

ZERO ONE TECHNOLOGY CO., LTD.

2019 Annual Report

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Taiwan Stock Exchange Market Observation Post System:

<http://newmops.twse.com.tw>

2019 Annual Report is available at: <http://www.zerone.com.tw>

Printed on May 15, 2020

1. Spokesperson & Deputy Spokesperson:

Name: Michelle Chin

Title: Chief Officer of Financial Management Division

Tel:(02)2656-5656

E-mail:michelle@zerone.com.tw

Name: Liang Yi Chou

Title: Chief Officer of Information Management Division

Tel:(02)2656-5656

E-mail:ken.chou@zerone.com.tw

2. Headquarters:

Address:10F., No.8, Ln. 360, Sec. 1, Neihu Rd., Taipei City.

Tel:(02)2656-5656

3. Stock Transfer Agency:

Name: Securities Registrar Department of MasterLink Securities Corporation

Address:B1, No.35, Ln. 11, Guangfu N. Rd., Taipei City

Tel:(02)2768-6668

Website: <http://www.masterlink.com.tw>

4. Contact Information of the Certified Public Accountants for the Latest Financial Report:

Name: Wen Chin Lin 、 Hsin Wei Tai

CPA Firm: Deloitte & Touche

Address:20F, No. 100, Songren Rd., Xinyi Dist., Taipei, 11073, Taiwan

Tel:(02)2725-9988

Website: <https://www2.deloitte.com/tw/tc.html>

5. Overseas Trade Places and Related Information for Listed Negotiable Securities: None.

6. Corporate Website: <http://www.zerone.com.tw>

Table of Content

I. Letter to Shareholders	1
II. Company Profile	
A. Date of Incorporation	3
B. Company History	3
III. Corporate Governance Report	
A. Organization	4
B. Directors, Supervisors and Management Team	6
C. Remuneration of Directors, Supervisors, President, and Vice Presidents	11
D. Implementation of corporate governance	16
E. Information Regarding the Company's Audit Fee and Independence	40
F. Replacement of CPA	41
G. The Company's Chairman, Chief Executive Officer, Chief Financial Officer, and managers in charge of its finance and accounting operations did not hold any positions in the Company's independent auditing firm or its affiliates during the last year	41
H. Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders	42
I. Relationship among the Top Ten Shareholders	43
J. Ownership of Shares in Affiliated Enterprises	44
IV. Capital Overview	
A. Capital and Shares	44
B. Status of Corporate Bonds	48
C. Status of Preferred Stocks	48
D. Status of Global Depository Receipts	48
E. Employee Stock Options	49
F. Issuance of New Restricted Employee Shares	51
G. Status of New Shares Issuance in Connection with Mergers and Acquisitions	53
H. Financing Plans and Implementation	53
V. Operational Highlight	
A. Business Activities	54
B. Markets and sales Overview	63
C. Human Resources	68
D. Environmental Protection Expenditure	68
E. Labor Relations	68
F. Important Contracts	71

VI. Financial Information

A. Five-Year Financial Summary 72

B. Five-Year Financial Analysis 76

C. Supervisors' Report for the Most Recent Year 79

D. Consolidated Financial Statements for the Years Ended December 31, 2019 and 2018, and Independent Auditors' Report 80

E. Financial Statements for the Years Ended December 31, 2019 and 2018, and Independent Auditors' Report 80

F. If the company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the company's financial situation 80

VII. Review of Financial Conditions, Financial Performance, and Risk Management

A. Analysis of Financial Conditions 81

B. Analysis of Financial Performances 81

C. Analysis of Cash Flow 82

D. Major Capital Expenditure Items and Source of Capital 82

E. Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year 83

F. Analysis of Risk Management 84

G. Other Important Matters 86

VIII. Special Disclosure

A. Summary of Affiliated Companies in Recent Years 87

B. Private Placement Securities in the Most Recent Years 88

C. Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years 88

D. Other supplementary information 88

IX. Any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report 88

I. Letter to Shareholders

Dear Shareholders,

The result of our operating performance in 2019, business plan for 2020, are illustrated as follows:

A. Operating Performance in 2019

(A)Implementation Result of Business Plans

In FY 2019, the Company's total consolidated revenue stood at NT\$ 8,915,170 thousand, on the increase of NT\$ 2,267,818 compared to the preceding year, 34.12% in year-over-year growth. Net profit was NT\$ 349,155 thousand, on the increase of NT\$ 97,118 compared to the preceding year, a 38.53% year-over-year growth. Basic earnings per share was NT\$2.85.

(B)Financial Status and Profitability Analysis

1. Financial Status :

In FY 2019, the Company's net profit was NT\$ 349,155 thousand. Cash provided by operating activities was NT\$ 412,374, and cash used in investing and financing activities was NT \$174,835 and NT\$ 133,496 thousand, as well as cash and cash equivalents increase NT\$ 96,871 during the period. Cash and cash equivalent at the end period were NT\$ 335,497 thousand.

2. Profitability Analysis :

Items	2019 (%)	2018 (%)
Ratio of return on total assets	7.29	6.30
Ratio of return on shareholders' equity	15.07	11.73
Ratio of operating income to capital stock	32.08	22.83
Ratio of profit before income tax to capital stock	35.53	25.63
Profit ratio	3.92	3.79
Earnings per share (NT\$)	2.85	2.06

(C)Research and the development status of the Company and its subsidiaries

Research and the development status of the Company and its subsidiaries in 2019:

- 1.Upgraded print servers: Including cost control, improvement of firmware effectiveness, etc.
- 2.Wearables of 6-Axis sensor : Educational program of STEAM provides teaching materials and aids to junior and senior high school students.
- 3.Research and the development of relevant products of internet of things: Including SmartHop Sub-1G wireless I/O converter, etc.

B. Business Plan for 2020

(A) Business objectives

The business scope includes four dimensions of IT infrastructure, network and information security, cloud platform and integration application, big data and artificial intelligence application, etc. Especially, network and information security, and IT infrastructure is a key point for our business growth in 2019. As for enticing Taiwanese overseas firms to come back to invest in Taiwan, and existence of many internet threats, we continue to focus on products in network and information security, and IT infrastructure, in order to keep operating revenues higher and earn profits. At the same time, we hire a team to be responsible for improving distributing brands of product by value-added services of cloud, systems and servers, and develops resources into big data and AI artificial intelligence. Otherwise, we will continue to search more opportunities in markets of different areas, new business modes and acquire distributing rights for other products of different brands.

(B) Sales forecast and its reference

Each product and expected sales forecast in 2020 go as follows:

Product categories	Sales forecast (Set)
IT infrastructure	1,280,788
Network & information security	1,747,770
Cloud platform & application	20,323,070
Big data & application	22,456
Others	26,049
Total	23,400,133

As for products distribution, the Company will continue to focus on sales of various IT's software, cloud platform and application, network and information security, big data of AI and its application and value-added services, owing to most types of products and services, with high unit prices, belonging to project sales and value-added services, hence we forecast sales volume in 2020 will be same as sales volume in past years.

(C) Important policy of production and sales.

1. We help our vendors and partners expanding markets by three divisions of new business, including three business modes of broadening business horizons and increasing potentials by integration with different brands, and gaining good publicity of the brand of value-added brands.
2. As for providing solutions for digital transformation of industries, we focus on the input of consulting services of value-added applications, except for providing completed technology services for pre-sale and after-sale.
3. To expand areas of new markets for distribution of products.
4. To put much effects in the improvement of operational efficiency, and reduction of expenditures.

C. Development Strategy

Due to competition of transformation among IT industries, the trend of AI, big data, cloud, virtual devices, 5G will affect the development of IT industries in the future. In addition to consolidating the business of major products, the Company enhances business of value-added services, increasing values of distributing products, and holds opportunities in the business markets, with revolution of the Company's organization and the plan of digital transformation in process, sufficient for reaching the annual business goals and responding to future growth of our business.

D. The Impact of the External Competitive Environment, Regulatory Environment, and Macroeconomic Conditions

(A) According to the development of technology markets, which will concentrate on applicable industries or products in the internet security, converged IT, intelligence video analytics, 5G, and IoT/Cloud platform in the future, and the Company shall concentrate on the development in the relevant industries.

(B) Changes in pivotal policies and laws both domestically and internationally have no material impact on the Company's financial business, but macroeconomic environmental affects market expansion of the Company, which must take corresponding measures.

Sincerely yours,

Chairman Chia Hsin Lin

II. Company Profile

A. Date of Incorporation: June 27, 1980

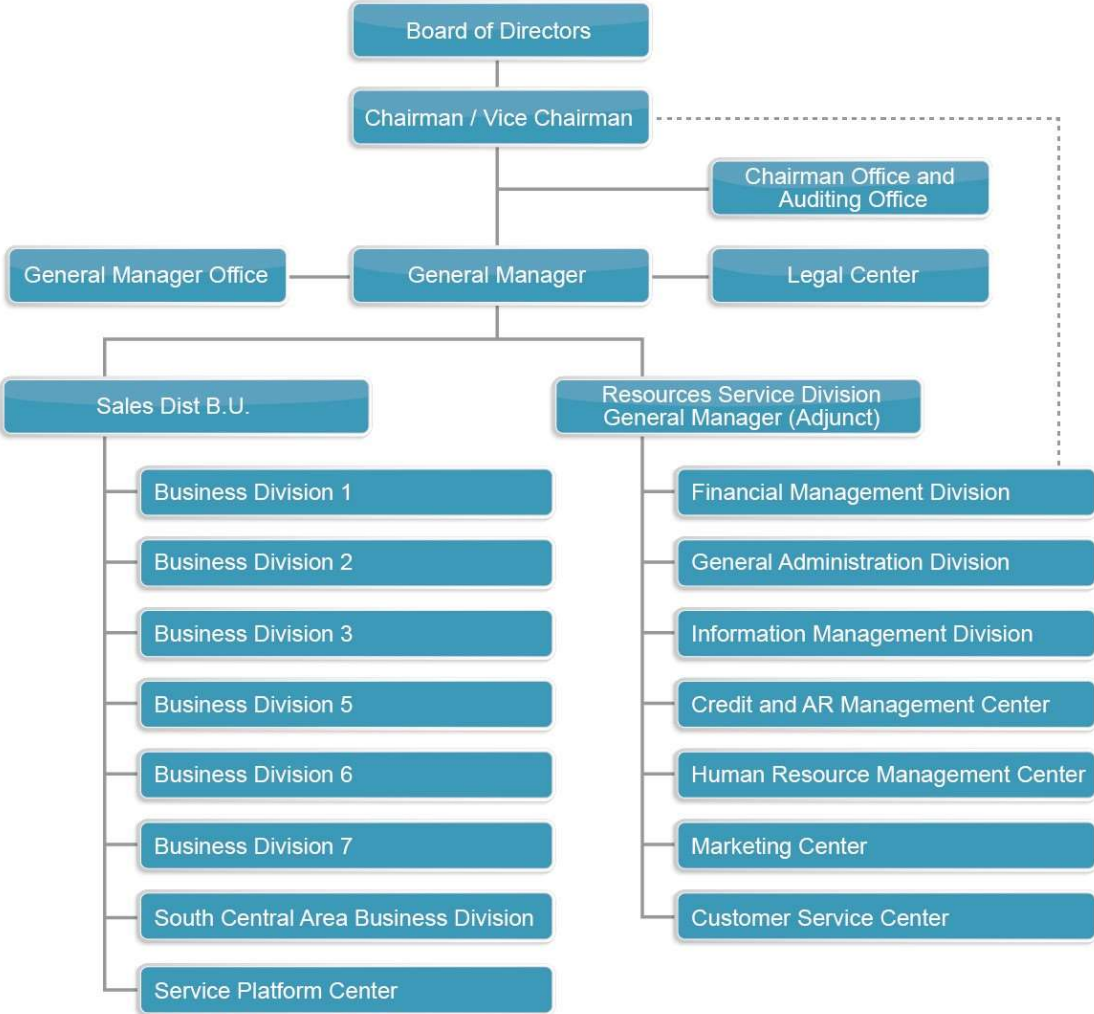
B. Company History

Year	Milestones
1980	.The Company Founded, with NT\$500 thousand capital.
	.Invented cangjie input method and vector method
	.Launched Chinese system of Zero one.
1990	.Distributed network products of Novell.
1993	.Distributed products of Microsoft.
1994	.Launched the print server.
1996	.Distributed products of Cisco.
1998	.Zero One Technology Co., Ltd. went listed by approval of Securities & Futures Institute.
2000	.The stock is listed in OTC, NT\$ 275,000 thousand capital, on January, 2000.
2001	.Launched the broadband network firewall.
2002	.Launched the wireless broadband router.
	.Listed on Taiwan Stock Exchange on August, 2002. Increased capital to NT\$ 600,000 thousand.
2003	.Issued 1 st domestic secured convertible bond, with an amount of NT\$ 250,000 thousand.
2008	.Increased paid-in capital to NT\$ 1,020,342,130, as convertible bonds are converted into new shares.
	.Decreased paid-in capital to NT\$ 989,962,130 for cancellation of treasury stock.
2011	.Decreased paid-in capital to NT\$ 947,442,130 for cancellation and transfer of treasury stock.
2014	.Issued 2 nd domestic convertible bonds with an amount of NT\$ 500,000 thousand.
2015	.Issued 1 st employee stock option.
2017	.Increased paid-in capital to NT\$ 1,224,803,750, as employee stock options and convertible bonds are converted into new shares.
2018	.Increased paid-in capital to NT\$ 1,228,964,660, as employee stock options and convertible bonds are converted into new shares.
2019	.As for de-listing of convertible bonds due to maturity, the issuance and cancellation of restricted stock awards, and employee stock options converted into new shares, paid-in capital had increased to NT\$ 1,246,232,120.

III. Corporate Governance Report

A. Organization

(A) Organizational Chart



(B) Major Corporate Functions

Department		Functions
Chairman Office		<ol style="list-style-type: none"> 1.Enaction of important regulations and rules, and the development of the project plan (such as, the business plan). 2.The assessment and management of foreign investments. 3.Planning and execution of stock affairs.
Auditing Office		<ol style="list-style-type: none"> 1.To audit the operations of different departments for ensuring effective of the Company's internal procedures. 2.To propose and analyze strategies of the improvement and measures of business management. 3.Research and application of the policy of financial accounting and securities.
General Manager Office		<ol style="list-style-type: none"> 1.To lay the short, medium, and long-term business plans, and to draw up and help execute strategies and management approaches of the Company. 2.Management of and cooperate with the work and business of each division. 3.To review and draw up the management regulations of the Company. 4.The development and planning of the Company's organization. 5.Execution of resolutions of the Board of Directors. 6.Responsible for supervising the business performance of each division.
Legal Center		<ol style="list-style-type: none"> 1.Responsible for reviewing and setting business-relevant contracts, dealing with suits and proceedings by laws and providing professional opinions, etc.
Sales Dist B.U.		<ol style="list-style-type: none"> 1.Distributing domestic and foreign network products of hardware and software, as well as achieving objectives of increasing operating revenues and earning profits in the business market of Taiwan. 2.Customer Relationship Management and the development. 3.Execution and planning of activities of promotion.
Resources Service Division	General Administration Division	<ol style="list-style-type: none"> 1.Controls and execution of procedures of administration and the purchase. 2.Management of purchases, sales, and inventories of the warehouse.
	Credit and AR Management Center	<ol style="list-style-type: none"> 1.To control the credit risk of the Company for collectability of trade receivables. 2.To maintain the credit management relationship with the industries. 3. To implement the Company's credit management policy.
	Human Resource Management Center	<ol style="list-style-type: none"> 1.To coordinate with strategies, planning, drawing up, management methods, SOP of corporate human resources, including the planning of human resources, organizational design and planning, recruitment and appointment, educational training and the development, salaries and benefits, performance management, employee relations and the development with the corporate culture.
	Information Management Division	<ol style="list-style-type: none"> 1.To provide automation of internal information network, implementation and maintenance of systematic statements. 2.Implementation, management and maintenance of ERP system. 3.Design and maintenance of the Company website and contents of web pages. 4.The assessment and introduction of New IT structure for effectively integration of business procedures and resources.
	Financial Management Division	<ol style="list-style-type: none"> 1.Planning, allocation and use of funds of the Company. 2.Edition and execution of the accounting policy. 3.To Review and analyze financial statements. 4.To Review and analyze the accounting certificates of revenues and expenses, and the statements of management and budget. 5.Tax planning and operations. 6.Computational procedures of finance and accounting.
	Marketing Center	<ol style="list-style-type: none"> 1.Management of unity of enacting, design, planning and implementation of the Company's CIS (corporate image system). 2.To establish a company website for the Company introduction and product marketing. 3.Responsible for advertisement of distributing product marketing, issuance of product lists, and supporting the marketing activities of the business division. 4.Product marketing planning and integration of the marketing channel.
	Customer Service Center	<ol style="list-style-type: none"> 1.To connect with upstream suppliers, the Company, and downstream customers, enact and improve the relevant procedures of after-sales services, and provide customer services in order to solve relevant questions.

B. Directors, Supervisors and Management Team
(A) Directors and Supervisors (1)

April 30, 2020 ; Units: Shares ; %

Title	Nationality Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
							Chairman	R.O.C	Chia Hsin Lin	Male	2017.06.14	3	1989.12.15	9,656,714			7.90	9,523,292	7.64
Director	R.O.C	You Mou Chiang	Male	2017.06.14	3	1994.10.06	2,642,735	2.16	2,642,735	2.12	3,185	0.00	0	0	Chinese Culture University Deputy General Manager of Zero One Technology Co., Ltd.	Note 4	—	—	—
Director	R.O.C	Jui Hsu Chen	Male	2017.06.14	3	2002.05.14	110,884	0.09	110,884	0.09	0	0	0	0	Electronic engineering, NTCU Graduate Institute of Management Science, NCTU Assistant Vice President of Citibank- Taiwan Branch Vice President of Bank of Boston- Taiwan Branch General Manager and Chief Financial Officer of D-Link Corporation	Note 5	—	—	—
Director	Juridical person	R.O.C	Prisma Commerce & Networks, Inc.	Male	2017.06.14	3	2008.06.13	1,042,759	0.85	1,042,759	0.84	—	—	—	—	—	—	—	—
	Represen- -tative	R.O.C	Prisma Commerce & Networks, Inc. Representative : Chih Chi Chou	Male	2017.06.14	3	2008.06.13	0	0	0	0	0	0	0	0	The Director of Taipei Computer Association	Chairman of Prisma Graphic Systems Inc. The director of China Electric Mfg. Corp.	—	—
Independent Director	R.O.C	Ming Hsiung Wu	Male	2017.06.14	3	2017.06.14	0	0	0	0	0	0	0	0	Department of Electronic Computer, NCTU Chairman of Promaster Technology Corp.	Note 6	—	—	—
Independent Director	R.O.C	Chien Cheng Lin	Male	2017.06.14	3	2017.06.14	0	0	0	0	0	0	0	0	Ph.D., Materials, University of Illinois Professor, Department of Materials Science and Engineering, NCTU	Professor, Department of Materials Science and Engineering, NCTU A member of Remuneration Committee of Weltrend Semiconductor Incorporated	—	—	—

Title	Nationality Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Independent Director	R.O.C	Ming Yuan Lin	Male	2017.06.14	3	2017.06.14	0	0	0	0	0	0	0	0	MBA, George Washington University, USA Department of Finance and Taxation, NCCU, The General manager and founder, Catalyst management Inc. The General Manager and Founder, Catalyst capital group corp.	Note 7	—	—	—
Supervisor	R.O.C	Yu Chi Lin	Male	2017.06.14	3	2002.05.14 (2017.06.14 Transition to supervisor)	512,101	0.42	512,101	0.41	411,106	0.33	0	0	Department of Law, Chinese Culture University	Chairman of Royal Palace Hotel The director of K WAY INFORMATION CORP. and Taiwan Advance Bio-Pharmaceutical Inc.	—	—	—
Supervisor	Juridical person	R.O.C	K WAY INFORMATION CORP.	Male	2017.06.14	3	2003.06.25	2,522,264	2.06	1,322,264	1.06	—	—	—	—	—	—	—	—
	Represen- -tative	R.O.C	K WAY INFORMATION CORP. Representative : Cheng Che Tseng	Male	2017.06.14	3	2003.06.25	0	0	0	0	0	0	0	Department of information, Chung Yuan Christian University	Chairman of K WAY INFORMATION CORP.	—	—	—
Supervisor	R.O.C	Chih Cheng Lo	Male	2017.06.14	3	2008.06.13	10,406	0.01	10,406	0.01	0	0	0	0	EMBA, NCCU Master of Computer Science, NCTU	The director and general manager of Transmission Books & Microinfo Co., Ltd. The supervisor of Welldone Company	—	—	—

Note 1: The “shareholding ratio” is based on the 122,241,978 shares of the issued ordinary shares in the period of election on June 14, 2017.

Note 2: The “shareholding ratio” is based on the number of 124,846,212 shares of the issued ordinary shares on April 30, 2020.

Note 3: To serve concurrently as Chairman of Zerone Win Investment Co., Ltd., IJOING, INC. and Feng Yi Investment Co., Ltd. ; The independent director, remuneration committee and audit committee member of Abnova (Taiwan) Corporation ; The directors of Zotech Co., Ltd., Promaster Technology Corp., JackerCleaning Co., Ltd., Ka Nei Chi information Co., Ltd. and Citpo Technologies Co., Ltd. ;The supervisor of Iweecare Co., Ltd.

Note 4 : To serve concurrently as CEO of Zero One Technology Co. Ltd.; Chairman of Petacom Technology Co., Ltd.

Note 5 : To serve concurrently as Chairman of Chiu Kang Investment Co. Ltd. and Vxis Technology Corp.; The Director of Lanner Electronics Inc.

Note 6 : To serve concurrently as Chairman of Promaster Technology Corp., Prowine Co., Ltd., and Heng Yang Investment Co. Ltd.; The Director of Promaster (Brunei) Technology Corp.

Note 7 : To serve concurrently as the directors of Catalyst management Inc., Catalyst capital group corp., Chung Tai Pottery & Porcelain Co., Ltd., and Taiwan Fashion Development Co., Ltd.

