

ZERO ONE TECHNOLOGY CO., LTD.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS FOR THE
NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017 AND
INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Zero One Technology Company Limited

Introduction

We have reviewed the accompanying consolidated balance sheets of Zero One Technology Company Limited and its subsidiaries (collectively referred to as the Group) as of September 30, 2018 and 2017, consolidated statements of comprehensive income for the three months ended September 30, 2018 and 2017 and the nine months ended September 30, 2018 and 2017, consolidated statements of changes in equity and cash flows for the nine months ended September 30, 2018 and 2017 and the related notes, including a summary of significant accounting policies (collectively referred to as the consolidated financial statements). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the financial position of the Group as of September 30, 2018 and 2017, its consolidated financial performance for the three months ended September 30, 2018 and 2017 and the nine months ended September 30, 2018 and 2017 and its consolidated cash flows for the nine months ended September 30, 2018 and 2017, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China (Taiwan) (referred to thereafter as 'FSC').

The engagement partners on the audit resulting in this independent auditors' report are Wen Chin Lin and Hsin Wei Tai.

Deloitte & Touche

Taipei, Taiwan
Republic of China

October 24, 2018

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

ASSETS	September 30, 2018 (Reviewed)		December 31, 2017 (Audited)		September 30, 2017 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents(Note 4&6)	\$ 187,716	5	\$ 741,119	20	\$ 610,935	18
Financial assets at fair value through profit or loss – current(Note 4&7)	81,811	2	51,338	1	80,346	2
Financial assets at fair value through other comprehensive income – current(Note 4&8)	11,869	-	-	-	-	-
Available-for-sale financial assets - current(Note 4&10)	-	-	21,724	1	23,840	-
Financial assets at amortized cost-current(Note 4&9)	507,076	14	-	-	-	-
Debt investments with no active market - current(Note 4&12)	-	-	212,366	6	265,064	8
Notes receivable(Note 4&13)	120,393	3	185,925	5	170,586	5
Trade receivable(Note 4&13)	1,800,055	47	1,466,240	41	1,473,526	43
Inventories(Note 14)	493,968	13	490,564	14	367,841	11
Other current assets	21,762	1	10,955	-	10,582	-
Total current assets	<u>3,224,650</u>	<u>85</u>	<u>3,180,231</u>	<u>88</u>	<u>3,002,720</u>	<u>87</u>
NON-CURRENT ASSETS						
Financial assets at fair value through profit or loss - non-current(Note 4&7)	40,817	1	-	-	-	-
Financial assets at fair value through other comprehensive income- non-current(Note 4&8)	120,704	3	-	-	-	-
Available-for-sale financial assets - non-current(Note 4&10)	-	-	68,565	2	60,848	2
Financial assets at amortized cost - non-current(Note 4,9&30)	73,636	2	-	-	-	-
Financial assets measured at cost - non-current(Note 4&11)	-	-	21,654	1	21,654	1
Debt investments with no active market - non-current(Note 4,12&30)	-	-	11,539	-	11,379	-
Investments accounted for using the equity method(Note 4&16)	672	-	4,446	-	7,308	-
Property, plant and equipment(Note 17&30)	314,719	8	310,083	9	306,139	9
Other intangible assets	1,087	-	970	-	1,196	-
Deferred tax assets(Note 4)	26,561	1	19,436	-	20,536	1
Refundable deposits	2,713	-	1,786	-	1,785	-
Total non-current assets	<u>580,909</u>	<u>15</u>	<u>438,479</u>	<u>12</u>	<u>430,845</u>	<u>13</u>
TOTAL	<u>\$ 3,805,559</u>	<u>100</u>	<u>\$ 3,618,710</u>	<u>100</u>	<u>\$ 3,433,565</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings(Note 18)	\$ 50,000	1	\$ -	-	\$ -	-
Trade payable	1,270,065	34	1,252,876	34	1,169,698	34
Other payable(Note 19)	144,873	4	134,882	4	97,295	3
Current tax liabilities(Note 4)	51,887	1	32,423	1	23,251	1
Current portion of bonds payable(Note 20)	6,243	-	9,733	-	11,122	-
Other current liabilities	125,037	3	74,226	2	71,273	2
Total current liabilities	<u>1,648,105</u>	<u>43</u>	<u>1,504,140</u>	<u>41</u>	<u>1,372,639</u>	<u>40</u>
NON-CURRENT LIABILITIES						
Deferred tax liabilities(Note 4)	527	-	481	-	36	-
Net defined benefit liabilities - non-current(Note 4&21)	21,232	1	20,922	1	20,315	1
Total non-current liabilities	<u>21,759</u>	<u>1</u>	<u>21,403</u>	<u>1</u>	<u>20,351</u>	<u>1</u>
Total liabilities	<u>1,669,864</u>	<u>44</u>	<u>1,525,543</u>	<u>42</u>	<u>1,392,990</u>	<u>41</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY(Note 22)						
Share capital						
Ordinary shares	1,227,210	32	1,224,804	34	1,223,596	36
Share capital to be registered	180	-	-	-	270	-
Total share capital	<u>1,227,390</u>	<u>32</u>	<u>1,224,804</u>	<u>34</u>	<u>1,223,866</u>	<u>36</u>
Capital surplus	442,455	12	434,135	12	432,436	13
Retained earnings						
Legal reserve	159,438	4	139,840	4	139,840	4
Special reserve	15,501	-	16,723	-	16,723	-
Unappropriated earnings	295,160	8	283,971	8	235,366	7
Total retained earnings	<u>470,099</u>	<u>12</u>	<u>440,534</u>	<u>12</u>	<u>391,929</u>	<u>11</u>
Other equity	(12,542)	-	(15,501)	-	(17,095)	(1)
Total equity attributable to owners of the Company	<u>2,127,402</u>	<u>56</u>	<u>2,083,972</u>	<u>58</u>	<u>2,031,136</u>	<u>59</u>
NON-CONTROLLING INTERESTS	8,293	-	9,195	-	9,439	-
Total equity	<u>2,135,695</u>	<u>56</u>	<u>2,093,167</u>	<u>58</u>	<u>2,040,575</u>	<u>59</u>
TOTAL	<u>\$ 3,805,559</u>	<u>100</u>	<u>\$ 3,618,710</u>	<u>100</u>	<u>\$ 3,433,565</u>	<u>100</u>

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Reviewed, Not Audited)

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING								
REVENUES(Note 4)								
Net sales	\$ 1,827,890	100	\$ 1,677,462	100	\$ 4,895,004	100	\$ 4,538,046	100
OPERATING COSTS								
(Note 14&23)								
Cost of goods sold	<u>1,652,358</u>	<u>90</u>	<u>1,523,425</u>	<u>91</u>	<u>4,410,440</u>	<u>90</u>	<u>4,093,355</u>	<u>90</u>
GROSS PROFIT	<u>175,532</u>	<u>10</u>	<u>154,037</u>	<u>9</u>	<u>484,564</u>	<u>10</u>	<u>444,691</u>	<u>10</u>
OPERATING								
EXPENSES(Note 23)								
Selling and marketing expenses	68,891	4	57,151	3	185,632	4	151,840	4
General and administrative expenses	26,459	2	(4,364)	-	77,105	2	104,147	2
Research and development expenses	2,029	-	2,002	-	6,239	-	8,392	-
Expected credit loss (Note 13)	<u>6,104</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,818</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>103,483</u>	<u>6</u>	<u>54,789</u>	<u>3</u>	<u>273,794</u>	<u>6</u>	<u>264,379</u>	<u>6</u>
PROFIT FROM OPERATIONS	<u>72,049</u>	<u>4</u>	<u>99,248</u>	<u>6</u>	<u>210,770</u>	<u>4</u>	<u>180,312</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES(Note 23)								
Other income	10,769	1	3,005	-	19,020	1	9,241	-
Other gains and losses	775	-	902	-	3,426	-	(539)	-
Finance costs	(119)	-	(78)	-	(201)	-	(308)	-
Share of profit or loss of associated and joint ventures	<u>(1,331)</u>	<u>-</u>	<u>(1,867)</u>	<u>-</u>	<u>(3,774)</u>	<u>-</u>	<u>(4,644)</u>	<u>-</u>
Total non-operating income and expenses	<u>10,094</u>	<u>1</u>	<u>1,962</u>	<u>-</u>	<u>18,471</u>	<u>1</u>	<u>3,750</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	82,143	5	101,210	6	229,241	5	184,062	4
INCOME TAX EXPENSE(Note 24)	<u>16,997</u>	<u>1</u>	<u>17,822</u>	<u>1</u>	<u>45,713</u>	<u>1</u>	<u>38,129</u>	<u>1</u>
NET PROFIT	<u>65,146</u>	<u>4</u>	<u>83,388</u>	<u>5</u>	<u>183,528</u>	<u>4</u>	<u>145,933</u>	<u>3</u>
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized gain/(loss) on investments in equity instruments designated as at fair value through other comprehensive income	(11,812)	(1)	-	-	(2,362)	-	-	-
Income tax relating to remeasurement of defined benefit plans	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>438</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(11,812)</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>(1,924)</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Reviewed, Not Audited)

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:								
Unrealized gain/(loss) on available-for-sale financial assets	\$ -	-	\$ 3,733	-	\$ -	-	\$ (372)	-
Other comprehensive income (loss) for the period, net of income tax	(11,812)	(1)	3,733	-	(1,924)	-	(372)	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 53,334</u>	<u>3</u>	<u>\$ 87,121</u>	<u>5</u>	<u>\$ 181,604</u>	<u>4</u>	<u>\$ 145,561</u>	<u>3</u>
NET PROFIT (LOSS) ATTRIBUTED TO:								
Owners of the Company	\$ 65,537	4	\$ 83,535	5	\$ 184,430	4	\$ 146,766	3
Non-controlling interests	(391)	-	(147)	-	(902)	-	(833)	-
	<u>\$ 65,146</u>	<u>4</u>	<u>\$ 83,388</u>	<u>5</u>	<u>\$ 183,528</u>	<u>4</u>	<u>\$ 145,933</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTED TO:								
Owners of the Company	\$ 53,725	3	\$ 87,268	5	\$ 182,506	4	\$ 146,394	3
Non-controlling interests	(391)	-	(147)	-	(902)	-	(833)	-
	<u>\$ 53,334</u>	<u>3</u>	<u>\$ 87,121</u>	<u>5</u>	<u>\$ 181,604</u>	<u>4</u>	<u>\$ 145,561</u>	<u>3</u>
EARNINGS PER SHARE(Note 25)								
From continuing operations								
Basic	<u>\$ 0.54</u>		<u>\$ 0.68</u>		<u>\$ 1.50</u>		<u>\$ 1.20</u>	
Diluted	<u>\$ 0.53</u>		<u>\$ 0.68</u>		<u>\$ 1.49</u>		<u>\$ 1.19</u>	

(Concluded)

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
 (Reviewed, Not Audited)

