accounts Receivable Turnover Ratio

(3) Inventory turnover ratio = Cost of Goods Sold / 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 = $\text{Operating cash flow} / \text{Current liabilities}$

(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 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)		2019	2020	2021	2022	2023
		Analysis item (Note 2)				
Finance structure (%)	Debt to assets ratio	21.63	20.17	18.33	25.57	23.29
	Long term funds to property, plant, and equipment ratio	1,146.61	1,191.76	1,233.90	1,146.78	1,253.56
Solvency (%)	Current ratio (%)	147.27	152.52	146.86	138.28	158.56
	Quick ratio (%)	96.42	98.35	100.24	96.23	131.11
	Interest coverage ratio	20.99	(128.74)	(81.60)	(39.95)	4.18
Operating ability	Receivables turnover (times)	14.70	4.81	3.91	5.04	6.40
	Accounts receivable collecting days	25	76	93	72	57
	Inventory turnover (times)	7.46	3.09	2.21	3.03	4.74
	Payables turnover (times)	20.15	3.78	1.88	5.38	23.79
	Average inventory turnover on sales	49	118	165	120	77
	Property, plant, and property turnover (times)	14.96	6.21	4.41	6.10	9.22
	Total asset turnover (times)	1.06	0.42	0.29	0.40	0.58
Profitability	Return on assets (%)	1.64	(10.24)	(8.28)	(9.41)	1.18
	Return on equity (%)	1.94	(13.04)	(10.33)	(12.27)	1.15
	Ratio of net income before tax to paid-in capital (%)	3.75	(13.44)	(5.25)	(8.3)	1.14
	Profit margin (%)	1.43	(24.52)	(28.40)	(23.94)	1.49
	Earnings Per Share (NT\$)	0.21	(1.27)	(0.88)	(0.94)	0.08
Cash flow	Cash flow ratio (%)	2.60	63.32	(Note 3)	(Note 3)	8.15
	Cash flow Adequacy Ratio (%)	181.90	189.59	196.50	73.77	(Note 3)
	Cash Flow Re-investment Ratio (%)	(5.74)	12.19	(Note 3)	(Note 3)	1.87
Leverage	Operating leverage	133.87	(Note 4)	(Note 4)	(Note 4)	(Note 4)
	Financial leverage	1.22	(Note 4)	(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 Interest Coverage Ratio: This is attributed to the increase in profits in 2023.</p> <p>(2) Increase in Receivable Turnover Ratio and Decrease in Accounts receivable collecting days: This is due to the increase in net sales in 2023.</p> <p>(3) Increase in Inventory Turnover Ratio, Accounts Payable Turnover Ratio, and Decrease in Average inventory turnover on sales: This is a result of inventory clearance in 2023 leading to a decrease in inventory and accounts payable.</p> <p>(4) Increase in Property, plant, and property turnover ratio: it is due to the growth in revenue in 2023.</p> <p>(5) Increase in Profitability-related Financial Ratios: This is attributed to the growth in revenue and increased profitability in 2023.</p> <p>(6) Increase in Cash Flow Ratio and Cash to Investment Ratio: This is due to the net cash inflow from operating activities in 2023.</p>
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Note 1: The financial data above were audited by the CPAs.

Note 2: Calculation formulas for financial ratios:

1. Capital Structure Analysis

(1) Debt Ratio = Total Liabilities / Total Assets

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

2. Liquidity Analysis

(1) Current Ratio = Current Assets / Current Liabilities

(2) Quick Ratio = (Current Assets – Inventories – Prepaid Expenses) / Current Liabilities

(3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses

3. Operating Performance Analysis

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

(2) Average Collection Period = 365 / Accounts Receivable Turnover Ratio

(3) Inventory turnover ratio = Cost of Goods Sold / Average Inventory

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

(5) Days Inventory Outstanding = 365 / Inventory turnover

(6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment

(7) Total Asset Turnover = Net Sales / Average Total Assets

4. Profitability Analysis

(1) Return on Total Assets = [Net Income + Interest Expenses × (1 – Effective Tax Rate)] / Average Total Assets

(2) Return on Equity = Net Income / Average Total Equity

(3) Net Profit Margin = Net Income / Net Sales

(4) Earning Per Share = (Net Income Attributable to Shareholder of the Parent – Preferred Stock Dividend) / 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 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,

2024 Annual General Shareholders Meeting of ZCOM

Z-COM, INC

Chairman of the Audit Committee: CHOU, YIH-HENG

March 06th, 2023

Z-COM, INC

Chairman of the Audit Committee: CHOU, YIH-HENG

March 06th, 2024

(IV) Financial Statements of the most recent year:

Please refer to the appendix of the annual report for information.

(V) Proprietary Financial Statements audited and certified by CPAs in the most recent years

Please refer to the appendix of the annual report for information

(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	2023	2022	Difference	
			Amount	%
Current assets	484,753	514,294	(29,541)	(5.74%)
Property, plant, and equipment	120,465	135,208	(14,743)	(10.90%)
Intangible assets	477	785	(308)	(39.24%)
Other assets	117,497	124,160	(6,663)	(5.37%)
Total assets	723,192	774,447	(51,255)	(6.62%)
Current liabilities	180,858	231,381	(50,523)	(21.84%)
Noncurrent liabilities	25,111	26,306	(1,195)	(4.54%)
Total liabilities	205,969	257,687	(51,718)	(20.07%)
Capital stock	717,010	717,010	-	-
Additional paid-in capital	489	33	456	1,381.82%
Retained earnings	(157,532)	(163,295)	5,763	(3.53%)
Other equity	(29,961)	(24,731)	(5,230)	21.15%
Treasury stock	(26,512)	(27,210)	698	(2.57%)
Non-controlling equity	13,729	14,953	(1,224)	(8.19%)
Total equity	517,223	516,760	463	0.09%

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

(1) The decrease in current liabilities and total liabilities is primarily due to the reduction in accounts payable and other payables in 2023.

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

item \ year	2023	2022	Difference	
			Amount	%
Operating Income	431,940	326,030	105,910	32.48%
Gross profit	145,447	92,748	52,699	56.82%
Operating profit (loss)	(14,276)	(75,210)	60,934	(81.02%)
Other operating income and expenses	21,435	15,847	5,588	35.26%
Net Income (loss) before tax	7,159	(59,363)	66,522	(112.06%)
Net Income (loss)	4,715	(64,670)	69,385	(107.29%)
Total Comprehensive Net Income (Loss) for the Year	(1,902)	(58,624)	56,722	(96.76%)

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

- (1) Increase in Operating Revenue and Gross Profit: The availability of key chips without shortages in 2023 led to increased shipments, driving revenue growth and gross profit.
- (2) Decrease in Operating Loss: This is primarily due to significant growth in operating revenue and gross profit, as well as an expected reduction in credit impairment losses.
- (3) Increase in net profit (loss) before tax, net profit (loss) for the current period and comprehensive loss for the current period: It is mainly attributed to the growth in revenue and gross profit for the fiscal year, along with a reduction in operating losses. Additionally, the increase in net income for 2023 is also influenced by an increase in net gains from non-operating activities.

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
223,595	(8,683)	214,912	Not applicable	Not applicable

1. Cash inflow from operating activities was NT\$38,002 thousand dollars: mainly due to increase in operating income of this year and decrease in inventory.
2. Cash outflow from investing activities of NT\$17,134 thousand dollars: mainly due to an increase in financial assets measured at amortized cost.
3. Cash outflow from financing activities of NT\$24,539 thousand dollars: mainly due to the changes of in non-controlling interests during this 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 2023 of the Invested Company	The main reason for profit or loss	Improvement Plan
Z-WIRELESS INTERNATIONAL LTD.	General Investment	(2,675)	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	(2,162)	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	7,417	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	78	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	(2,436)	The main reason for profit is mainly due to the recognition of interest income and transfer of payables to income.	—
Nanjing Z—Wireless Technology Co., Ltd.	Research and development and sales of communication equipment and	(2,675)	The main reason for loss is mainly due to the recognition of investment losses in NANJING ZHI	—

Invested company name	Main business activities	Recognition of Investment Losses in 2023 of the Invested Company	The main reason for profit or loss	Improvement Plan
	modems		WEI YA COMMUNICATION TECHNOLOGY CO., LTD.	
NANJING ZHI WEI YA COMMUNICATION TECHNOLOGY CO., LTD	R & D and sales of communication equipment and network equipment	(8)	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	7,417	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	368	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	(1,308)	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	(5,674)		

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.

- 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:

The company's net interest expense, after deducting interest income, was NT\$487 thousand dollars accounting for less than 1% of consolidated revenue in 2023. Therefore, changes in

interest rates have minimal impact on the company. The company's main interest rate risk comes from short-term borrowings. Currently, the group's short-term borrowing interest rates are 2.13%~2.66%, so the interest rate risk caused by short-term borrowings is not significant.

In 2023, the company earned NT\$1,398 thousand dollars from net foreign exchange gains. The company's exchange rate risk mainly stems from income and expenses denominated in US dollars. In addition to employing natural hedging methods to manage exchange rate risk, the financial department continuously monitors changes in domestic and international economic environments. They devise hedging plans based on exchange rate trends, daily foreign currency balances, and projected cash flows. The financial departments remain vigilant to economic changes and promptly propose corresponding measures as needed.

- 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 2023, 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 Market Observation Post System 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 going to launch a series of Wi-Fi 7 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 7) 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 Wi-Fi 7 products
2. Development of WiFi 7 integrated with 5GNR for vehicle, railway, and industrial applications.
3. Next-generation Multi-access Edge Computing software system
4. Development of commercial-grade IoT Gateway products for applications in smart stores, smart logistics, and smart warehouses.
5. 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 2023, 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 2023

Risk	Accountability unit	Risk factors	Prevention	The Operation Situation
The risk of cybersecurity	Department of the System software and Network security technology	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 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.	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.

