

ZIPPY TECHNOLOGY CORP.
PARENT COMPANY ONLY FINANCIAL STATEMENTS
With Independent Auditors' Report
For the Years Ended December 31, 2022 and 2021

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The independent auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent company only financial statements, the Chinese version shall prevail.

Table of contents

Contents	Page
1.Cover Page	1
2.Table of Contents	2
3.Independent Auditors’ Report	3
4.Balance Sheets	4
5.Statements of Comprehensive Income	5
6.Statements of Changes in Equity	6
7.Statements of Cash Flows	7
8.Notes to the Parent Company Only Financial Statements	
(1)Overview	8
(2)Financial Statements Authorization Date and Authorization Process	8
(3)New Standards, Amendments and Interpretations not yet Adopted	8～9
(4)Significant Accounting Policies	9～21
(5)Significant Accounting Judgments, Estimation, Assumptions, and Sources of Estimation Uncertainty	21～22
(6)Explanation to Significant Accounts	22～46
(7)Related Party Transactions	47～49
(8)Pledged Assets	50
(9)Significant Commitments and Contingencies	50
(10)Losses Due to Major Disasters	50
(11)Subsequent Events	50
(12)Other	50～51
(13)Other disclosures	
(a) Information on significant transactions	52～53
(b) Information on investment	54
(c) Information on investment in Mainland China	54～55
(14)Segment Information	55
9.List of major account titles	56～65

Independent Auditors' Report

To the Board of Directors of Zippy Technology Corp.:

Opinion

We have audited the financial statements of Zippy Technology Corp. (“the Company”), which comprise the balance sheet as of December 31, 2022 and 2021, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years ended December 31, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

Please refer to Note 4(o), and 6(p) for accounting policies and related disclosure information for revenue, respectively.

Description of the key audit matter:

The main business items of the Company are power supplies and micro switches. Sales transactions of the Company are mainly for export. There is uncertainty in the timing of export revenue recognition due to the long delivery period and the risk reward and ownership of the goods. The focus of attention is whether the timing of revenue recognition meets the transaction terms. Therefore, the timing for revenue recognition has been identified as a key audit matter in the current period.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included assessing the appropriateness of the accounting policies and the design of related internal control for the timing of revenue recognition to the Company; conducting internal control tests to confirm whether the internal control is effectively implemented; executing the cut-off test for revenue recognition based on the transactions for a period of time before and after the report date.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 financial statements, including the disclosures, and whether the 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 investment in other entities accounted for using the equity method to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Rou-Lan Kuo and Ying-Ru Chen.

KPMG

Taipei, Taiwan (Republic of China)

March 14, 2023

Notes to Readers

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

The independent auditors' audit report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and parent company only financial statements, the Chinese version shall prevail.

(ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN CHINESE)
ZIPPY TECHNOLOGY CORP.
BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(AMOUNTS EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

ASSETS		2022.12.31		2021.12.31		LIABILITIES AND EQUITY		2022.12.31		2021.12.31	
		Amount	%	Amount	%			Amount	%	Amount	%
11XX	Current Assets :					21XX	Current Liabilities :				
1100	Cash and cash equivalents (Notes (4) and (6)(a))	\$ 457,404	8	562,079	11	2100	Short-term borrowings (Note (6)(i) and (8))	\$ -	-	25,000	-
1150	Notes receivable, net (Notes (4) and (6)(b))	9,368	-	16,718	-	2130	Current contract liabilities (Note (6)(p))	13,809	-	17,360	-
1170	Accounts receivable, net (Notes (4) and (6)(b))	261,759	5	330,969	6	2150	Note payable	10,348	-	28,218	1
1180	Accounts receivable due from related parties, net (Notes (4), (6)(b) and (7))	85,823	2	59,356	1	2170	Accounts payable	257,551	5	531,161	10
1200	Other receivables (Notes (4) and (6)(c))	2,854	-	10,608	-	2200	Other payables	179,380	3	164,623	3
1210	Other receivables due from related parties (Notes (4), (6)(c) and (7))	30,441	1	40,081	1	2220	Other payables due to related parties (Note (7))	14,477	-	21,436	-
130X	Inventories, net (Notes (4) and (6)(d))	701,898	13	725,584	13	2230	Current tax liabilities (Note (4) and (6)(m))	143,862	3	135,016	2
1410	Other prepayments (Note (7))	11,040	-	15,364	-	2320	Long-term borrowings, current portion (Note (6)(j) and (8))	50,000	1	50,000	1
1470	Other current assets	2,636	-	2,786	-	2399	Other current liabilities, others	3,906	-	4,894	-
		<u>1,563,223</u>	<u>29</u>	<u>1,763,545</u>	<u>32</u>			<u>673,333</u>	<u>12</u>	<u>977,708</u>	<u>17</u>
15XX	Non-current Assets :					25XX	Non-current Liabilities :				
1550	Investments accounted for using equity method, net (Notes (4) and (6)(e))	816,535	15	685,998	12	2540	Long-term borrowings (Note (6)(j) and (8))	1,108,000	20	1,158,000	21
1600	Property, plant and equipment (Notes (4), (6)(f) and (8))	1,004,876	18	1,023,119	19	2640	Net defined benefit liability, non-current (Notes (4) and (6)(l))	14,825	-	36,713	1
1760	Investment property, net (Notes (4), (6)(g) and (8))	2,037,467	37	2,047,709	37	2645	Guarantee deposits received (Notes (6)(s))	20,761	1	18,217	-
1780	Intangible assets (Notes (4) and (6)(h))	21,082	-	21,346	-			<u>1,143,586</u>	<u>21</u>	<u>1,212,930</u>	<u>22</u>
1840	Deferred income tax assets (Notes (4) and (6)(m))	21,914	1	22,409	-		Total Liabilities	<u>1,816,919</u>	<u>33</u>	<u>2,190,638</u>	<u>39</u>
1915	Prepayments for business facilities	14,033	-	20,254	-						
1920	Guarantee deposits paid (Notes (6)(s))	88	-	88	-	31XX	Equity (Note (6)(n)) :				
		<u>3,915,995</u>	<u>71</u>	<u>3,820,923</u>	<u>68</u>	3110	Ordinary share	1,526,487	28	1,526,487	27
						3200	Capital surplus	135,564	2	135,564	3
						3300	Retained earnings	2,024,209	37	1,797,660	32
						3410	Exchange Differences on Translation of Foreign Financial Statements	(23,961)	-	(65,881)	(1)
							Total Equity	<u>3,662,299</u>	<u>67</u>	<u>3,393,830</u>	<u>61</u>
1XXX	TOTAL ASSETS	<u>\$ 5,479,218</u>	<u>100</u>	<u>\$ 5,584,468</u>	<u>100</u>	2-3XXX	TOTAL LIABILITIES AND EQUITY	<u>\$ 5,479,218</u>	<u>100</u>	<u>\$ 5,584,468</u>	<u>100</u>

The accompanying notes are an integral part of financial statements

ZIPPY TECHNOLOGY CORP.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(AMOUNTS EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		For the years ended December 31,			
		2022	%	2021	%
4000	Total sales revenue (Notes (6)(p) and (7))	\$ 2,430,884	100	2,498,290	100
5110	Total operating costs (Notes (6)(d))	1,536,829	63	1,621,029	65
	Gross profit from operations	894,055	37	877,261	35
5910	Less: Unrealized profit (loss) from sales (Note (7))	38,969	2	23,197	1
5920	Add: Realized profit (loss) from sales (Note (7))	23,197	1	25,037	1
5900	Gross profit from operations	878,283	36	879,101	35
6000	Operating expenses (Notes (6)(l), (6)(q) and (7)):				
6100	Selling expenses	44,711	2	45,217	2
6200	Administrative expenses	188,758	8	151,319	6
6300	Research and development expenses	70,873	3	77,869	3
6450	Expected credit loss (gain)	(2,900)	-	2,445	-
	Total operating expenses	301,442	13	276,850	11
6900	Net operating income	576,841	23	602,251	24
7000	Non-operating income and expenses (Note (6)(r)):				
7100	Interest income	2,946	-	1,416	-
7010	Other income	107,442	4	116,354	5
7020	Other gains and losses, net	44,325	2	(18,717)	(1)
7050	Finance costs, net	(17,821)	(1)	(14,486)	(1)
7375	Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method	105,850	4	30,393	1
	Total non-operating income and expenses	242,742	9	114,960	4
7900	Profit (loss) from continuing operations before tax	819,583	32	717,211	28
7950	Less: Income tax expenses (Note (6)(m))	143,746	6	134,691	5
8200	Profit	675,837	26	582,520	23
	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans	10,400	-	(1,765)	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	338	-	17	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	(2,080)	-	353	-
	Components of other comprehensive income that will not be reclassified to profit or loss	8,658	-	(1,395)	-
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	41,920	2	(14,812)	(1)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	41,920	2	(14,812)	(1)
	Other comprehensive income	50,578	2	(16,207)	(1)
8500	Total comprehensive income	\$ 726,415	28	566,313	22
9750	Basic earnings per share (NT dollars) (Notes (6)(o))	\$ 4.43		3.82	
9870	Diluted earnings per share (NT dollars) (Notes (6)(o))	\$ 4.41		3.80	

The accompanying notes are an integral part of financial statements

(ENGLISH TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN CHINESE)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS

ZIPPY TECHNOLOGY CORP.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(AMOUNTS EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	<u>Capital Stock</u>		<u>Retained Earnings</u>				<u>Other Equity</u>	<u>Total Equity</u>
	<u>Share Capital</u>	<u>Capital Surplus</u>	<u>Legal Reserve</u>	<u>Special Reserve</u>	<u>Unappropriated Retained Earnings</u>	<u>Total</u>	<u>Exchange Differences on Translation of Foreign Financial Statements</u>	
Balance at January 1, 2021	\$ 1,526,487	135,564	753,749	41,362	810,678	1,605,789	(51,069)	3,216,771
Net income (loss) for the period	-	-	-	-	582,520	582,520	-	582,520
Other comprehensive income (loss) for the period	-	-	-	-	(1,395)	(1,395)	(14,812)	(16,207)
Total comprehensive income (loss) for the period	-	-	-	-	581,125	581,125	(14,812)	566,313
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	44,360	-	(44,360)	-	-	-
Special reserve reversed	-	-	-	9,706	(9,706)	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(389,254)	(389,254)	-	(389,254)
Balance at December 31, 2021	1,526,487	135,564	798,109	51,068	948,483	1,797,660	(65,881)	3,393,830
Net income (loss) for the period	-	-	-	-	675,837	675,837	-	675,837
Other comprehensive income (loss) for the period	-	-	-	-	8,658	8,658	41,920	50,578
Total comprehensive income (loss) for the period	-	-	-	-	684,495	684,495	41,920	726,415
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	58,113	-	(58,113)	-	-	-
Special reserve appropriated	-	-	-	14,811	(14,811)	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(457,946)	(457,946)	-	(457,946)
Balance at December 31, 2022	\$ 1,526,487	135,564	856,222	65,879	1,102,108	2,024,209	(23,961)	3,662,299