(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company											Non-controlling Interests	Total Equity	
	Share Capital		Share capital to be registered	Capital Surplus	Retained Earnings				Unrealized Gain (Loss) on Available-for-sale Financial Assets	Other Equity				
	Shares (In Thousand)	Issued Capital			Legal Reserve	Special Reserve	Unappropriated Earnings	Total		Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total			Total
BALANCE, JANUARY 1, 2017	121,265	\$ 1,212,655	\$ -	\$ 421,421	\$ 117,432	\$ 22,876	\$ 251,545	\$ 391,853	\$ (16,723)	\$ -	\$ (16,723)	\$ 2,009,206	\$ 7,872	\$ 2,017,078
Appropriation of the 2016 earnings														
Legal reserve	-	-	-	-	22,408	-	(22,408)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	(6,153)	6,153	-	-	-	-	-	-	-
Cash dividends - NT\$1.2 per share	-	-	-	-	-	-	(146,690)	(146,690)	-	-	-	(146,690)	-	(146,690)
Net profit (loss) for the nine months ended September 30, 2017	-	-	-	-	-	-	146,766	146,766	-	-	-	146,766	(833)	145,933
Other comprehensive income (loss) for the nine months ended September 30, 2017	-	-	-	-	-	-	-	-	(372)	-	(372)	(372)	-	(372)
Total comprehensive income (loss) for the nine months ended September 30, 2017	-	-	-	-	-	-	146,766	146,766	(372)	-	(372)	146,394	(833)	145,561
Convertible bonds converted to ordinary shares	1,095	10,941	-	6,750	-	-	-	-	-	-	-	17,691	-	17,691
Non-controlling interests increase	-	-	-	-	-	-	-	-	-	-	-	-	3,000	3,000
Share based payment transaction - employee stock option	-	-	-	4,160	-	-	-	-	-	-	-	4,160	-	4,160
Issuance of ordinary shares under employee share options	-	-	270	105	-	-	-	-	-	-	-	375	-	375
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(600)	(600)
BALANCE, SEPTEMBER 30, 2017	<u>122,360</u>	<u>\$ 1,223,596</u>	<u>\$ 270</u>	<u>\$ 432,436</u>	<u>\$ 139,840</u>	<u>\$ 16,723</u>	<u>\$ 235,366</u>	<u>\$ 391,929</u>	<u>\$ (17,095)</u>	<u>\$ -</u>	<u>\$ (17,095)</u>	<u>\$ 2,031,136</u>	<u>\$ 9,439</u>	<u>\$ 2,040,575</u>
BALANCE, JANUARY 1, 2018	122,480	\$ 1,224,804	\$ -	\$ 434,135	\$ 139,840	\$ 16,723	\$ 283,971	\$ 440,534	\$ (15,501)	\$ -	\$ (15,501)	\$ 2,083,972	\$ 9,195	\$ 2,093,167
Effect of retrospective application and retrospective restatement	-	-	-	-	-	-	4,955	4,955	15,501	(10,954)	4,547	9,502	-	9,502
BALANCE AT JANUARY 1, 2018 AS RESTATED	122,480	1,224,804	-	434,135	139,840	16,723	288,926	445,489	-	(10,954)	(10,954)	2,093,474	9,195	2,102,669
Appropriation of the 2017 earnings														
Legal reserve	-	-	-	-	19,598	-	(19,598)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	(1,222)	1,222	-	-	-	-	-	-	-
Cash dividends - NT\$1.3 per share	-	-	-	-	-	-	(159,484)	(159,484)	-	-	-	(159,484)	-	(159,484)
Net profit (loss) for the nine months ended September 30, 2018	-	-	-	-	-	-	184,430	184,430	-	-	-	184,430	(902)	183,528
Other comprehensive income (loss) for the nine months ended September 30, 2018	-	-	-	-	-	-	438	438	-	(2,362)	(2,362)	(1,924)	-	(1,924)
Total comprehensive income (loss) for the nine months ended September 30, 2018	-	-	-	-	-	-	184,868	184,868	-	(2,362)	(2,362)	182,506	(902)	181,604
Convertible bonds converted to ordinary shares	232	2,316	-	1,286	-	-	-	-	-	-	-	3,602	-	3,602
Share based payment transaction - employee stock option	-	-	-	6,926	-	-	-	-	-	-	-	6,926	-	6,926
Issuance of ordinary shares under employee share options	9	90	180	108	-	-	-	-	-	-	-	378	-	378
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	(774)	(774)	-	774	774	-	-	-
BALANCE, SEPTEMBER 30, 2018	<u>122,721</u>	<u>\$ 1,227,210</u>	<u>\$ 180</u>	<u>\$ 442,455</u>	<u>\$ 159,438</u>	<u>\$ 15,501</u>	<u>\$ 295,160</u>	<u>\$ 470,099</u>	<u>\$ -</u>	<u>\$ (12,542)</u>	<u>\$ (12,542)</u>	<u>\$ 2,127,402</u>	<u>\$ 8,293</u>	<u>\$ 2,135,695</u>

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Reviewed, Not Audited)

(In Thousands of New Taiwan Dollars)

	For the Nine Months Ended September 30	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 229,241	\$ 184,062
Adjustments for:		
Write-down (reversal of write-down) of inventories	17,311	(7,934)
Interest income	(11,764)	(7,286)
Depreciation expenses	8,574	5,356
Compensation costs of employee share options	6,926	4,160
Dividend income	(5,122)	(710)
Expected credit loss recognized on trade receivable	4,818	-
Net (gain) loss on foreign currency exchange	(4,144)	3,757
Share of loss of associates accounted for using the equity method	3,774	4,644
Net gain on fair value change of financial assets at fair value through profit or loss	(2,216)	(3,996)
Amortization expenses	518	994
Finance costs	201	308
Impairment losses recognized on trade receivable	-	38,859
Net loss on disposal of available-for-sale financial assets	-	434
Changes in operating assets and liabilities		
Financial assets held for trading	(30,251)	8,462
Notes receivable	65,532	(61,653)
Trade receivable	(338,927)	33,235
Inventories	(33,578)	83,078
Other current assets	(10,266)	66,678
Trade payable	20,065	26,093
Other payable	9,813	(55,420)
Other current liabilities	50,811	1,206
Net defined benefit liabilities	310	(520)
Cash (used in) generated from operations	(18,374)	323,807
Income tax paid	(32,086)	(40,786)
Net cash (used in) generated from operating activities	<u>(50,460)</u>	<u>283,021</u>

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ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Reviewed, Not Audited)

(In Thousands of New Taiwan Dollars)

	For the Nine Months Ended September 30	
	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(\$356,807)	\$ -
Purchase of financial assets at fair value through other comprehensive income	(53,511)	-
Interest received	10,514	6,360
Dividends received	5,122	710
Proceeds from sale of financial assets at fair value through other comprehensive income	1,195	-
Increase in refundable deposits	(927)	(334)
Purchase of intangible assets	(700)	(333)
Payments for property, plant and equipment	(372)	(5,981)
Proceeds from disposal of property, plant and equipment	79	-
Proceeds from disposal of intangible assets	65	-
Purchase of available-for-sale financial assets	-	(23,791)
Purchase of financial assets measured at cost	-	(21,144)
Proceeds from sale of debt investments with no active market	-	17,597
Acquisition of investment accounted for using equity method	-	(9,450)
Proceeds from sale of available for sale financial assets	-	598
Net cash used in investing activities	<u>(395,342)</u>	<u>(35,768)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to owners of the Company	(159,484)	(146,690)
Proceeds from short-term borrowing	50,000	-
Exercise of employee share options	378	375
Interest paid	(81)	(54)
Proceeds from long-term borrowings	-	4,000
Repayment of long-term borrowings	-	(4,000)
Change in non-controlling interests	-	3,000
Dividends paid to non-controlling interests	-	(600)
Net cash used in financing activities	<u>(109,187)</u>	<u>(143,969)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>1,586</u>	<u>(2,872)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(553,403)	100,412
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>741,119</u>	<u>510,523</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 187,716</u>	<u>\$ 610,935</u>

(Concluded)

ZERO ONE TECHNOLOGY CO., LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 and 2017

(Reviewed, Not Audited)

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

1. GENERAL

ZERO ONE TECHNOLOGY CO., LTD. (ZOTC) was incorporated as a company limited by shares under the provisions of the Group Law of the Republic of China in June 27, 1980. On January 21, 2000, ZOTC's Shares were listed on Taipei Exchange(TPEX). On August 26, 2002, ZOTC's shares were listed on the Taiwan Stock Exchange(TWSE). ZOTC is a dedicated foundry in the technology industry which engages mainly in the design, manufacturing, packaging, selling, consulting and services of electronic information, computer software, hardware, accessories, components and Chinese data processing, etc.

The consolidated financial statements are expressed by the functional currency (New Taiwan Dollars) of the Group.

2. THE DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved by the Board of Directors and issued on October 24, 2018.

3. APPLICATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

(1)Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC).

The initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC for application would not have a significant effect on the Group's accounting policies:

IFRS 9 "Financial Instruments" and related amendments

IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Please refer to Note 4 for information relating to the relevant accounting policies.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as at January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods. The impact on measurement categories, carrying amounts and any changes when retrospectively applying IAS 39 and IFRS 9 on January 1, 2018 is detailed below:

The types of financial assets	Measurement Category		Carrying Amount		Re- mark
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Cash and cash equivalents	Loans and receivables	Amortized cost	\$ 741,119	\$ 741,119	
Stock investments	Available- for- sale financial assets	Mandatorily at FVTPL	14,416	14,416	(1)
	Available- for- sale financial assets	Investments in equity instruments measured at FVTOCI	76,383	82,619	(1)
Fund beneficiary certificates	Financial assets measured at cost	Mandatorily at FVTPL	21,144	24,410	(2)
Time deposits with original maturity of more than 3 months	Debt investments with no active market	Amortized cost	223,905	223,905	(3)
Note, trade and other receivable	Loans and receivables	Amortized cost	1,652,837	1,652,837	(4)
Refundable deposits	Loans and receivables	Amortized cost	1,786	1,786	

	Carrying Amount as of January 1, 2018 (IAS 39)	Reclassifi- cations	Remea- surements	Carrying Amounts as of January 1, 2018 (IFRS 9)	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Re- mark
Financial Assets measured at FVTPL							
Add:Reclassification from available-for -sale financial assets (IAS 39)							
– Designated as at FVTPL in January 1, 2018.	\$ -	\$ 14,416	\$ -	\$ 14,416	\$ 449	(\$ 449)	(1)
– mandatorily reclassification	-	21,144	3,266	24,410	3,266	-	(2)
	-	35,560	3,266	38,826	3,715	(449)	
Financial Assets measured at FVTOCI							
– Equity instruments							
Add:Reclassification from available-for sale financial assets (IAS 39)	-	76,383	6,236	82,619	1,240	4,996	(1)
Financial assets measured at amortized cost							
Add:Reclassification from loans and receivables (IAS 39)	-	2,619,647	-	2,619,647	-	-	(3) 、 (4)
Total	\$ -	\$ 2,731,590	\$ 9,502	\$ 2,741,092	\$ 4,955	\$ 4,547	

A. As stock investments that were previously classified as available-for-sale financial assets under IAS 39, the Group elected to designate all of these investments as at and FVTPL and FVTOCI under IFRS 9. As a result, the related other equity-unrealized gain/loss on available-for-sale financial assets of 449 and (15,950) thousand is reclassified to retained earnings and other equity - unrealized gain/loss on financial assets at FVTOCI.