Risk	Accountability unit	Risk factors	Prevention	The Operation Situation
		<p>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>They regularly report information security achievements to the Chief Information Security Officer, President (CEO), 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 (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>1. Continuous internal and external cybersecurity defense is necessary to prevent inside-outside collaboration in cyberattacks, which are 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>

Risk	Accountability unit	Risk factors	Prevention	The Operation Situation
		<p>2. Refine information security management procedures</p> <p>3 Responses to Security Risks</p> <p>4. Employee education and training of cybersecurity</p>	<p>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.</p> <p>3. Control information security risks and ensure that the critical core systems of our company maintain a certain level of system availability.</p> <p>4. Provide information security education and training to promote employees' awareness of information security and enhance their</p>	<p>2. The company has established a network security technology department to conduct regular security procedures and ensure that relevant operations are implemented effectively.</p> <p>3. Information security risk governance: Adopting the ISO27001 information management system, implementing 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.</p> <p>4. Qualified trainers with internal cybersecurity certifications in the company will conduct internal information security awareness campaigns, provide all-employee cybersecurity</p>

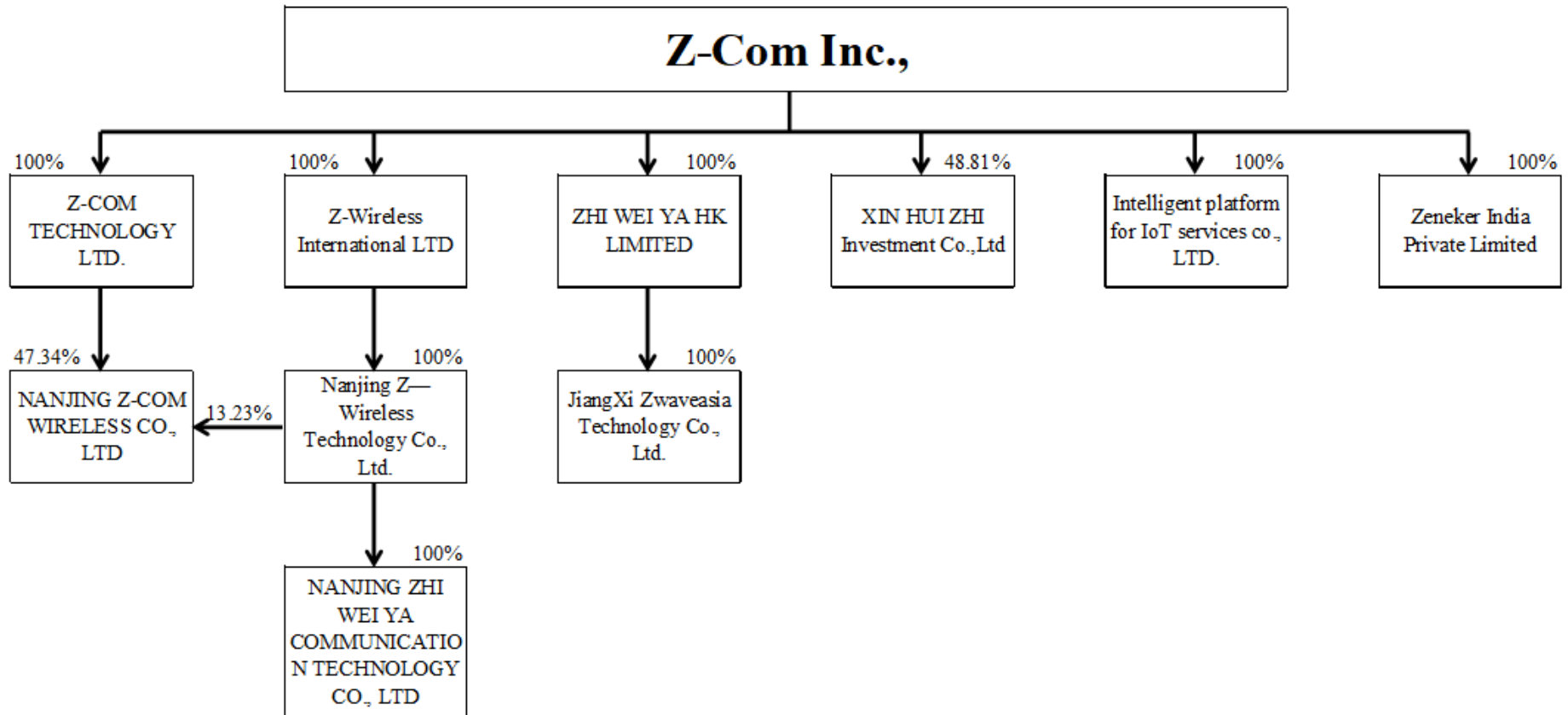
Risk	Accountability unit	Risk factors	Prevention	The Operation Situation
			understanding of related responsibilities.	education and training, and perform periodic social engineering phishing tests to enhance cybersecurity awareness.

(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

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.

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, 2023 Unit: share

Company name	title	Name or representative	shareholding	
			shares	percentage
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 Representative: Chen Te Kun	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	1,500,000	27.27%

E. Operational Highlights of Z-COM Subsidiaries:

12.31, 2023 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	13,814	-	1.35	-	(255)	(2,162)	(0.25)
Z-WIRELESS INTERNATIONAL LTD.	96,316	18,535	-	1.92	-	-	(2,675)	(0.28)
ZHI WEI YA HK LIMITED	336,342	299,431	-	8.90	-	-	7,417	0.22
NANJING Z-COM WIRELESS CO., LTD	200,154	32,832	4,673	1.41	264	(4,701)	(4,022)	(0.20)
Nanjing Z—Wireless Technology Co., Ltd.	96,316	18,572	37	not applicable	312	(2,468)	(2,675)	not applicable
NANJING ZHI WEI YA COMMUNICATION TECHNOLOGY CO., LTD	21,364	425	7,969	not applicable	8	194	(8)	not applicable
JiangXi Zwaveasia Technology Co., Ltd.	336,342	342,023	42,603	not applicable	330,910	5,922	7,417	not applicable
XIN HUI ZHI Investment Co.,Ltd	59,000	78,475	36	not applicable	-	(777)	159	not applicable
Intelligent platform for IoT services co., LTD.	10,000	10,484	914	9.57	-	302	368	0.37
ZENEKER INDIA PRIVATE LTD.	9,536	11,472	5,126	not applicable	2,243	(1,287)	(1,380)	not applicable

F. The affiliate' s consolidated financial statements: Please refer to the appendix of the annual report for information

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)	Invest ment 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	priv ate capital	48.81%	104/11/12~ 112/12/31	5,344	(181)	-	5,163	-	-	-
					\$56,217	(1,904)		\$54,313			
				113/01/01~ 113/03/31	-	-	-	5,163			
					-	-		\$54,313			

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 Section 3 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.

Z-COM, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022

The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

REPRESENTATION LETTER

The entities included in the consolidated financial statements as of December 31, 2023 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, 2024

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

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, 2023 and 2022, 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 the summary of material accounting policies (together “the consolidated financial statements”).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group and its subsidiaries as of December 31, 2023 and 2022, and their consolidated financial performance and cash flows for the years ended December 31, 2023 and 2022, in conformity 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 and became effective by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group and its subsidiaries 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. Based on our audits, 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, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2023 are stated as follows:

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 6(5) 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 the Standard on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standard on Auditing of the Republic of China, we exercise professional judgment and 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 2023 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, 2023 and 2022.

Liu, Jung Chin
Chang, Cheng-Tao

Ernst & Young, Taiwan
March 6, 2024

Notice to Readers

The accompanying consolidated financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in 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 Standards on Auditing of 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, 2023 and 2022

(Expressed in thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
CURRENT ASSETS					
Cash and cash equivalents	6(1)	\$214,912	30	\$223,595	29
Financial assets measured at amortised cost, current	6(3) and 8	10,126	1	2,770	0
Notes receivable, net	6(4)	25,631	4	29,449	4
Accounts receivable, net	5 and 6(4)	37,348	5	25,804	3
Other receivables		153	0	48	0
Current tax assets		215	0	104	0
Inventories, net	5 and 6(5)	157,373	22	202,938	26
Prepayments and other current assets		38,995	5	29,586	4
Total Current Assets		<u>484,753</u>	<u>67</u>	<u>514,294</u>	<u>66</u>
NON-CURRENT ASSETS					
Financial assets at fair value through other comprehensive income, noncurrent	6(2)	733	0	1,200	0
Financial assets measured at amortised cost, noncurrent	6(3) and 8	11,302	2	7,302	1
Investments accounted for under the equity method	6(6)	9,326	1	15,000	2
Property, plant and equipment	6(7)	120,465	17	135,208	18
Right-of-use assets	6(9)	52,580	7	57,301	7
Investment property, net	6(8)	4,861	1	5,730	1
Intangible assets		477	0	785	0
Deferred tax assets	6(17)	35,091	5	36,314	5
Prepayment for equipment		2,763	0	463	0
Refundable deposits		841	0	850	0
Total Non-current Assets		<u>238,439</u>	<u>33</u>	<u>260,153</u>	<u>34</u>
TOTAL ASSETS		<u>\$723,192</u>	<u>100</u>	<u>\$774,447</u>	<u>100</u>
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Short-term loans	6(10)	\$100,000	14	\$100,000	13
Contract liabilities, current	6(14)	15,594	2	1,311	0
Accounts payable		33,657	5	64,742	8
Other payables	6(11)	27,280	4	61,619	8
Lease liabilities, current	6(9)	3,082	0	3,014	1
Other current liabilities		1,245	0	695	0
Total Current Liabilities		<u>180,858</u>	<u>25</u>	<u>231,381</u>	<u>30</u>
NON-CURRENT LIABILITIES					
Lease liabilities, noncurrent	6(9)	11,170	2	14,136	2
Other noncurrent liabilities	6(12)	13,941	2	12,170	1
Total Non-current Liabilities		<u>25,111</u>	<u>4</u>	<u>26,306</u>	<u>3</u>
TOTAL LIABILITIES		<u>205,969</u>	<u>29</u>	<u>257,687</u>	<u>33</u>
EQUITY					
Share capital - common stock	6(13)	717,010	99	717,010	93
Capital surplus	6(13)	489	0	33	0
Retained earnings	6(13)				
Special reserve		37,884	5	37,884	5
Accumulated deficit		(195,416)	(27)	(201,179)	(26)
Other equity		(29,961)	(4)	(24,731)	(3)
Treasury stocks	6(13)	(26,512)	(4)	(27,210)	(4)
Equity attributable to owners of the parent		<u>503,494</u>	<u>69</u>	<u>501,807</u>	<u>65</u>
Non-controlling interests		13,729	2	14,953	2
TOTAL EQUITY		<u>517,223</u>	<u>71</u>	<u>516,760</u>	<u>67</u>
TOTAL LIABILITIES AND EQUITY		<u>\$723,192</u>	<u>100</u>	<u>\$774,447</u>	<u>100</u>

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, 2023 and 2022

(Expressed in thousands of New Taiwan Dollars)

	Notes	For the Year Ended December 31, 2023		For the Year Ended December 31, 2022	
		Amount	%	Amount	%
Operating revenue	6(14)	\$431,940	100	\$326,030	100
Operating costs	6(5) and 6(16)	(286,493)	(66)	(233,282)	(72)
Operating margin		145,447	34	92,748	28
Operating expenses	6(15)				
Sales and marketing expenses		(15,396)	(4)	(25,238)	(8)
General and administrative expenses		(61,666)	(14)	(52,731)	(16)
Research and development expenses		(81,713)	(19)	(68,015)	(21)
Expected credit impairment losses	12(4)	(172)	(0)	(21,194)	(6)
Total operating expenses		(158,947)	(37)	(167,178)	(51)
Net other (expenses) income	6(8)	(776)	(0)	(780)	(0)
Operating loss		(14,276)	(3)	(75,210)	(23)
Non-operating income and expenses					
Share of profit or loss of associates		(5,674)	(1)	-	-
Interest income	6(16)	2,277	1	1,641	1
Other income	6(16)	25,596	6	5,861	2
Other gains and losses	6(16)	2,000	0	10,193	3
Finance costs	6(16)	(2,764)	(1)	(1,848)	(1)
Total non-operating income and expenses		21,435	5	15,847	5
Net income (loss) before income tax	6(17)	7,159	2	(59,363)	(18)
Income tax expense		(2,444)	(1)	(5,307)	(2)
Net income (loss)		4,715	1	(64,670)	(20)
Other comprehensive income (loss)					
Items that will not be reclassified subsequently to profit or loss:					
Unrealized losses from equity instrument investments measured at fair value through other comprehensive income		(467)	(0)	(700)	(0)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		(7,390)	(2)	9,267	3
Income tax related to items that may be reclassified subsequently	6(17)	1,240	0	(2,521)	(1)
Total other comprehensive income (loss)		(6,617)	(2)	6,046	2
Total comprehensive income (loss)		\$(1,902)	(1)	\$(58,624)	(18)
Net income (loss) attributable to:					
Shareholders of the parent		\$5,763	1	\$(64,854)	(20)
Non-controlling interests		(1,048)	(0)	184	0
		\$4,715	1	\$(64,670)	(20)
Total comprehensive income (loss) attributable to:					
Shareholders of the parent		\$533	0	\$(53,516)	(16)
Non-controlling interests		(2,435)	(1)	(5,108)	(2)
		\$(1,902)	(1)	\$(58,624)	(18)
Earnings per share (NTD)					
Earnings per share-basic	6(18)	\$0.08		\$(0.94)	
Earnings per share-diluted	6(18)	\$0.08		\$(0.94)	