Note 8 : Major shareholders of the institutional shareholders:

April 12, 2020

Name of Institutional Shareholders	Major Shareholders
Prisma Commerce & Networks, Inc.	Greater china international investment co., ltd., British Virgin Islands (100%)
K WAY INFORMATION CORP.	Cheng Che Tseng (8.89%)、Chung Hsu Wang (6.52%)、Hua Hsuan Juan (4.53%)、Pao Chun Huang (3.43%)、Fu Yao Kung (3.42%)、Su Chiao Huang (2.89%)、Hung Chi Lin(2.83%)、Ping Jung Tseng (2.75%)、Chi Hsiung Cheng(2.43%)、Jen Tsung Hsu (2.23%)

Note 9 : Major shareholders of the Company's major institutional shareholders:

April 12, 2020

Name of Institutional Shareholders	Major Shareholders	
Greater china international investment co., ltd., British Virgin Islands	Oriental Bio-Energy Corp.	100%

Professional qualifications and independence analysis of directors and supervisors (2)

April 30, 2020

Criteria Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Chia Hsin Lin		✓					✓	✓			✓	✓	✓	✓	✓	1
You Mou Chiang		✓					✓	✓			✓	✓	✓	✓	✓	—
Jui Hsu Chen		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
The representative of Prisma Commerce & Networks, Inc.: Chih Chi Chou		✓		✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	—
Ming Hsiung Wu		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Chien Cheng Lin	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Ming Yuan Lin		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Yu Chi Lin		✓		✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	—
Chih Cheng Lo		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
The representative of K WAY INFORMATION CORP.: Cheng Che Tseng		✓		✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	—

Note1: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

- (1) Not an employee of affiliated companies of the company and company.
- (2) Not a director, supervisor of affiliated companies of the company.
- (3) Not a natural person shareholder directly or indirectly owning more than 1% of the Company outstanding shares, nor one of the Company top 10 natural person shareholders.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, ranks as of its top five shareholders, or has representative director(s) serving on the company's board based on Article 27, paragraph 2 or 3 of the Company Law.
- (6) Not directors, supervisors or employees of other companies controlled by the same person holding a majority of the company's director seats or voting shares of the company. (However, this restriction shall not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent).
- (7) Not directors (governors), supervisors or employees of other companies or institutions who are the same person or spouse as the chairperson, general manager or person holding an equivalent position of the company. (However, this restriction shall not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a company and its parent or subsidiary or a subsidiary of the same parent).
- (8) Not a director, supervisor, manager or shareholder holding more than 5% of the outstanding shares of certain companies or institutions that have financial or business relationship with the Company(However, this restriction shall not apply to the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company, and independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a company and its parent or subsidiary or a subsidiary of the same parent).
- (9) Other than serving as a compensation committee member of the company, not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, and the service provided is an audit service or a non-audit service which total compensation within the recent two years exceeds NTD500,000.
- (10) Not a spouse or first-or-second-degree relative to any other director.
- (11) Not a juridical person or its representative as defined in Article 30 of Company Law.
- (12) Not a juridical person or its representative as defined in Article 27 of Company Law.

(B) Management Team

April 30, 2020

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	% (Note 1)	Shares	%	Shares	%			Title	Name	Relation
General Manager	Republic of China	Nancy Huang	Female	2018.01.01	39,615	0.03	128	0	0	0	Department of Information Management, Ming Chuan Commercial College	Chairman of Wing Will International Co., Ltd. The general manager of Petacom Technology Co., Ltd.	—	—	—
Chief Officer of Financial Management Division	Republic of China	Michelle Chin	Female	2000.12.01	62,732	0.05	0	0	0	0	Department of Bank Management, Takming College of Finance	—	—	—	
General Manager of the business divisions	Republic of China	Kevin Chen (Note 2)	Male	2019.02.01	120,409	0.10	405	0	0	0	Dept. of Electronic Engineering, Kuang Wu Industry Junior College	—	—	—	

Note 1: Based on the outstanding ordinary shares' number of 124,846,212 on April 30, 2020.

Note 2: Mr. Kevin Chen was promoted to the general manager of the business divisions, effective February 1, 2019.

C. Remuneration of Directors, Supervisors, President, and Vice President

(A) Remuneration of Directors

December 31, 2019 ; Units: NT\$ thousands ; %

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary		
		Base Compensation (A)		retirement pension (B)		Directors Compensation (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		retirement pension (F)		Employee Compensation (G)								
		The Company	All companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements			The Company	Companies in the consolidated financial statements
																		Cash	Stock	Cash	Stock			
Director	Chia Hsin Lin																							
	You Mou Chiang																							
	Jui Hsu Chen																							
	Prisma Commerce & Networks, Inc. Prisma Commerce & Networks, Inc. Representative : Chih Chi Chou	0	0	0	0	4,656	4,656	36	36	1.34	1.34	13,177	13,177	0	0	0	0	0	0	5.09	5.09	NA		
Independent Director	Ming Hsiung Wu																							
	Chien Cheng Lin	0	0	0	0	2,700	2,700	45	45	0.78	0.78	0	0	0	0	0	0	0	0	0.78	0.78	NA		
	Ming Yuan Lin																							

Note: The Remuneration Committee assists the Board in discharging its responsibilities relating to the Company's compensation and benefits policies, plans and programs, and the evaluation of the independent directors' compensation.

Remuneration is appropriated according to the business performance of the Company in the year and the stipulated percentage of less 3% in Article 19 of the Articles of Incorporation. At present, the independent directors' compensation is appropriated by 2% of profits in the current year. Procedure for the compensation were determined by the Regulations governing the performance assessment and compensation of the directors and supervisors in accordance with operating performance of the Company, operational risks and trend of the industries, and the employee's personal achievements, contribution made to the business operation. Evaluation items includes risks of moral risks, negative influences on corporate reputation and goodwill of the Company triggered by the independent directors' misacts of internal controls, employee fraud; and considering remuneration by reaching rate of achievement, profitability ratio, operating profitability and contribution of directors and managers. The procedures for determining remuneration is based on key performance indicators of the Company. Relevant performance indicators and reasonability of remuneration shall be approved by the remuneration committee the and board of the directors, and reviewed in relation to business operation and relevant laws and regulations, for a positive correlation with the Company, and risk management.

Table of range of remuneration

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	Companies in the consolidated financial statements I	The Company	Companies in the consolidated financial statements J
Under NT\$ 2,000,000	Jui Hsu Chen 、Ming Hsiung Wu 、 Chien Cheng Lin 、Ming Yuan Lin 、 Prisma Commerce & Networks, Inc. Representative ; Chih Chi Chou	Jui Hsu Chen 、Ming Hsiung Wu 、 Chien Cheng Lin 、Ming Yuan Lin 、 Prisma Commerce & Networks, Inc. Representative ; Chih Chi Chou	Jui Hsu Chen 、Ming Hsiung Wu 、 Chien Cheng Lin 、Ming Yuan Lin 、 Prisma Commerce & Networks, Inc. Representative ; Chih Chi Chou	Jui Hsu Chen 、Ming Hsiung Wu 、 Chien Cheng Lin 、Ming Yuan Lin 、 Prisma Commerce & Networks, Inc. Representative ; Chih Chi Chou
NT\$1,000,000~NT\$2,000,000	—	—	—	—
NT\$2,000,000~NT\$3,500,000	—	—	—	—
NT\$3,500,000~NT\$5,000,000	Chia Hsin Lin	Chia Hsin Lin	Chia Hsin Lin	Chia Hsin Lin
NT\$5,000,000~NT\$10,000,000	—	—	—	—
NT\$10,000,000~NT\$15,000,000	You Mou Chiang	You Mou Chiang	You Mou Chiang	You Mou Chiang
NT\$15,000,000~NT\$30,000,000	—	—	—	—
NT\$30,000,000~NT\$50,000,000	—	—	—	—
NT\$50,000,000~NT\$100,000,000	—	—	—	—
Over NT\$100,000,000	—	—	—	—
Total	7 Persons	7 Persons	7 Persons	7 Persons

(B) Remuneration of Supervisors

December 31, 2019 ; Units: NT\$ thousands ; %

Title	Name	Remuneration						Ratio of Total Remuneration (A+B+C) to Net Income (%)		Compensation Paid to Supervisors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Bonus to Supervisors (B)		Allowances (C)		The Company	Companies in the consolidated financial statements	
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements			
Supervisor	Chih Cheng Lo	0	0	2,100	2,100	54	54	0.61	0.61	NA
Supervisor	Yu Chi Lin									
Corporate supervisor	K WAY INFORMATION CORP.									
Corporate supervisor representative	K WAY INFORMATION CORP. Representative: Cheng Che Tseng									

Table of range of remuneration

Range of Remuneration	Name of Supervisors	
	Total of (A+B+C)	
	The Company	Companies in the consolidated financial statements D
Under NT\$ 2,000,000	Chih Cheng Lo 、 Yu Chi Lin 、 K WAY INFORMATION CORP. Representative : Cheng Che Tseng	Chih Cheng Lo 、 Yu Chi Lin 、 K WAY INFORMATION CORP. Representative : Cheng Che Tseng
NT\$1,000,000~NT\$2,000,000	—	—
NT\$2,000,000~NT\$3,500,000	—	—
NT\$3,500,000~NT\$5,000,000	—	—
NT\$5,000,000~NT\$10,000,000	—	—
NT\$10,000,000~NT\$15,000,000	—	—
NT\$15,000,000~NT\$30,000,000	—	—
NT\$30,000,000~NT\$50,000,000	—	—
NT\$50,000,000~NT\$100,000,000	—	—
Over NT\$100,000,000	—	—
Total	3 Persons	3 Persons

(C) Remuneration of the President and Vice President

December 31, 2019 ; Units: NT\$ thousands ; %

Title	Name	Salary(A)		Retirement Pension (B)		Bonuses and Allowances (C)		Employee Compensation (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation Paid to the President and Vice President from an Invested Company Other than the Company's Subsidiary
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
General Manager	Nancy Huang	5,719	5,719	0	0	26,143	26,143	609	0	609	0	9.24	9.24	NA
The General manager of the Business Divisions	Kevin Chen (Note)													

Note: Mr. Kevin Chen was promoted to the general manager of the business divisions, effective February 1, 2019.

Table of range of remuneration

Range of Remuneration	Name of President and Vice President	
	The Company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	—	—
NT\$1,000,000~NT\$2,000,000	—	—
NT\$2,000,000~NT\$3,500,000	—	—
NT\$3,500,000~NT\$5,000,000	—	—
NT\$5,000,000~NT\$10,000,000	Kevin Chen	Kevin Chen
NT\$10,000,000~NT\$15,000,000	Nancy Huang	Nancy Huang
NT\$15,000,000~NT\$30,000,000	—	—
NT\$30,000,000~NT\$50,000,000	—	—
NT\$50,000,000~NT\$100,000,000	—	—
Over NT\$100,000,000	—	—
Total	2 Persons	2 Persons

Employee profits sharing granted to the management team

December 31, 2019 ; Units: NT\$ thousands ; %

	Title	Name	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	CEO	You Mou Chiang	0	891	891	0.25
	General manager	Nancy Huang				
	Chief Officer of Financial Management Division	Michelle Chin				

(D) Comparison of Remuneration for Directors, Supervisors, President and Vice President in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, President and Vice President.

1. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, president and vice president of the Company, to the net income.

Units: NT\$ thousands

Title	Proportion of the total remuneration to net profit after tax %			
	2018		2019	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Directors	6.64	7.22	5.09	5.09
Independent Directors			0.78	0.78
Supervisors	0.66	0.66	0.61	0.61
the President and Vice President	8.42	8.45	9.24	9.24

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

The Remuneration Committee assists the Board in discharging its responsibilities relating to the Company's compensation and benefits policies, plans and programs, and the evaluation of the directors' and supervisors' compensation. Remuneration is appropriated according to the business performance of the Company in the year and the stipulated percentage of less 3% in Article 19 of the Articles of Incorporation. At present, the directors' and supervisors' compensation is appropriated by 2% of profits in the current year. Procedure for the compensation were determined by the Regulations governing the performance assessment and compensation of directors and supervisors in accordance with operating performance of the Company, operational risks and trend of the industries, and the employee's personal achievements, contribution made to the business operation. Evaluation items includes risks of moral risks, negative influences on corporate reputation and goodwill of the Company triggered by directors and managers' misacts of internal controls, employee fraud; and considering remuneration by reaching rate of achievement, profitability ratio, operating profitability and contribution of directors and managers. The procedures for determining remuneration is based on key performance indicators of the Company. Relevant performance indicators and reasonability of remuneration shall be approved by the remuneration committee the and board of the directors, and reviewed in relation to business operation and relevant laws and regulations, for a positive correlation with the Company, and risk management.

Senior managers were determined in accordance with the salary considerations, market averages and individual performances. The procedures for determining remuneration is based on key performance indicators of the Company, including the financial index(such as operating revenue, profit before income tax and net profit) and non-financial index(such as being a lecturer of education and training, completion of compliance with laws and reviewing material error of operation risks for managing the divisions). Relevant performance indicators and reasonability of remuneration shall be approved by the remuneration committee the and board of the directors, and reviewed in relation to business operation and relevant laws and regulations, for effectiveness of continuity of the Company, and risk management.

D. Implementation of Corporate Governance

(A) Board of Directors

A total of 6 meetings of the Board of Directors were held in 2019. The attendance of director and supervisor were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Chairman	Chia Hsin Lin	6	0	100	
Director	You Mou Chiang	6	0	100	
Director	Jui Hsu Chen	6	0	100	
Director	Prisma Commerce & Networks, Inc. Representative: Chih Chi Chou	6	0	100	
Independent director	Ming Hsiung Wu	3	3	50	
Independent director	Chien Cheng Lin	6	0	100	
Independent director	Ming Yuan Lin	6	0	100	

Other mentionable items:

1.If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the Company's response should be specified:

(1)Matters referred to in Article 14-3 of the Securities and Exchange Act:

Meeting Dates (Period)	Resolution	Any Independent Director Had a Dissenting Opinion or Qualified Opinion
2019 13th -10 Regular Meeting April 30	1. Discussion on the amendment to the Regulations Governing the Acquisition and Disposal of Assets.	Approved as proposed by all independent directors.
2019 13th -14 Regular Meeting December 4	1. Discussion on appointment of CPAs and independent assessment.	
2020 13th -15 Regular Meeting February 26	1. Discussion on the replacement and independent assessment of CPAs in 2020 Q1.	
2020 13th -16 Regular Meeting April 27	1. Discussion on the amendment to the Regulations Governing the Acquisition and Disposal of Asset , the Procedures for Endorsement & Guarantee and the Procedures for Lending Funds to Other Parties.	

(2)There were no written or otherwise recorded resolutions on which an independent director had a dissenting opinion or qualified opinion in 2019.

2.Recusals of directors due to conflicts of interests in 2019: None.

3. Measures taken toward achievement of Board of Directors

Frequency	Period	The scope of evaluation	Method	Content
Annual	From 2019/01/01 to 2019/12/31	The Performance assessment of board of directors, board members (self-assessment or peer-to-peer assessment) and the remuneration committee.	<p>Human Resource Management Center shall be responsible for executing performance assessment, according to operation of the board of directors, participation of directors, operation of the remuneration committee, self-assessment among directors, assessment of the remuneration committee by its members, by questionnaires. The above conclusion of performance assessment shall be a reference for election or nomination of directors, and personal compensation shall be calculated by the conclusion of directors and members of the functional committee.</p> <p>Every January, after questionnaires are returned, Human Resource Management Center of the Company will, in accordance with the aforementioned rules, conduct analysis and report the result to the Board, with an emphasis on any areas with room for improvement.</p> <p>The Company has completed the performance assessment of board of directors in January, 2020, and detailed information for improvement in regarding the above evaluation in 2019 were reported to the Board at the Board Meeting of April 27, 2020. The score of assessment is graded 94 to 99 as excellent.</p>	<p>The Company has edited rules and procedures for the performance assessment of board of directors, including five items:</p> <ol style="list-style-type: none"> I. The degree of participation in the Company's operations. II. Improvements in the quality of decision making by the board of directors. III. The composition and structure of the board of directors. IV. The election of the directors and their continuing professional education. V. Internal controls. <p>It is advisable that performance assessment of board members (self-assessment or peer-to-peer assessment) include the following aspects, with appropriate adjustments made on the basis of the Company's needs:</p> <ol style="list-style-type: none"> I. Their grasp of the Company's goals and missions. II. Their recognition of director's duties. III. Their degree of participation in the Company's operations. IV. Their management of internal relationships and communication. V. Their professionalism and continuing professional education. VI. Internal controls. <p>It is advisable that the performance assessment of cover the following aspects, subject to changes according to the Company's needs:</p> <ol style="list-style-type: none"> I. Their degree of participation in the Company's operations. II. Their recognition of the duties of the functional committee. III. Improvements in the quality of decision making by the functional committee. IV. The composition of the functional committee, and election and appointment of committee members. V. Internal controls. <p>The indexes of board performance evaluation shall be determined based on the operation and needs of the Company and suitable and appropriate for evaluations by the Company, subject to regular reviews and constructive comments of the remuneration committee.</p>

4. Measures taken to strengthen the functionality of the board of the current year and previous year:

- (1) Chairman shall not serve concurrently as the managers of the Company.
- (2) There are 3 independent directors among 7 directors. The Company shall appoint independent directors more than the total independent directors in accordance with statutory regulations.
- (3) The Company shall set up the rules of board performance evaluation. The performance assessment of Board of directors for the members of Board of Directors by self-assessments in 2019, report the results to the remuneration committee, and then to Board of Directors, based on the Regulations governing the performance assessment and compensation of directors and supervisors in accordance with operating performance of the Company.
- (4) A candidates\ nomination system is adopted by a company for election of the directors of the Company, and the Company set up the Audit Committee to replace supervisors in 2020.

(B) Audit Committee(or Attendance of Supervisors at Board Meetings)

1.Information on operation of Audit Committee: Audit Committee has not established yet.

2.Information on supervisors participating in the board of directors.

A total of 6 meetings of the Board of Directors were held in 2019. The attendance of supervisors was as follows:

Title	Name	Attendance in Person (B)	Attendance Rate (%)【 B/A 】	Remarks
Supervisor	Yu Chi Lin	6	100	
Supervisor	K WAY INFORMATION CORP. Representative: Cheng Che Tseng	6	100	
Supervisor	Chih Cheng Lo	6	100	

Other mentionable items:

I.Composition and responsibilities of supervisors:

- (a)Communications between supervisors and the Company's employees and shareholders (e.g. communication channels and methods, etc.): To communicate through phone call or conference call.
- (b) Communications between supervisors and the Company's chief internal auditor and CPA (e.g. items, methods and results of the audit of corporate finance or operations, etc.): To communicate with the Company for financial and business situations, through phone call or conference call. The attendants assume no material impact on the audit report and financial conditions in recent years.

II.If a supervisor expresses an opinion during a meeting of the Board of Directors, the dates of the meetings, sessions, contents of motion, resolutions of the directors' meetings and the Company's response to the supervisor's opinion should be specified: None.

(C)Corporate Governance Implementation Status and Deviations from “ the Corporate Governance Best Practice Principles for TWSE/ TPEX Listed Companies”

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best Practice Principles for TWSE/ TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
A. Does Company follow “Taiwan Corporate Governance Implementation” to establish and disclose its corporate governance practices?		V	The Company has not set a corporate governance code of practice, but gradually operates relevant information and relevant rules of corporate governance.	None.
B. Shareholding structure & shareholders’ right (A)Does Company have Internal Operation Procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters. If yes, has these procedures been implemented accordingly? (B) Does Company possess a list of major shareholders and beneficial owners of these major shareholders? (C) Has the Company built and executed a risk management system and “firewall” between the Company and its affiliates? (D)Has the Company established internal rules prohibiting insider trading on undisclosed information?	V V V V		(A)Governance by the agent of stock affairs and chairman's Office. (B)Planned a follow up by the agent of stock affairs and chairman's Office. (C)To follow up by the Company’s system of supervision over subsidiaries, internal controls, audit, and other relevant regulations. (D)To follow up by the Company’s system of internal controls and other relevant regulations. °	None.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best Practice Principles for TWSE/ TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>C. Composition and Responsibilities of the Board of Directors</p> <p>(A) Has the Company established a diversification policy for the composition of its Board of Directors and has it been implemented accordingly?</p> <p>(B) Other than the Remuneration Committee and the Audit Committee which are required by law, does the Company plan to set up other Board committees?</p> <p>(C) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis, reported the result of performance to the Board of Directors, and use the result as reference for directors’ remuneration and renewal?</p>		<p>V</p> <p>V</p> <p>V</p>	<p>(A) Not plan yet °</p> <p>(B) The Remuneration Committee is set up in December, 2011, and shall be held for two times a year. Whether setting up other functional committees will be assessed by actual requirements of the Company, or followed up by laws.</p> <p>(C) The Company has stipulated rules and procedures for the performance assessment of board of directors. Please reference Measures taken toward achievement of Board of Directors of implementation of corporate governance in 2019 annual report. Also, Human Resource Management Center shall be responsible for executing performance assessment by questionnaires, which shall be a reference for personal compensation and nomination of directors.</p>	<p>It shall be planned by actual requirements.</p> <p>On assessment.</p> <p>None.</p>