As stock investments of unpublic offering securities previously measured at cost under IAS 39 are remeasured at fair value, being classified as measured at FVTOCI, based on IFRS 9, an increase in other equity-unrealized gain/loss on financial assets measured at FVTOCI of 6,236 thousand on January 1, 2018.

For those equity investments previously classified as measured at cost financial assets under IAS 39, the impairment losses that the Group had recognized have been accumulated in retained earnings. Since these investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, the adjustments would result in a decrease in other equity - unrealized gain/loss on financial assets at FVTOCI of NT\$1,240 thousand and an increase in retained earnings of NT\$1,240 thousand on January 1, 2018.

B. Fund beneficiary certificates investments previously measured at cost in accordance with IAS 39 are not classified as equity instruments, since their interests are not completely calculated by interests paid calculated by principal and principal outstanding, but are classified as mandatorily measured at FVTPL based on IFRS 9. Owing to retrospective application of IFRS 9, retain earnings will be increased 3,266 thousands on January 1, 2018.

C. Debt investments with no active market and bond investments measured at amortized cost previously recognized under IAS 39 by contractual cash flows from interests paid calculated by principal and principal outstanding, and the Group assesses operating models for receiving contractual cash flows, and then classifies the above investments as measured at amortized cost under IFRS 9 with an assessment of expected credit losses, classifying on the basis of the facts and circumstances of investments on January 1, 2018.

D. Notes receivable, trade receivable, and other receivable previously classifying as loans and receivables under IAS 39, were classified as measured at amortized cost with an assessment of expected credit losses under IFRS 9.

- (2) the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019

New, Revised, Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019

Note 1: Unless stated otherwise, the above New, Revised, Amended Standards or Interpretations are effective for annual periods beginning on or after their respective effective dates.

Note 2: The FSC permits the election for early adoption of the amendments starting from January 1, 2018.

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply IFRS 16 only to contracts entered into (or changed) on or after January 1, 2019 in order to determine whether those contracts are, or contain, a lease. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard for retained earnings recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at their carrying amount of lease liabilities since the commencement date based on IFRS 16, and the Group will apply impairment valuated based on IAS 36 to all right-of-use assets.

The Group as lessor

Except for sublease transactions, the Group will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

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

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The Company shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of above standards and interpretations will have on the Group's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. The consolidated financial statements do not present all the disclosures required for a complete set of annual consolidated financial statements prepared under the IFRSs endorsed and issued into effect.

(2) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, and present value of defined benefits plans deducts net defined benefit liabilities measured at fair value.

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

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

(3)Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group and the entities controlled by the Group (i.e. its subsidiaries). When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

See Note 15 & Tables 2 for the detailed information of subsidiaries, the percentage of ownership and main business.

(4)Other Significant Accounting Policies

Except for the following with respect to financial instruments and revenue recognition, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2017.

A. Financial instruments

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

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

(A)Financial assets

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

a. Measurement category

2018

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

(a)Financial assets at FVTPL

Financial asset is classified as at FVTPL when the financial asset is mandatorily classified as or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

At initial recognition, financial assets shall be designated as FVTPL, as designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss excludes any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 28.

(b)Financial assets at amortized cost

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

- a).The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- b).The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

(c)Investments in equity instruments at FVTOCI

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

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

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

2017

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

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

Financial asset is classified in this category if it is classified as held for trading or is designated as FVTPL.

Financial assets are classified as being designated on initial recognition at fair value through profit or loss as follows:

- a).possible for elimination or a significant decrease of inconsistency by measurement or recognition; or
- b).Performance of a set of or both of financial assets and losses are valued by based management of fair values, based on the written strategy of risk management and investment. And, the Group shall provide information regarding the investment portfolio, at fair value, to internal management; or
- c).A single or a component of an embedded derivative for a hybrid contract is designated as such.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss without incorporating any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 28.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

(c) Loans and receivables

Loans and receivables (including notes receivable, trade receivable, cash and cash equivalent, debt instrument investments with no active market, and refundable deposits) are measured at amortized cost using the effective interest method, less any impairment, except for interests of short-term receivables recognized is immaterial.

Cash equivalent includes 3 months' portion of time deposits with highly liquid, readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value of deposits in the bank and repurchase bonds. These cash equivalents are held for meeting short-term cash commitments.

b. Impairment of financial assets

2018

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivable).

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

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

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

2017

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as trade receivable, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial assets at the date the impairment loss is reversed does not exceed what the amortized cost would have been had the impairment loss not been recognized.

For any available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract such as a default or delinquency in interest or principal payments, it becomes probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for those financial assets because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income is reclassified to profit or loss in the year.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets that are measured at cost, the amount of the impairment loss is measured as the difference between such an asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets, where the carrying amount is reduced through the use of an allowance account of trade receivable. When trade receivable is considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account is recognized in profit or loss except for uncollectible trade receivable that is written off against the allowance account.

c. De-recognition of financial assets

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

Before 2017, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. From 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

(B) Financial liabilities

a. Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b. De-recognition of financial liabilities

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

(C) Convertible bonds

The component parts of compound instruments (convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or the instrument's maturity date. Any non-equity embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in the liability and equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to capital surplus - share premium. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premium.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds.

B. Revenue recognition

2018

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

Revenue from sale of goods

Revenue from sale of goods comes from sales of computer software, hardware, accessories, equipment, and components, etc. Customers have the right of quotation and user, and the responsibility of resale as goods after shipment.

2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowances for sales returns are recognized at the time of sale to access the seller's reliable estimate of future returns, based on past experience and other relevant factors.

(A) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- a. The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b. The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c. The amount of revenues can be measured reliably;
- d. It is probable that the economic benefits associated with the transaction will flow to the Group; and
- e. The costs incurred or to be incurred in respect of the transaction can be measured reliably.

(B) Revenues from dividends & Interest income

Revenues from dividends from investments in shares that are accounted for at equity are recognized when revenues can be stated, under the premise that the Group acquires economic benefits regarding with transactions.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

C. Defined benefits of retirement

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

D. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period. The effect of a change in tax rate resulting from a change in tax law is recognized consistent with the accounting for the transaction itself which gives rise to the tax consequence, and is recognized in profit or loss, other comprehensive income or directly in equity in full in the period in which the change in tax rate occurs.

E. Investments in associates

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

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

Under the equity method, investments in an associate and a joint venture are initially recognized in the consolidated balance sheet at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate and joint venture. The Group also recognizes the changes in the equity of associates attributable to share proportion.

When the Group subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate and joint venture. The Group records such a difference as an adjustment to investments accounted for by the equity method, with a corresponding amount charged or credited to capital surplus-Changes in net values of share of profit or loss of associated and joint ventures. If the Group's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and joint venture is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

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

Key sources of the same critical accounting judgments, estimates and uncertainty assumption have been followed in these consolidated financial statements for the year ended December 31, 2017.

6. CASH AND CASH EQUIVALENTS

	September 30, 2018	December 31, 2017	September 30, 2017
Cash on hand and deposits in banks	\$ 202	\$ 157	\$ 524
Checking accounts and demand deposits	94,200	522,509	276,451
Cash equivalents			
Time deposits in banks	93,313	173,773	-
Repurchase Bond	-	44,678	333,958
Others	<u>1</u>	<u>2</u>	<u>2</u>
	<u>\$ 187,716</u>	<u>\$ 741,119</u>	<u>\$ 610,935</u>

As the end of reporting period, the interest rate at market of deposits, repurchase bonds, and time deposits is as follows :

	September 30, 2018	December 31, 2017	September 30, 2017
Bank deposits	0.01%~0.46%	0.01%~0.46%	0.01%~0.46%
Repurchase Bond	-	1.90%	1.80%
Time deposits	0.60%~2.05%	0.60%~2.13%	-

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2018	December 31, 2017	September 30, 2017
<u>Financial assets – current</u>			
Designated as at fair value through profit or loss			
Domestic convertible bond	\$ 40,431	\$ 51,009	\$ 76,053
Held-to-maturity			
Derivatives (Not assigned for hedge)			
– Redemption & sell right for convertible bonds	-	4	5
Non-derivative financial assets			
– Domestic public offering securities	-	325	336
– Fund beneficiary certification	<u>-</u>	<u>-</u>	<u>3,952</u>
Total	<u>-</u>	<u>329</u>	<u>4,293</u>

	September 30, 2018	December 31, 2017	September 30, 2017
Mandatorily measured at FVTPL			
Derivatives (Not assigned for hedge)			
– Redemption & sell right for convertible bonds	\$ 2	\$ -	\$ -
– Foreign Exchange Forward Contract (1)	1,086	-	-
Non-derivative assets			
– Domestic public offering securities	198	-	-
– Fund beneficiary certification	<u>40,094</u>	<u>-</u>	<u>-</u>
Total	<u>41,380</u>	<u>-</u>	<u>-</u>
	<u>\$ 81,811</u>	<u>\$ 51,338</u>	<u>\$ 80,346</u>

Financial assets – non-current

Mandatorily measured at FVTPL

Non-derivative assets

– Domestic public offering securities	\$ 14,618	\$ -	\$ -
– Fund beneficiary certification	<u>26,199</u>	<u>-</u>	<u>-</u>
	<u>\$ 40,817</u>	<u>\$ -</u>	<u>\$ -</u>

(1) At the end of the reporting period, outstanding forward exchange contracts not under hedge accounting are as follows:

September 30, 2018

	Currency	Maturity Date	Notional Amount (In Thousands)
Buy Foreign exchange contracts	USD/NTD	2018.10.09	USD 1,200/NTD 35,544

The Group entered into forward exchange contracts to manage risk exposures due to exchange rate fluctuations of foreign currency denominated assets and liabilities.

8. Financial assets measured at FVTOCI-2018

Current

Investments in equity instruments at FVTOCI \$ 11,869

Non-current

Investments in equity instruments at FVTOCI \$ 120,704

Investments in equity instruments at FVTOCI

Current

Domestic

Publicly traded stock \$ 11,869

Non-current

Domestic

Publicly traded and emerging stock \$ 117,318

Non-publicly traded stock 3,386

\$ 120,704

These long-term investments in equity instruments are held for receiving profits, under medium to long-term business development strategic purposes. Accordingly, the Group's management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Note 3, Note 10 and Note 11 for information relating to their reclassification and comparative information for 2017.

The Group acquired preferred shares of Cathay Financial Holding Co., Ltd. Preferred Stock A, Union Bank of Taiwan Preferred Stock A, Fubon Financial Holding Co., Ltd. Preferred Shares B, TAISHIN FINANCIAL HOLDING CO., LTD. Preferred Stock E, and CTBC Financial Holding Co., Ltd. Preferred Shares B, Cathay Financial Holding Co., Ltd. Preferred Stock B, and ordinary shares of China Electric Mfg. Corp., with investment amount of NT\$2,198, 2,049, 21,011, 9,284, 4,811, 12,600, and 1,558 thousand in May, June, July, and August, 2018, respectively, and recognized these investment as financial assets measured at FVTOCI, held for medium to long-term business development strategic purposes.

As of January and March, 2018, the Group sold shares of common stocks for NT\$339 and NT\$856 thousand of ASLAN PHARMACEUTICALS LIMITED(ASLAN-KY), and Chunghwa Precision Test Tech. Co., Ltd. (CHPT) for decreasing investment risks. The related other equity-unrealized gain or loss on financial assets at FVTOCI of NT\$(774) thousand were transferred to retained earnings.