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, 2023 and 2022**

(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 as of January 1, 2022	\$725,000	\$2,577	\$10,264	\$37,884	\$(148,696)	\$(36,069)	\$-	\$(35,901)	\$555,059	\$51,069	\$606,128
Cover the deficit of 2021											
Legal reserve and capital surplus cover the deficit	-	(2,107)	(10,264)	-	12,371	-	-	-	-	-	-
Net loss for the year ended December 31, 2022	-	-	-	-	(64,854)	-	-	-	(64,854)	184	(64,670)
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	11,679	(341)	-	11,338	(5,292)	6,046
Total comprehensive income (loss)	-	-	-	-	(64,854)	11,679	(341)	-	(53,516)	(5,108)	(58,624)
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 as of December 31, 2022	717,010	33	-	37,884	(201,179)	(24,390)	(341)	(27,210)	501,807	14,953	516,760
Net income for the year ended December 31, 2023	-	-	-	-	5,763	-	-	-	5,763	(1,048)	4,715
Other comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	(5,002)	(228)	-	(5,230)	(1,387)	(6,617)
Total comprehensive income (loss)	-	-	-	-	5,763	(5,002)	(228)	-	533	(2,435)	(1,902)
Treasury stocks transaction	-	456	-	-	-	-	-	698	1,154	1,211	2,365
Balance as of December 31, 2023	\$717,010	\$489	\$-	\$37,884	\$(195,416)	\$(29,392)	\$(569)	\$(26,512)	\$503,494	\$13,729	\$517,223

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, 2023 and 2022
(Expressed in thousands of New Taiwan Dollars)

	For the Year Ended December 31, 2023	For the Year Ended December 31, 2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss) before income tax	\$7,159	\$(59,363)
Adjustments to reconcile net income before tax to net cash provided by operating activities:		
Depreciation	21,340	21,288
Amortization	298	313
Expected credit impairment losses	172	21,194
Net gains on financial assets and liabilities at fair value through profit or loss	-	(2)
Interest expenses	2,764	1,848
Interest income	(2,277)	(1,641)
Loss on disposal of property, plant and equipment	8	4,542
Property, plant, and equipment transfer to expenses	110	-
Share of loss (profit) of associates	5,674	-
Changes in operating assets and liabilities:		
Contract assets	-	2,010
Notes receivable	3,818	(22,596)
Accounts receivable	(11,716)	(458)
Other receivables	(248)	1,065
Inventories, net	45,565	(35,058)
Prepayments and other current assets	(9,409)	(7,315)
Contract liabilities	14,283	(8,264)
Accounts payable	(31,085)	21,951
Other payables	(10,307)	7,006
Other current liabilities	550	123
Other liabilities, noncurrent	1,771	363
Cash flows provided by (used in) operating activities	<u>38,470</u>	<u>(52,994)</u>
Interest received	2,277	1,641
Interest paid	(2,764)	(1,848)
Income taxes refunded	19	57
Net cash provided by (used in) operating activities	<u>38,002</u>	<u>(53,144)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	111
Acquisition of financial assets measured at amortized cost	(11,356)	39,499
(Acquisitions of) decrease in investment accounted for under the equity method	-	(15,000)
Acquisitions of property, plant and equipment	(3,024)	(4,493)
Proceeds from disposal of property, plant and equipment	-	80
Decrease (increase) in refundable deposits	9	(453)
Increase in prepaid equipment	(2,763)	(463)
Net cash (used in) provided by investing activities	<u>(17,134)</u>	<u>19,281</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in short-term loans	335,000	340,000
Decrease in short-term loans	(335,000)	(265,000)
Cash payments for the principal portion of the lease liabilities	(3,335)	(2,715)
Price of treasury stock disposal	2,365	541
Acquisitions of ownership interests in subsidiaries	-	(4,348)
Change in non-controlling interests	(23,569)	(7,275)
Net cash (used in) provided by financing activities	<u>(24,539)</u>	<u>61,203</u>
EFFECT OF EXCHANGE RATES CHANGES ON CASH AND CASH EQUIVALENT	<u>(5,012)</u>	<u>6,975</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(8,683)</u>	<u>34,315</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>223,595</u>	<u>189,280</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$214,912</u>	<u>\$223,595</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
Z-COM, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(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 2023 and 2022 were authorized for issue by the Company’s Board of Directors on 6 March 2024.

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 which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January 2023. 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, and 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	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2024
b	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
c	Non-current Liabilities with Covenants – Amendments to IAS 1	1 January 2024
d	Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	1 January 2024

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, 2024, 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	I 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	Lack of Exchangeability – Amendments to IAS 21	1 January 2025

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 material accounting policies

- (1) Statement of compliance

The consolidated financial statements of the Group for the years ended 31 December 2023 and 2022 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) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss, or transfer directly to retained earnings if required by other IFRSs; and
- (f) recognizes any resulting difference in profit or loss.

The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership (%)		Note
			31 Dec. 2023	31 Dec. 2022	
Z-Com, Inc.	Z-Wireless International Limited	Investments	100	100	
Z-Com, Inc.	Zhi Wei Ya HK Limited	Investments	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, 2023	December 31, 2022
Nanjing ZCOM Wireless Co., Limited	China	39.43%	39.43%

Summarised financial information of the subsidiary:

Name of Subsidiary	December 31, 2023	December 31, 2022
Nanjing ZCOM Wireless Co., Limited	\$11,104	\$12,903

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, 2023	December 31, 2022
Cash and cash equivalent	\$26,893	\$54,964
Other assets	5,939	6,214
Capital reduction payable	-	(24,010)
Other liabilities	(4,674)	(4,448)
Total net assets	\$28,158	\$32,720

(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:

- (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.

(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 measured as follows:

- (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 residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(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 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

Loans 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 Loans are expensed in the period they occur. Loans consist of interest and other costs that an entity incurs in connection with the loans 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; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
- 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 ; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
- 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.

According to the temporary exception in the International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12), information about deferred tax assets and liabilities related to Pillar Two income tax will neither be recognized nor be disclosed

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(5) for more details.

6. Contents of significant accounts

(1) Cash and cash equivalents

	As at	
	December 31, 2023	December 31, 2022
Cash on hand	\$432	\$444
Checking accounts and demand deposits	195,005	216,825
Time deposits	19,475	6,326
Total	<u>\$214,912</u>	<u>\$223,595</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(3) for the details.

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

	As at	
	December 31, 2023	December 31, 2022
Equity instrument investments measured at fair value through other comprehensive income-non-current:		
Unlisted stocks	<u>\$733</u>	<u>\$1,200</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.

(3) Financial assets measured at amortized cost

	As at	
	December 31, 2023	December 31, 2022
Current		
Time deposits with maturities over three months	\$6,759	\$2,770
Time deposits for the purpose of pledging	14,669	7,302
Total	<u>\$21,428</u>	<u>\$10,072</u>
Current	\$10,126	\$2,770
Non-current	11,302	7,302
Total	<u>\$21,428</u>	<u>\$10,072</u>

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

(4) Notes receivables and accounts receivable, net

	As at	
	December 31, 2023	December 31, 2022
Notes receivable	<u>\$25,631</u>	<u>\$29,449</u>
Accounts receivable	72,698	\$61,004
Less: Loss allowance	<u>(32,350)</u>	<u>(35,200)</u>
Total	<u>\$37,348</u>	<u>\$25,804</u>

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

	December 31, 2023		December 31, 2022	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$36,585	\$25,631	\$24,831	\$29,449
Overdue:				
1 to 90 days	521	-	973	-
91 to 180 days	242	-	-	-
181 to 360 days	-	-	7,504	-
Over 360 days	35,350	-	27,696	-
Loss allowance	<u>(35,350)</u>	-	<u>(35,200)</u>	-
Total	<u>\$37,348</u>	<u>\$25,631</u>	<u>\$25,804</u>	<u>\$29,449</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.

(5) Inventories

	As at	
	December 31, 2023	December 31, 2022
Raw materials	\$117,728	\$144,845
Work in progress	28,059	20,100
Finished goods	11,586	37,993
Total	<u>\$157,373</u>	<u>\$202,938</u>

The cost of inventories recognized in expenses amounts to \$286,493 and \$233,282 for the years ended December 31, 2023 and 2022, respectively, including gain on reversal of write-down of inventories of \$5,276 and the write-down of inventories of \$11,234.

No inventories were pledged.

(6) Investments accounted for under the equity method

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

Investees	As at			
	December 31, 2023		December 31, 2022	
	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Investments in associate:				
Chunghwa Sochamp Technology Inc.	<u>\$9,326</u>	<u>27.27%</u>	<u>\$15,000</u>	<u>27.27%</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, 2023	December 31, 2022
Current assets	\$121,235	\$128,355
Non-current assets	29,036	22,999
Current liabilities	(123,791)	(133,492)
Non-current liabilities	(22,149)	(193)
Equity	4,331	17,669
Proportion of the Group's ownership	27.27%	27.27%
Subtotal	1,181	4,818
Customers relationship	8,145	10,182
Carrying amount of the investment	<u>\$9,326</u>	<u>\$15,000</u>

The associate had no contingent liabilities, capital commitments or guarantees as at December 31, 2023.

(7) Property, plant and equipment

	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Others	Total
Cost:						
As at 1 Jan. 2023	\$194,010	\$113,016	\$4,234	\$6,861	\$22,176	\$340,297
Additions	-	1,354	162	1,462	46	3,024
Disposition	-	(27)	(26)	-	(1,703)	(1,756)
Transfer	-	(117)	-	-	-	(117)
Exchange differences	(2,232)	(1,322)	(67)	(111)	(251)	(3,983)
As at 31 Dec. 2023	<u>\$191,778</u>	<u>\$112,904</u>	<u>\$4,303</u>	<u>\$8,212</u>	<u>\$20,268</u>	<u>\$337,465</u>
Depreciation:						
As at 1 Jan. 2023	\$88,887	\$96,872	\$2,810	\$4,963	\$11,557	\$205,089
Depreciation	8,506	4,215	482	506	2,425	16,134
Disposition	-	(24)	(24)	-	(1,700)	(1,748)
Transfer	-	(7)	-	-	-	(7)
Exchange differences	(1,147)	(1,071)	(51)	(74)	(125)	(2,468)
As at 31 Dec. 2023	<u>\$96,246</u>	<u>\$99,985</u>	<u>\$3,217</u>	<u>\$5,395</u>	<u>\$12,157</u>	<u>\$217,000</u>
Net carrying amount as at 31 Dec. 2023:	<u>\$95,532</u>	<u>\$12,919</u>	<u>\$1,086</u>	<u>\$2,817</u>	<u>\$8,111</u>	<u>\$120,465</u>
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
Disposals	-	(41,302)	(392)	(309)	(5,799)	(47,802)
Transfer	-	-	-	-	(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>\$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>\$205,089</u>
Net carrying amount as at 31 Dec. 2021:	<u>\$105,123</u>	<u>\$16,144</u>	<u>\$1,424</u>	<u>\$1,898</u>	<u>\$10,619</u>	<u>\$135,208</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, 2023, and 2022.