The accompanying notes are an integral part of financial statements

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
ZIPPY TECHNOLOGY CORP.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(AMOUNTS EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2022	2021
Cash flows from operating activities:		
Profit before income tax	\$ 819,583	717,211
Adjustments:		
Adjustments to reconcile profit before income tax to net cash provided by operating activities:		
Depreciation expense	60,977	57,582
Amortization expense	969	971
Expected credit loss (gain)	(2,900)	2,445
Interest expense	17,821	14,486
Interest income	(2,946)	(1,416)
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(105,850)	(30,393)
Loss on disposal of property, plant and equipment	52	583
Unrealized profit (loss) from sales	38,969	23,197
Realized profit (loss) from sales	(23,197)	(25,037)
Total adjustments to reconcile profit	(16,105)	42,418
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets at fair value through profit or loss, mandatorily measured at fair value	-	892
Notes receivable	7,350	4,411
Accounts receivable	72,110	38,459
Accounts receivable due from related parties	(26,467)	27,111
Other receivables	7,803	(3,787)
Other receivables due from related parties	9,640	16,538
Inventories	23,686	(217,988)
Other prepayments	4,324	50,383
Other current assets	150	(1,857)
Total changes in operating assets	98,596	(85,838)
Changes in operating liabilities:		
Contract liabilities	(3,551)	6,791
Notes payable	(17,870)	3,624
Accounts payable	(273,610)	166,386
Other payables	22,611	(5,311)
Other payables due to related parties	(6,959)	(1,904)
Other current liabilities	(988)	(135)
Net defined benefit liabilities, non-current	(11,488)	232
Total changes in operating liabilities	(291,855)	169,683
Total changes in operating assets and liabilities	(193,259)	83,845
Total adjustments	(209,364)	126,263
Cash inflow (outflow) generated from operations	610,219	843,474
Interest received	2,897	1,404
Dividends received	1,799	2,920
Interest paid	(17,388)	(14,619)
Income taxes paid	(136,485)	(96,545)
Net cash flows from (used in) operating activities	461,042	736,634
Cash flows from investing activities:		
Increase in investments accounted for using equity method	-	(425)
Acquisition of property, plant and equipment income	(22,771)	(3,586)
Proceeds from disposal of property, plant and equipment	790	1,297
Increase in guarantee deposits paid	-	(31)
Acquisition of intangible assets	(705)	-
Increase in prepayments for business facilities	(12,629)	(31,956)
Net cash flows (used in) from investing activities	(35,315)	(34,701)
Cash flows from financing activities:		
Decrease in short-term borrowings	(25,000)	(211,000)
Repayments of long-term borrowings	(50,000)	(50,000)
(Decrease) increase in guarantee deposits received	2,544	(3,315)
Cash dividends paid	(457,946)	(389,254)
Net cash flows (used in) from financing activities	(530,402)	(653,569)
Net increase (decrease) in cash and cash equivalents	(104,675)	48,364
Cash and cash equivalents at beginning of period	562,079	513,715
Cash and cash equivalents at end of period	457,404	562,079

The accompanying notes are an integral part of financial statements

(English Translation of Financial Statements Originally Issued in Chinese)

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Overview

Zippy Technology Corp. (the “Company”) was established on April 25, 1983, which was a limited company. The Company reorganized into a company limited by shares in 1988. The shares of the Company was listed and traded at the ROC Securities Over-the-Counter Trading Center on May 25, 1996. Through the listing application to the Taiwan Stock Exchange in June 2000, the shares of the Company became officially listed and traded on the Taiwan Stock Exchange on September 11, 2000. The Company engages primarily in the designing, manufacturing and trading of micro switches, power supplies.

(2) Financial Statements Authorization Date and Authorization Process

The financial statements were authorized for issuance by the Board of Directors on March 14, 2023.

(3) New Standards, Amendments and Interpretations not yet Adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2022:

- Amendments to IFRS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

- (b) The impact of IFRS issued by FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its financial statements:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred tax related to assets and liabilities arising from a single transaction”

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC, which may be relevant to the Company, are set out below:

(English Translation of Financial Statements Originally Issued in Chinese)

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Standards or Interpretations	Content of amendment	Effective date per IAS
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	After reconsidering certain aspects of the 2020 amendments ¹ , new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.	January 1, 2024

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

The Company expects that the adoption of the following IFRSs, which are issued by IASB but not yet endorsed by the FSC, would not have any material impact on its financial statements.

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and Amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS16 “Requirements for Sale and Leaseback Transactions”

(4) Significant Accounting Policies

The accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language parent company only financial statements, the Chinese version shall prevail.

The significant accounting policies presented in the financial statements are summarized below. Except for the explanation, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(a) Statement of compliance

These annual financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(b) Basis of preparation

1. Basis of measurement

Except for the defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in Note 4(p), the financial statements have been prepared on a historical cost basis.

2. Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entity operates. The financial statements are presented in New Taiwan Dollar, which is the Company's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(c) Foreign currencies

1. Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

2. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

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

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

1. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is expected to be realized within twelve months after the reporting period; or
4. The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

1. It is expected to be settled in the normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is due to be settled within twelve months after the reporting period; or
4. 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 issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

1. Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost and FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other receivable and guarantee deposit paid).

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost is credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

3) Derecognition of financial assets

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

2. Financial liabilities and equity instruments

1) Financial liabilities

Financial liabilities are classified as measured at amortized cost.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

2) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

3) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investment in subsidiaries

The subsidiaries in which the Company holds controlling interest are accounted for under equity method in the parent company only financial statements. Under equity method, the net income, other comprehensive income and equity in the parent company only financial statement are the same as those attributable to the owners of parent in the consolidated financial statements.

The changes in ownership of the subsidiaries are recognized as equity transaction.

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(i) Investment Property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

A property is reclassified to property, plant, and equipment at its carrying amount when the use of the property changes from owner occupied to property, plant, and equipment.

(j) Property, plant, and equipment

1. Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

2. Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

3. Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straightline basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Buildings	37 ~ 55 years
Machinery	8 ~ 10 years
Transportation equipment	4 ~ 7 years
Furniture and office facilities	3 ~ 5 years
Other equipment	2 ~ 10 years
	~15~

(English Translation of Financial Statements Originally Issued in Chinese)

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

4. Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner occupied to investment property.

(k) Leases

At inception of a contract, the Company assesses whether a 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.

1. As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method 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. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset; or

(English Translation of Financial Statements Originally Issued in Chinese)

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment properties and lease liabilities as a separate line item respectively in the statement of financial position.

For a contract that contains lease components and non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. Only for a lease of land and building, the Company elects not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of parking space and photocopying equipment rental that have a lease term of 12 months or less and leases of low-value assets, including other equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2. As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

For a contract that contains lease components and non-lease components, the Company uses IFRS 15 to allocate the consideration in the contract.

(I) Intangible assets

1. Recognition and measurement

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets, which are acquired by the Company and have finite useful lives, are measured at cost less accumulated amortization and any accumulated impairment losses.

2. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

3. Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful lives for current and comparative periods are as follows:

Computer software cost	5 ~10 years
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Capitalized development cost	2 years
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Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(m) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, deferred tax assets, and investment property measured at fair value) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(n) Provisions

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probably that an outflow of economic benefits will be required to settle the obligation.

(o) Revenue

1. Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

1) Sale of goods – power supplies and micro switch

The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, 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, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

2) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

(p) Employee benefits

1. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

2. Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

3. Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(q) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

1. temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
2. temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
3. taxable temporary differences arising on the initial recognition of goodwill.

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date, and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

1. the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
2. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(r) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as convertible bonds and employee compensation.

(s) Operating segments

Please refer to the consolidated financial report of Zippy Technology Corp. for the years ended December 31, 2022 and 2021 for operating segments information.

(5) Significant Accounting Judgments, Estimation, Assumptions, and Sources of Estimation Uncertainty

The preparation of the financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

The Company does not have any accounting policies which involve significant judgment which have significant influence to the annual financial statements.

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year and reflection from the impact of the new crown virus epidemic is as follows:

(a) Loss allowance for Accounts receivable

Loss allowance of accounts receivable for the Company is estimated based on the assumptions of default risk and expected loss rate. The Company considers historical experience, current market conditions and forward-looking estimates on each reporting day to determine the assumptions and input values to be used when calculating impairments. Refer to note 6(b) for further description of related assumptions and input values.

(b) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(d) for further description of the valuation of inventories.

(6) Explanation to Significant Accounts

(a) Cash and cash equivalents

	2022.12.31	2021.12.31
Cash	\$ 202	198
Checking deposits	104	44
Demand deposits	278,824	321,283
Time deposits	178,274	240,554
Cash and cash equivalents in statement of cash flows	\$ 457,404	562,079

Refer to Note 6(s) for the currency risk of the financial assets of the Company.

(b) Notes and accounts receivables

	2022.12.31	2021.12.31
Notes receivable	\$ 9,506	16,855
Accounts receivable	262,635	334,746
Accounts receivable due from related parties	85,823	59,356
Less: Loss allowance	(1,014)	(3,914)
	\$ 356,950	407,043

(English Translation of Financial Statements Originally Issued in Chinese)

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provisions were determined as follows:

	2022.12.31		
	Gross carrying amount	Weighted-average	Loss allowance provision
Current	\$ 338,536	0.30%	1,016
1 to 180 days past due (Note)	19,427	22.71%	4,412
	\$ 357,963		5,428

Note: as of the end of February 28, 2023, the amount that received by the Company is \$19,427.

	2021.12.31		
	Gross carrying amount	Weighted-average	Loss allowance provision
Current	\$ 391,811	0.30%	1,175
1 to 180 days past due	19,146	24.04%	4,602
	\$ 410,957		5,777

The movement in the allowance for notes and accounts receivable was as follows:

	For the years ended December 31,	
	2022	2021
Balance at January 1, 2022 and 2021	\$ 3,914	1,469
Impairment losses (reversed) recognized	(2,900)	2,445
Balance at December 31, 2022 and 2021	\$ 1,014	3,914

As of December 31, 2022 and 2021, none of the receivables above are pledged as collateral for loans and borrowings.

(c) Other receivables

(English Translation of Financial Statements Originally Issued in Chinese)

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

	<u>2022.12.31</u>	<u>2021.12.31</u>
Other receivables	\$ 2,854	10,608
Other receivables—related parties	<u>30,441</u>	<u>40,081</u>
	<u>\$ 33,295</u>	<u>50,689</u>

None of other receivables are past due.

Please refer to Note 6(s) for further credit risk information.