The Group recognized NT\$ 4,666 and 5,122 thousand of dividends income, for three and nine months ended September 30, 2018.

9. FINANCIAL ASSETS AT AMORTIZED COST-2018

	<u>September 30, 2018</u>
<u>Current</u>	
Domestic investment	
Time deposits with original maturities more than three months(1)	\$ 507,076
<u>Non-current</u>	
Domestic investment	
Pledged Time Deposit (2)	12,586
Yuanta Securities Asia Financial Services Limited 2018 Non-secured USD-denominated Private Fixed Rate Notes (3)	<u>61,050</u>
	<u>\$ 580,712</u>

(1) As of September 30, 2018, the market interest rate of time deposit over 3 months portion is 1.01%~3.00%, respectively. Time deposit over 3 months portion previously was classified as debt investments with no active market under IAS 39. Please refer to Note 3 and 12 for information relating to their reclassification and comparative information for 2017.

(2) Please refer to Note 30 for more details on financial assets at amortized cost under pledge.

(3) The group purchased Yuanta Securities Asia Financial Services Limited issued 5-year Non-secured Fixed Rate Notes, with the face value of USD 2,000 thousand and a coupon rate of 4.10%, on August, 2018.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS-2017

	<u>December 31, 2017</u>	<u>September 30, 2017</u>
<u>Domestic</u>		
Publicly traded and emerging stock	<u>\$ 90,289</u>	<u>\$ 84,688</u>
Current portion	<u>\$ 21,724</u>	<u>\$ 23,840</u>
Non-current portion	<u>\$ 68,565</u>	<u>\$ 60,848</u>

11. FINANCIAL ASSETS CARRIED AT COST-2017

	<u>December 31, 2017</u>	<u>September 30, 2017</u>
<u>Non-current</u>		
Domestic unpublic offering securities		
Unex Technology Corporation	\$ 510	\$ 510
Ijoing, Inc.	-	-
Fund Beneficiary Certification		
Yuanta Diamond Funds SPC	<u>\$ 21,144</u>	<u>\$ 21,144</u>
	<u>\$ 21,654</u>	<u>\$ 21,654</u>
Distinguished by the assessing types of financial assets		
Available-for-sale financial assets	<u>\$ 21,654</u>	<u>\$ 21,654</u>

Shares of Jotangi technology Co., Ltd. and Ijoing, Inc. had been adjusted into financial assets measured at cost - non-current in December, 2017. Please reference for Note 16.

12. DEBT INVESTMENTS WITH NO ACTIVE MARKET-2017

	<u>December 31, 2017</u>	<u>September 30, 2017</u>
<u>Current</u>		
Time deposit over 3 months' portion (1)	<u>\$ 212,366</u>	<u>\$ 265,064</u>
<u>Non-current</u>		
Pledged Time Deposit (2)	<u>\$ 11,539</u>	<u>\$ 11,379</u>

(1) On December 31 and September 30, 2017, the market interest rate of time deposit over 3 months portion is 0.60% ~ 2.13%, 1.01% ~ 1.80%, respectively.

(2) Please refer to Note 30 for more details on debt investments with no active market under pledge.

13. NOTES AND TRADE RECEIVABLE

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
<u>Notes receivable</u>			
Measured at amortized cost			
Total carrying values	\$ 120,393	\$ 185,925	\$ 170,586
Deduct: Allowance for bad debts	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 120,393</u>	<u>\$ 185,925</u>	<u>\$ 170,586</u>
<u>Trade receivable</u>			
Measured at amortized cost			
Total carrying values	\$ 1,842,444	\$ 1,503,811	\$ 1,523,229
Deduct: Allowance for bad debts	(<u>42,389</u>)	(<u>37,571</u>)	(<u>49,703</u>)
	<u>\$ 1,800,055</u>	<u>\$ 1,466,240</u>	<u>\$ 1,473,526</u>

For the Nine Months Ended September 30, 2018

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

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

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivable. The expected credit losses of trade receivable on durable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position and past experience of receivable, and the change in global and regional economic conditions of uncollectible accounts, deciding the rate of the expected credit losses by the different levels of credit limits of customers and actual conditions, based on the degree of doubtful accounts triggered by customers of different industries.

The following table details the loss allowance of trade receivable:

September 30, 2018

	Credit Rank A	Credit Rank B	Credit Rank C	Credit Rank D	Credit Rank E	Credit Rank G	Credit Rank H	Total
Total carrying values	\$ 293,033	\$ 1,080,049	\$ 277,912	\$ 67,505	\$ 90,856	\$ 31,921	\$ 1,168	\$1,842,444
Allowance for losses (Expected credit losses on duration)	(156)	(3,031)	(3,765)	(2,893)	(7,094)	(25,444)	(6)	(42,389)
Amortized cost	<u>\$ 292,877</u>	<u>\$ 1,077,018</u>	<u>\$ 274,147</u>	<u>\$ 64,612</u>	<u>\$ 83,762</u>	<u>\$ 6,477</u>	<u>\$ 1,162</u>	<u>\$1,800,055</u>

The above rate of the expected credit losses of the Group, the customer of credit rank A~E shall be accessed between 0.05% and 16.00%. Credit rank G is customers who transacts with the Group at first time or whose credit limit were blacklisted, being accessed by 90%~100%. Credit rank H is of foreign customers, being accessed by 0.05%~1.00%.

Aging analysis of trade receivable, net :

	<u>September 30, 2018</u>
0~60 days	\$ 1,078,278
61~90 days	417,476
91~120 days	208,017
Over 121 days	<u>138,673</u>
Total	<u>\$ 1,842,444</u>

The above aging analysis was based on the beginning booked date.

The following table details information about the change in the loss allowance of trade receivable:

	<u>For the Nine Months Ended September 30, 2018</u>
Balance at January 1, 2018 (IAS 39)	\$ 37,571
Effect of retrospective application of IFRS 9	<u>-</u>
Balance at January 1, 2018 (IFRS 9)	37,571
Deduct: Reversal of impairment losses	<u>4,818</u>
Balance at September 30, 2018	<u>\$ 42,389</u>

For the Nine months ended September 30, 2017

The Group's policy of credit limit in 2017 is the same as that in 2018.

Aging analysis of trade receivable, net:

	<u>December 31, 2017</u>	<u>September 30, 2017</u>
0~60 days	\$ 795,750	\$ 1,008,138
61~90 days	300,932	270,728
91~120 days	247,958	87,867
Over 121 days	<u>159,171</u>	<u>156,496</u>
Total	<u>\$ 1,503,811</u>	<u>\$ 1,523,229</u>

The above aging analysis was based on the beginning booked date.

As of December 31 and September 30, 2017, the Group's trade receivable hadn't been past due and impaired amounted.

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

	Trade receivable	uncollectible receivable	Total
Balance at January 1, 2017	\$ 10,844	\$ 337	\$ 11,181
Add: Impairment losses/ bad debt expenses recognized on receivables	<u>38,859</u>	<u>-</u>	<u>38,859</u>
Balance at September 30, 2017	<u>\$ 49,703</u>	<u>\$ 337</u>	<u>\$ 50,040</u>

14. INVENTORIES

	September 30, 2018	December 31, 2017	September 30, 2017
Raw materials	\$ 2,816	\$ 15,641	\$ 12,373
Work in process	2,999	8,591	4,456
Finished goods	711	659	8,617
Commodities	<u>487,442</u>	<u>465,673</u>	<u>342,395</u>
	<u>\$ 493,968</u>	<u>\$ 490,564</u>	<u>\$ 367,841</u>

Allowance for inventory valuation and obsolescence loss, and reversal of the reserve for inventory write-downs resulting from the increase in net realizable value in the amount of NT\$17,627 thousand and NT\$2,500 thousand, respectively, were included in the cost of revenue for the three months ended from July 1 to September 30, 2018 and 2017; allowance for inventory valuation and obsolescence loss, and reversal of the reserve for inventory write-downs resulting from the increase in net realizable value in the amount of NT\$17,311 and NT\$7,934 thousand, respectively, were included in the cost of revenue for the nine months ended September 30, 2018 and 2017. The increase in net realizable value of inventories is recognized by disposal of the realized price losses of commodities.

15. SUBSIDIARIES

(1)Subsidiaries included in the consolidated financial statements

The consolidated entities were as follows:

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Re- mark
			September 30, 2018	December 31, 2017	September 30, 2017	
The Company	Zotech technology Co., Ltd.	Manufacturing for computer equipment	85.37%	85.37%	85.37%	1
	Zerone Win Investment Co., Ltd.	Investment	100.00%	100.00%	100.00%	1、2
Zerone Win Investment Co., Ltd.	WingWill International Co., Ltd.	Services of Cloud information software	70.00%	70.00%	70.00%	1、3
	PetaCom technology Co., Ltd.	Services of information product agent	100.00%	100.00%	100.00%	1、4

A. These are not significant subsidiaries, and its financial statements haven't been reviewed by CPAs, beside the management personnel of the Group considers no material influence as financial statements of the above subsidiaries haven't been reviewed by CPAs.

B. Zerone Win Investment Co., Ltd. was established on April, 2017.

C. WingWill International Co., Ltd. was established on July, 2017.

D. PetaCom technology Co., Ltd. was established on July, 2017.

(2)Subsidiaries excluded from the consolidated financial statements : None.

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Name of Associates	September 30, 2018	December 31, 2017	September 30, 2017
Insignificant associates			
Trident Pacific Co., Ltd.	\$ 672	\$ 4,446	\$ 7,146
Ijoing, Inc.	-	-	162
Chi-Ta International Co., Ltd.	-	-	-
	<u>\$ 672</u>	<u>\$ 4,446</u>	<u>\$ 7,308</u>
Name of the Company	September 30, 2018	December 31, 2017	September 30, 2017
Trident Pacific Co., Ltd.	29.82%	29.53%	29.53%
Ijoing, Inc.	-	-	43.98%
Chi-Ta International Co., Ltd.	30.00%	30.00%	30.00%

The group invested and founded Chi-Ta International Co., Ltd., that engaged mainly in researching and manufacturing hardware of auto-used electronic equipment, with investment amount to 10,000 thousand, and share-holding ratio of 30% in March, 2014, since it kept net losses, foresaw decrease in future cash flows, evaluated recognized NT 7,243 of impairment losses thousand in 2015, and recognized book value of 0 thousand after recognized deficits.

The Group invested Ijoing Co., Ltd., engaging in publishing mobile games and information software, with investment amount to 5,000 thousand, and share-holding ratio of 43.98% in June, 2016. Ijoing Co., Ltd increased cash capital in December, 2017, without subscribing by share-holding ratio, the Group's share-holding ratio decreasing from 43.98% to 10.00%. The Group lost material influences, and recognized it as financial assets measured at cost-non-current.

The group invested Trident Pacific technology, Co., Ltd., engaging in researching, developing and packaging of space flight equipment, with investment amount to NT 9,450 thousand, and share-holding ratio of 29.53% in March, 2017. Since it decreased capital in January, 2018, its share-holding ratio changed into 29.82%.