(8) Investment property

	<u>Buildings</u>
Cost:	
As at 1 Jan. 2023	\$17,291
Exchange differences	<u>(318)</u>
As at 31 Dec. 2023	<u>\$16,973</u>
Depreciation:	
As at 1 Jan. 2023	\$11,561
Depreciation	776
Exchange differences	<u>(225)</u>
As at 31 Dec. 2023	<u>\$12,112</u>
Net carrying amount as at 31 Dec. 2023:	<u>\$4,861</u>

	<u>Buildings</u>
Cost:	
As at 1 Jan. 2022	\$17,040
Exchange differences	<u>251</u>
As at 31 Dec. 2022	<u>\$17,291</u>
Depreciation:	
As at 1 Jan. 2022	\$10,626
Depreciation	779
Exchange differences	<u>156</u>
As at 31 Dec. 2022	<u>\$11,561</u>
Net carrying amount as at 31 Dec. 2022:	<u>\$5,730</u>

	<u>Years ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Rental income from investment property	\$-	\$-
Less: Direct operating expenses arising from the investment property that generated rental income	<u>(776)</u>	<u>(779)</u>
Net other expenses	<u>\$(776)</u>	<u>\$(779)</u>

The fair value of the investment properties held by the Group on December 31, 2023 is \$14,698. The fair value is based on the recent transaction prices in neighboring areas.

No investment property was pledged.

(9) 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, 2023	December 31, 2022
Land	\$51,853	\$56,547
Parking lot	727	754
Carrying amount	<u>\$52,580</u>	<u>\$57,301</u>

Depreciation

	Years ended December 31,	
	2023	2022
Land	\$4,417	\$3,888
Parking lot	13	13
Total	<u>\$4,430</u>	<u>\$3,901</u>

For the years ended December 31, 2023 and 2022, the Group's additions to right-of-use assets amounting to \$495 and \$7,416, respectively.

B. Lease liabilities

	As at	
	December 31, 2023	December 31, 2022
Current	\$3,082	\$3,014
Non-current	11,170	14,136
Lease liabilities	<u>\$14,252</u>	<u>\$17,150</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,	
	2023	2022
Interest expense on lease liability	\$395	\$449
Short-term and low-value leases	\$385	\$417

D. Cash outflows related to leasing activities

For the years ended December 31, 2023 and 2022, the Group's total lease cash outflows were \$4,115 and \$3,581, 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.

(10) Short-term loans

	As at	
	December 31, 2023	December 31, 2022
Unsecured bank loans	\$100,000	\$100,000
Interest rates (%)	2.13%~2.66%	2.00%~2.21%

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

	As at	
	December 31, 2023	December 31, 2022
Facility of short-term loan	\$101,966	\$50,000
Facility of financing of import bills	80,000	70,000
Total	\$181,966	\$120,000

(11)Other payables

	As at	
	December 31, 2023	December 31, 2022
Salary and bonus payable	\$14,055	\$16,112
Capital reduction payable to non-controlling interests	-	24,010
Other payables	13,225	21,497
Total	<u>\$27,280</u>	<u>\$61,619</u>

(12)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, 2023, and 2022 were \$6,056, and \$7,323, respectively.

The Company additionally proposed pension provision for appointed managers for the years ended December 31, 2023, and 2022 amounting to \$1,758 and \$1,774. As of December 31, 2023 and 2022, the accrued pension liabilities of appointed managers (recorded under other liabilities-non-current), were \$13,750 and \$11,992, respectively.

(13)Equities

A. Common stock

As of December 31, 2023 and 2022, the Company’s authorised capital was \$1,000,000, and both of them the issued capital were \$717,010 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			
2023			
	Issued stock	Treasury stocks	Outstanding stocks
At January 1	71,701	(2,586)	69,115
Treasury stock transaction	-	66	66
At December 31	71,701	(2,520)	69,181
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.

B. Treasury stocks

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

As at December 31, 2023			
Name of Company holding the stocks	Purpose of buy-back	Number of shares (in thousands)	Carrying amount
Subsidiary-Xin Hui Zhi Investment Co., Limited	Business strategy	2,520	\$26,512
As at December 31, 2022			
Name of Company holding the stocks	Purpose of buy-back	Number of shares (in thousands)	Carrying amount
Subsidiary-Xin Hui Zhi Investment Co., Limited	Business strategy	2,586	\$27,210

- (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) In January 2022, our company carried out the cancellation of treasury stocks in accordance with Article 28-2 of the Securities and Exchange Act. This resulted in a reduction of share capital by NT\$7,990 thousand (799 thousand shares) and a decrease in capital surplus by NT\$470 thousand.
- (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, 2023 and 2022, the Company's shares held by Xin-Zhi Investment Co., Ltd. amounted to 5,163 thousand and 5,299 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 \$14.2 and \$10 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, 2023	December 31, 2022
Treasury stock transactions	\$489	\$33

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, 2024.
ii. The proposal for covering the deficit was approved by the board of directors of the Company on March 6, 2023.
iii. The proposal for covering the deficit was approved by the board of directors of the Company on March 6, 2022, and approved at the shareholders’ meeting on May 26, 2022.

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

(14) Operating revenue

	Years Ended December 31	
	2023	2022
Revenue from contracts with customers	\$431,940	\$326,030

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	
	2023	2022
Commodity	\$316,078	\$156,500
Industrial	50,325	103,451
5G & IoT	65,537	66,079
Total	\$431,940	\$326,030
Timing of revenue recognition		
At a point in time	\$431,940	\$322,117
Over time	-	3,913
Total	\$431,940	\$326,030

B. Contract balance

Contract liabilities-current

	As at	
	December 31, 2023	December 31, 2022
Sale of goods and rendering of services	\$15,594	\$1,311

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

(15) The Group's employee benefits, depreciation and amortization expenses for the years ended December 31, 2023 and 2022 are summarized by function as follows:

	2023			2022		
	Operation costs	Operation expenses	Total	Operation costs	Operation expenses	Total
Employee benefit expense						
Wages and salaries	\$20,472	\$79,178	\$99,650	\$18,702	\$79,784	\$98,486
Labor and health insurance	612	5,815	6,427	590	6,498	7,088
Pension	1,243	6,571	7,814	1,487	7,610	9,097
Other employee benefit expenses	303	3,129	3,432	97	3,406	3,503
Depreciation	4,938	16,402	21,340	5,826	15,462	21,288
Amortization	-	298	298	13	300	313

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 after offsetting any cumulative losses, the company have no earnings in 2023 and the company losses in 2022.

The board of directors of the Company made resolutions on March 6, 2024 and March 6, 2023, respectively, that no distribution of employees' compensation and directors' remuneration as no profit in 2023 and 2022.

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.

(16) Non-operating income and expenses

A. Interest income

	Years ended December 31,	
	2023	2022
Interest income from bank	\$2,277	\$1,641

B. Other income

	Years ended December 31,	
	2023	2022
Government grants	\$22,690	\$1,055
Compensation income	-	2,494
Others	2,909	2,312
Total	\$25,599	\$5,861

C. Other gains and losses

	Years ended December 31,	
	2023	2022
Net losses on disposals of property, plant and equipment and investment property	\$(8)	\$(4,542)
Net gains on disposals of investment	935	-
Net foreign exchange gains	1,398	7,032
Net gains on financial assets at fair value through profit or loss	-	2
Others	(335)	7,701
Total	<u>\$2,000</u>	<u>\$10,193</u>

D. Finance costs

	Years ended December 31,	
	2023	2022
Interest expense from bank borrowings	\$2,369	\$1,399
Interest expense from lease liabilities	395	449
Total	<u>\$2,764</u>	<u>\$1,848</u>

(17) Income tax

A. Components of income tax:

	Years ended December 31,	
	2023	2022
Current tax:		
Prior years income tax adjustment	\$(19)	\$7
Deferred tax:		
The origination and reversal of temporary differences	2,463	5,300
Income tax expense	<u>\$2,444</u>	<u>\$5,307</u>

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

	Years ended December 31,	
	2023	2022
Currency translation differences	<u>\$1,240</u>	<u>\$2,521</u>

Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2023	2022
Net income (loss) before income tax	<u>\$7,162</u>	<u>\$(59,363)</u>
Income tax expense (benefit) at the statutory rate	\$1,432	\$(11,872)
Temporary differences not recognised as deferred tax assets	(1,432)	11,872
The origination and reversal of temporary differences	2,463	5,300
Prior years income tax adjustment	(19)	7
Income tax expense	<u>\$2,444</u>	<u>\$5,307</u>

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

	2023			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Currency translation differences	\$1,235	\$-	\$1,240	\$2,475
Unrealised long-term investment losses and taxable losses	22,023	(2,400)	-	19,623
Unrealised loss for obsolete and impairment of inventories	6,695	(170)	-	6,525
Others	6,361	107	-	6,468
Total	\$36,314	\$(2,643)	\$1,240	\$35,091

	2022			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Currency translation differences	\$3,756	\$-	\$(2,521)	\$1,235
Unrealised long-term investment losses and taxable less	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

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

	As at	
	December 31, 2023	December 31, 2022
Deductible temporary differences	\$221,566	\$224,714

As of December 31, 2023, the Company's unused loss carryforwards for which no deferred tax assets have been recognized:

Year	Taxable loss	Tax Credit	Unused loss carry forwards	Expiry year
2022 (Filing)	\$9,539	\$-	\$9,539	2032
2021 (Assessment)	63,789	\$10,992	\$52,797	2031
2020 (Assessment)	\$1,327	\$1,327	\$-	2030

D. The assessment of income tax returns:

As of 31 December 2023, 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 2021

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.

(18) 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,	
	2023	2022
Net loss for the year attributable to ordinary shares holders of the parent entity	\$5,763	\$(64,854)
Weighted average outstanding shares (thousand shares)	60,137	69,108
Basic earnings per share (in New Taiwan dollar)	\$0.08	\$(0.94)
Diluted earnings per share (in New Taiwan dollar)	\$0.08	\$(0.94)

(19) Supplemental cash flow information

A. Financing activities with partial cash payments:

	Years ended December 31,	
	2023	2022
Capital reduction by cash to non-controlling interests	\$23,569	\$31,285
Less: Ending balance of payables	-	(24,010)
Cash paid during the year	\$23,569	\$7,275

	Years ended December 31,	
	2023	2022
Acquisitions of ownership interests in subsidiaries	\$-	\$-
Add: Opening balance of payable	-	4,348
Cash paid during the year	\$-	\$4,348

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 CHUNGHWA SOCHAMP TECHNOLOGY INC.	The management of the Company The Company is recognized by the Equity Method Investee companies

(2) Significant related party transactions

1. Sales

	Years ended December 31,	
	2023	2022
CHUNGHWA SOCHAMP TECHNOLOGY INC.	\$163	\$-

(3) Key management compensation

	Years ended December 31,	
	2023	2022
Short-term employee benefits	\$9,337	\$7,961
Post-employment benefits	1,857	1,838
Total	\$11,194	\$9,799

8. Pledged Assets

The Group's assets pledged as collateral are as follows:

Pledged asset	Carrying amount		Purpose
	December 31, 2023	December 31, 2022	
Time deposits (recorded under carrying amount financial assets at amortised cost- current)	\$7,367	\$-	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	\$14,669	\$7,302	

9. Significant Contingent Liabilities And Unrecognised Contract Commitments

(1) Contingencies

None.