(d) Inventories

	<u>2022.12.31</u>	<u>2021.12.31</u>
Raw materials	\$ 400,741	356,996
Work in process	207,760	267,810
Finished goods	<u>93,397</u>	<u>100,778</u>
	<u>\$ 701,898</u>	<u>725,584</u>

The movement in the allowance for inventory valuation and obsolescence losses was as follows:

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Balance at January 1, 2022 and 2021	\$ 33,387	30,290
Write-down (write-up) of inventories	<u>12,233</u>	<u>3,097</u>
Balance at December 31, 2022 and 2021	<u>\$ 45,620</u>	<u>33,387</u>

For the years ended December 31, 2022, the write-down of inventories amounted to \$12,233, which is recognized in operating cost, due to the net realizable value of inventories is lower than the cost.

For the years ended December 31, 2021, the write-down of inventories amounted to \$3,097, which is recognized in operating cost, due to the net realizable value of inventories is lower than the cost.

As of December 31, 2022 and 2021, the aforesaid inventories were not pledged as collateral.

(e) Investments accounted for using equity method

The investment using equity method was as follows:

	<u>2022.12.31</u>	<u>2021.12.31</u>
Subsidiaries	<u>\$ 816,535</u>	<u>685,998</u>

1. Subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2022.

(English Translation of Financial Statements Originally Issued in Chinese)

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(f) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2022 and 2021 were as follows:

	<u>Land</u>	<u>Building and construction</u>	<u>Machinery and equipment</u>	<u>Transportatio n</u>	<u>Office equipment</u>	<u>Other facilities</u>	<u>Total</u>
Cost or deemed cost:							
Balance at January 1, 2022	\$ 680,361	241,444	300,527	958	37,033	187,519	1,447,842
Additions	-	-	4,205	-	3,598	6,681	14,484
Reclassification-prepayments for business facilities	-	-	6,540	-	1,007	11,303	18,850
Disposals	-	-	(3,173)	-	(778)	-	(3,951)
Balance at December 31, 2022	<u>\$ 680,361</u>	<u>241,444</u>	<u>308,099</u>	<u>958</u>	<u>40,860</u>	<u>205,503</u>	<u>1,477,225</u>
Balance at January 1, 2021	\$ 680,361	241,444	251,130	958	35,929	178,360	1,388,182
Additions	-	-	3,621	-	2,585	5,379	11,585
Reclassification-prepayments for business facilities	-	-	47,215	-	2,012	3,912	53,139
Disposals	-	-	(1,439)	-	(3,493)	(132)	(5,064)
Balance at December 31, 2021	<u>\$ 680,361</u>	<u>241,444</u>	<u>300,527</u>	<u>958</u>	<u>37,033</u>	<u>187,519</u>	<u>1,447,842</u>
Depreciation and impairment losses:							
Balance at January 1, 2022	\$ -	92,045	159,173	885	25,111	147,509	424,723
Depreciation for the period	-	5,306	26,064	73	4,118	15,174	50,735
Disposals	-	-	(2,346)	-	(763)	-	(3,109)
Balance at December 31, 2022	<u>\$ -</u>	<u>97,351</u>	<u>182,891</u>	<u>958</u>	<u>28,466</u>	<u>162,683</u>	<u>472,349</u>
Balance at January 1, 2021	\$ -	86,739	135,189	777	24,746	133,116	380,567
Depreciation for the period	-	5,306	24,135	108	3,396	14,395	47,340
Disposals	-	-	(151)	-	(3,031)	(2)	(3,184)
Balance at December 31, 2021	<u>\$ -</u>	<u>92,045</u>	<u>159,173</u>	<u>885</u>	<u>25,111</u>	<u>147,509</u>	<u>424,723</u>
Carrying amounts:							
Balance at December 31, 2022	<u>\$ 680,361</u>	<u>144,093</u>	<u>125,208</u>	<u>-</u>	<u>12,394</u>	<u>42,820</u>	<u>1,004,876</u>
Balance at January 1, 2021	<u>\$ 680,361</u>	<u>154,705</u>	<u>115,941</u>	<u>181</u>	<u>11,183</u>	<u>45,244</u>	<u>1,007,615</u>
Balance at December 31, 2021	<u>\$ 680,361</u>	<u>149,399</u>	<u>141,354</u>	<u>73</u>	<u>11,922</u>	<u>40,010</u>	<u>1,023,119</u>

As of December 31, 2022 and 2021, the property, plant and equipment were pledged as collateral, please refer to Note 8.

(English Translation of Financial Statements Originally Issued in Chinese)

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(g) Investment property

Investment property includes its own assets held by the Company. The original non-removable period of leased investment property is one to four years, and some lease contracts stipulate that the lessee has the option to extend the period upon expiration.

The rental income of leased investment property is a fixed amount.

	Land and improvement	Building and construction	Total
Cost or deemed cost:			
Balance as of January 1, 2022	\$ 1,759,235	378,942	2,138,177
Balance as of December 31, 2022	\$ 1,759,235	378,942	2,138,177
Balance as of January 1, 2021	\$ 1,759,235	378,942	2,138,177
Balance as of December 31, 2021	\$ 1,759,235	378,942	2,138,177
Accumulated depreciation and impairment losses:			
Balance as of January 1, 2022	\$ -	90,468	90,468
Depreciation for the year	-	10,242	10,242
Balance as of December 31, 2022	\$ -	100,710	100,710
Balance as of January 1, 2021	\$ -	80,226	80,226
Depreciation for the year	-	10,242	10,242
Balance as of December 31, 2021	\$ -	90,468	90,468
Carrying amounts:			
Balance as of December 31, 2022	\$ 1,759,235	278,232	2,037,467
Balance as of January 1, 2021	\$ 1,759,235	298,716	2,057,951
Balance as of December 31, 2021	\$ 1,759,235	288,474	2,047,709
Fair value:			
Balance as of December 31, 2022		\$	2,650,483
Balance as of December 31, 2021		\$	2,650,483

Investment property includes several commercial properties leased to others. Each lease contract includes the original non-cancellable lease term of one year, and the subsequent lease term is negotiated with the lessee, and no contingent rent is collected. For relevant information, please attach Notes 6 (k) and 6 (r).

The fair value of the Company's investment property is based on the evaluation of independent evaluators. The evaluation is based on market value.

(English Translation of Financial Statements Originally Issued in Chinese)

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

For the year ended December 31, 2022 and 2021, the direct operating expenses incurred by the Company's investment property that generated rental income were \$ 2,685 and \$ 3,084, respectively.

Please refer to Note 8 for details of the investment property pledged as collateral as of December 31, 2022 and 2021.

(h) Intangible assets

The costs of intangible assets and amortization of the Company for the years ended December 31, 2022 and 2021 were as follows:

	<u>Software</u>	<u>Other intangible assets</u>	<u>Total</u>
Cost:			
Balance as of January 1, 2022	\$ 14,037	20,048	34,085
Additions	705	-	705
Balance as of December 31, 2022	<u>\$ 14,742</u>	<u>20,048</u>	<u>34,790</u>
Balance as of January 1, 2021	\$ 14,037	20,048	34,085
Balance as of December 31, 2021	<u>\$ 14,037</u>	<u>20,048</u>	<u>34,085</u>
Accumulated amortization and impairment losses:			
Balance as of January 1, 2022	\$ 11,739	1,000	12,739
Amortization for the year	969	-	969
Balance as of December 31, 2022	<u>\$ 12,708</u>	<u>1,000</u>	<u>13,708</u>
Balance as of January 1, 2021	\$ 10,768	1,000	11,768
Amortization for the year	971	-	971
Balance as of December 31, 2021	<u>\$ 11,739</u>	<u>1,000</u>	<u>12,739</u>
Carrying amounts:			
Balance as of December 31, 2022	<u>\$ 2,034</u>	<u>19,048</u>	<u>21,082</u>
Balance as of January 1, 2021	<u>\$ 3,269</u>	<u>19,048</u>	<u>22,317</u>
Balance as of December 31, 2021	<u>\$ 2,298</u>	<u>19,048</u>	<u>21,346</u>

The amortization of intangible assets is respectively included in the statement of comprehensive income:

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Operating expenses	<u>\$ 969</u>	<u>971</u>

(English Translation of Financial Statements Originally Issued in Chinese)

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(i) Short-term borrowings

The significant details of short-term borrowings were as follows:

	<u>2022.12.31</u>	<u>2021.12.31</u>
Unsecured bank loans	\$ -	20,000
Secured bank loans	-	5,000
	<u>\$ -</u>	<u>25,000</u>
Unused credit line	<u>\$ 2,145,000</u>	<u>2,120,000</u>
Interest Rate	<u>-</u>	<u>0.78%~0.89%</u>

Please refer to Note 8 for details of the related assets pledged as collateral.

(j) Long-term borrowings

The significant terms and conditions of long-term borrowings were as follows:

	<u>2022.12.31</u>			
	<u>Currency</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
Secured bank loans	TWD	1.11%~1.74%	2028.03.08	\$ 1,158,000
Deduct: due within one year				50,000
Total				<u>\$ 1,108,000</u>
Unused credit line				<u>\$ -</u>

	<u>2021.12.31</u>			
	<u>Currency</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
Secured bank loans	TWD	1.07%~1.11%	2028.03.08	\$ 1,208,000
Deduct: due within one year				50,000
Total				<u>\$ 1,158,000</u>
Unused credit line				<u>\$ -</u>

Under credit/loan agreements, the Company shall maintain certain consolidated financial ratios on balance sheet date of semi and annual financial statements. (i.e. liabilities to equity ratio, interest coverage ratio, tangible net worth, etc.) Otherwise, the loans are due and payable immediately. The Company was in compliance with the financial covenants mentioned above.

Please refer to Note 8 for details of the related assets pledged as collateral.

(k) Operating Leases

1. Leases as Lessor

The Company leases its investment properties. Since almost all risks and rewards belonging to the ownership of the underlying asset have not been transferred and paid, these lease contracts are classified as operating leases. Please refer to note 6 (g) Investment property for details.

(English Translation of Financial Statements Originally Issued in Chinese)

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Maturity analyses of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	<u>2022.12.31</u>	<u>2021.12.31</u>
Less than one year	\$ 95,934	44,694
One to two years	77,274	29,955
Two to three years	41,651	13,830
Three to four years	13,500	10,585
Four to five years	10,398	6,011
More than five years	34,089	53
Total undiscounted lease payments	<u>\$ 272,846</u>	<u>105,128</u>

Please refer to Note 6(r) for further information of the rental revenues incurred by leasing investment properties for the years ended December 31, 2022 and 2021.