Investments for equity method as well as profit(loss), and other comprehensive income of the Group, haven't been calculated by reviewed financial report of CPAs, beside the management personnel of the Group considers no material influence as financial statements of the above investees haven't been reviewed by CPAs.

17. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2018	December 31, 2017	September 30, 2017
Land	\$ 234,892	\$ 234,892	\$ 234,892
Buildings	58,789	60,151	60,605
Machinery equipment	38	462	684
Office equipment	11,091	13,827	8,973
Delivery equipment	2,089	-	-
Other equipment	<u>7,820</u>	<u>751</u>	<u>985</u>
	<u>\$ 314,719</u>	<u>\$ 310,083</u>	<u>\$ 306,139</u>

Except for depreciation recognized, property, plant and equipment haven't been increased, disposed and impaired for the nine months ended September 30, 2018 and 2017.

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

Buildings	7-50 Years
Machinery equipment	3 Years
Office equipment	3-5 Years
Delivery equipment	5 Years
Other equipment	2-3 Years

Please refer to Note 30 for more details on property, plant and equipment under pledge.

18. LONG-TERM LOANS

	September 30, 2018	December 31, 2017	September 30, 2017
<u>Unsecured loans</u>			
– Line of credit loans	\$ <u>50,000</u>	\$ _____	\$ _____

Interest rate of bank loans is 0.95% on September 30, 2017.

19. OTHER PAYABLE

	September 30, 2018	December 31, 2017	September 30, 2017
Salaries and bonuses payable	\$ 39,768	\$ 54,177	\$ 32,032
Employees', directors', and supervisors' compensation payable	14,710	15,658	11,784
Others	<u>90,395</u>	<u>65,047</u>	<u>53,479</u>
	<u>\$ 144,873</u>	<u>\$ 134,882</u>	<u>\$ 97,295</u>

20. BOND PAYABLE

	September 30, 2018	December 31, 2017	September 30, 2017
Unsecure domestic convertible	\$ 6,300	\$ 10,000	\$ 11,500
Deduct: Discounted bond payable	(<u>57</u>)	(<u>267</u>)	(<u>378</u>)
Total of bond payable	6,243	9,733	11,122
Deduct: due components in a year	(<u>6,243</u>)	(<u>9,733</u>)	(<u>11,122</u>)
Total	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>

On May 19, 2014, ZOTC issued no any interest unsecured convertible bonds (the second tranche). The bonds had an aggregate face value of \$500,000 thousand, with each unit having a face value of NT\$100 thousand, and the offering price was \$100.20% of the face value, and its conversion period is 5 years from June 20, 2014 to May 9, 2019. The conversion price was \$20 per share on issuance date.

Within the period between one month after the issuance date and 40 days before the last convertible date, if the closing price of ZOTC common shares on the TWSE for a period of 30 consecutive trading days before redemption has been at least 30% of the conversion price in effect on each such trading day, or in the event that the principal amount of the convertible bonds originally outstanding is 10 % lower than the issued amount of the bonds, ZOTC may redeem all bonds at face value by cash.

The convertible bonds issued over 3 years, the holder could ask the Group to redeem bonds at face value by cash.

The convertible bonds include liabilities and equity. The equity components were accounted for ZOTC as paid-in capital –option. The effective interest rate of liability components recognized is 2.0618%.

Balance on January 1, 2017, liability components	\$ 28,563
Interest (2.0618%)	254
Convertible bonds changed into ordinary shares	(<u>17,695</u>)
Balance on September 30, 2017, liability components	<u>\$ 11,122</u>
Balance on January 1, 2018, liability components	\$ 9,733
Interest (2.0618%)	115
Convertible bonds changed into ordinary shares	(<u>3,605</u>)
Balance on September 30, 2018, liability components	<u>\$ 6,243</u>

21. RETIREMENT BENEFIT PLANS

For the three and nine months ended September 30, 2018 and 2017, the Group's pension costs under the defined contribution method were made payment \$145, \$154, 436, and 463 thousand, respectively, decided by actuarial pension costs rate on December 31, 2017, and 2016.

22. EQUITY

(1) Ordinary Shares

	September 30, 2018	December 31, 2017	September 30, 2017
Authorized shares (in thousands)	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>
Authorized capital	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>
Issued and paid shares (in thousands)	<u>122,721</u>	<u>122,480</u>	<u>122,360</u>
Issued capital	<u>\$ 1,227,210</u>	<u>\$ 1,224,804</u>	<u>\$ 1,223,596</u>

The change in share capital is mainly due to bonds payable that changes into ordinary shares, and employee stock options exercised.

As of September 30, 2018, due to the convertible corporate bond converted into ordinary shares but for change registration pending, 18 thousand shares are recognized as share capital to be registered.

(2) Capital Surplus

	September 30, 2018	December 31, 2017	September 30, 2017
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u> (A)			
Premium on shares issued above par value	\$ 398,347	\$ 396,486	\$ 395,842
Treasury stock transactions	25,343	25,343	25,343
<u>Only be used to offset a deficit</u>			
From shares of changes in equities of subsidiaries (B)	2,481	2,481	2,481
Invalid employees stock options	895	300	205
<u>May not be used for any purpose</u>			
Stock options	536	850	977
Employees stock options	<u>14,853</u>	<u>8,675</u>	<u>7,588</u>
	<u>\$ 442,455</u>	<u>\$ 434,135</u>	<u>\$ 432,436</u>

A. Such capital surplus may be used to offset a deficit; in addition, when the Group has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Group's paid-in capital surplus and once a year).

B. The capital surplus from share of unrealized changes in equities of subsidiaries not acquired or disposed is an affective recognized by changes in equity of subsidiaries, or the Group recognizes subsidiaries' capital surplus adjustments for equity method.

(3) Retained earnings and dividend policy

The Group's Articles of Incorporation provide that, when allocating the net profits for each fiscal year, ZOTC shall first pay taxes and offset its losses in previous years and then set aside the legal capital reserve at 10% of the profits left over, and then set aside or reverse the legal capital reserve. Any balance left over shall be added accumulated undistributed earnings of previous year and allocated according to the resolution, provided from the board meeting, of the shareholders' meeting. Please reference the distribution policy regulated by the Group's Articles of Incorporation of employees', directors' and supervisors' compensation for Note 23-6.

Distribution of earnings shall be made preferably by way of surplus cash dividend, according to future capital budget plan, and operating fund requirements. The Group considers its influences on diluted earning per shares and return on equity, but the ratio for cash dividend shall not exceed 10% of the total distribution.

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

Under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Group shall appropriate or reverse to a special reserve.

The appropriations of 2017 and 2016 earnings have been approved by ZOTC's shareholder's meeting held on June 11, 2018 and June 14, 2017, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share(NT\$)	
	For Fiscal Year 2017	For Fiscal Year 2016	For Fiscal Year 2017	For Fiscal Year 2016
Legal capital reserve	\$ 19,598	\$ 22,408		
Special reserve	(1,222)	(6,153)		
Cash dividends	159,484	146,690	\$ 1.3	\$ 1.2
(4)Other equity				
A. Unrealized Gain/Loss from Available-for sale Financial Assets				
Balance at January 1, 2017			(\$ 16,723)	
In respect of the current period				
Unrealized profits and losses			(806)	
Reclassification adjustments				
Disposal of available-for-sale financial assets			434	
Balance at September 30, 2017			<u>(\$ 17,095)</u>	
Balance at January 1, 2018 (IAS 39)			(\$ 15,501)	
Effect of retrospective application of IFRS 9			15,501	
Balance at January 1, 2018 (IFRS 9)			<u>\$ -</u>	
B. Unrealized Gain/Loss from financial assets measured at FVTOCI				
				For the Nine Months Ended September 30, 2018
Balance at January 1, 2018 (IAS 39)			\$ -	
Effect of retrospective application of IFRS 9			(10,954)	
Balance at January 1, 2018 (IFRS 9)			(10,954)	
In respect of the current period				
Unrealized profits and losses – equity instruments			(2,362)	
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal			774	
Balance at September 30, 2018			<u>(\$ 12,542)</u>	

23. NET INCOME

(1) Other income

	For the Three Months Ended September 30, 2018	For the Three Months Ended September 30, 2017	For the Nine Months Ended September 30, 2018	For the Nine Months Ended September 30, 2017
Interest income				
Financial assets at amortized cost	\$ 3,617	\$ -	\$ 8,663	\$ -
Bank deposits	748	2,469	2,703	3,822
Financial assets at FVTPL	398	-	398	240
Debt investments with no active market	-	34	-	3,224
Dividend income	4,666	295	5,122	710
Rental income	76	71	252	214
Others	1,264	136	1,882	1,031
	<u>\$ 10,769</u>	<u>\$ 3,005</u>	<u>\$ 19,020</u>	<u>\$ 9,241</u>

(2) Other gains and losses

	For the Three Months Ended September 30, 2018	For the Three Months Ended September 30, 2017	For the Nine Months Ended September 30, 2018	For the Nine Months Ended September 30, 2017
Net foreign exchange profit(loss)	\$ 1,642	\$ 79	\$ 1,210	(\$ 4,101)
Net gain(Loss) arising on financial assets at FVTPL	(867)	1,257	2,216	3,996
Loss on disposal of available- for-sale financial assets	-	(434)	-	(434)
	<u>\$ 775</u>	<u>\$ 902</u>	<u>\$ 3,426</u>	<u>(\$ 539)</u>

(3) Financial costs

	For the Three Months Ended September 30, 2018	For the Three Months Ended September 30, 2017	For the Nine Months Ended September 30, 2018	For the Nine Months Ended September 30, 2017
Interests on bank borrowings	\$ 86	\$ 12	\$ 86	\$ 54
Interests on convertible bonds	33	66	115	254
Total	<u>\$ 119</u>	<u>\$ 78</u>	<u>\$ 201</u>	<u>\$ 308</u>

(4) Depreciation & amortization

	For the Three Months Ended September 30, 2018	For the Three Months Ended September 30, 2017	For the Nine Months Ended September 30, 2018	For the Nine Months Ended September 30, 2017
Property, plant and equipment	\$ 3,076	\$ 2,049	\$ 8,574	\$ 5,356
Intangible assets	169	242	518	994
	<u>\$ 3,245</u>	<u>\$ 2,291</u>	<u>\$ 9,092</u>	<u>\$ 6,350</u>
An analysis of depreciation by function				
Operating costs	\$ 196	\$ 354	\$ 773	\$ 951
Operating expenses	2,880	1,695	7,801	4,405
	<u>\$ 3,076</u>	<u>\$ 2,049</u>	<u>\$ 8,574</u>	<u>\$ 5,356</u>
An analysis of amortization by function				
Operating expenses	<u>\$ 169</u>	<u>\$ 242</u>	<u>\$ 518</u>	<u>\$ 994</u>