Evaluation Item	Implementation Status		Abstract Illustration	Deviations from “the Corporate Governance Best Practice Principles for TWSE/ TPEX Listed Companies” and Reasons
	Yes	No		
(D) Does the Company regularly evaluate its external auditors’ independence?	V		(D) At least once a year, the Company evaluates the accounting firm, and the independence and suitability of its CPA, and ask CPA to issue a statement of independence based on No. 10 report of code of professional ethics of CPAs of ROC. After inspections by the board of directors on December 4, 2019 and February 26, 2020, the Company's certifying accountants has been verified to be in compliance with requirement for independence as specified in the above related regulations and article 47 of Certified Public Accountant Act (such as, the CPA is currently employed by the client or audited entity to perform routine work for which he or she receives a fixed salary, or currently serves as a director or supervisor thereof).	None.
D. Does the Company appoint competent and appropriate corporate governance personnel and corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors, assisting directors’ compliance of law, handling matters related to board meetings and shareholders’ meetings according to law, and recording minutes of board meetings and shareholders’ meetings)?	V		The Chairman appointed the Chairmen office handling matters of the directors relating to Board meetings, Committees meetings and Shareholders’ meetings and recording minutes of relevant meetings, etc. The stock affairs department is responsible for handling corporate registration and amendment registration. All application document needs to be approved by the manager.	None.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best Practice Principles for TWSE/ TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
E. Has the Company established a means of communicating with its Stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders’ questions on corporate responsibilities?	V		The Company has established a means of communicating with its Stakeholders (such as, suppliers, customers and clients, etc.) on the website, for dealing with their questions and receiving opinions. Financial Management Division will communicate with correspondent banks and debtors. Human Resource Management Center will communicate with employees, dealing with their feedbacks.	None.
F. Has the Company appointed a professional registrar for its Shareholders’ Meetings?	V		We have appointed the Registrar & Transfer Agency Department of Masterlink Securities as our registrar for our stock affairs.	None.
G. Information Disclosure (A) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status? (B) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	V V		(A) The Company has set the website(http://www.zerone.com.tw), and set a responsible unit to collect information, and regularly update the website. (B) The Company has established a spokesperson system to deal with related matters, and has appointed a person who is responsible for the collection and disclosure of company information.	None.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best Practice Principles for TWSE/ TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(C) Does the Company announce and report the annual financial statement within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statement as well as the operating status of each month before the prescribed deadline?	V		(C) The Company announce and report the financial statements, in accordance with Article 36 of Securities and Exchange Act.	
H. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?	V		(A) Employee rights and wellness: The Company has set a website for employee rights and wellness, and regularly heard the voice of employees. (B) Investor relations: The Company has established a Spokesperson policy for handling investor relations based on relevant regulations. (C) Supplier relations: The Company maintains a good relationship with manufacturers. (D) Rights of stakeholders: Stakeholders shall communicate with the Company and put forward proposals to protect their due legal rights and interests. (E) Directors’ and supervisors’ training records: The Company encourages directors and supervisor to take training required by laws, and announces training records on Market Observation Post System.	None.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best Practice Principles for TWSE/ TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>(F)The implementation of risk management policies and risk evaluation measures: The Company has already instituted internal control systems as required by law and has properly reviewed regulations of internal controls of risk management and assessments at any time. The Company also purchases insurance for directors and supervisors in order to reduce management risks.</p> <p>(G)The implementation of customer relations policies: The Company maintains a good relationship with customers for increasing profits.</p> <p>(H)Purchasing insurance for directors and supervisors: The Company maintains liability Insurance for its directors and officers.</p>	
<p>I. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange For the 2019 Corporate Governance Evaluation, the implementation status regarding below non-scoring item(s):</p> <p>(A)The Company has not set a corporate governance code of practice, but gradually operates relevant information and relevant rules of corporate governance.</p> <p>(B) The Company had completed the Board of Directors performance assessment in 2019, and reported the result to Board of Directors on April 27, 2020.</p> <p>(C) The Company will upload Annual Report in English before 7 days of the shareholders’ meeting.</p> <p>(D) The Company will set up the Audit Committee in accordance with statutory regulations.</p>				

(D) Composition, Responsibilities and Operations of the Remuneration Committee:

1. Professional Qualifications and Independence Analysis of Remuneration Committee Members

Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title	Name	Criteria	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note 1)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remarks
			An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent director	Ming Hsiung Wu			V		V	V	V	V	V	V	V	V	V	V	0	
Independent director	Chien Cheng Lin	V				V	V	V	V	V	V	V	V	V	V	1	
Independent director	Ming Yuan Lin			V		V	V	V	V	V	V	V	V	V	V	0	

Note 1: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

- (1) Not an employee of affiliated companies of the company and company.
- (2) Not a director, supervisor of affiliated companies of the company and company.
- (3) Not a natural person shareholder directly or indirectly owning more than 1% of the Company outstanding shares, nor one of the Company top 10 natural person shareholders.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, ranks as of its top five shareholders, or has representative director(s) serving on the company's board based on Article 27, paragraph 2 or 3 of the Company Law.
- (6) Not directors, supervisors or employees of other companies controlled by the same person holding a majority of the company's director seats or voting shares of the company. (However, this restriction shall not apply do not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent).
- (7) Not directors (governors), supervisors or employees of other companies or institutions who are the same person or spouse as the chairperson, general manager or person holding an equivalent position of the company. (However, this restriction shall not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a company and its parent or subsidiary or a subsidiary of the same parent).
- (8) Not a director, supervisor, manager or shareholder holding more than 5% of the outstanding shares of certain companies or institutions that have financial or business relationship with the Company (However, this restriction shall not apply to the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company, and independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a company and its parent or subsidiary or a subsidiary of the same parent).
- (9) Other than serving as a compensation committee member of the company, not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, and the service provided is an audit service or a non-audit service which total compensation within the recent two years exceeds NTD500,000.
- (10) Not a juridical person or its representative as defined in Article 30 of Company Law.

2. Duties

- (1) To establish and regularly review the policies, systems, standards and structures for performance assessment and remuneration of directors, supervisors and managers.
- (2) To regularly assess the achievement of performance targets of directors, supervisors and managers, and set their remuneration.
- (3) To review regulations of the remuneration committee and propose amendment of it at all times.

3. Attendance of Members at Remuneration Committee Meetings

- (1) There are 3 members in the Remuneration Committee.
- (2) Current Term: From June 14, 2017 to June 13, 2020; The current term is the same as that of the board of directors.

A total of 2 Remuneration Committee meetings were held in 2019. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Convener	Ming Hsiung Wu	2	0	100	
Committee Member	Chien Cheng Lin	2	0	100	
Committee Member	Ming Yuan Lin	2	0	100	

Remuneration Committee Meetings	The content of motions and after-treatment	Resolution Result	The Company dealing with a Dissenting Opinion or Qualified Opinion of committee members
3 rd -5 2019.04.30	1. To audit 2018 compensation distribution of each director and supervisor. 2. To audit 2018 employee bonus distribution of managers. 3. To audit 2018 employee remuneration distribution of managers. 4. To audit employee salaries distribution of general managers of the Business Divisions. 5. To audit 2018 distribution of restricted stock awards of managers. 6. To edit the Regulations governing the performance assessment and compensation of directors and supervisors	Approved by all committee members.	To report to Board of Directors, and approved by all attendant directors.
3 rd -6 2019.12.04	1. To audit the plan of annual bonuses of managers and employees in 2019. 2. To decide distribution ratio of 2020 directors' and supervisors' compensation and employee bonuses. 3. To discuss 2020 working plan of the Remuneration Committee.		

Other mentionable items:

- I. If the board of directors decline s to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, contents of the motion, resolution by the board of director s , and the Company's response to the remuneration committee 's opinion (e.g., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified) specified):None.
- II. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, contents of the motion, all members' opinion s and the response to members' opinion should be specified:

(E)Corporate Social Responsibility:

Evaluation Item	Implementation Status			Deviations from “ The Corporate Social Responsibility Best Practice Principles for TWSE/ TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
A. Does the Company conduct risk assessment on environmental, social, and corporate governance issues related to its operations in accordance with the materiality principle, and implement relevant risk management policies or strategies?		V	Not plan yet ◦	It shall be planned by actual requirements.
B. Does the Company establish an exclusively (or part-time) dedicated unit for promoting Corporate Social Responsibility? Is the unit authorized by the Board of Directors to implement CSR activities at the executive level? Does the unit report the progress of such activities to the Board of Directors?		V	Not plan yet ◦	It shall be planned by actual requirements.
C. Environmental issues (A)Does the Company establish proper environmental management systems based on the characteristics of their industries? (B)Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment? (C)Does the Company assess the potential risks and opportunities of climate change for its current and future operations and undertake response measures with respect to climate change?		V V V	(A)Not applicable. It has no relation with our business. (B)Not applicable. It has no relation with our business. (C)Not applicable. It has no relation with our business.	None.

Evaluation Item	Implementation Status			Deviations from “ The Corporate Social Responsibility Best Practice Principles for TWSE/ TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(D)Does the Company calculate the amount of greenhouse gas emission, water consumption, and waste production in the past two years and implement policies to cut down energy and water consumptions, carbon and greenhouse gas emissions, and waste production?	V		<p>(D)The Company sets an accurate goal of environmental and energy conservation in accordance with its operation and inspection of greenhouse gas, also formulates the environmental governance system for the improvement of resources allocation and emission of pollution, putting much effort in energy saving for indoor lighting of the office, and setting a goal for environment friendly in order to attain less pollution, lower energy consumption, and higher energy savings. Based on actual situations of operation, the site of the Company (including the office in Taipei, Taichung, Kaohsiung City) has implemented environmental protection and lighting energy saving.</p> <p>1. The important purposes for environmental protection go as follows:</p> <p>(1)Carbon emissions reduction goal</p> <p>The shock of climates changes is a global environmental issue. Thus, the globes shall be responsible for carbon emissions reduction, and attain a purpose of governance of carbon dioxide emissions reduction. The goal of carbon emissions reduction shall be formulated and announced in accordance with the standard of carbon dioxide emissions by ISO 14064. As for setting this goal in 2019, the Company's target is to reduce carbon emissions by 6% per unit of operating revenues this year in 2022.</p>	

Evaluation Item	Implementation Status			Deviations from “ The Corporate Social Responsibility Best Practice Principles for TWSE/ TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>(2)Electricity saving goal Based on the standard of ISO 14064, since above 95% of the sources of greenhouse gas is from using electricity, we set the energy-saving plans for reduce carbon dioxide emissions in accordance with the energy management system. As for setting this goal in 2019, the Company's target is to reduce electricity by 6% per unit of operating revenues this year in 2021.</p> <p>(3)Waste reduction goal As resource misallocation regarding with waste, we set a triennial plan for improving resources allocation, continuing to adopt a policy of pollution reduction, reducing toxic waste for making recyclable resources useable. As for setting this goal in 2019, the Company's target is to reduce waste by 6% this year in 2022.</p> <p>(4)To instruct policies of energy and carbon emissions conservation of the Company and its offices.</p> <ul style="list-style-type: none"> ● The temperature of the air-conditioning system is on 25 degrees Celsius. ● Turn Off Light When Leaving. ● Water saving. ● Take your own handkerchiefs. ● Take your own chopsticks and cups. ● No hard copy. ● Let employees wear no tie. ● Shut down the computer and disconnect the power plug when leaving the office, and reduce the off-peak load of part of elevators in the building. 	

Evaluation Item	Implementation Status			Deviations from “ The Corporate Social Responsibility Best Practice Principles for TWSE/ TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			2. The policy for reaching the goal To save electricity by 3 aspect -air-conditioning, electricity and lighting and other usages of electricity, and regularly inspect power consumption equipment for replacing, the Company's has reduced carbon per unit of operating revenues by 7% this year, for saving per unit of electricity, which is relevant to greenhouse gas, in 2019, compared to the record in 2017.	
D. Social Issues (A)Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights? (B)Does the Company establish and deliver reasonable employee welfare programs (including salary, compensated absences, and other benefits) and adjust employee compensation in relation to business performance?	V V		(A)Working rules and management methods shall be established and governed by the Labor Law. (B)The Company’s object is to create happiness enterprises. Except for setting the employee benefit policy by providing a comfortable lounge, travels in Taiwan or foreign countries, free health inspection, bonuses and gifts in 3 Chinese Festival, group insurance, family days and year-end activities to employees, we put much effort in increasing salaries for employees by setting aside 4% of employee compensation from annual profits, for the purpose of making employees’ body healthy, and their mind and soul satisfied.	None.

Evaluation Item	Implementation Status			Deviations from “ The Corporate Social Responsibility Best Practice Principles for TWSE/ TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(C)Does the Company provide a healthy and safe work environment and organize training on health and safety for its employees on a regular basis?	V		<p>(C)As the Company focuses on the safe and healthy work environment for its employees, our company requests annual inspections of the building which includes each exist, floor, stairway, ventilation, lightening, fire/disaster prevention related equipment and other safety and sanitation related equipment. We have to inspect and maintain them annually as follows:</p> <p>1.Access security: Strict surveillance system is set up and security is hired to ensure safety of the office of the building day and night.</p> <p>2.Maintenance and inspection of equipment: According to verification and application of public security of the building, the management committee for the building appoints a professional company to conduct inspection of public security. Inspection of fire safety equipment shall be appointed by relevant institution based on Fire Services Act. According to Safety and health work rules of employees, routine maintenance for water dispenser shall be implemented every three months, and high-voltage and low-voltage apparatus, air-conditioners, and fire safety equipment shall be maintained and inspected annually.</p>	

Evaluation Item	Implementation Status			Deviations from “ The Corporate Social Responsibility Best Practice Principles for TWSE/ TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(D)Does the Company provide its employees with career development and training sessions?	V		<p>3.Physical health: The Company hold regular employee yearly health examination, free consulting of doctors, advises of medical care by nurses, and hold lectures regarding with health, and the office will be periodically cleaned and sterilized; Also, no smoking in the office.</p> <p>4.Mental health: We hold lectures for keeping a good mental health and enhancing professional knowledge, and e-learning, regarding with stress (emotional pressure) management, communication technique, ideal thoughts.</p> <p>5.Insurance and medical allowance: We arrange labor (including occupational injury) and health insurance for employees by laws. Also, we arrange casualty and accidental health insurance for them. As for injury and death of employees and their spouse, offspring, and parents, we provide medical allowance and emergency aids.</p> <p>(D)The Company provides skills or training for personal career development plan, in order to help employees acquire skills and capabilities, by the performance management system, the plan of personal career development.</p>	

Evaluation Item	Implementation Status			Deviations from “ The Corporate Social Responsibility Best Practice Principles for TWSE/ TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(E)Does the Company comply with relevant regulations and international standards regarding customer health and safety, right to privacy, marketing and labeling of its products and services and set up relevant consumer protection policies and complaint procedures? (F)Does the Company formulate supplier management policies that require suppliers to comply with relevant regulations on environmental protection, occupational safety and health, and labor rights and request their reporting on the implementation of such issues?		V	(E)Not applicable. It has no relation with our business. V (F)The suppliers of the Company are mostly foreign brands of software and hardware products, whose supply chain for production rarely affects the environment and society.	
E. Did the Company, following internationally recognized standards or guidelines, prepare and publish reports such as its Corporate Social Responsibility report to disclose non- financial information of the Company? Has the Company received assurance or certification of the aforesaid reports from a third party accreditation institution?		V	Not plan yet °	It shall be planned by actual requirements.
F. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation: The principles hasn’t been established yet.				
G. Other important information to facilitate better understanding of the Company’s corporate social responsibility practices: The Company has paid taxes and fulfilled the obligations in compliance with the law. Explanation goes as the above.				

(F) Ethical Corporate Management:

Evaluation Item	Implementation Status		Abstract Illustration	Deviations from “the Ethical Corporate Management Best Practice Principles for TWSE/ TPEX Listed Companies” and Reasons
	Yes	No		
<p>A. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures</p> <p>(A) Does the Company have a clear ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?</p> <p>(B) Whether the Company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTM Listed Companies?</p> <p>(C) Whether the Company has established relevant policies that are duly enforced to prevent unethical conduct, provided implementation procedures, guidelines, consequences of violation and complaint procedures, and periodically reviews and revises such policies?</p>	V		<p>(A) The Company forms the working procedures and regulations of employees, according to internal controls, and implements management policies submitted to the board of directors and management, through training for new employees, internal assessment, and audit.</p> <p>(B) The Company prevents unethical conduct by periodic audit work of internal controls, and the design of electric procedures.</p> <p>(C) It has been set by Codes of Ethical Conduct for Directors, managers, and employees.</p>	None.

Evaluation Item	Implementation Status		Abstract Illustration	Deviations from “the Ethical Corporate Management Best Practice Principles for TWSE/ TPEX Listed Companies” and Reasons
	Yes	No		
<p>B. Ethic Management Practice</p> <p>(A)Whether the Company has assessed the ethics records of whom it has business relationship with and include business conduct and ethics related clauses in the business contract?</p> <p>(B)Whether the Company has set up a unit which is dedicated to promoting the Company’s ethical standards and regularly (at least once a year) reporting directly to the Board of Directors on its ethical corporate management policy and relevant matters, and program to prevent unethical conduct and monitor its implementation?</p> <p>(C)Whether the Company has established policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?</p> <p>(D)To implement relevant policies on ethical conduct, has the Company established effective accounting and internal control systems, audit plans based on the assessment of unethical conduct, and have its ethical conduct program audited by internal auditors or CPA periodically?</p>	V		<p>(A)The Company has set Codes of Ethical Conduct for employees for prohibiting all forms of improper conduct outside of the Company.</p> <p>(B)The Company has not established an exclusively (or concurrently) dedicated unit yet, but implemented the management of corporate integrity for each employee and managers of each department in daily work.</p> <p>(C)It has been formed through internal controls, hence employees shall follow the policies in self-activities during daily work.</p> <p>(D)The Company has established accounting, finance, and internal control systems to ensure integrity in our operations. Financial reports were audited by CPAs, to ensure that the financial statements present fairly.</p>	None.

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best Practice Principles for TWSE/ TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(E)Does the Company provide internal and external ethical conduct training programs on a regular basis?		V	(E)The Company does not hold education or training of integrity management inside and outside of the Company, but regard integrity as the main core items of the performance assessment, and implement it in the management of corporate integrity for each employee and managers of each department in daily work.	
C. Implementation of Complaint Procedures				None.
(A)Does the Company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received?	V		(A)Regulations regarding with reward and punishment of employees has been reviewed by administrative and related divisions.	
(B)Whether the Company has established standard operation procedures for investigating the complaint received, follow-up measures after investigation are completed, and ensuring such complaints are handled in a confidential manner?	V		(B)It has been set by Codes of Ethical Conduct for Directors, managers, and employees.	
(C)Does the Company adopt proper measures to prevent a complainant from retaliation for his/her filing a complaint?	V		(C)It has been set by Codes of Ethical Conduct for Directors, managers, and employees.	

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best Practice Principles for TWSE/ TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
D. Information Disclosure Does the Company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and Market Observation Post System (“MOPS”)?		V	Not plan yet ◦	It shall be planned by actual requirements.
E. If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Best Practice Principles for TWSE/ TPEX Listed Companies, please describe any discrepancy between the policies and their implementation: The Company has not yet established Codes of Ethical Conduct, but paid attention to the development of relevant standards of corporate integrity, for reviews and improvements of the Company's integrity management policy to enhance the effectiveness of the Company's integrity management.				
F. Other important information to facilitate a better understanding of the Company’s ethical corporate management policies (e.g., review and amend its policies). The Company demonstrates its commitment to integrity management by emphasizing and participating in training and listing the relevant policies in contracts for important customers and manufacturers.				

(G) If the Company has established corporate governance guidelines and regulations, it shall disclose: It has been disclosed on the website of the Company and market observation post system.

(H) Other Important Information Regarding Corporate Governance: NA.

(I) Internal Control Systems

1. Statement of Internal Control System

Zero One Technology Co., Ltd.

Statement of Internal Controls

February 26, 2020

Based on the findings of a self-assessment, Zero One Technology Co., Ltd. states the following with regard to its internal control system during the year 2019:

- A. The Company's Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
- B. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
- C. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities.
- D. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
- E. Based on the findings of such evaluation, the Company believes that, on December 31, 2019, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
- F. This Statement is an integral part of the Company's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
- G. This Statement was passed by the Board of Directors in their meeting held on February 26, 2020, with none of the 7 attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Zero One Technology Co., Ltd.

Chairman: Chia Hsin Lin

General Manager: Nancy Huang

2. Where a CPA has been hired to carry out a special audit of the internal control system, furnish the CPA audit report: None.

(J) If there has been any legal penalty against the Company or its internal personnel, or any disciplinary penalty by the Company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement: None.

(K) Major Resolutions of Shareholders' Meeting and Board Meetings

1. Major Resolutions of Shareholders' Meeting

Date	Major resolutions
2019.06.13	<p>(1) Proposal: Approval of the 2018 business report and financial statement . Resolution: Proposal was approved as proposed (Please search for details of proposal on Market Observation Post System). Condition of execution: It was announced as important resolution of the shareholder's meeting, in the form of material information.</p> <p>(2) Proposal: Approval of the proposal for distribution of 2018 earnings. Resolution: Proposal was approved as proposed (Please search for details of proposal on Market Observation Post System). Condition of execution: Ex-dividend date is July 6, 2019 and distribution date is July 25, 2019(NT\$ 1.49707300 per share).</p> <p>(3) Proposal: Discussion on the amendment to the Articles of Incorporation. Resolution: Proposal was approved as proposed (Please search for details of proposal on Market Observation Post System). Condition of execution: It has been approved and registered by Ministry of Economic Affairs, R.O.C., announced on July 12, 2019 on the website of the Company.</p> <p>(4) Proposal: Discussion on the amendment to the Regulations Governing the Acquisition and Disposal of Assets. Resolution: Proposal was approved as proposed (Please search for details of proposal on Market Observation Post System). Condition of execution: It has been announced on June 26, 2019 on Market Observation Post System and the Company's website, and executed it by edited regulations.</p> <p>(5) Proposal: Discussion on the amendment to Rules for Election of Directors and supervisors. Resolution: Proposal was approved as proposed (Please search for details of proposal on Market Observation Post System). Condition of execution: It has been executed after revision.</p>

2. Major Resolutions of Board Meetings

Date	Major resolutions
2019.02.27	(1)Approval of the 2018 business report, as well as parent and consolidated financial statements. (2)Approval of the proposal for distribution of 2018 earnings. (3)Approval of promotion of Kevin Chen as general manager of business division.
2019.04.30	(1)Approval of the amendment to the issuance of 2018 restricted employee shares. (2)Approval of the amendments to the Articles of Incorporation. (3)Approval of the amendments to the Regulations Governing the Acquisition and Disposal of Assets. (4)Approval of the amendment to the Rules for Election of Directors and Supervisors.
2020.02.26	(1)Approval of the 2019 business report, as well as parent and consolidated financial statements. (2)Approval of the proposal for distribution of 2019 earnings. (3)Approval of the amendment to the Articles of Incorporation. (4)Approval of discussion on 14th election of directors of the Company (5)Approval of replacement and independent assessment of CPAs in 2020 Q1.
2020.04.27	(1)Approval of the amendment to the Articles of Incorporation. (2)Approval of the amendment to the Regulations Governing the Acquisition and Disposal of Assets, the Procedures for Endorsement & Guarantee and the Procedures for Lending Funds to Other Parties. (3)Approval of nomination and review of election of directors and independent directors. (4)Approval of proposal of release the prohibition on new directors of the Company from participation in competitive business.

(L)Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors: NA.

(M)Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit and R&D: NA.

G. Information Regarding the Company's Audit Fee and Independence

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
Deloitte & Touche	Wen Chin Lin	Hsin Wei Tai	2019.01.01~2019.12.31	

Units: NT\$ thousands

Fee Range		Fee Items	Audit Fee	Non-audit Fee	Total
1	Under NT\$ 2,000,000			354	354
2	NT\$2,000,001 ~ NT\$4,000,000		2,200		2,200
3	NT\$4,000,001 ~ NT\$6,000,000				
4	NT\$6,000,001 ~ NT\$8,000,000				
5	NT\$8,000,001 ~ NT\$10,000,000				
6	Over NT\$100,000,000				

Units: NT\$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
Deloitte & Touche	Wen Chin Lin	2,200	—	—	256	98	354	2019/01/01~2019/12/31	Other non-audit fee is the expenditure for making the financial report.
	Hsin Wei Tai								

(A)When non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed: None.