(l) Employee benefits

1. Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

	<u>2022.12.31</u>	<u>2021.12.31</u>
Present value of the defined benefit obligations	\$ 98,102	106,495
Fair value of plan assets	(83,277)	(69,782)
Net defined benefit liabilities	<u>\$ 14,825</u>	<u>36,713</u>

The Company makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive an annual payment based on years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued two-year time deposits with interest rates offered by local banks.

(English Translation of Financial Statements Originally Issued in Chinese)

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

The Company's pension reserve account in Bank of Taiwan amounted to \$82,706 at the end of December 31, 2022. For information on the utilization of the labor pension fund assets including the assets allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Company on 2022 and 2021 were as follows:

	For the years ended December 31,	
	2022	2021
Defined benefit obligation at January 1	\$ 106,495	110,905
Current service costs and interest	850	1,150
Remeasurement on the net defined benefit liability		
— Experience adjustments arising on the actuarial gain or loss	3,198	881
— Actuarial loss (gain) arising from changes in financial assumptions	(7,611)	-
— Actuarial loss (gain) arising from changes in demography assumptions	-	1,827
Benefits paid by the plan assets	(4,830)	(8,268)
Defined benefit obligation at December 31	\$ 98,102	106,495

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company on 2022 and 2021 were as follows:

	For the years ended December 31,	
	2022	2021
Fair value of plan assets at January 1	\$ 69,782	76,189
Interest income	425	463
Remeasurement on the net defined benefit liability		
— Return on plan assets (excluding current interest)	5,988	943
Contributions made	11,912	455
Benefits paid by the plan assets	(4,830)	(8,268)
Fair value of plan assets at December 31	\$ 83,277	69,782

(English Translation of Financial Statements Originally Issued in Chinese)

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

	For the years ended December 31,	
	2022	2021
Current service costs	\$ 249	499
Net interest of net liabilities for defined benefit obligations	176	188
	\$ 425	687
Operating cost	\$ 82	224
Selling expenses	8	10
Administration expenses	335	410
Research and development expenses	-	43
	\$ 425	687

5) Actuarial assumptions

The following are the Company's principal actuarial assumptions:

Present Value of defined benefit obligations:

	For the years ended December 31,	
	2022	2021
Discount rate	1.75%	0.63%
Future salary increases rate	1.00%	1.00%

The expected allocation payment made by the Company to the defined benefit plans for the one year period after the reporting date was \$455.

The weighted-average duration of the defined benefit obligation is 11.12 years.

6) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Influences of defined benefit obligations	
	Increased	Decreased
December 31, 2022		
Discount rate (0.25% change)	\$ (1,555)	1,602
Increase in future salary (0.25% change)	1,572	(1,533)
December 31, 2021		
Discount rate (0.25% change)	\$ (2,011)	2,078
Increase in future salary (0.25% change)	2,021	(1,966)

(English Translation of Financial Statements Originally Issued in Chinese)

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2022 and 2021.

2. Defined contribution plans

In accordance with the provisions of the Labor Pension Act, the Company contributes an amount equal to 6% of the employee's monthly wages to the Labor Pension personal account with the Bureau of the Labor Insurance.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$12,917 and \$13,252 for the years ended December 31, 2022 and 2021, respectively. Except for the accounts payable of \$1,912 and \$2,285, respectively, the Company has been contributed to the Bureau of the Labor Insurance.

(m) Income taxes

1. The components of income tax expense (gain) in the years 2022 and 2021 were as follows:

	For the years ended December 31,	
	2022	2021
Current tax expense		
Current period	\$ 144,021	135,042
Adjustment for prior periods	1,310	72
	<u>145,331</u>	<u>135,114</u>
Deferred tax expense		
Origination and reversal of temporary differences	(1,585)	(423)
Income tax expense from continuing operations	<u>\$ 143,746</u>	<u>134,691</u>

There was no income tax that was directly recognized in equity for 2022 and 2021.

The amount of income tax recognized in other comprehensive income for 2022 and 2021 was as follows:

	For the years ended December 31,	
	2022	2021
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit plans	<u>\$ (2,080)</u>	<u>353</u>

(English Translation of Financial Statements Originally Issued in Chinese)

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

A reconciliation of income before income tax and income tax expense recognized in profit or loss was as follows:

	For the years ended December 31,	
	2022	2021
Income before tax	\$ 819,583	717,211
Income tax using the statutory tax rate	163,917	143,442
Tax exemption for securities trading income	-	(46)
Other permanent differences	(20,302)	(5,240)
Tax adjustments in prior periods	1,310	72
Tax credits	(3,691)	(3,551)
Undistributed earnings additional tax	2,512	14
Income tax expense	\$ 143,746	134,691

2. Deferred Tax Assets and Liabilities

1) Unrecognized Deferred Tax Liabilities

The Company did not recognize any temporary differences related to investment in subsidiaries since the Company has the ability to control the time point when temporary differences are reversed, and it is certain that the differences will not be reversed in the foreseeable future. Related information as of December 31, 2022 and 2021 were as follow:

	2022.12.31	2021.12.31
Tax effect of taxable Temporary Differences	\$ 74,550	58,276

2) Unrecognized Deferred Tax Assets

Deferred tax assets that have not been recognized in respect of the following items:

	2022.12.31	2021.12.31
Tax effect of deductible Temporary Differences	\$ 7,351	11,127

As of December 31, 2022 and 2021, the Company estimates that some temporary differences will unlikely to be realized in the foreseeable future, so deferred income tax assets were not recognized.

3) Recognized Deferred Tax Assets and Liabilities

(English Translation of Financial Statements Originally Issued in Chinese)

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

		Unrealized Profit	Allowance for Inventory Valuation Losses	Defined Benefit Plans	Others	Total
Deferred Tax Assets:						
Balance at January 1, 2022	\$	4,639	6,677	7,343	3,750	22,409
Recognized in profit or loss		3,155	2,447	(2,298)	(1,719)	1,585
Recognized in other comprehensive income		-	-	(2,080)	-	(2,080)
Balance at December 31, 2022	\$	7,794	9,124	2,965	2,031	21,914
Balance at January 1, 2021	\$	5,007	6,058	6,943	3,625	21,633
Recognized in profit or loss		(368)	619	(47)	125	423
Recognized in other comprehensive income		-	-	353	-	353
Balance at December 31, 2021	\$	4,639	6,677	7,343	3,750	22,409

3. The Company's income tax returns through 2020 have been examined and approved by the Tax Authority.

(n) Capital and reserves

As of December 31, 2022 and 2021, the authorized capital of the Company both consisted of 200,000 thousand shares and both issued worth \$2,000,000, with par value of \$10 per share, and its outstanding capital both consisted of 152,649 thousand shares of stock. All issued shares were paid up upon issuance.

Reconciliations of shares outstanding for the years ended December 31, 2022 and 2021, were as follows:

	(Unit: Thousand Shares)	
	Common Stock	
	For the Years Ended December 31,	
	2022	2021
Balance as of January 1	152,649	152,649
Balance as of December 31	152,649	152,649

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. Capital surplus

The components of the capital surplus were as follows:

	<u>2022.12.31</u>	<u>2021.12.31</u>
Share capital	\$ 134,815	134,815
The movement of net stockholders of associates and joint ventures entity for using equity method	119	119
Other	<u>630</u>	<u>630</u>
	<u>\$ 135,564</u>	<u>135,564</u>

In accordance with the ROC company Act, realized capital reserves can only be reclassified as share capital or distributed as cash dividends after offsetting losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the securities offering and Issuance Guidelines, the amount of capital reserve to be reclassified under share capital shall not exceed 10 percent of the actual share capital amount.

2. Retained earnings

According to the Articles of Incorporation, after-tax earnings are initially used to offset cumulative losses, and 10% of the remainder is set aside as a legal reserve, except when the legal reserve of the Company reaches paid-in capital of the Company. Special reserve may be appropriated if necessary, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the shareholders' meeting for approval.

1) Legal reserve

If the Company experienced profit for the year, the meeting of shareholders shall decide on the distribution of the statutory earnings reserve either by new shares or by cash, of up to 25 percent of the actual share capital.

2) Special reserve

In accordance with Permit No.1010012865 as issued by the Financial Supervisory Commission on 6 April 2012, a special reserve equal to the contra account of other shareholders' equity is appropriated from the current and prior period earnings. When the debit balance of any of the contra accounts in the shareholders' equity is reversed, the related special reserve can be reversed. The subsequent reversals of the contra accounts in shareholders' equity shall qualify for additional distributions.

3) Earnings Distribution

During the meeting of shareholders on May 27, 2022 and July 20, 2021, the shareholders approved to distribute the 2021 and 2020 earnings, respectively, as follows:

(English Translation of Financial Statements Originally Issued in Chinese)

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

	2021		2020	
	Dividend per share (\$)	Amount	Dividend per share (\$)	Amount
Dividends distributed to common shareholders				
Cash	\$ 3.00	<u>457,946</u>	2.55	<u>389,254</u>

On March 14, 2023, the Company's Board of Directors resolved to appropriate the 2022 earnings respectively, as follows:

	2022	
	Dividend per share (\$)	Amount
Dividends distributed to common shareholders		
Cash	\$ 3.50	<u>534,270</u>

(o) Earnings per share

The following are the calculation of basic earnings per share and diluted earnings per share:

	For the years ended December 31,	
	2022	2021
Basic earnings per share:		
Profit attributable to ordinary shareholders	<u>\$ 675,837</u>	<u>582,520</u>
Weighted average number of ordinary shares (thousand shares)	<u>152,649</u>	<u>152,649</u>
Basic earnings per share (NT dollars)	<u>\$ 4.43</u>	<u>3.82</u>
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company (adjusted for the effects of all dilutive potential ordinary shares)	<u>\$ 675,837</u>	<u>582,520</u>
Weighted average number of ordinary shares (thousand shares)	152,649	152,649
Effect of dilutive potential common shares		
profit sharing to employees (thousand shares)	<u>754</u>	<u>588</u>
Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares)	<u>153,403</u>	<u>153,237</u>
Diluted earnings per share (NT dollars)	<u>\$ 4.41</u>	<u>3.80</u>

(English Translation of Financial Statements Originally Issued in Chinese)

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(p) Revenue from contracts with customers

1. Disaggregation of revenue

For the years ended December 31, 2022			
	Power Supplies	Marco Switches	Total
Primary geographical markets			
Taiwan	\$ 496,077	178,110	674,187
USA	364,400	107,637	472,037
Mainland China	144,032	500,727	644,759
Germany	187,965	38,324	226,289
Italy	3,896	174,347	178,243
Other countries	144,405	90,964	235,369
	\$ 1,340,775	1,090,109	2,430,884
Major products			
Manufacturing and sales of electronic components	\$ 1,340,775	1,090,109	2,430,884

For the years ended December 31, 2021			
	Power Supplies	Marco Switches	Total
Primary geographical markets			
Taiwan	\$ 416,563	179,082	595,645
USA	259,893	101,849	361,742
Mainland China	338,918	656,638	995,556
Germany	147,132	38,239	185,371
Italy	1,558	190,136	191,694
Other countries	133,277	35,005	168,282
	\$ 1,297,341	1,200,949	2,498,290
Major products			
Manufacturing and sales of electronic components	\$ 1,297,341	1,200,949	2,498,290

2. Contract balances

	2022.12.31	2021.12.31	2021.1.1
Contract liabilities	\$ 13,809	17,360	10,569

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Contract liabilities are mainly derived from the difference between the time when the Company transfers goods or services to the customer to meet the performance obligation and the time when the customer pays. The Company will transfer revenue when the performance obligation is met.