(2) Commitments

A.As of December 31, 2023, the balance of unused letters of credit issued by the Company was \$4,892.

B.As of December 31, 2023, the balance of the letter of guarantee by the Company was \$15,379.

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, 2023	December 31, 2022
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income	\$733	\$1,200
Financial assets at amortised cost		
Cash and cash equivalents	214,912	223,595
Financial assets at amortised cost	21,428	10,072
Notes receivable	25,631	29,449
Accounts receivable	37,348	25,804
Other receivables	153	48
Refundable deposits	841	850
Total	<u>\$301,046</u>	<u>\$291,018</u>

	As at	
	December 31, 2023	December 31, 2022
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term loans	\$100,000	\$100,000
Accounts payable	33,657	64,742
Other payables	27,280	61,619
Other current liabilities	1,245	695
Total	<u>\$162,182</u>	<u>\$227,056</u>
Lease liabilities	<u>\$14,252</u>	<u>\$17,150</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 2023 and 2022 will decrease/increase by \$921 and increase/ decrease by \$1,355, respectively.
- B. When RMB appreciates/depreciates by 1% against US dollar, the Group's net income before income tax in 2023 and 2022 will increase/decrease by \$122 and increase/decrease by \$91, 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, 2023, 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:

	2023	2022
At January 1	\$35,200	\$16,511
Provision for impairment loss	-	21,194
Written off	-	(2,067)
Exchange differences	150	(438)
At December 31	<u>\$35,350</u>	<u>\$35,200</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, 2023

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Short-term loans	\$100,852	\$-	\$-	\$-	\$100,852
Accounts payable	33,657	-	-	-	33,657
Other payables	27,280	-	-	-	27,280
Lease liabilities (Note)	3,359	1,983	2,375	8,445	16,162
Other current liabilities	1,245	-	-	-	1,245
Total	<u>\$166,393</u>	<u>\$1,983</u>	<u>\$2,375</u>	<u>\$8,445</u>	<u>\$179,196</u>

December 31, 2022

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Short-term loans	\$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>

Note: Excluding cash flows from short-term leases and lease contracts of low-value assets.

(6) Reconciliation of liabilities arising from financing activities

2023

	Short-term loans interests	Lease liabilities	Payables for acquisitions of ownership	Payables for capital reduction	Liabilities arising from financing activities
1 Jan. 2023	\$100,000	\$17,150	\$-	\$24,010	\$141,160
The change in other non- cash items	-	495	-	-	495
Financing cash flow	-	(3,335)	-	(23,569)	26,904
Interest expense on lease liabilities	-	395	-	-	395
Interest paid on lease liabilities	-	(395)	-	-	(395)
Foreign exchange movement	-	(58)	-	(441)	(499)
31 Dec. 2023	<u>\$100,000</u>	<u>\$14,252</u>	<u>\$-</u>	<u>\$-</u>	<u>\$114,252</u>

2022:

	Short-term loans 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>

(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(8).

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 loans, 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:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2023				
<u>Recurring fair value measurements for</u> <u>assets</u>				
Financial assets at fair value through other comprehensive income	\$-	\$-	\$733	\$733
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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

(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, 2023 and 2022, there was no transfer between Level 1 and Level 2.

F. For the years ended December 31, 2023 and 2022, there was no transfer into or out from Level 3.

G. For the years ended December 31, 2023 and 2022, the movements for Level 3 of non-derivative equity instruments are as follow:

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Opening Balance	\$1,200	\$1,900
Evaluation adjustment	(467)	(700)
Ending Balance	<u>\$733</u>	<u>\$1,200</u>

H. Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	<u>31 Dec. 2023</u>		
	<u>Foreign currency</u>	<u>Rate</u>	<u>NTD</u>
<u>Financial assets</u>			
Monetary Item :			
USD : NTD	\$3,034	30.865	\$92,502
USD : RMB	772	30.865	23,828
<u>Financial liabilities</u>			
Monetary Item :			
USD : NTD	\$49	30.865	\$1,512
USD : RMB	377	30.865	11,636

	31 Dec. 2022		
	Foreign currency	Rate	NTD
<u>Financial assets</u>			
Monetary Item :			
USD : NTD	\$5,740	30.710	\$176,275
USD : RMB	147	30.710	4,514
<u>Financial liabilities</u>			
Monetary Item :			
USD : NTD	\$1,328	30.710	\$40,783
USD : RMB	442	30.710	13,574

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(16).

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

Investees in Mainland China	Year ended December 31, 2023	
	Amount	As a percentage of the Company's purchase amount, net
Jiangxi Zwaveasia Technology Co., Limited	\$283,349	98%

(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, 2023 and 2022 is as follows:

	Years ended December 31,			
	2023		2022	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$62,698	\$53,801	\$113,991	\$56,768
Mainland China	47,818	127,193	56,094	142,561
Germany	317,417	-	153,233	-
Others	4,007	152	2,712	158
Total	<u>\$431,940</u>	<u>\$181,146</u>	<u>\$326,030</u>	<u>\$199,487</u>

(4) Major customer information

Major customer information of the Group for the years ended December 31, 2023 and 2022 is as follows:

Customer	Year ended December 31, 2023		Customer	Year ended December 31, 2022	
	Revenue	%		Revenue	%
A	\$317,417	73	A	\$153,233	47
B	52,061	12	B	98,184	30

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, 2023	Balance at December 31, 2023	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	\$4,445	\$4,327	\$4,327	4.35%	2	\$-	Business operation	\$4,327	None	\$-	\$7,414	\$7,414	

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, 2023				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	5,163	\$73,311	7.20%	\$73,311	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	733	14.23%	733	

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	\$283,349	98%	Net 14 days	\$-	-	\$-	0%	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	\$283,349	Note 4	66%

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, 2023	Investment income (loss) recognised by the Company for the year ended December 31, 2023	Footnote
				Balance as at December 31, 2023	Balance as at December 31, 2022	Number of shares (in thousands)	Ownership (%)	Carrying amount			
Z-Com, Inc	Z-Com Technology Limited	Cayman Island	General investment business	\$102,413	\$102,413	9,830	100%	\$13,814	\$(2,162)	\$(2,162)	Subsidiary
Z-Com, Inc	Z-Wireless International Limited	British Virgin Island	General investment business	96,316	96,316	30	100%	18,535	(2,675)	(2,675)	Subsidiary
Z-Com, Inc	Zhi Wei Ya HK Limited	Hong Kong	General investment business	336,342	336,342	11,000	100%	299,431	7,417	7,417	Subsidiary
Z-Com, Inc	Xin Huizhi Investment Co., Limited	Taiwan	General investment business	28,802	28,802	N/A	48.81%	2,503	159	78	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%	9,570	368	368	Subsidiary
Z-Com, Inc	Zeneker India Private Limited	India	Trading of communication-electronics products	9,536	9,536	N/A	100%	6,346	(1,308)	(1,308)	Subsidiary
Z-Com, Inc	Chunghwa Sochamp Technology Inc.	Taiwan	Trading and manufacturing of Automatic License Plate Recognition products	15,000	15,000	1,500	27.27%	9,326	(13,338)	(5,674)	Associate

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.

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, 2023	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for the year ended December 31, 2023		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Net income of investee as of December 31, 2023	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2023	Book value of investments in Mainland China as of December 31, 2023	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2023	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	\$102,413	\$-	\$-	\$102,413	\$(4,022)	60.57%	\$(2,436)	\$17,054	\$-	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	(2,675)	100%	(2,675)	18,535	-	Note 3
Nanjing Zwaveasia Communication Technology Co., Ltd.	Research and development and sales of communication device and network device	21,364	3	-	-	-	-	(8)	100%	(8)	7,545	-	Note 4
Jiangxi Zwaveasia Technology Co., Ltd.	Research and development, manufacturing and sales of communication-electronics products	336,342	2	336,342	-	-	336,342	7,417	100%	7,417	299,431	-	Note 5

2. Ceiling on investments in Mainland China :

Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	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	\$558,823	\$302,097

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	5,162,714	7.20%
Fan En Technology. Co., Ltd	3,618,909	5.04%

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".

Z-COM, INC.
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND INDEPENDENT
AUDITORS' REPORT
DECEMBER 31, 2023 AND 2022

The reader is advised that these accompanying parent company only financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

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 of December 31, 2023 and 2022, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2023 and 2022, and notes to the parent company only financial statements, including the summary of material accounting policies (together "the parent company only financial statements").

In our opinion, the accompanying parent company only financial statements referred to above present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2023 and 2022, and their parent company only financial performance and cash flows for the years ended December 31, 2023 and 2022, in conformity 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 and became effective by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits, 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, 2023. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

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

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 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 the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and 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 2023 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 6, 2024

Notice to Readers

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

Accordingly, the accompanying 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 Standards on Auditing of 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, 2023 and 2022**

(Expressed in thousands of New Taiwan Dollars)

Assets	Notes	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
CURRENT ASSETS					
Cash and cash equivalents	6(1)	\$126,789	19	\$124,289	19
Financial assets at measured amortised cost, current	6(2) and 8	7,367	1	-	-
Accounts receivable, net	5 and 6(3)	31,617	5	18,949	3
Accounts receivable-related parties		2,121	0	-	-
Other receivables		7	0	31	0
Current tax assets		150	0	7	0
Inventories, net	5 and 6(4)	15,426	3	43,032	6
Prepayments and other current assets		19,758	3	19,572	3
Total Current Assets		203,235	31	205,880	31
NON-CURRENT ASSETS					
Financial assets at measured amortised cost, noncurrent	6(2) and 8	7,302	1	7,302	1
Investments accounted for under the equity method	6(5)	359,525	55	369,252	55
Property, plant and equipment	6(6) and 8	40,165	6	43,758	6
Right-of-use assets	6(7)	10,937	2	11,593	2
Deferred tax assets	6(15)	35,091	5	36,314	5
Refundable deposits		126	0	126	0
Total Non-current Assets		453,146	69	468,345	69
TOTAL ASSETS		\$656,381	100	\$674,225	100
Liabilities and Equity					
CURRENT LIABILITIES					
Short-term loans	6(8)	\$100,000	15	\$100,000	15
Contract liabilities, current	6(12)	9,953	2	630	0
Accounts payable		1,122	0	2,563	0
Accounts payable-related parties	7	-	-	21,123	3
Other payables	6(9)	15,817	3	23,462	4
Lease liabilities, current	6(7)	588	0	577	0
Other current liabilities		694	0	533	0
Total Current Liabilities		128,174	20	148,888	22
NON-CURRENT LIABILITIES					
Lease liabilities, noncurrent	6(7)	10,772	2	11,360	2
Other non-current liabilities	6(10)	13,941	2	12,170	2
Total Non-current Liabilities		24,713	4	23,530	4
TOTAL LIABILITIES		152,887	24	172,418	26
EQUITY					
Share capital - common stock	6(11)	717,010	109	717,010	106
Capital surplus	6(11)	489	0	33	0
Retained earnings	6(11)				
Special reserve		37,884	6	37,884	6
Accumulated deficit		(195,416)	(30)	(201,179)	(30)
Other equity		(29,961)	(5)	(24,731)	(4)
Treasury stocks	6(11)	(26,512)	(4)	(27,210)	(4)
TOTAL EQUITY		503,494	76	501,807	74
TOTAL LIABILITIES AND EQUITY		\$656,381	100	\$674,225	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, 2023 and 2022**