(B)When the Company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: None.

(C)When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: None.

F. Replacement of CPA:

(A)Regarding the former CPA

Replacement Date	February 26, 2020		
Replacement reasons and explanations	The original CPAs of the Company were Wen Chin, Lin and Hsin Wei, Tai from Deloitte & Touche, Taiwan, Republic of China. Due to internal restructuring at Deloitte & Touche, Taiwan, Republic of China, the CPAs of the Company were changed to Chen Ming, Li and Pei Te, Chen, in 2020 Q1, approved by Board of Directors on February 26, 2020.		
Describe whether the Company terminated or the CPA did not accept the appointment	Parties	CPA	The Company
	Status		
	Termination of appointment	Wen Chin, Lin, Hsin Wei, Tai	
	No longer accepted (continued) appointment		
Other issues (except for unqualified issues) in the audit report within the last two years	None		
Differences with the Company	Yes		Accounting principles or practices
			Disclosure of Financial Statements
			Audit scope or steps
			Others
	None	V	
	Remarks/specify details:		
Other Revealed Matters	None		

(B)Regarding the successor CPA

Name of accounting firm	Deloitte & Touche, Taiwan, Republic of China
Name of CPA	Chen Ming, Li and Pei Te, Chen
Date of appointment	February 26, 2020
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the Company's financial report that the CPA might issue prior to the engagement.	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

(C)The former CPA's response for items specified in Article 10, Subparagraph 6, Item 1 and Item 2-3 of the Accounting Standards: NA.

G. The Company's Chairman, Chief Executive Officer, Chief Financial Officer, and managers in charge of its finance and accounting operations did not hold any positions in the Company's independent auditing firm or its affiliates during the last year: NA.

H. Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

(A) Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders:

Units: Shares

Title	Name	2019		As of Apr. 30, 2020	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Chia Hsin Lin	(150,000)	0	(50,000)	0
Director	You Mou Chiang	0	0	0	0
Director	Legal person Prisma Commerce & Networks, Inc.	0	0	0	0
	Representative Chih Chi Chou	0	0	0	0
Director	Jui Hsu Chen	0	0	0	0
Independent director	Ming Hsiung Wu	0	0	0	0
Independent director	Chien Cheng Lin	0	0	0	0
Independent director	Ming Yuan Lin	0	0	0	0
Supervisor	Legal person K WAY INFORMATION CORP.	(1,200,000)	0	0	0
	Representative Cheng Che Tseng	(180,000)	0	0	0
Supervisor	Yu Chi Lin	0	0	0	0
Supervisor	Chih Cheng Lo	0	0	0	0
General manager	Nancy Huang	0	0	0	0
Manager	Kevin Chen (Note 1)	110,000	-	0	0
Manager	Michelle Chin	0	0	0	0
Major Shareholders (shares holding over 10%)	Chia Hsin Lin	0	0	0	0

Note 1 : Mr. Kevin Chen was promoted to the general manager of the business divisions, effective February 1, 2019.

(B) Shares Trading with Related Parties: It's no applicable since the counterparties of equity transfer are not related parties.

(C) Shares Pledge with Related Parties: It's no applicable since the counterparties of share pledges are not related parties.

I. Relationship among the Top Ten Shareholders

As of 4/12/2020 ; Units: Shares ; %

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Chia Hsin Lin	9,523,292	7.64	2,954,714	2.37	—	—	Hui Fen Wang	Couples	—
							Ceres Investment Co., Ltd.	Relatives of the chairman of the corporate shareholder within two degrees	
Ceres investment co., ltd.	9,506,594	7.61	—	—	—	—	Chia Hsin Lin	Relatives of the chairman of the corporate shareholder within two degrees	—
							Hui Fen Wang	Relatives of the chairman of the corporate shareholder within two degrees	
Ceres investment co., ltd. Representative : tai Han Lin	599,550	0.48	—	—	—	—	Chia Hsin Lin	These two people are relatives within two degrees	—
							Hui Fen Wang	These two people are relatives within two degrees	
Hui Fen Wang	2,954,714	2.37	9,523,292	7.64	—	—	Chia Hsin Lin	Couples	—
							Ceres Investment Co., Ltd.	Relatives of the chairman of the corporate shareholder within two degrees	
You Mou Chiang	2,642,735	2.12	3,185	0.00	—	—	—	—	—
Chen Chang Liu	2,101,039	1.68	5,974	0.00	—	—	—	—	—
National Chiao Tung university	1,971,017	1.58	—	—	—	—	—	—	—
K WAY INFORMATION CORP.	1,322,264	1.06	—	—	—	—	—	—	—
K WAY INFORMATION CORP. Representative : Cheng Che Tseng	0	0	0	0	—	—	—	—	—
Yung Wei Hsu	1,243,156	1.00	44,140	0.04	—	—	—	—	—
Prisma Commerce & Networks, Inc.	1,042,759	0.84	—	—	—	—	—	—	—
Prisma Commerce & Networks, Inc. Representative : Chih Chi Chou	0	0	0	0	—	—	—	—	—
The investment account of JPMorgan securities Ltd., Co. in custody by JPMorgan Chase Bank.	948,000	0.76	—	—	—	—	—	—	—

J. Ownership of Shares in Affiliated Enterprises:

As of 04/30/2020

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors/Supervisors/Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Zotech Technology Co., Ltd.	3,500,000	85.37	0	0	3,500,000	85.37
ZeroneWin Investment Co., Ltd.	10,000,000	100.00	0	0	10,000,000	100.00
Asiaone Holdings Ltd	320,000	100.00	0	0	320,000	100.00
Techone(Shanghai)Co., Ltd.	Not applicable (Note 1)	70.00	Not applicable (Note 1)	0	Not applicable (Note 1)	70.00
WingWill International Co., Ltd.	7,000,000	70.00	0	0	7,000,000	70.00
PetaCom technology Co., Ltd.	50,000,000	100.00	0	0	50,000,000	100.00

Note 1: Not applicable. The firm does not issue shares. The Company's investments accounted for using the equity method are measured as a percentage of ownership.

IV. Capital Overview

A. Capital and Shares

(A) Source of Capital

Month/Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT\$ thousands)	Shares	Amount (NT\$ thousands)	Sources of Capital	Capital increased by Assets Other than Cash	Other
2019.03	10	150,000,000	1,500,000,000	122,896,466	1,228,964,660	Capital increased by CB conversion NT\$ 794,690. Capital increased by employee stock options conversion NT\$ 780,000.	None	Note 1
2019.05	10	150,000,000	1,500,000,000	123,309,212	1,233,092,120	Capital increased by CB conversion NT\$ 3,377,460. Capital increased by employee stock options conversion- NT\$ 750,000.	None	Note 2
2019.11	10	150,000,000	1,500,000,000	124,279,212	1,242,792,120	Capital increased by employee stock options conversion NT\$ 2,700,000.	None	Note 3
2020.03	10	150,000,000	1,500,000,000	124,623,212	1,246,232,120	Capital increased by employee stock options conversion NT\$ 3,560,000. The cancellation of restricted stock awards-NT\$ 120,000.	None	Note 4
2020.05	10	150,000,000	1,500,000,000	124,846,212	1,248,462,120	Capital increased by employee stock options conversion NT\$ 2,230,000.	None	Note 5

Note 1 : No. 10801028550

Note 2 : No. 10801054250

Note 3 : No. 10801162760

Note 4 : No. 10901038160

Note 5 : No. 10901078310

As of 04/30/2020 ; Units: Shares

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Registered ordinary shares	124,846,212	25,153,788	150,000,000	Listed shares

Note: Related information of the general declaration system : None.

(B) Status of Shareholders

As of 04/12/2020 ; Units: Shares

Shareholder structure Quantity	Government agency	Financial institution	Other Juridical Persons	Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	2	244	29,889	51	30,186
Shareholding (shares)	0	706,000	16,025,566	104,138,264	3,976,382	124,846,212
Percentage	0.00%	0.57%	12.83%	83.41%	3.19%	100.00%

(C) Shareholding Distribution Status

1. Common Shares

As of 04/12/2020

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1-999	17,779	615,670	0.49%
1,000-5,000	9,491	19,795,495	15.86%
5,001-10,000	1,490	11,539,602	9.24%
10,001-15,000	459	5,652,475	4.53%
15,001-20,000	268	4,955,981	3.97%
20,001-30,000	262	6,742,594	5.40%
30,001-50,000	201	8,082,728	6.48%
50,001-100,000	125	8,707,230	6.97%
100,001-200,000	50	7,006,323	5.61%
200,001-400,000	36	9,760,711	7.82%
400,001-600,000	11	5,741,833	4.60%
600,001-800,000	3	2,161,000	1.73%
800,001-1,000,000	2	1,777,000	1.42%
1,000,001 or over	9	32,307,570	25.88%
Total	30,186	124,846,212	100.00%

2. Preferred Shares: Not applicable.

(D)List of Major Shareholders: Shareholders holding 5% or more of total shares or in the Top 10 stock option holding ratio list.

As of 04/12/2020

Shareholder's Name	Shareholding	Shares	Percentage
Chia Hsin Lin		9,523,292	7.64%
Ceres Investment Co., Ltd.		9,506,594	7.61%
Hui Fen Wang		2,954,714	2.37%
You Mou Chiang		2,642,735	2.12%
Chen Chang Liu		2,101,039	1.68%
National Chiao Tung University		1,971,017	1.58%
K WAY INFORMATION CORP.		1,322,264	1.06%
Yung Wei Hsu		1,243,156	1.00%
Prisma Commerce & Networks, Inc.		1,042,759	0.84%
The investment account of JPMorgan securities Ltd., Co. in custody by JPMorgan Chase Bank.		948,000	0.76%

(E)Market Price, Net Worth, Earnings, and Dividends per Share

Units: NT\$

Items	Year	2018	2019	01/01/2020- 03/31/2020	
		Market Price per Share	Highest Market Price	25.80	36.25
	Lowest Market Price	17.70	19.30	26.37	
	Average Market Price	20.91	28.78	29.61	
Net Worth per Share (Note 1)	Before Distribution	17.87	19.42	20.01	
	After Distribution	16.37	17.42	--	
Earnings per Share	Weighted Average Shares (thousand shares)	122,660	123,354	124,025	
	Earnings Per Share	2.06	2.85	0.75	
Dividends per Share	Cash Dividends	1.5	2	--	
	Free share distribution	Dividends from Retained Earnings	0	0	--
		Dividends from Capital Surplus	0	0	--
	Accumulated Undistributed Dividends	0	0	--	
Return on Investment	Price / Earnings Ratio (Note 2)	10.15	10.10	--	
	Price / Dividend Ratio (Note 3)	13.94	14.39	--	
	Cash Dividend Yield Rate (Note 4)	7.17	6.95	--	

Note 1: 2019 financial data after distribution shall be resolved by Board of Directors next year.

Note 2: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 3: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 4: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

Note 5 : 2019 Earning distribution has resolved and approved by Board of Directors on February 26, 2020.

(F) Dividend Policy and Implementation Status

1. Dividend Policy:

The Company adopts a dividend distribution policy whereby only surplus profits of the Company shall be distributed to shareholders, and considers the impact on the diluted of earning per share and return on equity, according to the Company's capital budget plan, and working capital requirements in the future. Shareholders of the Company dividend distribution, of which cash dividends shall not be lower than 10% of the total shareholders' dividends distributed for the same year.

2. The dividend distributions proposed at the most recent shareholders' meeting:

Cash dividends to shareholders total NT\$ 249,574,424, and NT\$ 2 per share, approved by the Board of Directors on February 26, 2020.

(G) Effects upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting : The shareholders' meeting shall decide not to distribute shares dividends.

(H) Compensation of Employees, Directors and Supervisors

1. Information Relating to Compensation of Employees, Directors and Supervisors in the Articles of Incorporation

According to surplus earnings each year, the Company shall set aside no less than 1~15 % of them as compensation for the employees and no more than 3% of them as compensation for directors. If the Company has accumulated losses, it shall offset losses.

Surplus earnings each year as mentioned above refer to profits calculated by the current year's pretax profit before deducting of annual compensation of the employees and directors

Before establishment of the audit committee, supervisors' remuneration shall be incorporated into directors' remuneration for the purpose of calculation of the distribution ceiling of the directors' remuneration provided in the first Paragraph.

In the event that the Company, according to the final settlement, earns profits in a fiscal year, such profits shall first be set aside to pay the applicable taxes, offset losses, set aside for 10 % of legal reserve, and the remaining profits shall be set aside for or reversal of special reserve, plus accumulated retained earnings of the previous year, in accordance with the laws, regulations, or the business requirements. Any further remaining profits shall be distributed for stock dividends of preferred shares, plus unappropriated earnings shall be distributed in accordance with the proposal submitted by the Board, for approval at a shareholders' meeting.

2. The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period: NA.

3. Distribution of Compensation of Employees, Directors and Supervisors for 2019 Approved in the Board of Directors Meeting:

(1)The amount of any employee compensation distributed in cash or stocks and compensation for directors and supervisors. If there is any discrepancy between that the amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed.

Units : NT\$ Dollar

	2019		
	Board resolution	Estimate	Difference
Employee Compensation	18,911,284	18,911,284	NA
Remuneration to Directors & Supervisors	9,455,642	9,455,642	NA

(2)The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation: Employee compensation hasn't been distributed in stocks.

4. The actual distribution of employee, director, and supervisor compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated.

Units : NT\$ Dollar; Shares

	2018		
	Actual distribution amount	Board resolution	Difference
Employee Compensation	13,424,565	13,424,565	NA
Remuneration to Directors & Supervisors	6,712,283	6,712,283	NA

(I) Status of a company repurchasing its own shares: The Company hasn't repurchased any company shares in 2019.

B. Status of Corporate Bonds: As of the print date of the annual report, the creditor shall have the right for conversion of the 2nd unsecured convertible bonds based on the issuance regulations. Since all convertible bonds had been converted, the Company announces to terminate the counter trading of the convertible bonds and announce relevant information on April 9, 2019.

C. Status of preferred shares: None.

D. Status of global depository receipt: None.

E. Employee Stock Options:

(A) Issuance of Employee Stock Options:

As of 04/30/2020

Type of Stock Option	2015 1 st Tranche	2016 1st Tranche	2017 1st Tranche	
Approval date	July 14, 2015	August 16, 2016	December 18, 2017	
Issue date	August 31, 2015	September 5, 2016	January 5, 2018	September 3, 2018
Units issued	1,000 Units	1,860 Units	2,000 Units	2,000 Units
Shares of stock options to be issued as a percentage of outstanding shares (Note)	0.80%	1.49%	1.60%	1.60%
Duration	From 2015/08/31 to 2021/08/30	From 2016/09/05 to 2022/09/04	From 2018/01/05 to 2024/01/04	From 2018/09/03 to 2024/09/02
Conversion measures	Issuance of new shares	Issuance of new shares	Issuance of new shares	Issuance of new shares
Conditional conversion periods and percentages	(1) 2017/08/31:30% (2) 2018/08/31:60% (3) 2019/08/31:100%	(1) 2018/09/05:30% (2) 2019/09/05:60% (3) 2020/09/05:100%	(1) 2020/01/05: 30% (2) 2021/01/05: 60% (3) 2022/01/05: 100%	(1) 2020/09/03: 30% (2) 2021/09/03: 60% (3) 2022/09/03: 100%
Converted shares	527,000 shares	468,000 shares	61,000 shares	
Exercised amount	6,660,200 dollars	6,700,800 dollars	1,085,800 dollars	0 dollars
Number of shares yet to be converted	341,000 shares	1,198,000 shares	1,823,000 shares	1,900,000 shares
Adjusted exercise price for those who have yet to exercise their right	The unit price is NT \$ 12.40 dollars	The unit price is NT \$ 14.20 dollars	The unit price is NT \$ 17.80 dollars	The unit price is NT \$ 19.50 dollars
Unexercised shares as a percentage of total issued shares (Note)	0.27%	0.96%	1.46%	1.52%
Impact on possible dilution of shareholdings	The Company tends to attract and retain outstanding professionals, encourage excellent employees, and strengthen coherence of the Company, for creating benefits for the company and shareholders. Therefore, it has a positive effect on shareholders' equity.			

Note : Total issued shares indicate that number of issued shares of the Company registered by Ministry of Economic Affairs is 124,846,212 at present.

(B)List of Executives Receiving Employee Stock Options and the Top Ten Employees with Stock Options

As of 04/30/2020

	Title	Name	No. of Stock Options	Stock Options as a Percentage of Shares Issued (%) (Note 1)	Exercised				Unexercised															
					No. of Shares Converted	Strike Price (NT\$)	Amount (NT\$ thousands)	Converted Shares as a Percentage of Shares Issued (%) (Note 1)	No. of Shares Converted	Strike Price (NT\$)	Amount (NT\$ thousands)	Converted Shares as a Percentage of Shares Issued (%) (Note 1)												
Executive officers	General manager	Nancy Huang	950,000	0.76	-	-	-	-	330,000	14.20	4,686,000	0.26												
	Director of the Financial Management Division	Michelle Chin							350,000	17.80	6,230,000	0.28												
									270,000	19.50	5,265,000	0.22												
Employee	General manager of the Business Divisions	Kevin Chen (Note 2)	2,720,000	2.18	233,000	12.4	2,889,200	0.19	221,000	12.40	2,740,400	0.18												
	Vice President	Ben Dai							66,000	13.1	864,600	0.05	534,000	14.20	7,582,800	0.43								
	Executive Assistant of the General Manager's Office	Gary Wang																						
	Senior Assistant Vice President	Polina Yuan																						
	Senior Assistant Vice President	Fanny Cheng																						
	Assistant Vice President	Charles Lin															156,000	14.2	2,215,200	0.12	700,000	17.80	12,460,000	0.56
	Assistant Vice President	Jack Yang																						
	Product Assistant Vice President	Bonbon Wang																						
	Senior Manager	Roy Kuo															10,000	17.8	178,000	0.01	800,000	19.50	15,600,000	0.64
	Senior Manager	Bryant Chen																						

Note 1 : Total issued shares indicate that number of issued shares of the Company registered by Ministry of Economic Affairs is 124,846,212 at present.

Note 2 : Mr. Kevin Chen was promoted to the general manager of the business divisions, effective February 1, 2019.

F. Issuance of New Restricted Employee Shares: NA.
 (A) Issuance of New Restricted Employee Shares :

Type of New Restricted Employee Shares	2018 Grant
Date of Effective Registration	2019/04/15
Issue date	2019/06/13
Number of New Restricted Employee Shares Issued	700,000 shares
Issued Price (NT\$)	Issue price is NT\$ 0
New Restricted Employee Shares as a Percentage of Shares Issued(%) (Note 1)	0.56
Vesting Conditions of New Restricted Employee Shares	<p>(1) After employees received the vested shares, employees' continuous employment with the Company through the vesting period and achievement of personal performance are required to receive the vested shares by the portion of:</p> <p>Employees, continuous employment with the Company for 1 year, will receive 25% of the vested shares. Employees, continuous employment with the Company for 2 year, will receive 25% of the vested shares. Employees, continuous employment with the Company for 3 year, will receive 25% of the vested shares. Employees, continuous employment with the Company for 4 year, will receive 25% of the vested shares.</p> <p>(2) After employees received the vested shares from the Company, it will redeem and cancel the issued restricted employee shares as employees breach the labor contract and working regulations, for the restricted employee new shares that don't meet the vesting conditions.</p>
Restricted Rights of New Restricted Employee Shares	<p>(1) After receiving the vested shares, employees shall not sell, transfer, bestow, pledge, ask the Company to redeem, or dispose in other way the unvested restricted shares, unless employees meet the vesting conditions.</p> <p>(2) For the restricted employee new shares that don't meet the vesting conditions, the rights of attending, proposal, speaking and voting in shareholders meeting of the restricted employee new shares are executed by the custodian according to the trust agreement</p> <p>(3) The employees holding unvested Restricted Shares are not entitled to the rights to participate in shares and cashes dividends distribution, as well as the preemptive right to subscribe for the new shares issued for cash capital increase. From 15 business days before the book closure date, for shares and cashes dividends distribution, as well as the new shares issued for cash capital increase, to the record date, the employees, who meet the vesting conditions, shall not be entitle to the rights to participate in shares and cashes dividends distribution, as well as the preemptive rights to subscribe for the new shares issued for cash capital increase.</p>

	<p>(4) In case the Company applies for capital reduction by cash and other capital reduction other than capital reduction by law before employees meet the vesting conditions, the RSA shall be cancelled by pro rata of capital reduction. In case of capital reduction by cash, the cash returned must be given to trust and shall only be given to employees after meeting the vested conditions and period. Nonetheless in case the employees fail to meet the vested conditions upon the expiration, the Company shall recover the cash.</p> <p>(5) The RSA shares shall be kept in a custodial trust immediately after the issuance. The granted employees have no right to ask the trustee to return the RSA shares for any reasons or by any way prior to the achievement of vesting conditions.</p>
Custody Status of New Restricted Employee Shares	The vested shares should be deposited in trust of stock, assigned the Company or appointed proxy to sign and edit the relevant trust agreement with the trust organization, and deal with related matters for trust for employees who received the vested shares.
Measures to be Taken When Vesting Conditions are not Met	Restricted employee new shares as redeemed by the Company without charge will be cancelled.
Number of New Restricted Employee Shares that have been Redeemed or Bought Back	12,000 shares
Number of Released New Restricted Employee Shares	—
Number of Unreleased New Restricted Shares	688,000 shares
Ratio of Unreleased New Restricted Shares to Total Issued Shares (%)(Note 1)	0.55
Impact on possible dilution of shareholding	The dilution for future EPS is limited and therefore has no major impact on shareholder's equity.

Note : Total issued shares indicate that number of issued shares of the Company registered by Ministry of Economic Affairs is 124,846,212 at present.