(q) Remuneration of employees, directors and supervisors

The Company's articles of incorporation require that earnings shall first be offset against any deficit. A minimum of 2% will be distributed as employee remuneration and a maximum of 2% will be allocated as directors' and supervisors' remuneration. The recipients of shares and cash may include employees of the Company's affiliated companies who meet certain conditions. Distribution remuneration for employees, directors and supervisors shall be submitted to the shareholders' meeting report.

The remuneration of employees amounted to \$25,882 and \$22,649 and the remuneration of directors amounted to \$17,254 and \$15,099 for the years ended December 31, 2022 and 2021, respectively. These amounts are calculated using the Company's profit before tax for each period described above, and are determined using the earnings allocation method which stated under the Company's article. These remunerations were expensed under operating cost or expenses in 2022 and 2021. If there is a difference between the actual distribution amount in the following year and the estimated amount, it shall be dealt with according to the change in accounting estimates, and the difference shall be recognized as the profit and loss of the following year.

The remuneration of employees amounted to \$22,649 and \$17,015 and the remuneration of directors amounted to \$15,019 and \$11,343 for the years ended December 31, 2021 and 2020, respectively. There were no differences between the amounts to be distributed as remuneration to employees and directors in 2021 and 2020 and the amounts stated in the individual reports. Related information would be available at the Market Observation Post System.

(r) Non-operating income and expenses

1. Interest income

The details of other income for the years ended December 31, 2022 and 2021, were as follows:

	For the years ended December 31,	
	2022	2021
Interest income	\$ 2,946	1,416

2. Other income

The details of other income for the years ended December 31, 2022 and 2021, were as follows:

	For the years ended December 31,	
	2022	2021
Rental income	\$ 86,311	91,705
Others	21,131	24,649
Total	\$ 107,442	116,354

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

3. Other income and losses

The details of other income and losses for the years ended December 31, 2022 and 2021, were as follows:

	For the years ended December 31,	
	2022	2021
Losses from disposal of property, plant and equipment	\$ (52)	(583)
Foreign exchange (losses) gains	44,377	(18,325)
Net gains (losses) on financial assets (liabilities) measured at fair value through profit or loss	-	191
Total	\$ 44,325	(18,717)

4. Finance costs

The details of finance expenses for the years ended December 31, 2022 and 2021, were as follows:

	For the years ended December 31,	
	2022	2021
Interest expenses		
Bank borrowings	\$ (17,821)	(14,486)

5. Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method

	For the years ended December 31,	
	2022	2021
Long-term investment income	\$ 105,850	30,393

(s) Financial instruments

1. Credit risks

1) Credit risks exposure

The maximum credit risk exposure of the Company on December 31, 2022 and 2021 that may be caused by the failure of the counterparty to perform its obligations and financial guarantees provided by the Company mainly comes from:

A. the book value of financial assets recognized on the balance sheet

B. financial guarantees provided by the Company were \$95,205 and \$88,545, respectively.

2) Condition of credit risk concentration

In order to reduce the credit risk of accounts receivable, the Company continuously evaluates the financial status of customers. The Company still regularly evaluates the possibility of accounts receivable recovery and makes allowance for losses, and the impairment losses are always within the expectations of the management. As of December 31, 2022 and 2021, 36% and 22% of accounts receivable were attributable to three major customers. Thus, credit risk is significantly centralized.

ZIPPY TECHNOLOGY CORP.**NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)****For the years ended December 31, 2022 and 2021****(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

4) Credit risk of accounts receivable

Please refer to Note (6) (b) for further information about credit risk exposure of notes receivable and accounts receivable.

Other financial assets measured at amortized cost include other receivables. Please refer to Note (6) (c) for further information and the provision of allowance for losses.

Other receivables are financial assets with low credit risk. Therefore, the amount of allowance for losses for the period is calculated based on the 12-month expected credit loss amount for the period (please refer to Note (4) (f) for the explanation of how the Company determines that the credit risk is low).

2. Liquidity risks

The following are the contractual maturities of financial liabilities of the Company, including the impact of estimation of interest:

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 6 months</u>	<u>6 to 12 months</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>More than 5 years</u>
December 31, 2022							
Non-derivative financial liabilities							
Secured bank loans	\$ 1,158,000	1,235,311	33,183	33,050	65,564	192,288	911,226
Notes payable	10,348	10,348	10,348	-	-	-	-
Accounts payable	257,551	257,551	257,551	-	-	-	-
Other payables	179,380	179,380	179,380	-	-	-	-
Other payables due to related parties	14,477	14,477	14,477	-	-	-	-
Guarantee deposits received	20,761	20,761	190	486	5,049	13,744	1,292
	<u>\$ 1,640,517</u>	<u>1,717,828</u>	<u>495,129</u>	<u>33,536</u>	<u>70,613</u>	<u>206,032</u>	<u>912,518</u>
December 31, 2021							
Non-derivative financial liabilities							
Secured bank loans	\$ 1,213,000	1,285,110	36,542	31,431	62,417	184,015	970,705
Unsecured bank loans	20,000	20,023	20,023	-	-	-	-
Notes payable	28,218	28,218	28,218	-	-	-	-
Accounts payable	531,161	531,161	531,161	-	-	-	-
Lease liabilities	164,623	164,623	164,623	-	-	-	-
Other payables	21,436	21,436	21,436	-	-	-	-
Guarantee deposits received	18,217	18,217	10,915	110	1,057	5,975	160
	<u>\$ 1,996,655</u>	<u>2,068,788</u>	<u>812,918</u>	<u>31,541</u>	<u>63,474</u>	<u>189,990</u>	<u>970,865</u>

(English Translation of Financial Statements Originally Issued in Chinese)

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

The Company is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

3. Currency risks

1) Exposure to currency risks

The Company's exposures to significant currency risk were those from its foreign currency denominated financial assets and liabilities as follows:

2022.12.31				
	Foreign currency (In thousand)		Exchange rate	TWD
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$	14,791	USD : TWD 30.7080	454,202
EUR		1,212	EUR : TWD 32.7086	39,643
CNY		19,959	CNY : TWD 4.4175	88,169
JPY		26,457	JPY : TWD 0.2324	6,149
<u>Non-monetary items</u>				
USD	\$	12,918	USD : TWD 30.7080	396,686
CNY		78,315	CNY : TWD 4.4175	345,957
EUR		1,859	EUR : TWD 32.7086	60,805
<u>Financial Liabilities</u>				
<u>Monetary items</u>				
JPY	\$	34,317	JPY : TWD 0.2324	7,975
USD		1,225	USD : TWD 30.7080	37,617

2021.12.31				
	Foreign currency (In thousand)		Exchange rate	TWD
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$	13,138	USD : TWD 27.6900	363,791
EUR		541	EUR : TWD 31.3382	16,954
CNY		21,843	CNY : TWD 4.3406	94,812
JPY		137,716	JPY : TWD 0.2406	33,134
<u>Non-monetary items</u>				
USD	\$	10,094	USD : TWD 27.6900	279,503
CNY		75,419	CNY : TWD 4.3406	327,364
EUR		1,274	EUR : TWD 31.3382	39,925

(English Translation of Financial Statements Originally Issued in Chinese)

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

		2021.12.31	
	Foreign currency (In thousand)	Exchange rate	TWD
<u>Financial Liabilities</u>			
<u>Monetary items</u>			
JPY	\$ 187,793	JPY : TWD 0.2406	45,183
USD	2,593	USD : TWD 27.6900	71,800
TWD	633	TWD : CNY 4.3406	2,748

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, accounts payable and other payables that are denominated in foreign currency. A 1% depreciation or appreciation of the functional currency against all the non-functional currency as of December 31, 2022 and 2021 would have increased or decreased the net profit after tax by \$4,341 and \$3,134, respectively. The analysis is performed on the same basis for both periods.

3) Gains or losses on foreign exchange

For the years ended December 31, 2022 and 2021, the foreign exchange gain (loss), including realized and unrealized, amounted to \$44,377 and \$(18,325), respectively.

4. Interest rate analysis

The Company's financial assets and financial liabilities with interest rate exposure risk were noted in the liquidity risk section.

The following sensitivity analysis in interest rates is based on the risk exposure to interest rates on the reporting date. For variable rate instruments, the sensitivity analysis assumes the variable rate liabilities are outstanding for the whole year on the reporting date.

If the interest rate increases or decreases by 1%, the Company's profit will decrease or increase by \$9,264 and \$9,864 for the years ended December 31, 2022 and 2021, respectively, assuming all other variable factors remain constant. This is mainly due to the Company's variable rate in borrowings.

5. Fair value of financial instruments

1) Fair value hierarchy

(English Translation of Financial Statements Originally Issued in Chinese)

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Financial assets at fair value through profit or loss are measured on a recurring basis. However, for financial instruments not measured at fair value whose carrying amount is estimated reasonably close to the fair value and for equity investments that has no quoted prices in the active markets and lease liabilities information is not required:

2022.12.31					
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at amortized cost					
Cash and cash equivalents	457,404	-	-	-	-
Notes receivable, accounts receivable and other receivables	390,245	-	-	-	-
Guarantee deposits paid	88	-	-	-	-
Total	\$ 847,737	-	-	-	-
Financial liabilities at amortized cost					
Bank loans	\$ 1,158,000	-	-	-	-
Notes payable and accounts payable	267,899	-	-	-	-
Other payables	193,857	-	-	-	-
Guarantee deposits received	20,761	-	-	-	-
Total	\$ 1,640,517	-	-	-	-

2021.12.31					
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at amortized cost					
Cash and cash equivalents	562,079	-	-	-	-
Notes receivable, accounts receivable and other receivables	457,732	-	-	-	-
Guarantee deposits paid	88	-	-	-	-
Total	\$ 1,019,899	-	-	-	-
Financial liabilities at amortized cost					
Bank loans	\$ 1,233,000	-	-	-	-
Notes payable and accounts payable	559,379	-	-	-	-
Other payables	186,059	-	-	-	-
Guarantee deposits received	18,217	-	-	-	-
Total	\$ 1,996,655	-	-	-	-

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

2) Valuation techniques and assumption for financial instruments measured at fair value:

The fair value of financial assets and liabilities were decided in accordance with the solutions as follows:

(2.1) Funds are financial assets with standard terms which are traded in the active markets. Their fair values are based on the quoted market prices.