(5)Employee benefits expense

	For the Three Months Ended September 30, 2018	For the Three Months Ended September 30, 2017	For the Nine Months Ended September 30, 2018	For the Nine Months Ended September 30, 2017
Post-employment benefits				
Defined contribution plans	\$ 2,166	\$ 1,665	\$ 6,234	\$ 5,334
Defined benefit plans (Note 21)	<u>145</u>	<u>154</u>	<u>436</u>	<u>463</u>
	<u>2,311</u>	<u>1,819</u>	<u>6,670</u>	<u>5,797</u>
Share-Based Payment				
Equity Swap	<u>2,546</u>	<u>1,316</u>	<u>6,926</u>	<u>4,160</u>
Other employee benefits	<u>64,894</u>	<u>55,830</u>	<u>183,805</u>	<u>153,344</u>
Total	<u>\$ 69,751</u>	<u>\$ 58,965</u>	<u>\$ 197,401</u>	<u>\$ 163,301</u>
Employee benefits expense summarized by function				
Recognized in cost of revenue	\$ 1,017	\$ 859	\$ 3,150	\$ 3,047
Recognized in operating expenses	<u>68,734</u>	<u>58,106</u>	<u>194,251</u>	<u>160,254</u>
	<u>\$ 69,751</u>	<u>\$ 58,965</u>	<u>\$ 197,401</u>	<u>\$ 163,301</u>

(6)Employees', directors, and supervisors' compensation

ZOTC shall allocate compensation to employees', Director's, and Supervisor's of ZOTC not less than 1%~15% and not more than 3% of annual profits during the period, respectively, and the estimate of employees', Director's, and Supervisor's compensation for the three and nine months ended September 30, 2018 and 2017 is as follows:

Estimate Rate

	For the Three Months Ended September 30, 2018	For the Three Months Ended September 30, 2017	For the Nine Months Ended September 30, 2018	For the Nine Months Ended September 30, 2017
Employee compensation	4.00%	4.00%	4.00%	4.00%
Director's & Supervisor's compensation	2.00%	2.00%	2.00%	2.00%

Amount

	For the Three Months Ended September 30, 2018	For the Three Months Ended September 30, 2017	For the Nine Months Ended September 30, 2018	For the Nine Months Ended September 30, 2017
Employee compensation	\$ 3,611	\$ 4,301	\$ 9,779	\$ 7,856
Director's & Supervisor's compensation	1,806	2,151	4,890	3,928

If changes in the very amount after the end of the reporting period, it will be booked next year, based on accounting estimate regulations.

The distribution amount of employees', director's, and supervisor's compensation in 2017 and 2016 have been approved by ZOTC's Board of Directors in its meeting held on February 26, 2018 and February 24, 2017, respectively, were as follows:

	2017		2016	
	Cash	Stock	Cash	Stock
Employee compensation	\$ 10,439	\$ -	\$ 11,152	\$ -
Director's & Supervisor's compensation	5,219	-	5,576	-

The distribution amount of employees', director's, and supervisor's compensation in 2017, and 2016 has no difference compared to the recognized amount of consolidated financial statements in 2017 and 2016.

Please search for relevant information about employees', director's, and supervisor's compensation, decided by the board of directors in 2018 and 2017, on the website of "Market Observation Post System" of TWSE.

(7) Foreign exchange gain (loss)

	For the Three Months Ended September 30, 2018	For the Three Months Ended September 30, 2017	For the Nine Months Ended September 30, 2018	For the Nine Months Ended September 30, 2017
Foreign exchange gain	\$ 388	\$ 6,169	\$ 2,786	\$ 41,914
Foreign exchange loss	1,254	(6,090)	(1,576)	(46,015)
Loss(Profit), net	<u>\$ 1,642</u>	<u>\$ 79</u>	<u>\$ 1,210</u>	<u>(\$ 4,101)</u>

24. INCOME TAXES

(1) Income tax recognized in profit or loss

The major components of tax expenses were as follows:

	For the Three Months Ended September 30, 2018	For the Three Months Ended September 30, 2017	For the Nine Months Ended September 30, 2018	For the Nine Months Ended September 30, 2017
Current tax				
In respect of the current period	\$ 18,842	\$ 11,998	\$ 52,702	\$ 41,680
Adjustments for prior periods	-	-	(348)	1
	18,842	11,998	52,354	41,681
Deferred tax				
Deferred tax for the period	(1,845)	5,824	(6,641)	(3,552)
Income tax expense recognized in profit or loss	<u>\$ 16,997</u>	<u>\$ 17,822</u>	<u>\$ 45,713</u>	<u>\$ 38,129</u>

The Income Tax Act in the ROC was amended in 2018 and the corporate income tax rate was adjusted from 17% to 20% effective in 2018. The change in tax rate on deferred tax losses was recognized as the change in tax rate incurred at the current period. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%.

(2) Income tax expense recognized in other comprehensive income

	For the Three Months Ended September 30, 2018	For the Three Months Ended September 30, 2017	For the Nine Months Ended September 30, 2018	For the Nine Months Ended September 30, 2017
<u>Deferred income tax</u>				
Tax rate changes				
— Remeasurement of defined benefit plans	\$ -	\$ -	\$ 438	\$ -
Total income tax expense recognized in other comprehensive income	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 438</u>	<u>\$ -</u>

(3) Income tax assessment

The Company and subsidiaries' income tax returns have been assessed by the Tax Authority as follows:

Co. Name	Year of Assessment
The company	2016
Zotech technology Co., Ltd.	2016
Zerone Win Investment Co., Ltd.	—
WingWill International Co., Ltd.	—
PetaCom technology Co., Ltd.	—

25. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

<u>Net Profit for the Period</u>	For the Three Months Ended September 30, 2018	For the Three Months Ended September 30, 2017	For the Nine Months Ended September 30, 2018	For the Nine Months Ended September 30, 2017
Net Profit for the Period	\$ 65,537	\$ 83,535	\$ 184,430	\$ 146,766
Effect of potentially dilutive ordinary shares:				
Effect of convertible bonds after tax	<u>37</u>	<u>62</u>	<u>114</u>	<u>251</u>
Earnings in computation of diluted earnings per share	<u>\$ 65,574</u>	<u>\$ 83,597</u>	<u>\$ 184,544</u>	<u>\$ 147,017</u>
 <u>Shares</u>				
	For the Three Months Ended September 30, 2018	For the Three Months Ended September 30, 2017	For the Nine Months Ended September 30, 2018	For the Nine Months Ended September 30, 2017
Weighted average number of ordinary shares used in the computation of basic (loss) earnings per share	122,480	122,261	122,694	121,979
Effect of potentially dilutive ordinary shares:				
Convertible bonds	430	817	509	1,098
Employees' compensation	495	416	749	797
Employee share options	<u>632</u>	<u>187</u>	<u>585</u>	<u>166</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>124,037</u>	<u>123,681</u>	<u>124,537</u>	<u>124,040</u>

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

The exercise price of the second issued employee stock options is higher than average market price of shares for the three and nine months ended September 30, 2017. Owing to anti-diluted, it doesn't be calculated in each diluted earnings per share.

The exercise price of the third and fourth issued employee stock options is higher than average market price of shares for the three and nine months ended September 30, 2018. Owing to anti-diluted, it doesn't be calculated in each diluted earnings per share.

26. SHARE-BASED PAYMENT ARRANGEMENTS

In August 2015, September 2016, January 2018, and September 2018, 1,000, 1,860, 2,000, and 2,000 options were granted to qualified employees of the Group, and each option entitles the holder to subscribe for 1,000 thousand ordinary shares of the Group when exercisable. The options granted are valid for 6 years and shall be exercised a portion of them after two years from the date of grant. The options were granted at an exercise price equal to the fair value of the Group's ordinary shares on the grant date. For any subsequent changes in the Group's ordinary shares, the exercise price of options will be adjusted by the regulated formula, accordingly.

Information about employees' stock options was as follows:

Employee Stock options	For the Nine Months Ended September 30, 2018		For the Nine Months Ended September 30, 2017	
	Number of Options (In Thousands)	Weighted Average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted Average Exercise Price (NT\$)
Balance, beginning of period	2,633	\$ 15.23	2,860	\$ 16.50
Options vested	4,000	20.25	-	-
Options exercised	(27)	14.57	(27)	13.90
Invalid options	(60)	14.90	(140)	15.04
Outstanding options at the end of the period	<u>6,546</u>	18.30	<u>2,693</u>	15.22
Options exercised at the end of the period	<u>544</u>		<u>213</u>	
Weighted-average fair value of options vested(NT\$)	<u>\$ 6.41</u>		<u>\$ -</u>	

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

Range of Exercise Price (US\$)	September 30, 2018	Range of Exercise Price (US\$)	December 31, 2017	Range of Exercise Price (US\$)	September 30, 2017
	Weighted-Average Remaining Contractual Life (Years)		Weighted-Average Remaining Contractual Life (Years)		Weighted-Average Remaining Contractual Life (Years)
\$ 13.10 (Note)	2.92	\$ 13.90 (Note)	3.67	\$ 13.90 (Note)	3.92
15.00 (Note)	3.93	15.90 (Note)	4.68	15.90 (Note)	4.93
18.80 (Note)	5.26	-	-	-	-
20.65	5.92	-	-	-	-

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

The Group adopts BOPM and Black-Scholes price model to evaluate inputs of stock options in September 2018, January 2018, September 2016 and August 2015 as follows:

	September, 2018	January, 2018	September, 2016	August, 2015
Securities price of the vested date	20.65 Dollars	19.85 Dollars	16.95 Dollars	15.65 Dollars
Exercised price	20.65 Dollars	19.85 Dollars	16.95 Dollars	15.65 Dollars
Foreseeable volatility rate	32.96%	33.81%	38.26%	39.14%~40.47%
Duration	6 Years	6 Years	6 Years	4~5 Years
Foreseeable dividend rate	0%	0%	0%	0%
No risk rates	0.72%	0.74%	0.56%	0.77%~0.87%

27. CAPITAL RISK MANAGEMENT

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

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

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

28. FINANCIAL INSTRUMENTS

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

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

	September 30, 2018		December 31, 2017		September 30, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial Assets</u>						
Measured at amortized cost						
-domestic corporate bonds	\$ 61,050	\$ 60,928	\$ -	\$ -	\$ -	\$ -
<u>Financial liabilities</u>						
Convertible bonds	6,243	9,406	9,733	12,600	11,122	13,455

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

A. Fair value hierarchy

September 30, 2018

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Convertible bonds	\$ 40,431	\$ -	\$ -	\$ 40,431
Fund beneficiary certification	66,293	-	-	66,293
Domestic public offering and emerging stock	14,816	-	-	14,816
Derivatives	-	1,088	-	1,088
Total	<u>\$ 121,540</u>	<u>\$ 1,088</u>	<u>\$ -</u>	<u>\$ 122,628</u>

Financial assets at FVTOCI

Equity investments

- Domestic public offering and emerging stock	\$ 106,868	\$ -	\$ 10,450	\$ 117,318
- Domestic unpublic offering stock	-	-	3,386	3,386
Total	<u>\$ 106,868</u>	<u>\$ -</u>	<u>\$ 13,836</u>	<u>\$ 120,704</u>

December 31, 2017

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Convertible bonds	\$ 51,009	\$ -	\$ -	\$ 51,009
Domestic public offering stock	325	-	-	325
Derivatives	-	4	-	4
Total	<u>\$ 51,334</u>	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ 51,338</u>

Available-for-sale financial assets

Equity investments

- Domestic public offering and emerging stock	<u>\$ 90,289</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,289</u>
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September 30, 2017

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Convertible bonds	\$ 76,053	\$ -	\$ -	\$ 76,053
Fund beneficiary certification	3,952	-	-	3,952
Domestic public offering stock	336	-	-	336
Derivatives	-	5	-	5
Total	<u>\$ 80,341</u>	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ 80,346</u>
<u>Available-for-sale financial assets</u>				
Equity investments				
– Domestic public offering and emerging stock	<u>\$ 84,688</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,688</u>

There were no transfers between Level 1 and Level 2 for nine months ended September 30, 2018 and 2017, respectively.

B. Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Derivatives—Foreign exchange forward contract	Discounted Cash Flow Method: Using exchange rate at the end period evaluates future cash flow through the contract. Disclosing the discount rate of credit risks in each counterpart should be separately discounted.
Derivatives—Redemption & sell right of convertible bonds	Valuation model of binomial tree of convertible bond: Using securities prices, no risk rate, and risk discount rate evaluates fair values of financial assets of convertible bonds.

C. Valuation techniques and assumptions used in Level 3 fair value Measurement

The market approach is used to arrive at their fair value, for which, the estimate and assumption regarding relevant information of expected present value of profits and losses calculated by held investments with reference to the publicly traded company and similar companies.

(3) Categories of financial instruments

	September 30, 2018	December 31, 2017	September 30, 2017
<u>Financial assets</u>			
Financial assets measured at FVTPL			
Held for trading	\$ -	\$ 329	\$ 4,293
Designated as at FVTPL	40,431	51,009	76,053
Mandatorily measured at FVTPL	82,197	-	-
Loans and receivables (Note 1)	-	2,619,647	2,537,126
Available-for-sale financial assets (Note 2)	-	111,943	106,342
Financial assets measured at amortized cost (Note 3)	2,695,414	-	-
Financial assets measured at FVTOCI – Investments in equity instruments	132,573	-	-
<u>Financial liabilities</u>			
Measured at amortized cost (Note 4)	1,471,181	1,397,491	1,278,115

Note 1: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt instruments with no active market, note receivable, trade receivable, other receivable, and refundable deposits.

Note 2: The balances included available-for-sale financial assets measured at cost.

Note 3: The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, investments in debt instruments, notes receivable, trade receivable, other receivable and refundable deposits.

Note 4: The balances included financial liabilities measured at amortized cost, which comprise short-term loans, trade payable, other payable, and current portion of bonds payable.

(4) Financial risk management objectives and policies

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

A. Market risk

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

(A) Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities of non-functional currency calculated (including those eliminated on consolidation) at the end of the reporting period are set out in Note 32.

Sensitivity analysis

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

The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. If interest rates had been 5 % higher/lower, the Group's net profit for the nine months ended September 30, 2018 and 2017 would increase/decrease by \$4,855 thousand and decrease/increase \$8,445 thousand, respectively.

(B) Interest rate risk

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

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

	September 30, 2018	December 31, 2017	September 30, 2017
Interest rate risks at fair value			
– Financial assets	\$ 538,395	\$ 366,576	\$ 569,619
– Financial liabilities	56,243	9,733	11,122
Interest rate risks at cash flows			
– Financial assets	229,830	598,289	317,235

Sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the nine months ended September 30, 2018 and 2017 would increase/ decrease by \$862 thousand and \$1,190 thousand, respectively. Exposure is triggered by risks of cash flows of the Group's variable interest rates of deposits.

(C) Other price risk

The Group is exposed to equity price risks arising from equity investments of public offering securities. Equity investments should be approved by the management, for controlling risks by holding different investment portfolios.

Sensitivity analysis

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

Assuming a hypothetical increase/decrease of 5% in prices of the equity investments, increased/decreased by NT\$6,131 thousand, because of the change in fair value of financial assets at FVTPL, respectively., at the end of the reporting period for the nine months ended September 30, 2018, the other comprehensive income would have increased/decreased by NT\$6,035 thousand, because of the change in fair value of financial assets at FVTOCI, respectively, at the end of the reporting period for the nine months ended September 30, 2018.

Assuming a hypothetical increase/decrease of 5% in prices of the equity investments, increased/decreased by NT\$4,017 thousand, because of the change in fair value of investments held for trading, respectively, at the end of the reporting period for the nine months ended September 30, 2017, the other comprehensive income would have increased/decreased by NT\$4,234 thousand, because of the change in fair value of available-for-sale financial assets, respectively.

B. Credit risk

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

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

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

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

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

The credit risk of the Group concentrates on 5 top customers of the Group. As of September 30, 2018, December 31, 2017 and September 30, 2017, the Group's five largest customers accounted for 35%, 36% and 40% of trade receivable, respectively.

C. Liquidity risk

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

Liquidity & interest rate risk table

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

The following tables detail the bank loans are listed on the earliest date on which the Group may be required to pay without considering the probability of the lending bank executing its rights; other non-derivative financial liabilities are listed at their contract repayment dates.

September 30, 2018

	<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>5+ Years</u>
<u>Non-derivative financial liabilities</u>			
No Interest-bearing liabilities	\$ 1,414,938	\$ -	\$ -
Fixed rate instruments	<u>56,300</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,471,238</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2017

	<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>5+ Years</u>
<u>Non-derivative financial liabilities</u>			
No Interest-bearing liabilities	\$ 1,387,758	\$ -	\$ -
Fixed rate instruments	<u>10,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,397,758</u>	<u>\$ -</u>	<u>\$ -</u>

September 30, 2017

	<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>5+ Years</u>
<u>Non-derivative financial liabilities</u>			
No Interest-bearing liabilities	\$ 1,266,993	\$ -	\$ -
Fixed rate instruments	<u>11,500</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,278,493</u>	<u>\$ -</u>	<u>\$ -</u>

The operating fund of the Group are sufficient to meet cash flow demand; If the demand exists, it shall be short-term. Thus, bank loans within 1 year are the maximum amounts with available limit of credit. After considering the financial position of the Group, the management does not think the banks will execute their rights of requiring the Group to repay the bank loans.

As of September 30, 2018, December 31, 2017 and September 30, 2017, the Group's unused short-term credit of limit of the bank were 770,000 thousand, 995,000 thousand and 1,025,000 thousand, respectively.

The Group's cash and cash equivalents are sufficient to meet the demand of operating demands; the Group does not apply for the overdraft limit from the bank.

29. RELATED PARTIES TRANSACTIONS

Transactions and balances apply for the profits and losses, revenues and expenses between the Group and its subsidiaries, which were related parties of the Group, had been eliminated on consolidation and are not disclosed in this note. Besides as disclosed elsewhere in the other notes, details of transactions between the Group and other related parties were disclosed below.

Compensation of key management personnel

	<u>For the Three Months Ended September 30, 2018</u>	<u>For the Three Months Ended September 30, 2017</u>	<u>For the Nine Months Ended September 30, 2018</u>	<u>For the Nine Months Ended September 30, 2017</u>
Short-term employee benefits	<u>\$ 2,455</u>	<u>\$ 2,871</u>	<u>\$ 25,752</u>	<u>\$ 23,596</u>

Salaries of the boarders and other key management personnel are decided by personal performance and economic market trend through the compensation committee.

30. PLEDGED ASSETS

The following assets of the Group are guaranteed by the assets pledged for loans of the bank and broker, as well as tariff of importing commodities.

	September 30, 2018	December 31, 2017	September 30, 2017
Property, plant and equipment, Net	\$ 293,681	\$ 295,043	\$ 295,497
Pledged Time Deposits(Financial assets at amortized cost – non-current)	12,586	-	-
Pledged Time Deposits(Debt investments with no active market – non-current)	-	11,539	11,379
	<u>\$ 306,267</u>	<u>\$ 306,582</u>	<u>\$ 306,876</u>

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

(1)As of September 30, 2018, the group opens NT 87,000 thousand of cashier order for payment guaranteed for Microsoft Taiwan Corporation.

(2)As of September 30, 2018, the group opens NT 50,000 thousand of cashier order for payment guaranteed for Microsoft Regional Sales Corporation.

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

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

September 30, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 18,580	30.525 (USD:NTD)	<u>\$ 567,155</u>

Financial liabilities

Monetary items

USD	21,761	30.525 (USD:NTD)	<u>\$ 664,255</u>
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December 31, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 19,816	29.735 (USD:NTD)	<u>\$ 589,229</u>

Financial liabilities

Monetary items

USD	23,396	29.835 (USD:NTD)	<u>\$ 698,020</u>
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September 30, 2017

	<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 27,559	30.232 (USD:NTD)	<u>\$ 833,164</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	21,900	30.332 (USD:NTD)	<u>\$ 664,271</u>

The material foreign exchange profit/loss(realized and unrealized) was as follows:

	<u>For the Nine Months Ended September 30, 2018</u>		<u>For the Nine Months Ended September 30, 2017</u>	
<u>Foreign currencies</u>	<u>Exchange Rate</u>	<u>Net Foreign exchange profit(loss)</u>	<u>Exchange Rate</u>	<u>Net Foreign exchange profit(loss)</u>
USD	29.915 (USD:NTD)	<u>\$ 1,210</u>	30.539 (USD:NTD)	<u>(\$ 4,101)</u>
	<u>For the Three Months Ended September 30, 2018</u>		<u>For the Three Months Ended September 30, 2017</u>	
<u>Foreign currencies</u>	<u>Exchange Rate</u>	<u>Net Foreign exchange profit(loss)</u>	<u>Exchange Rate</u>	<u>Net Foreign exchange profit(loss)</u>
USD	30.672 (USD:NTD)	<u>\$ 1,642</u>	30.267 (USD:NTD)	<u>\$ 79</u>

33. SEPARATELY DISCLOSED ITEMS

Information on (1) significant transactions and (2) investees:

- A. Financing provided to others: None.
- B. Endorsements/guarantees provided: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to Table 1.
- D. Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital: None.
- E. Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- F. Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- G. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- H. Trade receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- I. Trading in derivative instruments: Please refer appendix 7.
- J. Other:The business relationship between the parent and the subsidiaries and significant transactions between them: Table 3.
- K. Information on investees: Table 2.

(3)Information on investment in Mainland China : None.

34. SEGMENT INFORMATION

The management monitors the operating results focusing on the types of products and services acquired or provided of its business units separately for the purpose of making decisions about resource allocation and performance assessment. The department of the Group's brand agent business division or others shall be reported.