(B)List of Executives Receiving New Restricted Employee Shares and the Top Ten Employees with New Restricted Employee Shares :

As of 04/30/2020

Title	Name	No. of New Restricted Shares	New Restricted Shares as a Percentage of Shares Issued (Note 1)	Released				Unreleased			
				No. of Shares	Issued Price (NT\$)	Amount (NT\$ thousands)	Released Restricted Shares as a Percentage of Shares Issued (Note 1)	No. of Shares	Strike Price (NT\$)	Amount (NT\$ thousands)	Unreleased Restricted Shares as a Percentage of Shares Issued (Note 1)
General manager	Nancy Huang	324,000	0.26	-	Not Applicable	10	-	324,000	Not Applicable	10	0.26
General manager of the Business Divisions	Kevin Chen (Note 2)										
Director of the Financial Management Division	Michelle Chin										
Vice President	Ben Dai	208,000	0.17	-	Not Applicable	-	-	208,000	Not Applicable	10	0.17
Executive Assistant of the General Manager's Office	Gary Wang										
Senior Assistant Vice President	Polina Yuan										
Senior Assistant Vice President	Fanny Cheng										
Assistant Vice President	Kammy Chuang										
Assistant Vice President	Charles Lin										
Assistant Vice President	Jack Yang										
Product Assistant Vice President	Bonbon Wang										
Senior Manager	Bryant Chen										
Senior Business Manager	May Chen										

Note 1: Total issued shares indicate that the number of issued shares of the Company registered by Ministry of Economic Affairs is 124,846,212 at present.

Note 2: Mr. Kevin Chen was promoted to the general manager of the business divisions, effective February 1, 2019.

G. Status of New Shares Issuance in Connection with Mergers and Acquisitions: NA.

H. Financing Plans and Implementation

In 2020 Q1, with respect to each uncompleted public issue or private placement of securities, and to such issues and placements that were completed in the most recent 3 years but have not yet fully yielded the planned benefits, the company doesn't have the plan for each such public issue and private placement.

V.Operational Highlights

A. Business Activities

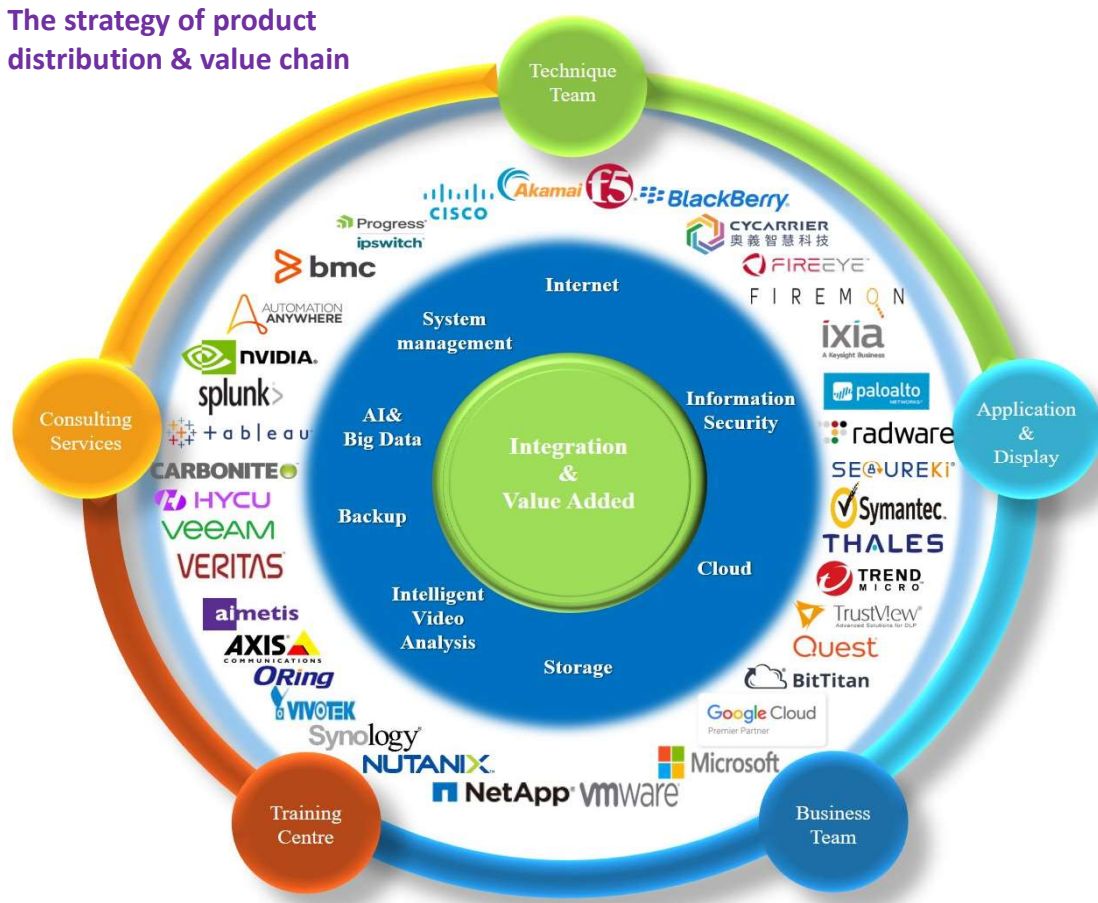
(A)Business Scope:

1. Main areas of business operations:

The Company and subsidiaries continue to master the market trend, cooperate with the manufacturers, provides leading-edge, diversified, and accurate IT solutions for conforming to rapid and complex trend of technology, and keeps distribute international brand products. An upgraded and overall IT solutions is based on a motto – ”To satisfy requirements of business growth and digital transformation for being a distributor; To deem strategies of the development of products as solutions”.

The structure of product distribution is as follows:

The strategy of product distribution & value chain



2. Revenue distribution

2019

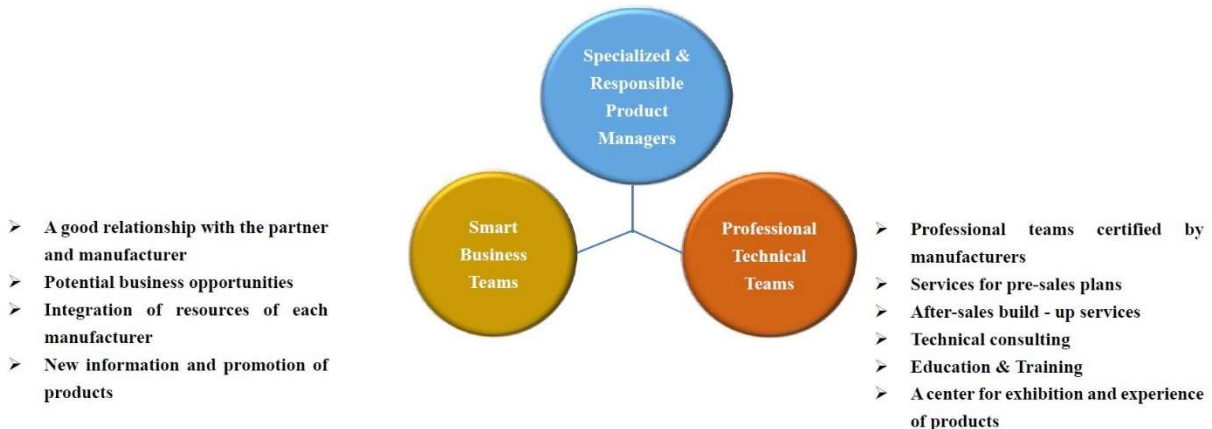
Units: NT\$ Thousands

Major Divisions	Total Sales in Year 2019	(%) of Total Sales
IT infrastructure	2,341,572	26.27
Network & information security	4,334,514	48.62
Cloud platform & application	1,651,780	18.53
Big data & application	580,651	6.51
Others	6,653	0.07
Total	8,915,170	100.00

3. The main products & services of the Company

- (1) Big data analysis and AI application : Data management platform, visual analysis tools, deep-learning platform and AIO.
- (2) System application: servers, automatic deployment management and surveillance, backup, storage management, files classification.
- (3) Integrated communication equipment: Mobile office application and distance conference systems, networked video/voice conference, Intelligent Video Surveillance, IP network switch.
- (4) Virtualization application: Servers, virtualized operating system of desktop, and hybrid cloud and automatic management.
- (5) Cloud application: Basic infrastructure, OA application, cloud safety, cloud delivery network.
- (6) Information security: Advanced persistent threat protection, DDoS protection, server security and endpoint security, gateway protection, inspection of security of web codes, authentication and access security, mail servers protection, data security protection, IoT equipment security.
- (7) Network equipment: Switches, wireless networks, routers, network management systems, network equipment of data center, software-defined networking, network equipment of telecom service providers, network load balancing.
- (8) Storage device: storage arrays, all-flash storage arrays, cloud-integrated applications, software-defined storage solutions, hyper-converged infrastructure solutions.

- Smart marketing strategies
- Forward-looking market analysis
- Assistance in increasing marketing opportunities for businessman
- Product promotion & Program planning



(B) Industry overview

1. Situations and the development of the industry

status quo and future of the industry and market of the Company's information equipment, cloud services and applications, network and information security, and big data and applications based on analysis research reports and data such as IDC, Gartner, and Capital Policy, shall be indicated as follows:

(1) Information equipment:

In recent years, with the rise of new technology platforms, such as cloud, big data analysis, AI, mobile 5G and Internet of Things applications, a wave of digital transformation is starting to take place over the world, and in-depth application of new technologies has gradually promoted the industries to grow in 2019. In order to increase the competitiveness of enterprises, Taiwanese enterprises will accelerate digital transformation, and continue to increase their IT budgets and expenditures. Under the trend of more diversified product applications and more competitive the development of industries, the growth of the information equipment market will be expected due to the development of creative commercial modes of enterprises, in order to keep upgraded equipment satisfying or conforming to requirements of the markets in the future.

(2) Cloud services and applications :

New technologies have grown a lot in recent years, such as mobile applications, big data, and social media, and it has led to the gradually increase in adoption of cloud services. From enterprise applications to consumption of public, from technological innovation to price-cutting competition, cloud services have moved towards a commodity market. According to a survey of MIC, the market of the cloud service in Taiwan is mainly on the adoption of e-mail, information security, video conferences and virtual desktops, etc. The major reason for the adoption is owing to the investment cost, resilient infrastructure and quick introduction of software and hardware. As the development of cloud services is becoming more advanced, Taiwan enterprises have also concentrated on and adopted cloud services, and users are highly interested in subscription services. People from all walks of life have begun to introduce different types of from B2C to B2B, including food, clothing, housing, transportation, education, entertainment, etc. As the consultant of the industry of IDC-Yi Chih Wang points out many leading enterprises have successively launched subscription services as the newest interesting business model, and it will become a major source of operating revenues, and replace the traditional model. IDC predicts that more than 85% of Taiwanese enterprises will plan the cloud deployment in the future, and expects the promotion and development of hybrid cloud to lead the future development of Taiwanese enterprises of IT markets.

Cloud and data center applications will become an important support for enterprise transformation. With rapid quickly, fast and rapid response to market changes, cloud capabilities are not only an IT issue, but also an operation issue of our core business.

(3) Network & information security:

Since MIC indicates that USA versus China faces information products with distrust, due to the trade war, Taiwan plays an important role on international information security industry, introduces commercial opportunities of information security. Besides, it increases requirements of products of information security for Taiwanese supply chain, such as the chip, component and product lines, etc.

MIC's consultant-Yi Chih Wang-points out that Taiwan has been attacked by hackers, so it becomes a lab of researching for information security by experiences of dealing with internet virus and hackers, focuses on relevant industries in order to develop technology of protection of information security. Fraudulent news and documents may trigger risks to brand products, affect business opportunities of markets, and increase requirements for digital trust in domestic and foreign enterprises, such requirements shall be increased from the financial industries to manufacturing, medical and retail industries, etc., in the future.

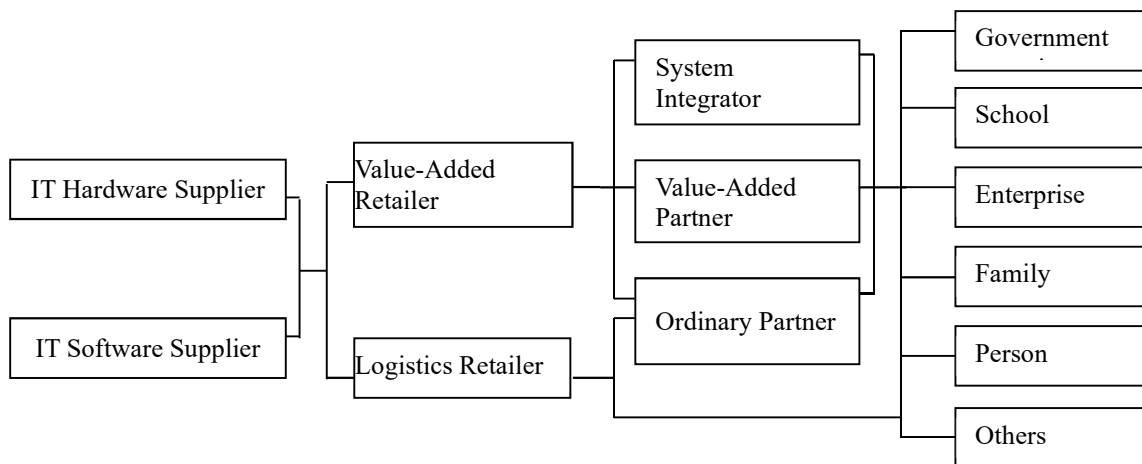
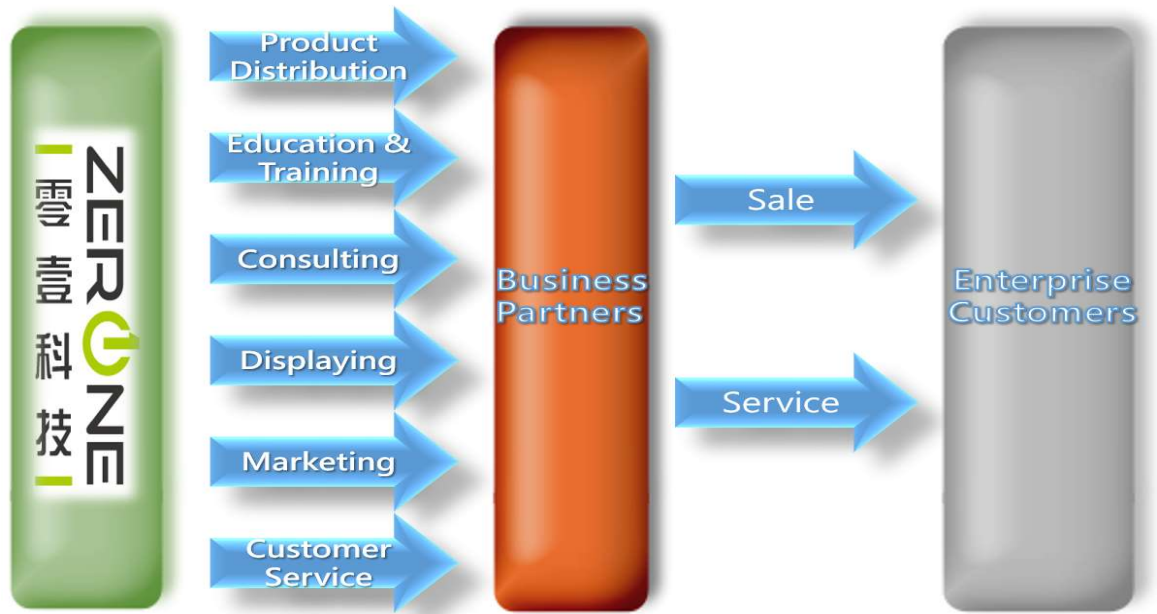
(4) Big data and its application:

According to information of IEK of ITRI, global requirements of information of data analysis grow rapidly, and predicted to reach US\$15.1 billion in 2020. Future application of big data will become a pivotal tool for the development of industries and enhancing competitiveness. As big data become popular, the opportunity of Taiwan shall be the development of application and services, establishment of a platform of big data, supporting application of domain verification, and promotion of innovative application of big data.

IEK of ITRI deems important information of important customers as a key point of entering into digital transformation. However, with the awareness of personal information protection, the enterprises must obtain information via other methods, which shall be forecasted increasing requirements of data markets, and promotes establishment of the innovative operation method of emerging industries, for a wave of opportunities of the development of data markets.

2. Correlation of upstream, mid-stream, downstream industries

The Company belongs to the information service in the industries, and the major business activities are distribution of network software and hardware products, and providing professional technical services. As for structure model of network industries, upstream suppliers are domestic and international network software and hardware manufacturers, and the mid-stream is retailers, separated into the value-added and logistics retailer by providing professional services or not. The logistics retailer concentrates on product sales, and the value-added retailer provides relevant technical support services to the downstream suppliers. The Company refers to the value-added retailer. For upstream manufacturers, the mid-stream retailer provides marketing channel for saving selling and administrative expenses of sales staff of suppliers. For the downstream system integrator, value-added and ordinary partners, since the retailer is familiar with the product structure of distributing products, it can provide complete consulting services and technical support to each distributor, for achieve the efficiency of professional teamwork. Otherwise, retailers can sell products of a variety of the distributing brands to downstream industries, and then provide products to end users, such as the government agencies, school, enterprises, families, and persons, etc., through cooperation with partners.



3. Each trend of products

(1) Software markets:

According to survey of MIC, macro-economics, manufacturing plans for observation of the development of upstream, mid-stream, downstream industries in 2020 go as follows:

Applications of 5G increase the requirements of the semiconductor market and new technologies which make information equipment purchased and upgraded, and inducing the deployment of automation. As the industries go through the process of networking and digitization, a good collection of industrial data will be taken. In response to and solving the problems of operations of manufacturing industries. Industrial APPs will become attention of industrial cloud platforms and manufacturers. International leading manufacturers have begun to deploy relevant program development and human resource cultivation.

As for streaming services and marginal computing, and the analysis of the trend of miniaturized cloud service data centers, marginal computing is based on smart connections, real-time response and data security, and induces the connection of terminal devices, marginal equipment for forming a smart environment. Compared with cloud computing, marginal computing adopts more decentralized thoughts to design computing, constructing diversified computing, products and services of software and hardware between the cloud and the terminal. It can be expected that the computing, storage, and connection performance of terminal devices will further change in the future, and software-defined and network virtualization technology will be on the edge, especially for devices in specific facilities, such as smart manufacturing industry and smart medical facilities. Forming a miniaturized cloud service data center from the upstream to downstream, the development of servo equipment and network toward new specifications and new applications is worth observing in the future.

(2) Cloud services and applications:

Oracle forecast driven by the popularity of cloud application services, 90% of manual IT operations and data management tasks will be fully automated years in 2025, and will change the daily work of technicians require a lot of processing time, engineers will spend much time to develop advanced technologies, such as artificial intelligence and machine learning. Over the past decade, machine learning has required large servers, complex models, and extremely professional teams to put more time and resources. At present, some machine learning applications are able to put into motion sensors, and find more intelligent functions in edge devices. In 2022, IDC predicts that, 25% of global terminal equipment will have capabilities of AI edge computing. By collecting, analyzing, and learning the actions and usage habits of these AI terminal devices, with the deployment and services of 5G networks becoming more complete in the future, related feedback of it shall be transmitted back to the cloud through networking, for conforming to machine learning of the cloud. Therefore, edge computing will never replace cloud computing, but it can quickly improve the functions of cloud computing. By creating a decision system in the sensor, engineers can improve resources and save much energy and time. The successful application of these advanced technologies will be a supporting result for the information service providers to move towards cloud services.

(3) Network and information security:

As accidental incidents of information security are increasing, fraud, hackers and data loss has increased with each passing day, as well as the launch and popularization of application of many emerging technologies affect development and progress of the market of information security of Taiwan. At present, more enterprises are storing important business data in the cloud and use hybrid cloud. Hence, some key business systems are preserved in the local deployment environment, and most of the data shall be transferred to the cloud. Although, this approach can increase flexibility of enterprises and reduce costs, hybrid environment may trigger conflicts with rules of security, and become difficult to be controlled. As of 2025, sensitive data shared in the cloud will be expected to expand 600 times, and security threats, such as the significantly increase of external automated attacks and abuse of authorization credentials.

As for increasing attacks, ensuring data and system resilience is critical for enterprises. However, due to the shortage of labors for internet security, enterprises don't have enough professionals to ensure security. Hackers can easily launch attacks on systems because patches that haven't been installed. Therefore, in order to prevent endless network attacks, the best option for enterprises is to deploy autonomous systems and integrate advanced functions for security at all levels from application, data to the IT infrastructure of the chip.

During the past, enterprises adopt services of information security management to conduct surveillance and upgrade of equipment, and surveillance of the incident of information security. With the rapid update of attacks and viruses, service providers begin to use new technologies, such as artificial intelligence and machine learning, to provide automatic detection, responses and digital verification. Enterprises also change from a passive methods to active ones in their defensive mode, and further extend from handling of the incident of information securities before and after incidents happen, including "Threat Life-Cycle Management"-advanced information security testing, threat, training of the incident responses, network security training. Especially in Taiwan, the increasing requirements of "Threat Life-Cycle Management" will increase the budget of information security management services of enterprises.

(4)Big data and application:

Besides the cloud computing and the Internet of Things, the big data market has become competitive among enterprises. Enterprises have invested many funds to obtain data sources and done data analysis. However, it is undeniable that many enterprises have the problem of limited interdisciplinary capabilities, and cannot assure how to induce Data Monetization. It not only cost a lot of money in data storage, but also requires a lot of labors and materials to seek Data Monetization. 5G technology will start to become an important rule on promotion of big data and its applications, so that the different types of big data will be more centralized. For the industry of information services, as 5G is completed, it will bring a larger amount of data in more dimensions. The questions, such as introduction and application of unstructured data generated by information networking equipment in households, enterprises and even government, shall be solved, as for a large amount of unstructured data collected, before artificial intelligence identified, and training of artificial intelligence by labors. With the implementation of artificial intelligence in business competed, the data labeling completed by engineers in the laboratory shall be greatly increased. Data engineers are overwhelmed. Professional data management products and visual analysis services shall bring new business opportunities for the industry of information services.

4. Situations of competition of products

As for ever-changing application of network forms various type of product, most manufacturers increase competitiveness and reduce costs by distributing products by applicable value-added retailers with professional technologies, resulting in aggressive competition for products' prices between retailers. As the decline of profit margins, high-reliability products, high-tech support, high-network integration technology, high-quality education and training, and perfect after-sales maintenance services have become the necessary factors besides price competition.

As the products of hardware and software of IT equipment servers grow synchronously with the application requirements of the network, the products of the Company and its subsidiaries are more competitive in the markets, and the advantages and disadvantages of products are as follows:

(1)Advantages:

- a. A retailer, who is founded for a long time, provides IT solutions and value-added services.
- b. Cooperation with more than 2,500 partners who focus on value-added services.
- c. The most professional and outstanding teams grouped by product managers.
- d. As an enterprise with completed brand IT solutions.
- e. A retailer has the education & training center, and exhibition center of demo machines.
- f. A platform of creative marketing services.
- g. Services provided by professional consultants.
- h. Support services of the professional technology.
- i. The business sites in Taipei, Taichung, Kaohsiung were established for providing perfect services to customers in Taiwan.