(2.2) The fair value of unquoted equity instruments were estimated using either the discounted cash flow model in which future cash flow were estimated and discounted or the fair value of the recognized assets and liabilities of the consolidated subsidiaries on the measurement day.

3) Transfers between levels

There were no transfers between any level of the fair value for the years ended December 31, 2022 and 2021.

(t) Financial risk management

1. Overview

The Company has exposures to the following risks from its financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The following likewise discusses the Company's objectives, policies and processes for measuring and managing the above mentioned risks.

2. Risk management framework

The Company's financial management department provides services for each business, coordinates the entry into the domestic and international financial markets, and monitors and manages the financial risks related to the Company's operations by analyzing internal risk reports based on the degree and breadth of risk. The Company will use derivative financial instruments to evade storm risk in order to reduce the impact of these risks. The use of derivative financial instruments is regulated by the policies adopted by the Company's board of directors, which are written principles for exchange rate risk, interest rate risk, credit risk, the use of derivative financial instruments and non-derivative financial instruments, and the investment of remaining liquid funds. Internal auditors continue to review compliance with policies and the risk limit. The Company does not trade financial instruments (including derivative financial instruments) for speculative purposes. The financial management department reports quarterly to the Company's board of directors. The board of directors is an independent organization responsible for monitoring risks and implementing policies to reduce risk.

3. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The Company is exposed to credit risk primarily through its accounts receivable.

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1) Accounts receivable and other receivable

The Company's credit risk exposure is mainly affected by the individual conditions of each customer. However, the management also considers the statistical data of the Company's customer base, including the default risk of the customer's industry and country, as these factors may affect credit risk.

The sales department has established a credit policy. According to this policy, the Company must analyze the credit rating of each new customer individually before granting standard payment and shipping conditions and terms. The Company's review is based on external ratings and, in some cases, bank notes. The purchase limit is established by individual customers. This limit is regularly reviewed. Customers who do not meet the Company's benchmark credit rating can only trade with the Company on an advance receipt basis.

The Company has set up a loss allowance account to reflect the estimated loss of accounts receivable and other receivables and investments.

2) Investments

The credit risk of bank deposits, fixed income investments and other financial instruments is measured and monitored by the Company's financial department. Since the Company's trading partners and contract performance parties are creditworthy banks and financial institutions and corporate organizations with investment grade or above, there are no major performance concerns, so there is no major credit risk.

3) Guarantee

The Company's policy stipulates that only financial guarantees can be provided to related parties or parties with transactions. Please refer to Note 13(a) for further guarantee information as of December 31, 2022 and 2021.

4. Liquidity risk

Liquidity risk is a risk that the Company is unable to meet the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as much as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Generally speaking, the Company ensures that there is sufficient cash to meet the expected operating expenditure requirements for 60 days, including the fulfillment of financial obligations, but excludes potential impacts that cannot be reasonably expected under extreme circumstances, such as natural disasters. As of December 31, 2022 and 2021, the Company's unused credit line were amounted to \$2,145,000 and \$2,120,000, respectively.

5. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rate, and equity prices which will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

In order to manage market risks, the Company chooses reputable securities investment trust companies for financial asset transactions, and manages market risks through professional managers

(English Translation of Financial Statements Originally Issued in Chinese)

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1) Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency of the Company primarily the New Taiwan Dollars (TWD), and USD, EUR and CNY, etc.. The currencies used in these transactions are denominated in TWD, USD, JPY and CNY.

Loan interest is priced in the currency of the principal of the loan. Generally speaking, the currency of the loan is the same as the currency of the cash flow generated by the Company's operations, mainly the New Taiwan dollar. In this case, economic hedging is provided without the need to sign derivatives, so hedging accounting is not adopted.

Regarding other monetary assets and liabilities denominated in foreign currencies, when short-term imbalance occurs, the Company buys or sells foreign currencies at real-time exchange rates to ensure that the net risk insurance remains at an acceptable level.

2) Interest rate risk

The Company's interest rate risk arises from long-term and short-term borrowings bearing floating interest rates. The fluctuations of the market interest rate changes with the floating interest rates of the long-term and short-term borrowings, and thus affect the future cash flow. However, market interest rates have not changed much, so changes in interest rates will not generate significant cash flow risks.

(u) Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, additional paid-in capital, retained earnings of the Company. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Company's capital management goal is to ensure the ability to continue operations, to continue to provide shareholder compensation and other stakeholders' benefits, and to maintain the best capital structure to reduce capital costs.

In order to maintain or adjust the capital structure, the Company may adjust dividends paid to shareholders, reduce capital to return shareholders' shares, issue new shares or sell assets to settle liabilities.

The Company's debt to equity ratio at the reporting date was as follows:

	2022.12.31	2021.12.31
Profit	\$ 675,837	582,520
Total Equity	\$ 3,662,299	3,393,830
Return on Equity	18.45%	17.16%

According to the Company's management, there were no changes in the Company's approach to capital management as of December 31, 2022.

(English Translation of Financial Statements Originally Issued in Chinese)

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(7) Related Party Transactions

(a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the parent company only financial statements.

<u>Name of related party</u>	<u>Relationship with the Company</u>
Zippy USA Inc.	Subsidiary
Zippy International Holding Ltd.	Subsidiary
QUAN-FA CORPORATION COMPANY	Subsidiary
Zippy Technology Europe GmbH	Subsidiary
Landmark International Holding Ltd.	Subsidiary
Kobot International Inc.	Indirect holding subsidiary
Zippy (Dongguan) Electronics Co., Ltd.	Indirect holding subsidiary
Zippy (Suzhou) Electronics Co., Ltd.	Indirect holding subsidiary
G-BRIM International Inc.	Indirect holding subsidiary

(b) Significant transactions with related parties

1. Sale revenue

The amounts of significant sales transactions and outstanding balances between the Company and related parties were as follows:

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Subsidiaries		
Zippy USA Inc.	\$ 362,696	259,893
Other subsidiaries	373,226	448,856
	<u>\$ 735,922</u>	<u>708,749</u>

The sales price to related parties for the Company is determined in accordance with mutual agreements. The collection term is within two to three months, and the Company collects within one to two months. Unrealized profit (loss) from sales to the subsidiaries of the Company for the years ended December 31, 2022 and 2021 were \$38,969 and \$23,197, respectively.

2. Purchase

The amounts of significant purchase transactions between the Company and related parties were as follows:

(English Translation of Financial Statements Originally Issued in Chinese)

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

	For the years ended December 31,	
	2022	2021
Zippy (Dongguan) Electronics Co., Ltd.	\$ 399,054	435,983

The purchase of goods from related parties is mainly the purchase of raw materials. The price and terms were determined in accordance with mutual agreements. The payment period with the related party is usually within two to four months, except that some related parties use the prepayment method for payment or depending on their funding needs.

3. Purchasing material for subsidiaries

The amounts of significant purchase transactions between the Company and related parties were as follows:

	For the years ended December 31,	
	2022	2021
Zippy (Dongguan) Electronics Co., Ltd.	\$ 229,976	292,976

4. Processing and repair costs

The amounts of significant processing and repair costs between the Company and related parties were as follows:

	For the years ended December 31,	
	2022	2021
QUAN-FA CORPORATION COMPANY	\$ 66,967	71,446

5. Accounts receivable from related parties

The amounts of accounts receivable between the Company and related parties were as follows:

Financial Statement Account	Related Party Categories	2022.12.31	2021.12.31
Accounts receivable	Subsidiaries		
	Zippy Technology Europe Gmbh	\$ 31,342	22,884
	Zippy USA Inc.	31,066	3,732
	Zippy (Suzhou) Electronics Co., Ltd.	20,671	24,195
	Other subsidiaries	2,744	8,545
Other receivables	Subsidiaries		
	Zippy (Dongguan) Electronics Co., Ltd.	30,441	40,081
		\$ 116,264	99,437

As of December 31, 2022 and 2021, no allowance for losses has been provided for the above accounts receivable.

(English Translation of Financial Statements Originally Issued in Chinese)

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

6. Accounts payable to Related Parties

The amounts of accounts payables between the Company and related parties were as follows:

Financial Statement Account	Related Party Categories	2022.12.31	2021.12.31
Other payables	Subsidiaries		
	QUAN-FA CORPORATION COMPANY	\$ 14,250	21,159
	Other subsidiaries	227	277
		<u>\$ 14,477</u>	<u>21,436</u>

Other payables are mainly the payments of processing costs.

7. Prepayments to Related Parties

The amounts of prepayments between the Company and related parties were as follows:

	2022.12.31	2021.12.31
Zippy (Dongguan) Electronics Co., Ltd.	<u>\$ 10,471</u>	<u>14,875</u>

8. Property transactions

For the years ended December 31, 2020, the Company sold machinery to Zippy (Dongguan) Electronics Co., Ltd., generated gain on disposal of \$213 and other income of \$17,190. As of December 31, 2022 and 2021, the unrealized other revenues were \$10,586 and \$14,067.

9. Guarantee

The Company had provided a guarantee for loans for related parties were as follows:

	2022.12.31	2021.12.31
Zippy (Dongguan) Electronics Co., Ltd.	\$ 46,080	41,490
Zippy Technology Europe GmbH.	49,125	47,055
	<u>\$ 95,205</u>	<u>88,545</u>

10. The Company provided collateral for subsidiaries' loans, please refer to Note 8.

(c) Key management personnel compensation

Key management personnel compensation includes:

	For the years ended December 31,	
	2022	2021
Short-term employee benefits	\$ 61,737	44,945
Post-employment benefit	683	712
	<u>\$ 62,420</u>	<u>45,657</u>

(English Translation of Financial Statements Originally Issued in Chinese)

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(8) Pledged Assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	2022.12.31	2021.12.31
Property, plant and equipment	Long-term, Short-term borrowings	\$ 803,862	808,235
Investment property	Long-term borrowings	1,983,301	1,993,543
Total		\$ 2,787,163	2,801,778

(9) Significant Commitments and Contingencies: None.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

(12) Other

(a) The employee benefits, depreciation, depletion and amortization expenses categorized by function were as follows:

By function	For the years ended December 31, 2022			For the years ended December 31, 2021		
	Operating costs	Operating and non-operating expense	Total	Operating costs	Operating and non-operating expense	Total
By item						
Employee benefits						
Salary	207,971	199,020	406,991	209,785	156,883	366,668
Labor and health insurance	24,103	11,730	35,833	25,031	12,887	37,918
Pension	7,303	6,039	13,342	7,436	6,503	13,939
Remuneration of directors	-	17,323	17,323	-	8,797	8,797
Others	7,263	5,550	12,813	7,165	5,470	12,635
Depreciation	41,929	19,048	60,977	38,741	18,841	57,582
Amortization	344	625	969	362	609	971

The Company For the years ended December 31, 2022 and 2021 employees and employee benefits expenses were as follows:

	2022	2021
Number of employees	575	589
Number of directors who were not employees	5	4
The average employee benefit	\$ 823	737
The average salaries and wages	\$ 714	627
Average adjustment of employee salaries and wages	13.88%	(0.79)%
Remuneration of supervisors	\$ 984	2,916

(English Translation of Financial Statements Originally Issued in Chinese)

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

The Company's salary and remuneration policy (including directors, supervisors, managers and employees) are as follows:

The Company's remuneration policy is aimed at enhancing long-term competitiveness and sustainable operation capabilities, enhancing the overall operation of the Company in the future, and creating long-term sustainable shareholders value. The remuneration policy for directors and supervisors is clearly stipulated in the Company's articles of association, and is distributed after approval by the remuneration committee, board of directors and shareholders' meeting. The salaries of managers and employees are considered and adjusted in accordance with relevant company regulations and comprehensive evaluation items, such as company operating performance (revenue, net profit after tax, etc.), overall salary, and personal performance.