(Expressed in thousands of New Taiwan Dollars)

	Notes	For the Years Ended December 31, 2023		For the Years Ended December 31, 2022	
		Amount	%	Amount	%
Operating revenue	6(12) and 7	\$386,693	100	\$270,871	100
Operating costs	6(4) and 7	(295,051)	(76)	(205,442)	(76)
Operating margin		91,642	24	65,429	24
Operating expenses	6(13)				
Sales and marketing expenses		(12,843)	(3)	(20,688)	(8)
General and administrative expenses		(34,440)	(9)	(28,249)	(10)
Research and development expenses	7	(58,807)	(15)	(33,248)	(12)
Expected credit impairment losses	12(4)	(172)	(0)	(20,296)	(8)
Total operating expenses		(106,262)	(27)	(102,481)	(38)
Operating loss		(14,620)	(3)	(37,052)	(14)
Non-operating income and expenses					
Interest income	6(14)	1,652	0	179	0
Other income	6(14)	28,373	7	3,383	1
Other gains and losses	6(14)	(204)	(0)	6,457	2
Finance costs	6(14)	(2,583)	(1)	(1,454)	(0)
Share of profit or loss of subsidiaries and associates accounted	6(5)	(4,411)	(1)	(31,060)	(11)
Total non-operating income and expenses		22,827	5	(22,495)	(8)
Net income (loss) before income tax		8,207	2	(59,547)	(22)
Income tax expense	6(15)	(2,444)	(1)	(5,307)	(2)
Net income (loss)		5,763	1	(64,854)	(24)
Other comprehensive income (loss)					
Items that will not be reclassified subsequently to profit or loss:					
Unrealized losses from equity instrument investments measured at fair value through other comprehensive income		(228)	(0)	(341)	(0)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		(6,242)	(2)	14,200	5
Income tax related to items that may be reclassified subsequently	6(15)	1,240	0	(2,521)	(1)
Total other comprehensive income (loss)		(5,230)	(2)	11,338	4
Total comprehensive income (loss)		\$533	(1)	\$(53,516)	(20)
Earnings per share (NTD)					
Earnings per share-basic	6(16)	\$0.08		\$(0.94)	
Earnings per share-diluted	6(16)	\$0.08		\$(0.94)	

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, 2023 and 2022**

(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
			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 as of 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	-	-	-	-	
Net loss for the year ended December 31, 2022	-	-	-	-	(64,854)	-	-	-	(64,854)	
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	11,679	(341)	-	11,338	
Total comprehensive income (loss)	-	-	-	-	(64,854)	11,679	(341)	-	(53,516)	
Treasury stocks transaction	-	33	-	-	-	-	-	231	264	
Treasury stocks cancellation	(7,990)	(470)	-	-	-	-	-	8,460	-	
Balance as of December 31, 2022	717,010	33	-	37,884	(201,179)	(24,390)	(341)	(27,210)	501,807	
Net income for the year ended December 31, 2023	-	-	-	-	5,763	-	-	-	5,763	
Other comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	(5,002)	(228)	-	(5,230)	
Total comprehensive income (loss)	-	-	-	-	5,763	(5,002)	(228)	-	533	
Treasury stocks transaction	-	456	-	-	-	-	-	698	1,154	
Balance as of December 31, 2023	\$717,010	\$486	\$-	\$37,884	\$(195,416)	\$(29,392)	\$(569)	\$(26,512)	\$503,494	

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

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
Z-COM, INC.

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2023 and 2022
(Expressed in thousands of New Taiwan Dollars)

	For the Years Ended December 31, 2023	For the Years Ended December 31, 2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss) before income tax	\$8,207	\$(59,547)
Adjustments to reconcile net income before tax to net cash provided by operating activities:		
Depreciation	4,249	3,514
Expected credit impairment losses	172	20,296
Interest expense	2,583	1,454
Interest income	(1,652)	(179)
Share of profit and loss (profit) of subsidiaries and associates accounted	4,411	31,060
Changes in operating assets and liabilities:		
Accounts receivable	(12,840)	1,585
Accounts receivable-related parties	(2,121)	-
Other receivables	(119)	33
Inventories, net	27,606	(14,370)
Prepayments and other current assets	(186)	(1,210)
Contract liabilities, current	9,323	(4,111)
Accounts payable	(1,441)	1,915
Accounts payable-related parties	(21,123)	(30,910)
Other payables	(7,645)	6,163
Other current liabilities	161	(39)
Net defined benefit liabilities	1,771	363
Cash flows provided by (used in) operating activities	<u>11,356</u>	<u>(43,983)</u>
Interest received	1,652	179
Interest paid	(2,583)	(1,454)
Income taxes refunded	19	58
Net cash flows provided by (used in) operating activities	<u>10,444</u>	<u>(45,200)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Acquisitions of) decrease in financial assets measured at amortised cost	(7,367)	24,912
Capital reduction from investee accounted for under the equity method	-	51,566
Acquisitions of investment accounted for under the equity method	-	(15,000)
Acquisitions of property, plant and equipment	-	(1,632)
Decrease in refundable deposits	-	(7)
Net cash flows (used in) provided by investing activities	<u>(7,367)</u>	<u>59,839</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in short-term loans	335,000	340,000
Decrease in short-term loans	(335,000)	(265,000)
Cash payment for the principal portion of the lease liabilities	(577)	(567)
Net cash flows (used in) provided by financing activities	<u>(577)</u>	<u>74,433</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,500	89,072
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	124,289	35,217
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$126,789</u>	<u>\$124,289</u>

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

**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

(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, 2023 and 2022 were authorized for issue by the Company’s Board of Directors on 6 March 2024.

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 which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January 2023. 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, and 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	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2024
b	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
c	Non-current Liabilities with Covenants – Amendments to IAS 1	1 January 2024
d	Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	1 January 2024

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, 2024, 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	I 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	Lack of Exchangeability – Amendments to IAS 21	1 January 2025

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 material accounting policies

(1) Statement of compliance

The accompanying parent company only financial statements of the Company for the years ended 31 December 2023 and 2022 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:

- (a) the Company'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 Company 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 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:

- (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 Company 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 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:

- (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 measured as follows:

- (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 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.
- (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 Company 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 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) 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.

(14) 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.

(15) 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.

(16) Loans

Loans 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 Loans are expensed in the period they occur. Loans consist of interest and other costs that an entity incurs in connection with the loans of funds.

(17) 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.

(18) 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.

(19) 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; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
- 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 ; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
- 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.

According to the temporary exception in the International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12), information about deferred tax assets and liabilities related to Pillar Two income tax will neither be recognized nor be disclosed.

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, 2023	December 31, 2022
Cash on hand	\$222	\$224
Checking accounts and demand deposits	111,135	124,065
Deposit account	15,432	-
Total	<u>\$126,789</u>	<u>\$124,289</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, 2023	December 31, 2022
Current		
Time deposits for the purpose of pledging	<u>\$7,367</u>	<u>\$-</u>
Non-current		
Time deposits for the purpose of pledging	<u>\$7,302</u>	<u>\$7,302</u>

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, 2023	December 31, 2022
Accounts receivable	\$65,807	\$52,967
Less: Loss allowance	(34,190)	(34,018)
Subtotal	<u>31,617</u>	<u>18,949</u>
Accounts receivable – related parties	2,121	-
Total	<u>\$33,738</u>	<u>\$18,949</u>

The aging analysis of accounts receivable is as follows:

	As at	
	December 31, 2023	December 31, 2022
Not past due	\$31,806	\$18,153
1 to 90 days	1,932	796
91 to 180 days	-	-
181 to 360 days	-	7,504
Over 360 days	34,190	26,514
Loss allowance	(34,190)	(34,018)
Total	<u>\$33,738</u>	<u>\$18,949</u>

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, 2023	December 31, 2022
Raw materials	\$7,509	\$9,245
Work in progress	6,827	5,865
Finished goods	1,090	27,922
Total	<u>\$15,426</u>	<u>\$43,032</u>

The cost of inventories recognized in expenses amounts to \$295,051 and \$205,422 for the years ended 31 December 2023 and 2022, respectively, including gain on reversal of write-down of inventories of \$852 and write-down of inventories of \$2,889.

No inventories were pledged.

(5) Investments accounted for under the equity method

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

Investees	As at			
	December 31, 2023		December 31, 2022	
	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Investments in Subsidiaries:				
Z-Com Technology Limited	\$13,814	100.00%	\$16,225	100.00%
Z-Wireless International Limited	18,535	100.00%	21,566	100.00%
Zhi Wei Ya HK Limited	299,431	100.00%	297,641	100.00%
Xin Hui Zhi Investment Co., Limited	2,503	48.81%	1,955	48.81%
Zeneker India Private Limited	6,346	100.00%	7,663	100.00%
Intelligent platform for IoT services Co., Ltd.	9,570	100.00%	9,202	100.00%
Investments in Associates:				
Chunghwa Sochamp Technology Inc.	9,326	27.27%	15,000	27.27%
Total	<u>\$359,525</u>		<u>369,252</u>	

Please refer to Note 4(3) for information on subsidiaries of the Company's consolidated financial statements for the year ended December 31, 2023.

The Company invested in Chunghwa Sochamp Technology Inc. in December 2023, 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, 2023	December 31, 2022
Current assets	\$121,235	\$128,355
Non-current assets	29,036	22,999
Current liabilities	(123,791)	(133,492)
Non-current liabilities	(22,149)	(193)
Equity	4,331	17,669
Proportion of the Company's ownership	27.27%	27.27%
Subtotal	1,181	4,818
Customers relationship	8,145	10,182
Carrying amount of the investment	<u>\$9,326</u>	<u>\$15,000</u>

The associate had no contingent liabilities, capital commitments or guarantees as at December 31, 2023.

The share of profit and (loss) of subsidiaries and associates accounted for using equity method for the years ended December 31, 2023 and 2022 amounted to \$4,411 and \$(31,060), respectively.

(6) Property, plant and equipment

	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Others	Total
Cost:						
As at 1 Jan. 2023	\$72,551	\$42,097	\$562	\$592	\$6,707	\$122,509
As at 31 Dec. 2023	\$72,551	\$42,097	\$562	\$592	\$6,707	\$122,509
Depreciation:						
As at 1 Jan. 2023	\$31,676	\$42,080	\$367	\$592	\$4,036	\$78,751
Depreciation	2,230	10	75	-	1,278	3,593
As at 31 Dec. 2023	\$33,906	\$42,090	\$442	\$592	\$5,314	\$82,344
Net carrying amount as at 31 Dec., 2023:	\$38,645	\$7	\$120	\$-	\$1,393	\$40,165
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	\$72,551	\$42,097	\$562	\$592	\$6,707	\$122,509
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	\$31,676	\$42,080	\$367	\$592	\$4,036	\$78,751
Net carrying amount as at 31 Dec. 2022:	\$40,875	\$17	\$195	\$-	\$2,671	\$43,758

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, 2023, and 2022.