(2)Disadvantages: The business model is limited to suppliers.

(C)Research and Development

1. Technical levels and R&D of the business

The main business activities are distribution and technical support services, R&D personnel focus on researching the technology of distributing products. The Company and subsidiaries distribute most product lines of hardware and software of the network, and some of them are the major products of international manufacturers, hence having an advantage at the technical level, bring great benefits for selling distributing products of the Company and its subsidiaries. Otherwise, compared to a value-added channel retailer for buying and selling distributing products, we, a valued-added retailer, provide a full range of selling variety of products and professional services, compared to the logistics channel. The Company and its subsidiaries are supported by professional and technical personnel to provide customers with solutions of information products, thus laying a good image and status in the professional field of information and the network, and consolidating relationship with downstream customers.

On the other hand, in line with the inheritance of the technology and development, the Company and its subsidiaries have involved in the field of regional/wide area servers in the recent years, launching printer and network servers, winning higher reputation between the industries. Sales has yearly increased, it not only proves the Company and its subsidiaries have great capabilities of R&D of the technology, but also increases ranges of sources of earning profits.

2. During 2019 and as of the date of publication of this annual report, expenses of research and the development, as well as technology and products produced successfully.

Items\Year	Units: Amounts in thousands of NT	
	2019	2020 Q1
Expenses of research & development	7,021	1,452
Operating revenues	8,915,170	2,531,807
Ratio of expenses of research & development to operating revenues (%)	0.08	0.06

3. Research and development achievements during 2019 and as of the date of publication of this annual report.

The Company and its subsidiaries launched competitive finished products, besides continuing to involve in the research and development of regional/wide area servers in the recent years, complying with new trends in the current markets, including CPE equipment networked with 4G/LTE, application of printing in the offices, etc. At recent, we put much effort in labors, in order to research software and hardware of Industry IoT and involve in developing technology of Smart Edge. As application of Smart Edge helps us receive experiences and feedbacks, we expect to make the Company competitive and increase sales opportunities.

(D) Long-term and Short-term Development

1. Short-term Development

- (1) To maintain relationship with top 300 partners, and improve customer satisfaction.
- (2) To establish a closer relationship with manufacturers.
- (3) To focus on promotion of niche products to maintain high gross margin.
- (4) To concentrate on the resources for operation of product lines, which help earn stable profits.
- (5) To accomplish execution of the business.
- (6) To strictly control operating expenses.

2. Long-term Development

- (1) To introduce a product lines, which can cooperate with solutions, and reach a goal of providing completed solutions.
- (2) To operate a promotion approach of business, based on projects of solutions.
- (3) As for a guideline to helping customers become successful, we establish relationship with customers, with high loyalty.
- (4) To establish innovative marketing, services platform, and regulations to improve operating efficiency.
- (5) To establish standard operating procedures of R&D to ensure quality of products.
- (6) To continue employee education and training in order to enhance their professional knowledge.
- (7) To establish a technical team for providing services of consulting and planning.
- (8) To keep asking for execution of operating details.

B. Markets and Sales Overview

(A)Market analysis

1.Areas of selling or providing products and services

Units: Amounts in thousands of NT dollars

Division \ Year	2018		2019	
	Amount	%	Amount	%
Taiwan	6,526,576	98.18	8,821,731	98.95
Other Area	120,776	1.82	93,439	1.05
Net operating revenues	6,647,352	100.00	8,915,170	100.00

2. Situations and growth of the supply and demand of markets

As for fraught with uncertainty of conditions of economics and politics, and the purpose of a decrease in total operating expenses, a market survey institution-Gartner-predicts that enterprises shall purchase IT equipment and introduce solutions for improving efficiency of operation of enterprises, and making enterprises more competitive, and global IT expenditures shall up to 3.9 and 4 trillion US dollars in 2020 and 2021, 3.4% and 3.7% in year-over-year growth, respectively.

A research claims that IT expenditures from software is highest than others, due to an increase in payments for purchasing enterprises software, and introduction of SaaS(Software as a Service) for improving efficiency of operation of enterprises, and predicts that cloud application services' expenditures will be much higher than traditional software's. Otherwise, as enterprises application services shall conform to upgraded specification of IT equipment (including cellphone and PC), an increase in requirements of updated IT equipment in Great China and APAC shall be predictable, and its amounts will be up to US\$ 10 billion.

3. Niche of competition

The Company has focused on operation of solutions of software and hardware of the network, organizing value-added channels for solutions of domestic products of the network for a long time, and sincerely evaluating and introducing each solution of leading brands. Our business philosophy is to help customers become successful, in addition to providing completed solution, and professional services of technical support, and a long term and perfect relationship with partners by providing products to distribution partners and educational training of the technology enhances knowledge and sales capabilities of products of partners. Owing to keeping a good relationship with partners, operating capabilities of the Company is recognized by the business markets, through complete product portfolio and perfect abilities of technical support. The viewpoints for explanation of competition niche of the company are as follows:

(1)Distribution and R&D of the brand-name products for completed solutions of the network:

The Company has had completed IT solutions of hardware and software, for helping customers solve all issues of the projects, and meeting different types of requirements.

The Company provides leading brand products, with a certain reputation and reliability in the market, of all areas in the business community.

(2)Completed value-added partner channel:

The Company has had necessary operating system, storage, virtualization, and network brand equipment, the Company has the record of transactions with most of all partners, which are engaged in solutions. Thus, the Company has had the most completed data of partner channels, as operating the projects of value-added solutions.

(3) Innovative marketing platform:

The Company puts many labors into carrying out different types of innovative marketing platform, hope to figure out requirements of customers precisely by our leading marketing channel, which is better than the industry, and improve satisfaction of customers through more interaction between the Company and partners.

(4) Innovative service models:

The Company has drawn upon the concept of cooperative chain combined with capabilities of partners to organize the only platform of information services in the industries. The platform provides all information services, including warranty, maintenance, installation, and solutions, etc.

(5) Well-equipped education and training center:

The Company, with the education and training center which is well-equipped with three classrooms for up to 250 people at present, is the only retailer and agent who provide services of long-term education and training to salespersons of partners and engineers regarding with products and technologies, provides technical certificated lectures and tests of products and helps partners win trust and acquire technical support of end-users, through completed education and training authorized by manufacturers.

(6) Planning services of professional consulting:

The Company has had the teams of professional consulting services, and been good at different fields of solutions, which not only assist technical support of partners but also train internship of technical support, and provided value-added services for create a competitive advantage for unique services distinct from other retailers.

4. Factors of advantages and disadvantages, and countermeasures of the development for prospect

(1) Factors of advantages of the development for prospect

A. Invention of new technologies increase requirement of users

From the Network to Cloud, it leads to different types of solutions produced and requirements of information security increased. Requirement of information security emerged, due to implementing different types of project, and users depend on information solutions frequently. As technologies continue to develop, we concluded that IT information industries will keep growing in the long term.

B. To create new opportunities in a digital era

The world shall be trapped in a storm of digitalization, beyond the borders of the countries, as the technology of unmanned and automation has been manipulated day and night. For completion of infrastructure of the internet all over the world, we meet requirements of customers who need services of solutions, correspondent to the trend in the Cloud era. For example, how to establish an automated and interactive operation of the business model of promotion shall be an opportunity for huge growth of profits.

(2) Disadvantages and countermeasures of the development for prospect .

A. Cutthroat competition with the same industries leads to decrease profits

The corresponding strategy:

(A) To focus on core competitive advantages and provide services of differentiation.

(B) To discard the produce line, which is not value-added, for earns low profits.

(C) To provide niche products in the niche markets, and provide integrated solutions.

(D) Changes from sales of products with single function as a traditional retailer, to engage in providing solutions to customers.

(E)To concentrate on the partner channel, and improve customer satisfaction.

(F)To develop new channels, for creation of a blue ocean strategy.

B. Information products with a short life cycle and higher inventory risks.

The corresponding strategy:

(A)To control time for completion of the project.

(B)To strictly execute surveillance and control of inventories, inspect inventories for safety quantity of stock based on requirements of the markets.

(C)To establish a good relationship with manufacturers, and receive new information of products.

(D)To make manufacturers agree with our policy of sales return and exchange.

(E)To increase sales turnover by increasing products turnover.

(F)To strictly control and manage procedures of the procurement.

(B)Important use, and procedures of production and manufacturing of major products

1. Important use of major products

Name of products	Major purposes of product
Systematic network software	In order to set up the most basic core of network, it provides implementation of office, factory and design automation, and the internet of the Company.
Network application software	A wide range of application software is on the Internet, such as databases, anti-virus software, e-commerce, groupware, cloud backup software, and security and management software of the Internet.
Authorized products by enterprises	Systematic and application software are authorized by the various manufacturers, who provide the certificate of use rights by laws as the usage is large.
Hardware of Network equipment	Hardware equipment for hardware configuration or enhancement is required to connect with the WAN and the Internet, such as routers, remote accessors, load balancers, network caches, firewalls, etc.
Virtualization platform	Customers quickly develop, automate and securely use all applications. Built on a software-defined data center that includes the automated computing, storage, network, and security virtualization, the software-defined approach allows customers to implement a unified hybrid cloud, and fully represents action of business.
Network Storage Equipment	To provide complete storage solutions, including information storage, recovery, management, protection and sharing on mainframe computer, open systems, NT platforms and environments of the data center.
Cloud application	Micro-enterprises also enjoy the services similar to large enterprises, by providing a variety of application login management, backup mechanisms to ensure up to 4 based on 9 service levels.
Education, training, and maintenance services of products	To provide partners with technical training and services of product maintenance and replacement for new network products.

2. Production Procedures of Main Products: The Company distributes related software and hardware products regarding with the internet, and provides information services of products. Since we are not a manufacturing industry, so this procedure is not applicable.

(C)Supply Status of Main Materials

Major Raw Materials	Major suppliers	Source of Supply	Supply Situation
distributed Products	NetApp	USA	Good
	CISCO	Netherlands	
	Microsoft	Taiwan	
	Trend		
	AKamai	USA	

(D)Major Suppliers & clients

1. Major Suppliers in the Last Two Calendar Years:

Units: NT\$ Thousands

Item	2018				2019				2020(As of March 31)			
	Company Name	Amount	Percent (%)	Relation with Issuer	Company Name	Amount	Percent (%)	Relation with Issuer	Company Name	Amount	Percent (%)	Relation with Issuer
1	CISCO BV	2,558,022	36.49	NA	CISCO BV	4,075,109	41.35	NA	CISCO BV	1,160,296	46.38	NA
2	NetApp	1,270,003	18.12	NA	NetApp	1,368,149	13.88	NA	NetApp	392,293	15.68	NA
3	—	—	—	NA	—	—	—	NA	—	—	—	NA
—	Others	3,181,506	45.39	—	Others	4,411,792	44.77	—	Others	949,044	37.94	—
—	Net Total Supplies	7,009,531	100.00	—	Net Total Supplies	9,855,050	100.00	—	Net Total Supplies	2,501,633	100.00	—

Note : The explanation of the reason for increases or decreases : The amount of suppliers of the past two years hasn't exceed 10% of total sales of the consolidated financial report.

2. Major Clients in the Last Two Calendar Years:

Units : NT\$ Thousands

Item	2018				2019				2020(As of March 31)			
	Company Name	Amount	Percent (%)	Relation with Issuer	Company Name	Amount	Percent (%)	Relation with Issuer	Company Name	Amount	Percent (%)	Relation with Issuer
1	—	—	—	NA	—	—	—	NA	Genesis Technology Inc.	382,041	15.09	NA
—	Others	6,647,352	100.00	—	Others	8,915,170	100.00	—	Others	2,149,766	84.91	—
—	Net Sales	6,647,352	100.00	—	Net Sales	8,915,170	100.00	—	Net Sales	2,531,807	100.00	—

Note : The explanation of the reason for increases or decreases : The amount of clients of the past two years hasn't exceed 10% of total sales of the consolidated financial report.

(E) Production in the Last Two Years:

Units: NT\$ Thousand; Set

Output		2018		2019	
		Quantity (Note 2)	Amount	Quantity (Note 2)	Amount
Major Products					
Distributed Products	1.IT infrastructure	1,255,884	1,809,776	1,727,590	2,076,275
	2.Network & information security	2,022,889	4,007,321	2,552,775	5,818,819
	3.Cloud platform & application	19,492,562	957,162	27,409,090	1,528,281
	4.Big data & application	25,679	386,978	30,388	522,708
	5.Others	28,496	4,917	2,152	2,744
Total		22,825,510	7,166,154	31,721,995	9,948,827

Note1: Capacity: We engaged in information services, hence the capacity of production is not applicable.

Note2: Quantity: Actual production is the total number of the purchase of distributing products and production of self - manufactured products.

(F) Shipments and Sales in the Last Two Years

Units: NT\$ Thousand; Set

Shipments & Sales		2018				2019			
		Local		Export		Local		Export	
Major Products		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Distributed Products	1.IT infrastructure	1,222,519	2,065,178	181,553	111,705	1,388,846	2,220,448	221,057	121,124
	2.Network & information security	1,705,019	2,972,918	144	19,764	3,140,591	4,315,845	610	18,669
	3.Cloud platform & platform	19,713,097	1,055,679	389	25,108	25,823,112	1,625,281	1,578,674	26,499
	4.Big data & application	21,721	380,284	62	4,762	33,404	529,973	223	50,678
	5.Others	44,275	9,100	237,722	2,854	2,092	4,726	3	1,928
Total		22,706,631	6,483,159	419,870	164,193	30,388,045	8,696,273	1,800,567	218,898

C. Human Resources

As of April 30, 2020

Year		2018	2019	As of April 30, 2020
Number of Employees	Executive officers	17	18	18
	Employee	210	220	233
	Total	227	238	251
Average Age		38.90	38.3	37.93
Average Years of Service		6.15	5.97	5.8
Education	Ph.D.	0%	0%	0%
	Masters	10.13%	7.98%	9.56%
	Bachelor's Degree	84.58%	88.66%	86.06%
	Senior High School	5.29%	3.36%	4.38%
	Below Senior High	—	—	—

D. Environmental Protection Expenditure:

The loss (including indemnify), total values of disposal, future coping strategies and possible expenditures caused by environmental pollution during the latest year and up to the printing date of this Annual Report: NA.

E. Labor Relations

(A) List any employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests.

1. Employee welfare policy

(1) Insurance

Except for the statutory labor and health insurance, and distribution of labor pension, each employee is insured for group and casualty insurance, as well as travel accident insurance on a business trip.

(2) Aspects of health and safety

A. Annual physical examination of employees shall be held, as the Company pays attention to the result of physical examination of employees. If the employee agrees, the Company assists the employees, who have had abnormal results or special situations of physical examination, in tracking and observing for treatment, and assuring the employee keeping healthy.

B. For enhancing recognition of awareness of firefighting and disaster prevention, and preventing that the employee being too nervous to trigger an accident from conflagration and other disasters, the Company shall hold annual courses of fire safety for increasing general knowledge of firefighting.

C. The building of the headquarter of the Company is equipped with AED, and regular safety seminars and CPR courses are held to instruct the employee in usage, in case of emergency.

(3) For traveling

A. Employees' welfare committee of the Company holds annual activities of domestic and international traveling, with NT\$ 20,000 of reimbursement for traveling each person.

B. The Company shall regularly hold "family day", the year-end party, different recreational and artistic activities, in order to provide physical and mental relaxation, and create new interactive experience for employees.

(4)Clubs

The Company encourages employees to form the clubs, including aerobic exercise and yoga club, mountaineering club, and boxing club, hold activities, and provide compensation, in order to inspire employees to participate in proper and healthy recreational activities beside the work, and decrease stress from the work and families.

(5)Vacation

The regulations of vacation of the Company is better than the provisions of the Labor Law, and statistical reports are regularly provided for executive officers to figure out situations of colleagues, and the company helps colleagues achieve a balance between the work and life.

(6)Survey for employee satisfaction

The Company conducts annual on-the-job interviews, investigates employees' satisfaction to the work, and formulate improvements for help employees enjoy their work, based on the conclusion of statistical analysis and advises of colleagues.

(7)Birthday, wedding and funeral

The Company regularly holds birthday celebrations, provides cash gifts for employees whose birthday is in the very month, and provides NT\$ 2,000~8,000 dollars for wedding allowance, and NT\$ 3,000~20,000 dollars for funeral allowance, and NT\$ 3,000~6,000 dollars for admission to a hospital and emergency aids.

(8)Childbirth allowance

For childbirth of employees and spouse, the Company shall provide NT\$ 3,000 dollars per child.

(9)Other allowance

The Company provides cash gifts and gifts for Mid-Autumn Festival, Dragon Boat Festival, Labor Day and Chinese New Year.

(10)Hardware equipment

The Company provides luxury coffee machine, organic coffee beans of Starbucks, lunchbox heater, microwave ovens, the parking lot of employees, etc., and also committed to a women friendly workplace, such as providing a comfortable and private feeding room, with no pressure of postpartum breastfeeding, and a lounge for providing employees a facility to hold meetings and eat meals.

2.On-the-job training of employees

The Company seems employees as our important assets for their training and future development. As for cultivation of talent and critical technology management, " education and training management measures for employees" is set up for employee on-the-job training, and we allocate funds to implement various internal or external education and training, with regular or irregular recruitment of lecturers to hold lectures, for enhancement of professional skills of employees and inspiration of self-growth, in line with their different hierarchy and professions. Also, we set 150 ping of a professional training center with 50 computers for education, in order to educate employees and help them take refresher courses.

3.The system and implementation of retirement

According to "Rules Governing Organization of Supervisory Committee of Business Entities' Labor Retirement Reserve" in November 1, 1986, the Company sets supervisory committee of business entities' labor retirement reserve, and distributes the allocation account of workers' retirement reserve fund. the retirement reserve should be allocated

After the implementation of the new rules of labor retirement in 2005, except for contribution of the actual retirement reserve based on the job tenure regulated by old rules, for employees who choose to adopt new rules, the Company has made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts.

Employees assigned by the Company shall make their job be guaranteed, and their job tenure shall be extended, in order to help transfer talented people in the group.

4. Agreement between labor and management
The Company always pays higher attention on the harmony relation with labor and management, regularly holding meetings, in line with benefits-sharing of labor and management, and putting much effort in the Company's prospect.
 5. Various policies for maintenance of employees' rights
The Company concentrates on employees' opinions, messages of the policies of the Company correctly transmitted, and two-way communication, and establishes multiple methods for communication with employees, whose voice shall help relationship between labor and management better.
 - (1) We hold a semi-annual meeting for employees every half year by the executive officers, who report operational situations semiannually, business plan, and future goals, announce new information, for helping employees realize state of operation and prospect of the Company. Besides, the executive officers shall semi-annually praise the employees for outstanding performance, for fostering labor harmony.
 - (2) The Company hasn't set union yet, but shall hear the voice of employees through the conference of labor and management every quarter, with two-way communication with employees, whose ideas may be adopted for room for improvement, helping foster labor harmony.
 - (3) The Company sets the committee of employee benefits to enhance employees' benefits by funds provided by the Company.
 6. Measures to improve employee benefits or interests compared with the previous year
 - (1) The allowance of health inspection was increased from NT\$ 1,000 to NT\$ 2,000, with various inspection items, in order to protect health of employees.
 - (2) The Company has a plan for improving English of employees by providing allowance for on-line English lectures.
 - (3) The Company held a mountain-climbing activity with no charge in makau of Yilan, in order to promote the atmosphere of physical activity of employees and their family members, and make family and social harmony.
 - (4) As for promoting the atmosphere of physical activity, the Company formed the badminton club, in order to help employee exercise and release pressure off the work.
 - (5) The Company had signed the contracts with 5 daycare centers in the chain or private form, in order to provide a best child-care policy to employees.
- (B) Loss suffered from labor disputes in the latest year and up to the printing date of this Annual Report: The Company had settled a labor dispute, which happened in 2019. The amount of settlement is NT\$ 3,613,336, and the compensation paid by the liability insurance of the directors and supervisors is NT\$ 1,712,472 yuan, so the Company lost NT\$ 1,900,864. The Company has carried out adjustments and management of internal controls, with no material effects on its operation.

F. Important Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Distributor Agreement	Akamai	2019.05.17~2020.05.17	Authorized to distributing cloud services products	Territory: Taiwan
	CISCO	2019.08.01~2020.07.31	Authorized to distributing network telecommunications equipment	
	F5	2019.09.01~2020.08.31	Authorized to distributing products of F5	
	Microsoft	2019.10.01~2020.09.30	Authorized to distributing software products of MOLP, SELECT	
	NetApp	2019.05.01~2020.04.30	Authorized to distributing the data service of hybrid cloud	
	Nutanix	2019.07.06~2020.07.05	Authorized to distributing products of Nutanix	
	NVIDIA	2019.05.29~2020.05.28	Authorized to distributing products of Nvidia	
	Palo Alto Networks	2019.09.22~2020.09.21	Authorized to distributing products of information security	
	Symantec	2019.04.10~2020.04.09	Authorized to distributing products of anti-virus software or enterprise authorized	
	Trend Micro	2019.01.01~2020.12.31	Authorized to distributing products of anti-virus software or enterprise authorized	
	Veritas	2019.10.03~2020.10.02	Authorized to distributing products of Veritas	
	VMware	2019.04.01~2020.03.31	Authorized to distributing products of VMware	

VI. Financial Information

A. Five-Year Financial Summary

(A) Condensed Balance Sheet

1. Consolidated Condensed Balance Sheet—Based on IFRS

Units: NT\$ Thousands

Item	Year	Financial Summary for The Last Five Years (Note 1)					As of March 31, 2020 (Note 3)
		2015	2016	2017	2018	2019	
Current assets		2,786,264	3,067,517	3,180,231	3,779,240	4,489,720	4,712,907
Property, Plant and Equipment (Note 2)		307,894	303,812	310,083	313,715	314,412	311,774
Intangible assets		3,108	1,427	970	950	1,395	1,167
Other assets (Note 2)		21,779	18,399	21,222	41,095	47,850	51,877
Total assets		3,231,494	3,454,395	3,618,710	4,393,847	5,225,352	5,444,783
Current liabilities	Before distribution	1,280,635	1,416,482	1,504,140	2,166,142	2,771,478	2,913,216
	After distribution	1,401,901	1,563,172	1,663,624	2,350,745	3,021,052	—
Non-current liabilities		46,648	20,835	21,403	23,115	27,685	25,583
Total liabilities	Before distribution	1,327,283	1,437,317	1,525,543	2,189,257	2,799,163	2,938,799
	After distribution	1,448,549	1,584,007	1,685,027	2,373,860	3,048,737	—
Equity attributable to shareholders of the parent		1,900,034	2,009,206	2,083,972	2,196,297	2,420,304	2,497,564
Capital stock		1,212,655	1,212,655	1,224,804	1,228,965	1,246,352	1,248,462
Capital surplus		418,751	421,421	434,135	446,515	470,136	473,245
Retained earnings	Before distribution	291,504	391,853	440,534	537,661	696,340	789,209
	After distribution	170,238	245,163	281,050	353,058	446,766	—
Other equity interest		(22,876)	(16,723)	(15,501)	(16,844)	7,476	(13,352)
Treasury stock		—	—	—	—	—	—
Non-controlling interest		4,177	7,872	9,195	8,293	5,885	8,420
Total equity	Before distribution	1,904,211	2,017,078	2,093,167	2,204,590	2,426,189	2,505,984
	After distribution	1,782,945	1,870,388	1,933,683	2,019,987	2,176,615	—

Note 1 : Financial data from 2015 to 2019 has been audited and reviewed by the CPA.