(English Translation of Financial Statements Originally Issued in Chinese)

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(13) Other disclosures

(a) Information on significant transactions

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company for the year ended December 31, 2022:

1. Loans to other parties:

(In Thousands of EUR/USD)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral	Individual funding loan limits	Maximum limit of fund financing
1	Zippy USA Inc.	Robot International Inc.	Other receivables-related parties	Y	71,243 (USD 2,320)	58,959 (USD 1,920)	58,959 (USD 1,920)	1.51 ~ 2.50	2	-	Working Capital	-	-	562,646	562,646

Note 1: Purpose of fund financing for the borrower:

- (1) For those companies with business contact, please fill in 1.
- (2) For those companies with short-term financing needs, please fill in 2.

Note 2: (1) The Company's total fund financing amount cannot exceed 40% of its net asset value.

- (2) For those companies with business contact, the amount of each fund financing cannot exceed the trading amount between the two parties. If the trading amount exceeds 10% of its net asset value, the amount of each fund financing cannot exceed 10% of its net asset value. The trading amount means the higher of sales or purchases.
- (3) For those companies with short-term financing needs, the amount of each fund financing cannot exceed 10% of its net asset value.

Note 3: The policies of loans to other parties for the subsidiaries:

- (1) Total financing amount cannot exceed 2 times of the subsidiary's net asset value.
- (2) For those companies with short-term financing needs, the amount of each fund financing cannot exceed 10% of the subsidiaries net asset value.
- (3) For the subsidiary leading to the foreign companies that are 100% directly or indirectly owned by the Company, the amount of fund financing cannot exceed 2 time of the subsidiary's net asset value.

Note 4: The transactions and its limits with the Group, which were calculated based on the exchange rate at the end of the period, were eliminated in the consolidated financial statements.

2. Guarantees and endorsements for other parties:

(In Thousands of EUR/USD)

No.	Endorsement/ guarantee provider	Counter-party	Limitation on endorsement/ guarantee amount provided to each guaranteed party (Note 2)	Maximum balance for the year (Note 2)	Ending balance	Amount actually drawn	Amount of endorsement/ guarantee collateralized by properties	Ratio of accumulated endorsement/ guarantee to net equity per latest financial statements	Maximum endorsement guarantee amount allowance (Note 2 and 3)	Guarantee provided by parent company	Guarantee provided by a subsidiary	Guarantee provided to subsidiaries in Mainland China
0	The Company	Zippy (Dongguan) Electronics Co., Ltd.	4	1,464,920	46,080 (USD 1,500)	46,080 (USD 1,500)	-	1.26%	1,831,150	Y	N	Y
0	"	Zippy Technology Europe GmbH.	4	1,464,920	49,125 (EUR 1,500)	49,125 (EUR 1,500)	13,100 (EUR 400)	1.34%	1,831,150	Y	N	N

Note 1: (1) The Company has business with the receiving parties.

- (2) The Company holds directly or indirectly more than 50% of the common stock of the subsidiaries.
- (3) The Company holds directly or indirectly more than 50% by the investee.
- (4) The Company holds directly or indirectly more than 90% of the common stock of the subsidiaries.
- (5) Based on the needs of contracting projects, companies in the same industry or jointly created mutual insurance companies in accordance with contractual provisions.
- (6) The stockholders of the Company provide guarantee for the investee to their stockholding percentage.
- (7) The inter-industry is engaged in joint and several guarantees for the performance of the pre-sale house sales contract in accordance with the regulations of the Consumer Protection Law.

Note 2: (1) The maximum guarantees and endorsements provide by the Company cannot exceed 50% of net asset of the Company.

- (2) The maximum guarantees and endorsements for individual counter party cannot exceed 50% of net asset of the Company.
- (3) The maximum guarantees and endorsements provide by the Company and subsidiaries cannot exceed 50% of net asset of the Company.
- (4) For those companies with business contact, the amount of each guarantees and endorsements cannot exceed the trading amount within twelve months between the two parties.

Note 3: The policies of loans to other parties for the subsidiaries:

(English Translation of Financial Statements Originally Issued in Chinese)

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Total amount of guarantees and endorsements cannot exceed 2 times of the subsidiary's net asset value.

(2) The amount of guarantees and endorsements for individual counter party cannot exceed 40% of net asset of the subsidiary or the net asset of the endorsed company is limited; if approved by the board of directors, the maximum endorsement guarantee of the subsidiary to other subsidiaries hold directly or indirectly 100% by a single parent company cannot exceed 2 time of the subsidiary's net asset value.

Note 4: The amount of guarantees and endorsements were exchanged to New Taiwan Dollars in the actual exchange rate at the time of guarantee.

3. Securities held as balance sheet date (excluding investment subsidiaries, associates and joint ventures) :

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands) (Note)	Carrying value	Percentage of ownership (%)	Fair value	
G-BRIM International Inc.	Beneficiary certificate	-	Financial assets at fair value through profit or loss	-	70,128	-	70,128	
Zippy (Dongguan) Electronics Co., Ltd.	Beneficiary certificate	-	"	-	22,087	-	22,087	

Note: Refers to the number of fund units (thousand units)

- Individual securities acquired or disposed of with accumulated amount exceeding the lower of TWD300 million or 20% of the capital stock: None.
- Acquisition of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock: None.
- Disposal of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock: None.
- Related-party transactions for purchases and sales with amounts exceeding the lower of TWD100 million or 20% of the capital stock:

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sale	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Zippy (Dongguan) Electronics Co., Ltd.	Associate under equity method	Purchases	399,054	42.53%	2~4 months	Note 1	Note 2	-	-	Note 3
"	"	"	Purchasing material for subsidiaries	(229,976)	-	% 2~4 months	Note 1	Note 2	-	-	Note 3
"	Zippy USA Inc. Ltd.	"	Sales	(362,696)	14.92%	2~4 months	Note 1	Note 2	31,066	8.70%	
"	Zippy (Suzhou) Electronics Co., Ltd.	"	Sales	(226,311)	9.31%	2~4 months	Note 1	Note 2	20,671	5.79%	
"	Zippy Technology Europe GmbH.	"	Sales	(107,897)	4.44%	2~4 months	Note 1	Note 2	31,342	8.78%	

Note 1: Based on the negotiated price while trading.

Note 2: Normal customers are within one to two months, while related party transactions are within two to four months.

Note 3: The amounts are accounted for other receivables.

- Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of capital stock: None.
- Trading in derivative instruments: None.

(English Translation of Financial Statements Originally Issued in Chinese)

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(b) Information on investment:

The following is the information on investees for the year ended December 31, 2022 (excluding investees in Mainland China):

Unit: thousand shares

Investor company	Investee company	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Net income (loss) of the investee (Note 1)	Share of profits/losses of investee (Note 1)	Note
				December 31, 2022	December 31, 2021	Shares/Units (In thousands)	Percentage of ownership	Carrying value			
The Company	Zippy USA Inc.	USA	Trading in micro switches, power supplies, and computer accessories	8,247	8,247	300	100.00%	263,960	64,006	64,006	Subsidiary
"	Zippy International Holding Ltd.	BVI	Reinvestment business	325,823	325,823	10,234	100.00%	260,778	22,362	22,362	"
"	QUAN-FA CORPORATION COMPANY	Taiwan	Wire and cable manufacturing, electronic component manufacturing	5,360	5,360	4,493	63.92%	61,509	3,313	2,118	"
"	Zippy Technology Europe GmbH.	Germany	Trading in electrical parts and computer accessories	12,573	12,573	(Note 2)	100.00%	44,796	11,907	11,907	"
"	Landmark International Holding Ltd.	Samoa	Reinvestment business	145,906	145,906	4,425	100.00%	185,492	5,457	5,457	"
Zippy International Holding Ltd.	Kobot International Inc.	USA	Leasing	16,470	16,470	(Note 2)	100.00%	115,352	11,567	11,567	Sub-subsiary

Note 1: Based on the financial report of the investment company audited by CPA to recognize under equity method.

Note 2: Obtaining equity.

(c) Information on investment in Mainland China:

1. The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of USD)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 2 and 3)	Book value (Note 2 and 3)	Accumulated remittance of earnings in current period (Note 10)
					Out-flow	Inflow						
Zippy (Dongguan) Electronics Co., Ltd.	Mainly produce various switches, power supplies, molds, computer peripheral equipment, computer optical fiber parts and sales	276,957 (USD 8,500 and equipment investment USD 283)	(2)	276,957 (USD 8,783)	-	-	276,957 (USD 8,783)	7,370	100.00%	7,370	155,723	-
Zippy (Suzhou) Electronics Co., Ltd.	Mainly sell computer key components, power supplies, precision ceramics, precision molds and key components of network equipment	82,375 (USD 2,500)	(2)	82,375 (USD 2,500)	-	-	82,375 (USD 2,500)	2,184	100.00%	2,184	81,303	-

(English Translation of Financial Statements Originally Issued in Chinese)

ZIPPY TECHNOLOGY CORP.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(In Thousands of USD)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 2 and 3)	Book value (Note 2 and 3)	Accumulated remittance of earnings in current period (Note 10)
					Out-flow	Inflow						
G-BRIM International Inc.	Mainly engaged in electronic products, plastic products, rubber products, hardware products, import and export and related supporting businesses, etc.	49,333 (USD 1,500)	(2)	49,333 (USD 1,500)	-	-	49,333 (USD 1,500)	3,260	100.00%	3,260	108,932	-

Note 1: There are three ways of investments as following:

- (a) Direct investment in Mainland China.
- (b) Indirect investment in Mainland china through a subsidiary in a third place (Zippy International Holding Ltd. and Landmark International Ltd.).
- (c) Others

Note 2: The base of recognition of investment income (loss) is the financial statement audited by CPA of the investee company.