(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, 2023	December 31, 2022
Land	\$10,937	\$11,593

Depreciation

	Years ended December 31,	
	2023	2022
Land	\$656	\$656

For the years ended December 31, 2023 and 2022, the Company's additions to right-of-use assets amounting to \$- and \$55, respectively.

B. Lease liabilities

	As at	
	December 31, 2023	December 31, 2022
Current	\$588	\$577
Non-current	10,772	11,360
Lease liabilities	\$11,360	\$11,937

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,	
	2023	2022
Interest expense on lease liability	\$214	\$224
Short-term and low-value leases	\$385	\$417

D. Cash outflows related to leasing activities

For the years ended December 31, 2023 and 2022, the Company's total lease cash outflows were \$1,176 and \$1,208, 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 loans

	As at	
	December 31, 2023	December 31, 2022
Unsecured bank loans	\$100,000	\$100,000
Interest rates (%)	2.13%~2.66%	2.00%~2.21%

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

	As at	
	December 31, 2023	December 31, 2022
Facility of short-term loan	\$101,966	\$50,000
Facility of financing of import bills	80,000	70,000
Total	\$181,966	\$120,000

(9) Other payable

	As at	
	December 31, 2023	December 31, 2022
Payable salary and year-end bonus	\$7,790	\$7,213
Other expenses payable	8,027	16,249
Total	\$15,817	\$23,462

(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, 2023, and 2022 were \$2,392, and \$2,379, respectively.

The Company additionally proposed pension provision for appointed managers for the years ended December 31, 2023, and 2022 amounting to \$1,758 and \$1,774. As of December 31, 2023 and 2022, the accrued pension liabilities of appointed managers (recorded under other liabilities-non-current), were \$13,750 and \$11,992, respectively.

(11)Equities

A. Common stock

As of December 31, 2023 and 2022, the Company's authorised capital was \$1,000,000, and the issued capital were \$1,000,000 and \$717,010 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		
	2023		
	Issued stock	Treasury stocks	Outstanding stocks
At January 1	71,701	(2,586)	69,115
Treasury stock transaction	-	66	66
At December 31	<u>71,701</u>	<u>(2,520)</u>	<u>69,181</u>
	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.

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 31,2023	
		Number of shares (in thousands)	Carrying amount
Subsidiary-Xin Hui Zhi Investment Co., Limited	Business strategy	<u>2,520</u>	<u>\$26,512</u>
		As at December 31, 2022	
Name of Company holding the stocks	Purpose of buy-back	Number of shares (in thousands)	Carrying amount
Subsidiary-Xin Hui Zhi Investment Co., Limited	Business strategy	<u>2,586</u>	<u>\$27,210</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) 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, 2023 and 2022, the Company's shares held by Xin-Zhi Investment Co., Ltd. amounted to 5,163 thousand and 5,299 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 \$14.2 and \$10 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, 2023	December 31, 2022
Treasury stock transactions	<u>\$489</u>	<u>\$33</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, 2024.
 - ii. The proposal for covering the deficit was approved by the board of directors of the Company on March 6, 2023.
 - iii. The proposal for covering the deficit was approved by the board of directors of the Company on March 6, 2022, and approved at the shareholders' meeting on May 26, 2022.

Please refer to Note 6(13) on employees' compensation and directors' remuneration.

(12) Operating revenue

	Years Ended December 31	
	2023	2022
Revenue from contracts with customers	\$386,693	\$270,871

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	
	2023	2022
Commodity	\$316,078	\$151,221
Industrial	50,160	101,036
5G & IoT	20,455	18,614
Total	\$386,693	\$270,871

Timing of revenue recognition

At some point	\$386,693	\$270,871
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B. Contract liabilities-current

	As at	
	December 31, 2023	December 31, 2022
Sale of goods	\$9,953	\$630

(13) The Company's employee benefits, depreciation and amortization expenses for the years ended December 31, 2023 and 2022 are summarized by function as follows:

	2023			2022		
	Operation costs	Operation expenses	Total	Operation costs	Operation expenses	Total
Employee benefit expense						
Wages and salaries	\$-	\$51,799	\$51,799	\$-	\$48,242	\$48,242
Labor and health insurance	-	4,808	4,808	-	4,693	4,693
Pension	-	4,150	4,150	-	4,153	4,153
Other employee benefit expenses	-	2,534	2,534	-	2,468	2,468
Depreciation	-	4,249	4,249	-	3,514	3,514
Amortization	-	-	-	-	-	-

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 after offsetting any cumulative losses, the company have no earnings in 2023 and the company losses in 2022.

The board of directors of the Company made resolutions on March 6, 2024 and March 8, 2023, respectively, that no distribution of employees' compensation and directors' remuneration as no profit in 2023 and 2022.

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,	
	2023	2022
Interest income from bank	\$1,652	\$179

B. Other income

	Years ended December 31,	
	2023	2022
Government grants	\$22,690	\$-
Compensation income	-	2,494
Others	5,683	889
Total	\$28,373	\$3,383

C. Other gains and losses

	Years ended December 31,	
	2023	2022
Net foreign exchange gains	\$85	\$6,481
Others	(289)	(24)
Total	\$(204)	\$(6,457)

D. Finance costs

	Years ended December 31,	
	2023	2022
Interest expense from bank borrowings	\$2,369	\$1,230
Interest expense from lease liabilities	214	224
Total	<u>\$2,583</u>	<u>\$1,454</u>

(15) Income tax

A. Components of income tax:

	Years ended December 31,	
	2023	2022
Current tax:		
Prior years income tax adjustment	\$(19)	\$7
Deferred tax:		
The origination and reversal of temporary differences	2,463	5,300
Income tax expense	<u>\$2,444</u>	<u>\$5,307</u>

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

	Years ended December 31,	
	2023	2022
Currency translation differences	<u>\$1,240</u>	<u>\$2,521</u>

Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2023	2022
Net loss before income tax	<u>\$8,207</u>	<u>\$(59,547)</u>
Income tax (benefit) expense at the statutory rate	\$1,641	\$(11,909)
Temporary differences not recognised as deferred tax assets	(1,641)	11,909
The origination and reversal of temporary differences	2,463	5,300
Prior years income tax adjustment	(19)	7
Income tax expense	<u>\$2,444</u>	<u>\$5,307</u>

D. The assessment of income tax returns:

As of 31 December 2023, 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 2021

(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,	
	2023	2022
Net loss for the year available to ordinary shares	\$5,766	\$(64,854)
Weighted average outstanding shares (thousand shares)	69,137	69,108
Basic earnings per share (in New Taiwan dollar)	\$0.08	\$(0.94)
Diluted earnings per share (in New Taiwan dollar)	\$0.08	\$(0.94)

7. Related Party Transactions

(1) Significant related party transactions

A. Operating revenue:

	Years ended December 31,	
	2023	2022
Subsidiaries :		
Zeneker India Private Limited	\$3,320	\$936
Intelligent platform for IoT services co., LTD	1,938	-
CHUNGHWA SOCHAMP TECHNOLOGY INC	163	-
Total	\$5,421	\$936

B. Purchases

	Years ended December 31,	
	2023	2022
Subsidiaries:		
Jiangxi Zwaveasia Technology Co., Ltd.	\$283,349	\$220,716

C. Other revenue

	Years ended December 31,	
	2023	2022
Subsidiaries:		
Intelligent platform for IoT services co., LTD.	\$3,403	\$-

D. Research and development expense:

	Years ended December 31,	
	2023	2022
Subsidiaries:		
Nanjing ZCOM Wireless Co. , Ltd.	\$-	\$800
Intelligent platform for IoT services co., LTD	6,535	-
Total	<u>\$6,535</u>	<u>\$800</u>

E. Accounts payable:

	As at	
	December 31, 2023	December 31, 2022
Subsidiaries:		
Jiangxi Zwaveasia Technology Co., Ltd.	\$-	\$21,123

F. Accounts receivable:

	As at	
	December 31, 2023	December 31, 2022
Subsidiaries:		
Jiangxi Zwaveasia Technology Co., Ltd.	\$2,121	\$-

(2) Key management compensation

	Years ended December 31,	
	2023	2022
Salaries and other short-term employee benefits	\$9,135	\$7,753
Post-employment benefits	1,857	1,838
Total	<u>\$10,992</u>	<u>\$9,591</u>

8. Pledged Assets

The Company's assets pledged as collateral are as follows:

Pledged asset	Carrying amount		Purpose
	December 31, 2023	December 31, 2022	
Time deposits (recorded under carrying amount financial assets at amortised cost- current)	\$7,367	\$-	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>\$14,669</u>	<u>\$7,302</u>	

9. Significant Contingent Liabilities And Unrecognised Contract Commitments

(1) Contingencies

None.

(2) Commitments

A.As of December 31, 2023, the balance of unused letters of credit issued by the Company was \$4,892.

B.As of December 31, 2023, the balance of the letter of guarantee by the Company was \$15,379.

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, 2023	December 31, 2022
<u>Financial assets</u>		
Financial assets at amortised cost		
Cash and cash equivalents	\$126,789	\$124,289
Financial assets at amortised cost	14,669	7,302
Accounts receivable	33,738	18,949
Other receivables	7	31
Refundable deposits	126	126
Total	<u>\$175,329</u>	<u>\$150,697</u>
As at		
	December 31, 2023	December 31, 2022
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term loans	\$100,000	\$100,000
Accounts payable (including related party)	1,122	23,686
Other payables	15,817	23,462
Other current liabilities	694	533
Total	<u>\$117,633</u>	<u>\$147,681</u>
Lease liabilities	<u>\$11,360</u>	<u>\$11,937</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 2023 and 2022 will decrease/increase by \$921 and increase/decrease by \$1,355, 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, 2023, 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, therefore, 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:

	2023	2022
At January 1	\$34,018	\$13,722
Provision for impairment loss	-	20,296
Foreign exchange adjustments	172	-
At December 31	<u>\$34,190</u>	<u>\$34,018</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, 2023

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Short-term loans	\$100,852	\$-	\$-	\$-	\$100,852
Accounts payable (including related party)	1,122	-	-	-	1,122
Other payables	15,817	-	-	-	15,817
Lease liabilities (Note)	792	1,583	2,375	8,445	13,195
Other current liabilities	694	-	-	-	694
Total	<u>\$119,277</u>	<u>\$1,583</u>	<u>\$2,375</u>	<u>\$8,445</u>	<u>\$131,680</u>

December 31, 2022

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Short-term loans	\$100,214	\$-	\$-	\$-	\$100,214
Accounts payable (including related party)	23,686	-	-	-	23,686
Other payables	23,462	-	-	-	23,462
Lease liabilities (Note)	792	1,583	2,375	9,236	13,986
Other current liabilities	533	-	-	-	533
Total	<u>\$148,687</u>	<u>\$1,583</u>	<u>\$2,375</u>	<u>\$9,236</u>	<u>\$161,881</u>

Note: Excluding cash flows from short-term leases and lease contracts of low-value assets.