(1) Segments revenue & operating results

The reporting on operating segments revenue and results of the Group, based on its business unit separately, was as follows:

	The brand agent business division	Other	Eliminations	Total
<u>January 1, 2018 to September 30,</u>				
<u>2018</u>				
Revenues from external customers	\$ 4,819,917	\$ 75,087	\$ -	\$ 4,895,004
Inter-segment revenues	<u>-</u>	<u>1,862</u>	<u>(1,862)</u>	<u>-</u>
Segment revenues	<u>\$ 4,819,917</u>	<u>\$ 76,949</u>	<u>(\$ 1,862)</u>	<u>4,895,004</u>
Consolidated revenues				<u>\$ 4,895,004</u>
Segment profit (loss)	<u>\$ 311,378</u>	<u>(\$ 18,685)</u>	<u>\$ -</u>	\$ 292,693
General administration division costs and directors' compensation				(81,923)
Other income				19,020
Other profit (loss)				3,426
Financial costs				(201)
Share of profit or loss of associates and joint ventures				(3,774)
Net income before tax				<u>\$ 229,241</u>

	The brand agent business division	Other	Eliminations	Total
<u>January 1, 2017 to September 30,</u>				
<u>2017</u>				
Revenues from external customers	\$ 4,420,273	\$ 117,773	\$ -	\$ 4,358,046
Inter-segment revenues	<u>-</u>	<u>5,960</u>	<u>(5,960)</u>	<u>-</u>
Segment revenues	<u>\$ 4,420,273</u>	<u>\$ 123,733</u>	<u>(\$ 5,960)</u>	<u>4,358,046</u>
Consolidated revenues				<u>\$ 4,358,046</u>
Segment profit (loss)	<u>\$ 277,834</u>	<u>\$ 6,625</u>	<u>\$ -</u>	\$ 284,459
General administration division costs and directors' compensation				(104,147)
Other income				9,241
Other profit (loss)				(539)
Financial costs				(308)
Share of profit or loss of associates and joint ventures				(4,644)
Net income before tax				<u>\$ 184,062</u>

Segment profits indicate earning profits of each segment, not including management segment costs and directors' compensation, investments accounted for using equity method of associates, rental income, interest income, profit(loss) of disposal of Property, plant and equipment, disposal of profit(loss) of investments, net profit(loss) of foreign exchange, valuated profit(loss) of financial instruments, finance costs, and income tax expenses. The management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

(2) Total assets and liabilities of the department

The assets and liabilities of the Group haven't been provided to the operating management personnel, hence valuation number of assets and liabilities shouldn't be recovered.

(3) Revenues of major products and services

Analysis of revenues of major products and services for continuing operations of the Group are as follows:

	For the Three Months Ended September 30, 2018	For the Three Months Ended September 30, 2017	For the Nine Months Ended September 30, 2018	For the Nine Months Ended September 30, 2017
IT Infrastructure	\$ 455,241	\$ 733,712	\$ 1,675,241	\$ 1,785,642
Network & Information Security	1,047,303	603,609	2,133,017	1,764,138
Cloud Platform & Application	220,363	207,934	845,994	692,971
Big Data & Application	101,963	117,642	232,212	255,768
Other	3,020	14,565	8,540	39,527
	<u>\$ 1,827,890</u>	<u>\$ 1,677,462</u>	<u>\$ 4,895,004</u>	<u>\$ 4,538,046</u>

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
FOR NINE MONTHS ENDED September 30, 2018

Table 1 (In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Holding Company	Marketable Securities Type and Issuer's Name (Note 1)	Security Issuer's Relationship with the Holding Company	Financial Statement Account	September 30, 2018				Note
				Shares/Units	Carrying Values	Percentage of Ownership (%)	Market Prices/ Net value of equities	
The company	Corporate bond							
	Walton Advanced Engineering, Inc. – 2	—	Financial assets at FYTPL – current	40 (Units)	\$ 4,154	-	\$ 4,154	
	Giga Solar Materials Corp. – 2	—	Financial assets at FYTPL – current	150 (Units)	12,600	-	12,600	
	China Airlines – 6	—	Financial assets at FYTPL – current	30 (Units)	3,000	-	3,000	
	ShunSin Technology Holdings Ltd. – 1	—	Financial assets at FYTPL – current	30 (Units)	3,015	-	3,015	
	Regent Hotels Group – 2	—	Financial assets at FYTPL – current	20 (Units)	2,000	-	2,000	
	Elite Material Co., Ltd. – 4	—	Financial assets at FYTPL – current	10 (Units)	1,054	-	1,054	
	GIGASTORAGE Corp. – 4	—	Financial assets at FYTPL – current	50 (Units)	5,100	-	5,100	
	SINTRONIC Technology. – 3	—	Financial assets at FYTPL – current	5 (Units)	498	-	498	
	EVA Airways. – 3	—	Financial assets at FYTPL – current	30 (Units)	3,150	-	3,150	
	Yang Ming Marine Transport Corporation – 5	—	Financial assets at FYTPL – current	40 (Units)	4,104	-	4,104	
	Great Tree Pharmacy Co., Ltd. – 1	—	Financial assets at FYTPL – current	7 (Units)	728	-	728	
	Tong Ming Enterprise Co., Ltd. – 1 st domestic unsecured convertible corporate bonds	—	Financial assets at FYTPL – current	10 (Units)	1,028	-	1,028	
Yuanta Securities Asia Financial Services Limited – 2018 Non-secured USD-denominated Private Fixed Rate Notes	—	Financial assets at amortized cost – non-current	20 (Units)	61,050	-	61,050		

(Continued)

Holding Company	Marketable Securities Type and Issuer's Name (Note 1)	Security Issuer's Relationship with the Holding Company	Financial Statement Account	September 30, 2018				Note
				Shares/Units	Carrying Values	Percentage of Ownership (%)	Market Prices/ Net value of equities	
	Securities							
	Jiyuan Packaging Holdings Ltd.	—	Financial assets at FYTPL— current	10,000	\$ 198	-	\$ 198	
	Cathay Financial Holdings Preferred Stock A	—	Financial assets at FYTPL— non-current	166,000	10,458	0.02	10,458	
	Union Bank of Taiwan Preferred Stock A	—	Financial assets at FYTPL— non-current	80,000	4,160	0.04	4,160	
	Global Mixed-mode Technology Inc.	—	Financial assets at FVTOCI — current	50,000	3,380	0.06	3,380	
	ASLAN Pharmaceuticals, Ltd.	—	Financial assets at FVTOCI — current	60,000	2,490	0.04	2,490	
	Chunghwa Precision Test Tech.Co., Ltd .	—	Financial assets at FVTOCI — current	6,000	2,769	0.02	2,769	
	Kaway Information Corp.	The supervisor of the company	Financial assets at FVTOCI — non-current	490,000	16,415	1.60	16,415	
	China Electric Mfg. Corp.	—	Financial assets at FVTOCI — non-current	3,200,000	31,264	0.80	31,264	
	ASIX Electronics Corp.	—	Financial assets at FVTOCI — non-current	260,074	6,879	0.48	6,879	
	Cathay Financial Holding Co., Ltd. Preferred Stock A	—	Financial assets at FVTOCI — non-current	34,000	2,142	0.00	2,142	
	Union Bank of Taiwan Preferred Stock A	—	Financial assets at FVTOCI — non-current	40,000	2,080	0.02	2,080	
	Fubon Financial Holding Co., Ltd. Preferred Shares B	—	Financial assets at FVTOCI — non-current	350,000	21,350	0.05	21,350	
	TAISHIN FINANCIAL HOLDING CO., LTD. Preferred Stock E	—	Financial assets at FVTOCI — non-current	170,000	9,095	0.03	9,095	

(Continued)

Holding Company	Marketable Securities Type and Issuer's Name (Note 1)	Security Issuer's Relationship with the Holding Company	Financial Statement Account	September 30, 2018				Note
				Shares/Units	Carrying Values	Percentage of Ownership (%)	Market Prices/ Net value of equities	
ZeroneWin	CTBC Financial Holding Co., Ltd. Preferred Shares B	—	Financial assets at FVTOCI — non-current	78,000	\$ 4,875	0.02	\$ 4,875	
	Cathay Financial Holding Co., Ltd. Preferred Stock B	—	Financial assets at FVTOCI — non-current	210,000	12,768	0.03	12,768	
	Promaster Technology Corp.	—	Financial assets at FVTOCI — non-current	1,000,000	10,450	2.72	10,450	
	Unex Technology Corp.	—	Financial assets at FVTOCI — non-current	175,000	3,386	1.68	3,386	
	Beneficiary certifications Yuanta Diamond Funds SPC	—	Financial assets at FYTPL— non-current	7,000	26,199	-	26,199	
	Securities Chunghwa Precision Test Tech.Co., Ltd .	—	Financial assets at FVTOCI — current	7,000	3,230	0.02	3,230	
PetaCom	Beneficiary certifications Taishin 1699 Money Market Fund	—	Financial assets at FYTPL— current	2,972,055	40,094	-	40,094	

(Concluded)

Note 1 : Securities, indicated by the above table, are derivative from stock, bonds, beneficiary certificates, and the above items, based on IFRS 9 “Financial Instruments”.

Note 2 : Relevant information about Investments in equity of subsidiaries, associates, see Table 2.

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
INFORMATION ON INVESTEEES
FOR NINE MONTHS ENDED SEPTEMBER 30, 2018

Table 2

(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses	Investment Amount		As of September 30, 2018			Net Income (Loss) of the Investee	Share of Profits/Losses of Investee	Note
				September 30, 2018	December 31, 2017	Number of Ownership	Percentage of Ownership	Carrying Values			
The Company	Zotech Technology Co., Ltd.	Taipei City	Services of telecommunication apparatus	\$ 35,000	\$ 35,000	3,500,000	85.37	\$ 42,083	\$ 3,097	\$ 2,643	Subsidiary
	Navizot Inc.	Taipei City	Services of telecommunication apparatus	10,000	10,000	597,960	30.00	-	(124)	-	
	Trident Pacific Inc.	Hsinchu City	Service of air material	9,450	9,450	945,000	29.82	672	(12,489)	(3,774)	
	ZeroneWin Investment Co., Ltd.	Taipei City	Investment	100,000	100,000	10,000,000	100.00	85,687	(8,340)	(8,340)	Subsidiary
ZeroneWin Investment Co., Ltd.	WingWill International Co., Ltd.	Taipei City	Services of cloud information software	7,000	7,000	700,000	70.00	2,516	(4,519)	(3,164)	Sub-subsubsidiary
	PetaCom technology Co., Ltd.	Taipei City	Services of information product agent	50,000	50,000	5,000,000	100.00	40,977	(7,073)	(7,073)	Sub-subsubsidiary

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR NINE MONTHS ENDED SEPTEMBER 30, 2018

Table 3

(Amounts in Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Transactions Details			Percentage of Consolidated Total Revenues or Total Assets (Note 3)
				Financial Statement Account	Amount	Transaction Terms	
0	The company	Zotech Technology Co., Ltd.	1	Service income	\$ 714	Note 4	-
				Cost of goods sold	84	Note 4	-
				Trade receivable	286	Note 4	-
				Guarantee deposits received	90	Note 4	-
				Rental income	405	Note 4	-
		WingWill international Co., Ltd.	1	Sales revenue	1,072	Note 4	-
				Cost of goods sold	782	Note 4	-
				Service income	410	Note 4	-
				Trade receivable	89	Note 4	-
				Rental income	257	Note 4	-
		PetaCom Technology Co., Ltd.	1	Service income	511	Note 4	-
				Rental income	626	Note 4	-

Note 1 : Business between the parent and subsidiaries is numbered as follows:

1. Parent:0.
2. Subsidiaries are numbered from 1 in order.

Note 2 : 3 types of relationship between parties is numbered as follows:

1. Parent to subsidiary.
2. Subsidiary to parent.
3. Between subsidiaries.

Note 3 : Percentage of transaction amounts to consolidated operating revenues or consolidated total assets: If the account is a balance sheet account, it shall be calculated by dividing the ending balance into consolidated total assets; if the account is an income statement account, it shall be calculated by dividing the yearly cumulative balance into consolidated operating revenues.

Note 4 : The sales prices and payment terms of the intercompany partners are not significantly different from those to non-related parties.