Note 3: The inter-company transactions with the Company were eliminated in the consolidated financial statements

2. Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
392,540 (USD 12,783)	399,204 (USD 13,000)	2,197,379

Note 1: The amount of paid-in capital and accumulated investment in Mainland China were exchanged to New Taiwan Dollars in historical exchange rates. Others were exchanged to New Taiwan Dollars in spot rate at the date of the audited entity's financial reports.

Note 2: The upper limit on investment is 60% of net value.

3. Significant transactions:

The significant inter-company transactions, which eliminated in the consolidated financial statements, with the subsidiary in Mainland China for the year ended December 31, 2022, are disclosed in "Information on significant transactions".

4. Information on major shareholder:

Shareholder's Name	Shareholding	Shares	Percentage
Chung, Yen-Yen		10,337,267	6.77%
Chou, Chin-Wen		9,918,432	6.49%
Kao, Ming-Chuan		7,825,423	5.12%

(14) Segment Information

Please refer to consolidated financial report of Zippy Technology Corp. for the year ended December 31, 2022.

ZIPPY TECHNOLOGY CORP.
Statement of Cash and Cash Equivalents
December 31, 2022
(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Cash	Petty cash	\$ 202
Cash in bank	Checking accounts:	
	NTD	104
	Demand deposits:	
	NTD	141,735
	USD 3,860	118,533
	HKD 65	257
	EUR 309	10,107
	CNY 462	2,042
	JPY 26,457	6,149
	Time deposits:	
	NTD	15,000
	USD 4,310	132,352
	CNY 7,000	30,923
	Subtotal	457,202
		<u>\$ 457,404</u>

ZIPPY TECHNOLOGY CORP.**Statement of Notes Receivable****December 31, 2022****(In Thousands of New Taiwan Dollars)**

Client Name	Description	Amount	Note
<u>Non-related parties:</u>			
ASHINNE TECHNOLOGY CO., LTD.	Business	\$ 2,016	
BGM, INC.	"	786	
HORNLING INDUSTRIAL INC.	"	684	
VISION AUTOMOBILE ELECTRONICS INDUSTRIAL CO., LTD.	"	628	
THUNDEROUS SOUNDERS ELECTRONIC LTD.	"	557	
FEGO PRECISION INDUSTRIAL CO., LTD.	"	500	
Other (The year-end balance of each client doesn't exceed 5% of the account balance.)	"	4,335	
Subtotal		9,506	
Less: Allowance for impairment		(138)	
Net amount		9,368	

Statement of Trade Receivables

Client Name	Description	Amount	Note
<u>Related parties:</u>			
Zippy Technology Europe GrmbH.	Business	\$ 31,342	
Zippy USA Inc.	"	31,066	
Zippy (Suzhou) Electronics Co. , Ltd.	"	20,671	
G-BRIM international Inc.	"	2,744	
Subtotal		85,823	
<u>Non-related parties:</u>			
CASWELL, INC.	Business	65,118	
CEBI ITALY S.P.A.	"	19,874	
Other (The year-end balance of each client doesn't exceed 5% of the account balance.)	"	177,643	
Subtotal		262,635	
Less: Allowance for impairment		(876)	
Net amount		261,759	
Total		\$ 347,582	

ZIPPY TECHNOLOGY CORP.

Statement of Other Receivables

December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Related parties:			
Zippy (Dongguan) Electronics Co., Ltd.	Payment of materials on behalf of others	\$ 30,441	
Non-related parties			
Tax refund receivable	Business tax	2,759	
Earned revenue receivable	Interest receivable from bank	95	
		2,854	
Total		\$ 33,295	

Statement of Inventor

Item	Amount		Note
	Cost	Net realized value	
Raw materials	\$ 442,642	400,741	
Work in process	225,068	207,760	
Finished goods	99,808	93,397	
	747,518	701,898	
Less: Allowance for inventory market decline and obsolescence	45,620		
Total	\$ 701,898		

ZIPPY TECHNOLOGY CORP.

Statement of Other prepayments

December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Prepayments	Insurance	\$ 510	
	Other (The year-end balance of each client doesn't exceed 5% of the account balance.)	59	
Prepayments for material	Zippy (Dongguan) Electronics Co., Ltd.	10,471	
		<u>\$ 11,040</u>	

Statement of Other Current Assets

Item	Description	Amount	Note
Payment on behalf of others	Mold payment, etc.	\$ 616	
Temporary payment	Temporary payment of customs declaration fees	2,020	
		<u>\$ 2,636</u>	

ZIPPY TECHNOLOGY CORP.

Statement of Changes in Investments Accounted for Using the

Equity Method

For the Year Ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Name of investee	Beginning Balance		Addition		Decrease		Ending balance			Market Value or Net Assets Value		Collateral	Note
	Shares (in thousand)	Amount	Shares (in thousand)	Amount	Shares (in thousand)	Amount	Shares (in thousand)	Percentage of ownership	Amount	Unit price	Total amount		
Zippy USA Inc.	300	\$ 186,244	-	77,716	-	-	300	100.00%	263,960	937.74	281,323	None	
QUAN-FA CORPORATION COMPANY	4,493	60,850	-	2,458	-	1,799	4,493	63.92%	61,509	13.69	61,503	"	
Zippy Technology Europe GrmbH.	-	39,923	-	4,873	-	-	-	100.00%	44,796	-	60,812	"	
Landmark International Holding Ltd.	4,425	173,651	-	11,841	-	-	4,425	100.00%	185,492	43.18	191,082	"	
Zippy International Holding Ltd.	10,234	225,330	-	35,448	-	-	10,234	100.00%	260,778	26.52	271,364	"	
		<u>\$ 685,998</u>		<u>132,336</u>		<u>1,799</u>			<u>816,535</u>		<u>866,084</u>		

ZIPPY TECHNOLOGY CORP.
Statement of Other Non-current Assets
December 31, 2022
(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Deferred income tax assets		\$ 21,914	
Prepayments for business facilities		14,033	
Guarantee deposits paid	Rental deposits	88	
		<u>\$ 36,035</u>	

Statement of Notes Payable

Vendor name	Description	Amount	Note
<u>Non-related parties:</u>			
TAI MAO TECHNOLOGY CO., LTD.	Business	\$ 4,643	
SinoPac Securities Corporation	"	896	
MAIN POWER ELECTRIC CO., LTD.	"	826	
HUA TAI ELECTRIC CABLE & WIRE CO., LTD.	"	723	
恩意有限公司	"	594	
WGJ COMPANY LTD.	"	592	
Other (The year-end balance of each client doesn't exceed 5% of the account balance.)	"	2,074	
		<u>\$ 10,348</u>	

ZIPPY TECHNOLOGY CORP.**Statement of Accounts Payable****December 31, 2022****(In Thousands of New Taiwan Dollars)**

Vendor name	Description	Amount	Note
<u>Non-related parties:</u>			
CHIEF SUPERIOR INDUSTRIAL CO., LTD.	Business	\$ 13,406	
AVNET ASIA PTE LTD., TAIWAN BRANCH (SINGAPORE)	"	12,372	
Other (The year-end balance of each client doesn't exceed 5% of the account balance.)	"	231,773	
		<u>\$ 257,551</u>	

Statement of Other Payables

Item	Description	Amount
<u>Non-related parties:</u>		
Accrued expenses	Salary and year-end bonuses	\$ 65,802
	Employee bonuses, and directors and supervisors' remuneration	43,136
	Processing expenses	48,468
	Non-leaving pay	16,186
Other payables	Accrued interests and purchase of PPE	5,788
		<u>179,380</u>
Accrued expenses to related party	QUAN-FA CORPORATION COMPANY	14,250
	Landmark International Holding Ltd.	277
		<u>14,477</u>
Total		<u>\$ 193,857</u>

ZIPPY TECHNOLOGY CORP.
Statement of Other Current Liabilities
December 31, 2022
(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Advance receipts	Pre-collected mold payment	\$ 60	
Receipts under custody	From taxes, labor/health insurances and benefits	3,846	
		<u>\$ 3,906</u>	

Statement of Other Non current Liabilities

Item	Description	Amount	Note
Guarantee deposits received	From Wugu factory	\$ 20,761	
Net defined benefit liability	Actuarial report	14,825	
		<u>\$ 35,586</u>	

Statement of Operating Revenue

Item	Description	Amount	Note
Revenue from products:			
Marco switch		\$ 1,090,232	
Power supplies		1,340,939	
Total		2,431,171	
Deduct:			
Sales discounts and allowances		287	
		<u>\$ 2,430,884</u>	

ZIPPY TECHNOLOGY CORP.
Statement of Operating Costs
For the year ended December 31, 2022
(In Thousands of New Taiwan Dollars)

Item	Amount	
	Subtotal	Total
Cost of goods sold from manufacturing	\$	1,526,209
Direct material	735,938	
Add: Raw material, January 1	373,425	
Purchase	770,305	
Picking return	16,886	
Less: Raw material, December 31	(422,642)	
Sale	(2,036)	
Direct labor (including food stipend)	133,306	
Manufacturing expenses	431,995	
Cost of manufacturing	1,301,239	
Add: Work in process, January 1	282,045	
Purchase	37,852	
Less: Work in process, December 31	(225,068)	
Picking by each department	(1,586)	
Transferred to Selling expense	(330)	
Cost of working in process sold	(580)	
Cost of finished goods	1,393,572	
Add: Finished goods, January 1	103,501	
Purchase	130,040	
Less: Finished goods, December 31	(99,808)	
Picking by each department	(320)	
Transferred to Selling expense	(776)	
Cost of goods sold		1,526,209
Cost of material sold		2,036
Cost of working in process sold		580
Revenue from rework		(1,223)
Loss of inventory valuation and obsolescence		12,233
Revenue from sale of scraps		(3,006)
Total operating costs	\$	<u>1,536,829</u>

ZIPPY TECHNOLOGY CORP.
Statement of Selling Expenses
For the year ended December 31, 2022
(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Salary and wage (including food stipend)		\$ 25,397	
Export		10,861	
Other (The amount doesn't exceed 5%)		8,453	
		<u>\$ 44,711</u>	

Statement of Administrative Expenses

Item	Description	Amount	Note
Salary and wage (including food stipend)		\$ 128,738	
Miscellaneous		10,790	
Depreciation		16,536	
Other (The amount doesn't exceed 5%)		32,694	
		<u>\$ 188,758</u>	

Statement of Research and Development Expenses

Item	Description	Amount	Note
Salary and wage (including food stipend)		\$ 48,726	
Inspection		5,535	
Labor/health insurance		4,195	
Other (The amount doesn't exceed 5%)		12,417	
		<u>\$ 70,873</u>	