(6) Reconciliation of liabilities arising from financing activities

2023:

	Short-term loans	Lease liabilities	Liabilities arising from financing activities
1 Jan. 2023	\$100,000	\$11,937	\$111,937
The change in other non-cash items	-	-	-
Financing cash flow	-	(577)	(577)
Interest expense on lease liabilities	-	214	214
Interest paid on lease liabilities	-	(214)	(214)
31 Dec. 2023	<u>\$100,000</u>	<u>\$11,360</u>	<u>\$111,360</u>

2022:

	Short-term loans	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>

(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 loans, 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, 2023		
	Foreign currency	Rate	NTD
<u>Financial assets</u>			
Monetary Item :			
USD : NTD	\$3,034	30.865	\$93,644
<u>Financial liabilities</u>			
Monetary Item :			
USD : NTD	\$49	30.865	\$1,512
	December 31, 2022		
	Foreign currency	Rate	NTD
<u>Financial assets</u>			
Monetary Item :			
USD : NTD	\$5,740	30.710	\$176,275
<u>Financial liabilities</u>			
Monetary Item :			
USD : NTD	\$1,328	30.710	\$40,783

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 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, 2023	
	Amount	As a percentage of the Company's purchase amount, net
Investees in Mainland China		
Jiangxi Zwaveasia Technology Co., Limited	\$283,349	98%

(4) Major shareholders information

Major shareholders information: Please refer to table 7.

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, 2023	Balance at December 31, 2023	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	\$4,445	\$4,327	\$4,327	4.35%	2	\$4,327	Business operation	\$4,327	None	\$-	\$7,414	\$7,414	

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, 2023				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	5,163	\$73,311	7.20%	\$73,311	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	733	14.23%	733	

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	\$283,349	98%	Net 14 days	\$-	-	\$-	0%	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 : 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	\$283,349	Note 4	66%

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 assets 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.

(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, 2023	Balance as at December 31, 2022	Number of shares (in thousands)	Ownership (%)	Carrying amount			
Z-Com, Inc	Z-Com Technology Limited	Cayman Island	General investment business	\$102,413	\$102,413	9,830	100%	\$13,814	\$(2,162)	\$(2,162)	Subsidiary
Z-Com, Inc	Z-Wireless International Limited	British Virgin Island	General investment business	96,316	96,316	30	100%	18,535	(2,675)	(2,675)	Subsidiary
Z-Com, Inc	Zhi Wei Ya HK Limited	Hong Kong	General investment business	336,342	336,342	11,000	100%	299,431	7,417	7,417	Subsidiary
Z-Com, Inc	Xin Huizhi Investment Co., Limited	Taiwan	General investment business	28,802	28,802	N/A	48.81%	2,503	159	78	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%	9,570	368	368	Subsidiary
Z-Com, Inc	Zeneker India Private Limited	India	Trading of communication-electronics products	9,536	9,536	N/A	100%	6,346	(1,308)	(1,308)	Subsidiary
Z-Com, Inc	Chunghwa Sochamp Technology Inc.	Taiwan	Trading and manufacturing of Automatic License Plate Recognition products	15,000	15,000	1,500	27.27%	9,326	(13,338)	(5,674)	Associate

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.

Z-Com, Inc.

(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, 2023	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for the year ended December 31, 2023		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Net income of investee as of December 31, 2023	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2023	Book value of investments in Mainland China as of December 31, 2023	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2023	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	\$102,413	\$-	\$-	\$102,413	\$(4,022)	60.57%	\$(2,436)	\$17,054	\$-	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	(2,675)	100%	(2,675)	18,535	-	Note 3
Nanjing Zwaveasia Communication Technology Co., Ltd.	Research and development and sales of communication device and network device	21,364	3	-	-	-	-	(8)	100%	(8)	7,545	-	Note 4
Jiangxi Zwaveasia Technology Co., Ltd.	Research and development, manufacturing and sales of communication-electronics products	336,342	2	336,342	-	-	336,342	7,417	100%	7,417	299,431	-	Note 5

2. Ceiling on investments in Mainland China :

Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	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	\$558,823	\$302,097

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 7 : Major shareholders information

Name of major shareholders	Number of shares held	Ownership (%)
Xin Huizhi Investment Co., Limited	5,162,714	7.20%
Fan En Technology. Co., Limited	3,618,909	5.04%

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

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Statement of notes and accounts receivable, net	2
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Statement of changes in investments accounted for using equity method	4
Statement of changes in property, plant and equipment	Note 6(6)
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Z-COM, INC.

1. Statement of cash and cash equivalents

December 31, 2023

(Expressed in thousands of New Taiwan dollars)

Item	Summary	Amount
Cash on hand		\$222
Cash in banks		
Demand deposits - NTD		68,135
- Foreign currency	Including US\$1,386.72 and other foreign currency	42,970
Check Deposit - NTD		30
- Foreign currency	Including US\$500	15,432
		<hr/>
		\$126,789
		<hr/> <hr/>

Z-COM, INC.

2. Statement of notes and accounts receivable, net

December 31, 2023

(Expressed in thousands of New Taiwan dollars)

Client Name	Amount	Note
Clients:		
210034	\$23,829	
650003	19,967	
650001	14,222	
110432	7,779	
Subtotal	65,807	
Less: Loss allowance	(34,190)	
Total	<u>\$31,617</u>	
Related parties:		
Jiangxi Zwaveasia Technology Co., Ltd.	<u>2,121</u>	
Total	<u>\$33,738</u>	

Z-COM, INC.

3. Statement of inventories, net

December 31, 2023

(Expressed in thousands of New Taiwan dollars)

Item	Amount		Note
	Cost	Market value	
Raw materials	\$13,635	\$7,509	Replacement cost as market price
Semi-finished goods	7,920	6,827	Net realisable value as market price
Finished goods	26,492	1,090	Net realisable value as market price
Subtotal		<u>\$15,426</u>	
Less: Allowance for inventory valuation and obsolescence losses	(32,621)		
Total	<u>\$15,426</u>		

Z-COM, INC.

4. Statement of changes in investments accounted for using equity method

December 31, 2023

(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	\$16,225	-	\$(249)	\$(2,162)	9,830	100%	\$13,814	\$1.41	\$13,814	Nil	
Z-Wireless International Limited	30	21,566	-	(356)	(2,674)	30	100%	18,535	617.83	18,535	Nil	
Zhi Wei Ya HK Limited	11,000	297,641	-	(5,627)	7,416	11,000	100%	299,431	27.22	299,431	Nil	
Z-Com India Private Limited	-	-	-	-	-	-	-	-	-	-	Nil	
Intelligent platform for IoT services Co., Ltd.	1,000	9,202	-	-	368	1,000	100%	9,570	9.57	9,570	Nil	
Zeneker India Private Limited	NA	7,663	-	(9)	(1,307)	NA	-	6,346	NA	6,346	Nil	
Xin Hui zhi Investment Co., Limited	NA	29,165	-	228	(378)	NA	48.81%	29,015	NA	29,015	Nil	
The Company's share held by subsidiaries recognised as treasury stocks	-	(27,210)	-	698	-	-	-	(26,512)	-	-	Nil	
Chunghwa Sochamp Technology Inc.	1,500	15,000	-	-	(5,674)	1,500	27.27%	9,326	6.22	9,326	Nil	
Total		<u>\$369,252</u>		<u>\$(5,315)</u>	<u>\$(4,411)</u>			<u>\$359,525</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, 2023

(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	July 2023- July 2024	2.13%~2.66%	\$225,000	Nil	

Z-COM, INC.

6. Statement of accounts payables

December 31, 2023

(Expressed in thousands of New Taiwan dollars)

Vendor Name	Amount	Note
Suppliers:		
ED106	\$528	
EC043	439	
Other	155	
Subtotal	<hr/> \$1,122 <hr/>	The amount of individual vendor included does not exceed 5% of the account balance.

Z-COM, INC.

7. Statement of operating revenue

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan dollars)

Item	Quantities	Amount	Note
Sales revenue			
Commodity	386 thousand units	\$316,078	
Industrial	29 thousand units	50,160	
5G&IoT	712 thousand units	20,455	
		<u>\$386,693</u>	

Z-COM, INC.

8. Statement of operating costs

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan dollars)

Item	Amount
Raw materials at beginning of year	\$16,202
Add: Raw materials purchased during the year	32,101
Less: Raw materials at the end of year	(13,635)
Raw materials sold	(30,292)
Transferred to expenses	(984)
Raw materials used for the year	3,392
Add: Semi-finished goods at beginning of year	6,325
Semi-finished goods purchased	3,336
Less: Semi-finished goods at the end of year	(7,920)
Semi-finished goods for sale	(89)
Transferred to expenses	(400)
Cost of semi-finished goods	4,644
Add: finished goods at beginning of year	53,977
finished goods purchased	278,898
Less: finished goods at the end of year	(26,492)
Transferred to expenses	(45,186)
Purchase cost	265,841
Cost of raw materials sold	30,292
Cost of semi-finished goods sold	89
Allowance loss for inventory valuation	(852)
Other operating costs	(319)
Total	\$295,051

Z-COM, INC.

9. Statement of selling expenses

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Wages and salaries		\$8,105	The amount of each expense included does not exceed 5% of the selling expenses.
Insurance expenses		773	
Certification and Testing fee		1,220	
Other expenses		2,745	
		\$12,843	

Z-COM, INC.

10. Statement of general and administrative expenses

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Wages and salaries		\$19,132	The amount of each expense included does not exceed 5% of the general and administrative expenses.
Insurance expense		1,869	
Service fees		4,777	
Office expenses		2,219	
Other expenses		6,443	
		<u>\$34,440</u>	

Z-COM, INC.

11. Statement of research and development expenses

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Wages and salaries		\$28,712	The amount of each expense included does not exceed 5% of the research and development expenses.
Insurance expense		2,901	
Contracted research expenses		15,188	
Technical services fee		5,059	
Other expenses		6,947	
		\$58,807	
		\$58,807	

Z-COM, INC.

12. Current employee benefits, depreciation, and amortisation expenses summarised by function

For the year ended December 31, 2023 and 2022

(Expressed in thousands of New Taiwan dollars)

By nature \ By function	2023			2022		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefit expense						
Wages and salaries	\$-	\$51,349	\$51,349	\$-	\$48,242	\$48,242
Labour and health insurance fees	-	4,808	4,808	-	4,693	4,693
Pension	-	4,150	4,150	-	4,153	4,153
Directors' remuneration	-	618	618	-	702	702
Other personnel expenses	-	2,366	2,366	-	2,468	2,468
Total	<u>\$-</u>	<u>\$63,291</u>	<u>\$63,291</u>	<u>\$-</u>	<u>\$60,258</u>	<u>\$60,258</u>
Depreciation	<u>\$-</u>	<u>\$4,249</u>	<u>\$4,249</u>	<u>\$-</u>	<u>\$3,514</u>	<u>\$3,514</u>
Amortisation	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>

Note:

1. As of December 31, 2023 and 2022, the Company had an average of 64 and 61 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, 2023 and 2022 were \$1,062 and \$1,063, respectively.

B. Average wages and salaries for the years ended December 31, 2023 and 2022 were \$870 and \$861, respectively.

C. The average wages and salaries changed by 1%.

D. The Company set up an audit committee and thus there's no supervisors' remuneration for both years.

E. 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