Note 2 : No reevaluation of assets has been conducted throughout the years.

Note 3 : Financial data in 2020 Q1 has been reviewed by the CPA.

Note 4 : The earning distribution of 2019 was approved by Board of Director on February 26, 2020.

2. Parent Condensed Balance Sheet–Based on IFRS

Units: NT\$ Thousands

Item \ Year	Financial Summary for The Last Five Years (Note 1)					
	2015	2016	2017	2018	2019	
Current assets	2,626,182	2,950,212	3,009,604	3,652,816	4,385,048	
Property, Plant and Equipment (Note 2)	302,670	302,077	308,819	312,926	313,991	
Intangible assets	2,023	952	893	902	1,358	
Other asset (Note 2)	16,677	17,477	20,013	38,998	44,606	
Total assets	3,101,277	3,377,377	3,556,852	4,370,583	5,198,062	
Current liabilities	Before distribution	1,154,595	1,347,246	1,451,434	2,151,171	2,750,082
	After distribution	1,275,861	1,493,936	1,610,918	2,335,774	2,999,656
Non-current liabilities	46,648	20,925	21,446	23,115	27,676	
Total liabilities	Before distribution	1,201,243	1,368,171	1,472,880	2,174,286	2,777,758
	After distribution	1,322,509	1,514,861	1,632,364	2,358,889	3,027,332
Capital stock	1,212,655	1,212,655	1,224,804	1,228,965	1,246,352	
Capital surplus	418,751	421,421	434,135	446,515	470,136	
Retained earnings	Before distribution	291,504	391,853	440,534	537,661	696,340
	After distribution	170,238	245,163	281,050	353,058	446,766
Other equity interest	(22,876)	(16,723)	(15,501)	(16,844)	7,476	
Treasury stock	—	—	—	—	—	
Total equity	Before distribution	1,900,034	2,009,206	2,083,972	2,196,297	2,420,304
	After distribution	1,778,768	1,862,516	1,924,488	2,011,694	2,170,730

Note 1 : Financial data from 2015 to 2019 has been audited and reviewed by the CPA.

Note 2 : No reevaluation of assets has been conducted throughout the years.

Note 3 : The earning distribution of 2019 was approved by Board of Director on February 26, 2020.

(B) Condensed Statement of Comprehensive Income/Condensed Statement of Income

1. Consolidated Condensed Statement of Comprehensive Income – Based on IFRS

Units: NT\$ Thousands

Item \ Year	Financial Summary for The Last Five Years (Note 1)					As of March 31, 2020 (Note 2)
	2015	2016	2017	2018	2019	
Operating revenue	5,404,241	5,932,359	5,967,589	6,647,352	8,915,170	2,531,807
Gross profit	539,228	579,268	588,291	681,744	896,158	235,871
Income from operations	207,191	258,122	234,694	280,582	399,789	117,016
Non-operating income and expenses	15,827	7,923	9,812	34,373	43,013	(609)
Income before tax	223,018	266,045	244,506	314,955	442,802	116,407
Income from operations of continued segments - after tax	181,346	225,344	194,906	252,037	349,155	91,709
Income from discontinued operations	—	—	—	—	—	—
Net income (Loss)	181,346	225,344	194,906	252,037	349,155	91,709
Other comprehensive income (income after tax)	(18,656)	3,691	610	(7,173)	26,728	(22,312)
Total comprehensive income	162,690	229,035	195,516	244,864	375,883	69,397
Net income attributable to shareholders of the parent	182,802	224,077	195,983	252,939	351,313	92,869
Net income attributable to non-controlling interest	(1,456)	1,267	(1,077)	(902)	(2,158)	(1,160)
Comprehensive income attributable to Shareholders of the parent	164,146	227,768	196,593	245,766	377,991	70,769
Comprehensive income attributable to non-controlling interest	(1,456)	1,267	(1,077)	(902)	(2,108)	(1,372)
Earnings per share	1.65	1.85	1.61	2.06	2.85	0.75

Note1 : Financial data from 2015 to 2019 has been audited and reviewed by the CPA.

Note2 : Financial data in 2020 Q1 has been reviewed by the CPA.

Note3 : No discontinued operation.

2. Parent Condensed Statement of Comprehensive Income – Based on IFRS

Units: NT\$ Thousands

Item \ Year	Financial Summary for The Last Five Years (Note 1)				
	2015	2016	2017	2018	2019
Operating revenue	5,109,604	5,629,077	5,836,451	6,551,970	8,826,659
Gross profit	486,889	522,138	572,670	649,278	865,943
Income from operations	212,041	241,713	242,322	282,640	409,151
Non-operating income & expenses	11,640	20,366	2,988	32,837	35,264
Income before tax	223,681	262,079	245,310	315,477	444,415
Income from operations of continued segments - after tax	182,802	224,077	195,983	252,939	351,313
Income from discontinued operations	—	—	—	—	—
Net income (Loss)	182,802	224,077	195,983	252,939	351,313
Other comprehensive income (income after tax)	(18,656)	3,691	610	(7,173)	26,678
Total comprehensive income	164,146	227,768	196,593	245,766	377,991
Earnings per share	1.65	1.85	1.61	2.06	2.85

Note 1 : Financial data from 2015 to 2019 have all been inspected and authenticated by CPAs.

Note 2 : No discontinuing operation.

(C) Auditors' Opinions in the last five years

Year	Accounting Firm	CPA	Audit Opinion
2015	Deloitte & Touche, Taiwan, Republic of China	Wen Chin Lin, Li Wen Kuo	An unqualified opinion
2016			
2017		Wen Chin Lin, Hsin Wei Tai.	
2018			
2019			

B. Five-Year Financial Analysis

(A) Consolidated Financial Analysis – Based on IFRS

Item		Year	Financial Analysis for the Last Five Years (Note 1)					As of March 31,
			2015	2016	2017	2018	2019	2020 (Note 2)
Financial structure (%)	Debt Ratio		41.07	41.61	42.16	49.83	53.55	53.97
	Ratio of long-term capital to property, plant and equipment		627.55	663.92	675.03	702.74	772.16	803.78
Solvency (%)	Current ratio		217.57	216.56	211.43	174.47	180.41	161.77
	Quick ratio		184.28	184.13	178.19	130.09	126.59	122.74
	Interest earned ratio (times)		36.79	223.07	654.76	880.76	214.40	109.79
Operating performance	Accounts receivable turnover (times)		3.56	3.84	3.61	3.75	4.54	4.92
	Average collection period		102.53	95.05	101.10	97.33	80.39	74.18
	Inventory turnover (times)		10.00	12.42	11.50	8.33	7.09	7.48
	Accounts payable turnover (times)		4.55	4.96	4.49	4.11	4.35	4.64
	Average days in sales		36.50	29.39	31.73	43.81	51.48	48.79
	Property, plant and equipment turnover (times)		17.50	19.40	19.44	21.31	28.39	32.35
	Total asset turnover (times)		1.64	1.77	1.69	1.66	1.85	1.90
Profitability	Return on total assets (%)		5.64	6.77	5.52	6.30	7.29	6.94
	Return on stockholders' equity (%)		10.96	11.49	9.48	11.73	15.07	14.87
	Pre-tax income to paid-in capital (%)		18.39	21.94	19.96	25.63	35.53	9.32
	Profit ratio (%)		3.36	3.80	3.27	3.79	3.92	3.62
	Earnings per share (NT\$)		1.65	1.85	1.61	2.06	2.85	0.75
Cash flow	Cash flow ratio (%)		36.87	14.04	25.82	2.54	16.57	9.41
	Cash flow adequacy ratio (%)		6.78	36.54	75.10	76.96	116.34	105.53
	Cash reinvestment ratio (%)		20.76	3.63	10.87	(4.47)	7.97	10.35
Leverage	Operating leverage		265.74	274.88	229.36	245.39	210.71	143.02
	Financial leverage		103.10	100.47	100.16	100.13	100.52	100.92

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%):

1. The decrease in interest earned ratio was mainly due to the increase in interest expenses.
2. The increase in accounts receivable turnover was mainly due to the increase in net sales.
3. The increase in property, plant and equipment turnover was mainly due to the increase in net sales.
4. The increase in return on stockholders' equity and earnings per share was mainly due to the increase in net profit.
5. The increase in pre-tax income to paid-in capital was mainly due to the increase in profit before income tax.
6. Cash flow: The increases in cash flow, cash flow adequacy and cash reinvestment ratio were mainly due to the increase in net cash generated from operating activities.

Note 1: Financial data from 2015 to 2019 have all been inspected and authenticated by CPAs.

Note 2: 2020 Q1 financial data has been reviewed by CPAs.

Note 3: The calculation formula goes as follows

1. Financial Structure

- (1) Debt Ratio = total liabilities / total assets
- (2) Ratio of long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net worth of property, plant and equipment
2. Solvency
- (1) Current ratio = current assets / current liabilities
- (2) Quick ratio = (current assets – inventory – prepaid expenses) / current liabilities
- (3) Interest coverage ratio = income before income tax and interest expenses / current interest expenses
3. Operating ability
- (1) Receivables (including accounts receivable and notes receivable arising from business operations) turnover rate = net sales / average receivables (including accounts receivable and notes receivable arising from business operations) for each period
- (2) Average collection days for receivables = 365 / receivables turnover rate
- (3) Inventory turnover rate = cost of sales / average inventory
- (4) Payables (including accounts payable and notes payable arising from business operations) turnover rate = cost of sale / average payables (including accounts payable and notes payable arising from business operations) for each period
- (5) Average days of sale = 365 / inventory turnover rate
- (6) Property, plant and equipment turnover rate = net sales / average net worth of property, plant and equipment
- (7) Total asset turnover rate = net sales / average total asset
4. Profitability
- (1) Return on assets = [net income + interest expenses (1- tax rate)] / average total assets
- (2) Return on equity = net income / average total equity
- (3) Profit margin before tax = net income / net sales
- (4) Earnings per share = (profit and loss attributable to owners of the parent – dividends on preferred shares) / weighted average number of issued shares
5. Cash flow
- (1) Cash flow ratio = Net cash flow from operating activities / current liabilities
- (2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (capital expenditures + inventory increase + cash dividend)
- (3) Cash flow reinvestment ratio = (Net cash flow from operating activities – cash dividend) / gross property, plant and equipment value + long-term investment + other non-current asset + working capital)
6. Leveraging:
- (1) Operating leverage = (net operating revenue – variable operating costs and expenses) / operating income
- (2) Financial leverage = operating income / (operating income – interest expenses)

(B) Parent Financial Analysis—Based on IFRS

Items for Analysis		Fiscal Year				
		Financial Analysis for the Last Five Years (Note 1)				
		2015	2016	2017	2018	2019
Financial Structure (%)	Debt Ratio	38.73	40.51	41.41	49.75	53.42
	Ratio of long-term capital to property, plant and equipment	637.00	672.06	674.82	701.86	771.32
Solvency (%)	Current ratio	227.45	218.98	207.35	169.81	159.45
	Quick ratio	193.19	185.49	174.90	125.51	111.25
	Interest earned ratio (times)	43.79	425.08	680.53	882.22	217.37
Operating performance	Accounts receivable turnover (times)	3.54	3.77	3.58	3.72	4.53
	Average collection period	103.11	96.82	101.96	98.12	80.57
	Inventory turnover (times)	10.09	12.31	11.66	8.43	7.11
	Accounts payable turnover (times)	4.57	5.03	4.60	4.14	4.34
	Average days in sales	36.17	29.65	31.30	43.30	51.34
	Property, plant and equipment turnover (times)	16.87	18.62	19.11	21.08	28.16
	Total assets turnover (times)	1.60	1.74	1.68	1.65	1.84
Profitability	Return on total assets (%)	5.87	7.56	5.66	6.39	7.38
	Return on stockholders' equity (%)	11.08	12.51	9.58	11.82	15.21
	Pre-tax income to paid-in capital (%)	18.45	21.61	20.03	25.67	35.66
	Profit ratio (%)	3.58	3.98	3.36	3.86	3.98
	Earnings per share (NT\$)	1.65	1.85	1.61	2.06	2.85
Cash flow	Cash flow ratio (%)	39.80	12.33	28.77	5.28	14.16
	Cash flow adequacy ratio (%)	15.76	44.05	85.53	84.69	118.29
	Cash reinvestment ratio (%)	20.21	2.11	12.28	(1.98)	8.00
Leverage	Operating leverage	192.94	238.88	216.67	235.57	199.17
	Financial leverage	102.53	100.26	100.15	100.13	100.50
Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%):						
1. The decrease in interest earned ratio was mainly due to the increase in interest expense.						
2. The increase in accounts receivable turnover was mainly due to the increase in net sales.						
3. The increase in property, plant and equipment turnover was mainly due to the increase in net sales.						
4. The increase in return on stockholders' equity and earnings per share was mainly due to the increase in net profit.						
5. The increase in pre-tax income to paid-in capital was mainly due to the increase in profit before income tax.						
6. Cash flow: The increases in cash flow, cash flow adequacy and cash reinvestment ratio were mainly due to the increase in net cash generated from operating activities.						

Note1 : Financial data from 2015 to 2019 have all been inspected and authenticated by CPAs.

Note2 : Calculation formula is same as the above table(1) Note3 ◦

C. Supervisors' Report for the Most Recent Year

Zero One Technology Co., Ltd.

Supervisors' Report

The board of directors has prepared the company's 2019 Consolidated, and Parent Company Only Financial Statements. The CPAs of Wen-Chin Lin and Hsin Wei Tai of Deloitte & Touche was retained to audit ZOTC's Financial Statements. The Business Report, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by the supervisors of ZERO ONE Technology Company Limited. According to Article 219 of the Company Act, we hereby submit this report.

Sincerely to

Shareholders' meeting in 2020

Supervisors: K WAY INFORMATION CORP.
Representative :
Cheng Che Tseng

Supervisors: Yu Chi Lin

Supervisors: Chih Cheng Lo

On the date of April 27, 2020

- D. Consolidated Financial Statements for the Years Ended December 31, 2019 and 2018, and Independent Auditors' Report: Please refer to page 89 to 144 of the annual report.
- E. Financial Statements for the Years Ended December 31, 2019 and 2018, and Independent Auditors' Report: Please refer to page 145 to 211 of the annual report.
- F. If the Company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the Company's financial situation: None.

VII. Review of Financial Conditions, Financial Performance, and Risk Management

A. Analysis of Financial Status

The annual report shall list the main reasons for any material change in the Company's assets, liabilities, or equity during the past 2 fiscal years, and describe the effect thereof. Where the effect is of material significance, the annual report shall describe the measures to be taken in response (The following amount during the past 2 fiscal years varied by 20 percent or more and the affected amount is NT\$10 million or more) :

Units : NT\$ Thousand

Item \ Year	2018	2019	Difference		Note
			Amount	%	
Current Assets	3,779,240	4,489,720	710,480	18.80%	
Property, Plant and Equipment	313,715	314,412	697	0.22%	
Intangible Assets	950	1,395	445	46.84%	
Other Assets	41,095	47,850	6,755	16.44%	
Total Assets	4,393,847	5,225,352	831,505	18.92%	
Current Liabilities	2,166,142	2,771,478	605,336	27.95%	(1)
Noncurrent Liabilities	23,115	27,685	4,570	19.77%	
Total Liabilities	2,189,257	2,799,163	609,906	27.86%	(1)
Total Equity Attributable to Owners Of The Company	2,196,297	2,420,304	224,007	10.20%	
Capital Stock	1,228,965	1,246,352	17,387	1.41%	
Capital Surplus	446,515	470,136	23,621	5.29%	
Retained Earnings	537,661	696,340	158,679	29.51%	(2)
Other Equity	(16,844)	7,476	24,320	144.38%	(3)
Treasury Stock	—	—	—	—	
Non-Controlling Interest	8,293	5,885	(2,408)	(29.04%)	
Total Stockholders' Equity	2,204,590	2,426,189	221,599	10.05%	
1. Analysis of changes in financial ratios: (Changes by 20% or more and NTD 10 million or more)					
(1)The increases in current liabilities and total liabilities were mainly due to the increases in trade payables and other payables.					
(2)The increase in retained earnings was mainly due to the increase in net profit in 2019.					
(3)The increase in other equity was mainly due to the increase in unrealized gain on investments in equity instrument.					
2. Future response actions: None					

B. Analysis of financial performance

Units : NT\$ Thousand

Item \ Year	2018	2019	Differences		Note
			Amount	%	
Net Revenue	6,647,352	8,915,170	2,267,818	34.12%	(1)
Gross operating profit	681,744	896,158	214,414	31.45%	(1)
Profit from operations	280,582	399,789	119,207	42.49%	(1)
Non-business income and expenditure	34,373	43,013	8,640	25.14%	
Pre-tax profit	314,955	442,802	127,847	40.59%	(1)
Net profit (losses)	252,037	349,155	97,118	38.53%	(1)
Other comprehensive (loss) income for the year, net of income tax	(7,173)	26,728	33,901	472.62%	(2)
Total comprehensive (loss) income	244,864	375,883	131,019	53.51%	(3)
1. Analysis of changes in financial ratios: (changes by 20% or more and NTD 10 million or more)					
(1)The increases in net revenue, gross operating profit, profit from operations, pre-tax profit and net profit were mainly due to the increase in sales volume in 2019.					
(2)The increase in other equity was mainly due to the greatly increase in unrealized gain on investments in equity instruments.					
(3)Total comprehensive (loss) income was mainly due to the increase in net profit in 2019.					
2. A sales volume forecast and the basis therefor, and the effect upon the Company's financial operations as well as measures to be taken in response:					
(1)As for products distribution, the Company will continue to focus on sales of various IT's software, cloud platform and application, network and information security, big data of AI and its application and value-added services, owing to most types of products and services, with high unit prices, belonging to project sales and value-added services, hence we forecast sales volume in 2020 will be same as sales volume in past years.					
(2)We expect our operating results conduct no material effects on our finance and business, with no change in our business plan and a perfect financial structure in 2019.					

C. Analysis of Cash Flow

(A) Cash Flow Analysis for the Current Year

Units : NT\$ Thousand

Balance of cash at start of term (1)	Net cash flow from business activities throughout the year (2)	Net cash flow from Investing and Financing activities throughout the year (3)	Balance of cash (shortage) (1)+(2)-(3)	Remedies for shortage in cash	
				Investment plan	Wealth management plan
238,626	412,374	(315,503)	335,497	—	—
<p>1. Cash utilization and liquidity analysis of the current year:</p> <p>(1) Business activities : Net cash generated NT\$ 412,374 thousand.</p> <p>(2) Investing activities : Net cash used NT\$ 174,835 thousand; It is generated mainly by purchasing assets in USD for hedging.</p> <p>(3) Financing activities : Net cash used NT\$ 140,668 thousand;(with effects of exchange 7,172); It is generated mainly by distribution of cash dividends.</p> <p>2. Remedy for Cash Deficit and Liquidity Analysis : Not applicable.</p>					

(B) Cash Flow Analysis for the Coming Year

Units : NT\$ Thousand

Balance of cash at start of term (1)	Expected net cash flow from business activities throughout the year (2)	Expected net cash flow from Investing and Financing activities throughout the year (3)	Expected balance of cash (shortage) (1)+(2)-(3)	Expected remedies for shortage in cash	
				Investment plan	Wealth management plan
335,497	175,365	(224,930)	285,932	—	—
<p>1. Cash utilization and liquidity analysis for the coming year:</p> <p>(1) Business activities : Since the increase of operating revenues is expected, cash generated from operating revenue shall be NT\$ 175,365 thousand.</p> <p>(2) Investing activities : We don't have any important investment plan in the future.</p> <p>(3) Financing activities : Net cash used due to distribution of cash dividends.</p> <p>2. Expected remedies for shortage in cash and liquidity analysis : Not applicable.</p>					

D. Major Capital Expenditure Items and Source of Capital: None.

E. Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

(A)Investment Policy

Our investment policy not only focuses on investing IT-related manufacturing and services industries for broadening the business horizon in IT-related services industries, but also concentrated on investing a company with positive rate of return, hence we decide whether shall we continue to invest a company or not, by reviewing the growth rate of return of our investee.

(B)Main Causes for Profits or Losses, Improvement Plans in the previous Year

Units : NT\$ Thousand

Item	Main Businesses	Income (Loss) Amount	Reasons for Gain or Loss	Action Plan
Zotech Technology Co., Ltd.	Services of telecommunication apparatus	705	Growth of sales of products	None.
Navizot Inc.	Services of telecommunication apparatus	-	It works for development projects other than receiving purchase orders.	With no effect on the Company's operation
ZeroneWin Investment Co., Ltd.	Investment	(7,531)	A subsidiary established in 2017, and it haven't earned profits yet.	Their growth of operation remains optimistic, and they will be expected to earn profits to the parent company in the future.
Asiaone Holdings Ltd.	Holding company	(518)	An Offshore Company established in 2019, and it haven't earned profits yet.	
WingWill International Co., Ltd.	Services of cloud information software	(5,319)	A sub-subsidiary established in 2017, and it haven't earned profits yet.	
PetaCom technology Co., Ltd.	Services of information product agent	(2,806)		

(C)Investment Plan for the Next 12 Months: None.

F. Analysis of Risk Management:

(A) Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures.

Units : In Thousands of New Taiwan Dollars

Remarks	Effects on gain or loss				Future plan
Changes in interest rates	Balance of loan	Level of interest rates of loans	Interest expenses (Thousand d)	Effects of changes in retained earnings	By regularly evaluating the interest rate of the bank loans, and its effects on gain or loss of the Company, we shall acquire a favorable interest rate of loans by actual requirements.
	Balance of loan is 150,000 thousand in 2019.	0.94%	2,075	0.02 dollars	
Changes in foreign exchange rates	The Company is mainly on domestic sales. The Company's distributed product line includes a large proportion of import from foreign manufacturers. Therefore, the recent annual exchange rate of US dollar has a considerable impact on the Company's profitability.	Foreign exchange gains are -377 thousand in 2019.	-	Imported materials are calculated in US dollars. In order to reduce risks of the foreign exchange rate, financial assets in US dollars will be purchased to balance liabilities in US dollars. Principle: The foreign currency exposure proportion shall be controlled within US\$ 3 million.	
Inflation	The Company belongs to the service industry of information software, distributing foreign authorized products for domestic sales. Inflation of domestic raw materials has no significant impact on the Company.				

- (B)Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions.
1. Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, and Derivatives Transactions:
The Company and its subsidiaries are not engaged in high-risk and highly leveraged investments. The policy of trading of the derivative is to reduce the risk of changes in the fair value of the assets and liabilities of the Company and its subsidiaries. Under this principle, the Company engages in forward exchange transactions to circumvent the risk of changes in cash flows arising from fluctuations by the change of foreign exchange rate due to transactions' purchase prices that are denominated in US dollars.
 - 2.Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to Lending or Endorsement Guarantees:
As of the print date of the annual report, the Company has lent loan to indirectly 70% of the holding company(Wing Will International Co., Ltd.), with a limit of NT\$ 20 million, and to 100% of the holding company(Zerone Win Investment Co., Ltd.), with a limit of NT\$ 40 million, according to the " Regulations Governing Loaning of Funds and Making of Endorsement /Guarantees ", and announced related information on time.
- (C)Future Research & Development Projects and Corresponding Budgets.
- Except for the Company and its subsidiaries focusing on information services of products distribution, we continue to make an effort in research and development of our products and application in IoT markets.
- 1.Product
 - (1)The research and development of the Print Server is based on the cost structure, and the improvement of compatibility of printers.
 - (2)Generation ii -ensors and wearable devices were mainly introduced to health care markets and elders.
 - (3)Edge Sensors, with Z920K converters, provide intelligent data analysis of endpoints.
 - 2.Relevant Research & Development plan of IoT
 - (1)The research and development of hardware and software for IoT Mesh network.
 - (2)Optimization of IoT Sub-1G communication, including modules, antennas, transmission protocols, etc.
 - (3)The intelligent data analysis of IoT endpoints and the introduction of the technology of artificial intelligence machine learning.

The total amount of R&D expenses expected to be invested in the above project is approximately NT\$8 million in 2020.
- (D)Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales.
- There were no significant changes in policies and regulations relating to corporate finance and sales as of the date of publication of the annual report in 2018 and 2019. In the event of a significant change in policies and regulations relating to corporate finance and sales, the Company would consult with or engage legal practitioners and or public accountants to assess the impact and develop a response plan, in order to obey the laws and reduce effects of changes in policies and regulations relating to corporate finance and sales.
- (E)Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales.
- In the case of technological changes, the Company will adjust the direction of product development and sales distribution on time in response to changes in market products that affect the Company's gain or loss. In addition, the Company shall be highly sensitive to changes in industrial technologies and receive market news in response to the impact of financial business due to changes in the industry.
- (F)The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures.
- The Company has always obeyed the law, put much effort in strengthening corporate governance, and maintain a good corporate image. So far, there has not been a situation that will change the corporate image, so it has not caused the impact of corporate crisis management.
- (G)Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans: None.

(H)Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans: None.

(I)Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration:

The major sales customers of the Company and its subsidiaries are diversified, and individual revenues of the sales customers are not more than 10%, so no risk of concentration of sales exist. The major top 2 suppliers are 55.23% of the total amount for purchases, which are internationally famous software suppliers. The Company and its subsidiaries are also the major distributor of the manufacturer, and maintain a long-term relationship with them, by reduction of the risk of concentrated purchases through diversification of sales products and continuous development of new products.

(J)Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%:None.

(K)Effects of, Risks Relating to and Response to the Changes in Management Rights: None.

(L)Litigation or Non-litigation Matters:

1. List major litigious, non-litigious or administrative disputes that: The Company have been involved or concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the annual report shall disclose the fact of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the previous year: There is no dispute could materially affect shareholders' equity or the prices of the Company's securities.
2. List major litigious, non-litigious or administrative disputes that: involve the Company and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the Company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the annual report shall disclose the fact of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the previous 2 years: None.

(M)Other Major Risks: None.

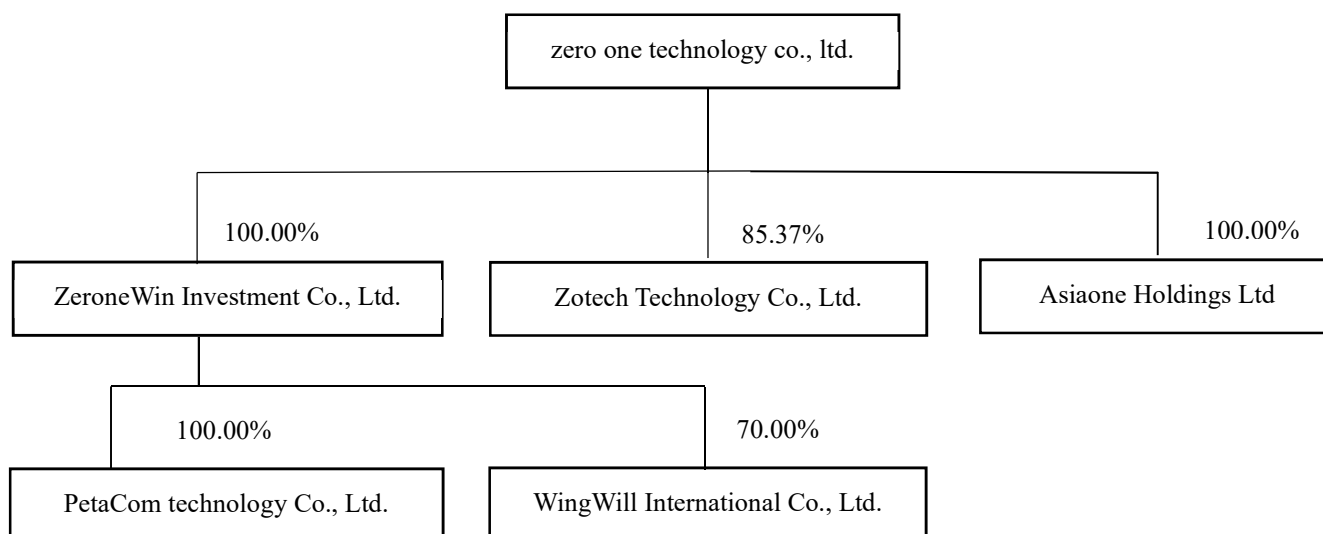
G. Other important matters: None.

VIII.Special Disclosure

A. Summary of affiliated companies in recent years :

1.Consolidated business report of affiliated companies :

(1)Affiliated companies chart



(2) Summary of each affiliated company

Company	Date of Incorporation	Place of Registration	Capital Stock (NT\$)	Main business or production activities
Zotech co., ltd.	2014/06/20	2F., No. 5, Aly. 22, Ln. 513, Ruiguang Rd., Neihu Dist., Taipei City	41,000,000 dollars	Services of telecommunication apparatus
Zerone Win Investment Co., Ltd.	2017/04/06	10F., No. 8, Ln. 360, Sec. 1, Neihu Rd., Neihu Dist., Taipei City	149,000,000 dollars	Investment
WingWill international Co., Ltd	2017/07/07	9F., No. 8, Ln. 360, Sec. 1, Neihu Rd., Neihu Dist., Taipei City	10,000,000 dollars	Services of cloud information software
Petacom technology co., ltd.	2017/07/07	9F., No. 6, Ln. 360, Sec. 1, Neihu Rd., Neihu Dist., Taipei City	50,000,000 dollars	Services of information product agent
Asiaone Holdings Ltd	2019/06/27	Suite 1, Commercial House One, Eden Island, Republic of Seychelles	10,063,000 dollars	Holding company

- 2. Consolidated financial statements of affiliated companies : Please refer to Page. 89 to 144
- 3. Report of affiliated companies : Not applicable.
- B. Private Placement Securities in the Most Recent Years : None.
- C. Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years: None.
- D. Other supplementary information : None.

IX. Any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

ZERO ONE TECHNOLOGY CO., LTD.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS FOR THE
THE YEARS ENDED DECEMBER 31, 2019 AND 2018 AND
INDEPENDENT AUDITORS' REPORT

Address: 10F., No.8, Ln. 360, Sec. 1, Neihu Rd.,
Taipei City.
Dial: +886 2 2656 5656

§TABLE OF CONTENTS§

Contents	Page No.	Financial Report's Note No.
1、Cover	1	-
2、Table of Contents	2	-
3、Declaration of consolidation of financial statements of affiliates	3	
4、Independent Auditors' Review Report	4~7	-
5、Consolidated Balance Sheets	8	-
6、Consolidated Statements of Comprehensive Income	9~10	-
7、Consolidated Statements of Changes in Equity	11	-
8、Consolidated Statements of Cash Flows	12~13	-
9、Notes to Consolidated Financial Statements		
(1) General	14	1
(2) The date and procedures of authorization of financial statements	14	2
(3) Application of new and revised standards and interpretations	14~16	3
(4) Summary of significant accounting policies	16~24	4
(5) Critical Accounting judgements and key sources of estimation and uncertainty	24	5
(6) Explanation of significant accounts	25~46	6~26
(7) Related parties transactions	46	27
(8) Pledged assets	47	28
(9) Significant contingent liabilities and unrecognized commitments	47	29
(10) Foreign-currency-denominated assets and liabilities that have significant influence	47	30
(11) Separately disclosed items		
A. Information on significant transactions	48、 51~54	31
B. Information on investees	48、55	31
C. Information on investment in Mainland China	48	31
D. Intercompany relationships and significant intercompany transactions	52、56	31
(12) Segment information	48~50	32

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2019 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard NO. 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

ZERONE TECHNOLOGY COMPANY LIMITED

By

Chia Hsin Lin

Chairman

February 26, 2020

INDEPENDENT AUDITORS' REPORT

The board of directors and Shareholders
Zero One Technology Company Limited

Opinion

We have audited the accompanying consolidated financial statements of Zero One Technology Company Limited and subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended December 31, 2019 and 2018, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended December 31, 2019 and 2018, in accordance with 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) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2019 are stated as follows:

Valuation of allowance for uncollectible accounts

Key Audit Matters

As indicated in Note 5 and Note 10 for judgements, the management of the Group assesses the collectability of accounts receivable and valuation of allowance for uncollectible accounts, based on the regulations of IFRS 9, and recognizes allowance for uncollectible accounts by lifetime expected credit losses. As the estimation of allowance for uncollectible accounts is subject to judgement of the management, we consider the valuation of allowance for uncollectible accounts a key audit matter.

We assess the policy of valuation of allowance for uncollectible accounts, assure reasonability of the rate of expected credit losses, and require reasons for insuring that credit losses of individuals with delinquent accounts are expected.

The following audit procedures

Our procedure includes understanding and testing controls of allowance for uncollectible accounts by the management in line with periodic review, predicting and managing differences as tracked for losses, design and execution of relevant controls. We also obtain an Aging report of trade receivable for calculation the allowance for uncollectible accounts on the balance sheet date, and perform the procedure of sampling and auditing for testing the correctness of the aging report, and calculate for evaluating the amount is recognized by allowance for uncollectible accounts in line with the Group's accounting policy for recording.

Allowance for inventory valuation loss

Key Audit Matters

The valuation of the inventory of the Group includes the estimate of net realizable value and the allowance for inventory valuation loss regarding with the outdated and obsolete inventory. Net realizable valuation, based on the historical data of market situation and similar products, of the inventory is the carrying amounts calculated by the estimate sales price deducts the estimate of input costs, and cost of goods sold, during the ordinary course of business. The material influence of market condition will affect the amount of net realizable valuation. Besides, the ratio of the allowance for inventory valuation loss is valued by inventory aging and the allowance for the actual loss. We consider the estimate of net realizable valuation, and the ratio of the allowance for inventory impairment loss of the outdated and obsolete inventories a key audit matter, based on management's professional estimation.

The following audit procedures

Our procedure includes understanding the accounting policies, valuation methods, and citation information originality for the inventory of the Group, obtaining information of the year-end allowance for inventory valuation loss and inventory aging reports, drawing samples to ensure the reasonableness of the inventory as valued by net realizable value method and the inventory aging, and the carrying amount of the year-end allowance for inventory valuation loss fitting the Group's accounting policy for allowance.

Other Matter

We have also audited the parent company only financial statements of Zero One Technology Company Limited as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche

Taipei, Taiwan
Republic of China

February 26, 2020

Notice to Readers

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

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

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents(Note 4&6)	\$ 335,497	7	\$ 238,626	5
Financial assets at fair value through profit or loss - current(Note 4&7)	65,425	1	84,618	2
Financial assets at fair value through other comprehensive income - current(Note 4&8)	-	-	11,505	-
Financial assets at amortized cost - current(Note 4&9)	699,048	13	588,197	13
Notes receivable(Note 4&10)	279,128	5	161,130	4
Trade receivables(Note 4, 5&10)	1,754,979	34	1,728,421	39
Inventories(Note 4, 5&11)	1,319,535	25	941,851	22
Current tax assets(Note 4&22)	1,314	-	1,314	-
Other current assets	34,794	1	23,578	1
Total current assets	<u>4,489,720</u>	<u>86</u>	<u>3,779,240</u>	<u>86</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current(Note 4&7)	30,280	1	42,347	1
Financial assets at fair value through other comprehensive income - non-current(Note 4&8)	251,768	5	137,138	3
Financial assets at amortized cost - non-current(Note 4, 9&28)	81,624	1	79,362	2
Property, plant and equipment(Note 14&28)	314,412	6	313,715	7
Right-of-use assets (Notes 4, 5&15)	8,303	-	-	-
Other intangible assets	1,395	-	950	-
Deferred tax assets(Note 4, 5&22)	42,509	1	37,938	1
Refundable deposits	5,341	-	3,157	-
Total non-current assets	<u>735,632</u>	<u>14</u>	<u>614,607</u>	<u>14</u>
TOTAL	<u>\$ 5,225,352</u>	<u>100</u>	<u>\$ 4,393,847</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings(Note 16)	\$ 150,000	3	\$ 100,000	2
Trade payables	2,035,186	39	1,651,812	38
Other payables(Note 17)	381,418	7	245,008	6
Lease liabilities - current (Notes 4, 5&15)	4,553	-	-	-
Current tax liabilities(Note 4&22)	57,249	1	57,166	1
Current portion of bonds payable(Note 4&18)	-	-	5,085	-
Other current liabilities	143,072	3	107,071	2
Total current liabilities	<u>2,771,478</u>	<u>53</u>	<u>2,166,142</u>	<u>49</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities(Note 4&22)	793	-	736	-
Lease liabilities - non-current (Notes 4, 5&15)	3,803	-	-	-
Net defined benefits liabilities - non-current(Note 4&19)	21,918	1	21,579	1
Other noncurrent liabilities	1,171	-	800	-
Total non-current liabilities	<u>27,685</u>	<u>1</u>	<u>23,115</u>	<u>1</u>
Total liabilities	<u>2,799,163</u>	<u>54</u>	<u>2,189,257</u>	<u>50</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY(Note 20)				
Share capital				
Ordinary shares	1,246,352	24	1,228,965	28
Capital surplus	470,136	9	446,515	10
Retained earnings				
Legal reserve	184,732	4	159,438	4
Special reserve	16,844	-	15,501	-
Unappropriated earnings	494,764	9	362,722	8
Total retained earnings	<u>696,340</u>	<u>13</u>	<u>537,661</u>	<u>12</u>
Other equity	7,476	-	(16,844)	-
Total equity attributable to owners of the Company	<u>2,420,304</u>	<u>46</u>	<u>2,196,297</u>	<u>50</u>
NON-CONTROLLING INTERESTS				
	5,885	-	8,293	-
Total equity	<u>2,426,189</u>	<u>46</u>	<u>2,204,590</u>	<u>50</u>
TOTAL	<u>\$ 5,225,352</u>	<u>100</u>	<u>\$ 4,393,847</u>	<u>100</u>

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE(Note 4)				
Net sales	\$ 8,915,170	100	\$ 6,647,352	100
OPERATING COSTS(Note 11&21)				
Cost of goods sold	<u>8,019,012</u>	<u>90</u>	<u>5,965,608</u>	<u>90</u>
GROSS PROFIT	<u>896,158</u>	<u>10</u>	<u>681,744</u>	<u>10</u>
OPERATING EXPENSES(Note 21)				
Selling and marketing expenses	359,766	4	298,154	4
General and administrative expenses	135,483	1	111,245	2
Research and development expenses	7,021	-	8,288	-
Expected credit loss reversed on trade receivables	(<u>5,901</u>)	<u>-</u>	(<u>16,525</u>)	<u>-</u>
Total operating expenses	<u>496,369</u>	<u>5</u>	<u>401,162</u>	<u>6</u>
PROFIT FROM OPERATIONS	<u>399,789</u>	<u>5</u>	<u>280,582</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES(Note 21)				
Other income	33,623	-	31,433	1
Other gains and losses	7,720	-	7,355	-
Excluding gain(loss) on financial assets measured at amortised cost	3,745	-	-	-
Finance costs	(<u>2,075</u>)	<u>-</u>	(<u>358</u>)	<u>-</u>
Share of profit or loss of associates(Note 13)	<u>-</u>	<u>-</u>	(<u>4,057</u>)	<u>-</u>
Total non-operating income and expenses	<u>43,013</u>	<u>-</u>	<u>34,373</u>	<u>1</u>

(Continued)

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX	\$ 442,802	5	\$ 314,955	5
INCOME TAX EXPENSE(Note 22)	93,647	1	62,918	1
NET PROFIT	349,155	4	252,037	4
OTHER COMPREHENSIVE INCOME (LOSS) (Note 19&22)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(1,157)	-	(1,183)	-
Unrealized gain (loss) on investments in equity instruments designated as at fair value through other comprehensive income	27,654	-	(6,664)	-
Income tax relating to remeasurement of defined benefit plans	231	-	674	-
Other comprehensive income (loss) for the year, net of income tax	26,728	-	(7,173)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 375,883	4	\$ 244,864	4
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 351,313	4	\$ 252,939	4
Non-controlling interests	(2,158)	-	(902)	-
	\$ 349,155	4	\$ 252,037	4
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 377,991	4	\$ 245,766	4
Non-controlling interests	(2,108)	-	(902)	-
	\$ 375,883	4	\$ 244,864	4
EARNINGS PER SHARE(Note 23)				
From continuing operations				
Basic	\$ 2.85		\$ 2.06	
Diluted	\$ 2.77		\$ 2.03	

(Concluded)

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	Equity Attributable to Owners of the Company											Non-controlling Interests	Total Equity
	Share Capital			Retained Earnings				Other Equity					
	Shares (In Thousand)	Issued Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unearned Employee Benefits	Total	Total		
BALANCE, JANUARY 1, 2018	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 2017 earnings													
Legal reserve	-	-	-	19,598	-	(19,598)	-	-	-	-	-	-	-
Reversal of special Reserve	-	-	-	-	(1,222)	1,222	-	-	-	-	-	-	-
Cash dividends - NT\$1.3 per share	-	-	-	-	-	(159,484)	(159,484)	-	-	-	(159,484)	-	(159,484)
Net profit for the year ended December 31, 2018	-	-	-	-	-	252,939	252,939	-	-	-	252,939	(902)	252,037
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(509)	(509)	(6,664)	-	(6,664)	(7,173)	-	(7,173)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	252,430	252,430	(6,664)	-	(6,664)	245,766	(902)	244,864
Convertible bonds converted to capital stock	311	3,111	1,681	-	-	-	-	-	-	-	4,792	-	4,792
Share based payment transaction - employee stock option	-	-	10,252	-	-	-	-	-	-	-	10,252	-	10,252
Issuance of ordinary shares under employee share options	105	1,050	447	-	-	-	-	-	-	-	1,497	-	1,497
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	(774)	(774)	774	-	774	-	-	-
BALANCE, DECEMBER 31, 2018	122,896	1,228,965	446,515	159,438	15,501	362,722	537,661	(16,844)	-	(16,844)	2,196,297	8,293	2,204,590
Appropriation of the 2018 earnings													
Legal reserve	-	-	-	25,294	-	(25,294)	-	-	-	-	-	-	-
Special Reserve	-	-	-	-	1,343	(1,343)	-	-	-	-	-	-	-
Cash dividends - NT\$1.5 per share	-	-	-	-	-	(184,603)	(184,603)	-	-	-	(184,603)	-	(184,603)
Net profit for the year ended December 31, 2019	-	-	-	-	-	351,313	351,313	-	-	-	351,313	(2,158)	349,155
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(926)	(926)	27,604	-	27,604	26,678	50	26,728
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	350,387	350,387	27,604	-	27,604	377,991	(2,108)	375,883
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(300)	(300)
Convertible bonds converted to capital stock	338	3,377	1,722	-	-	-	-	-	-	-	5,099	-	5,099
Share based payment transaction - restricted stock awards	-	-	-	-	-	-	-	-	4,767	4,767	4,767	-	4,767
Share based payment transaction - employee share options	-	-	11,431	-	-	-	-	-	-	-	11,431	-	11,431
Issuance of restricted stock awards	700	7,000	8,156	-	-	-	-	-	(15,156)	(15,156)	-	-	-
Issuance of ordinary shares under employee share options	701	7,010	2,312	-	-	-	-	-	-	-	9,322	-	9,322
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	(7,105)	(7,105)	7,105	-	7,105	-	-	-
BALANCE AT DECEMBER 31, 2019	124,635	\$ 1,246,352	\$ 470,136	\$ 184,732	\$ 16,844	\$ 494,764	\$ 696,340	\$ 17,865	(\$ 10,389)	\$ 7,476	\$ 2,420,304	\$ 5,885	\$ 2,426,189

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 442,802	\$ 314,955
Adjustments for:		
Write-down (reversal of write-down) of inventories	27,469	71,560
Net (gain) loss on foreign currency exchange	25,578	(3,641)
Interest income	(22,977)	(17,007)
Depreciation expenses	20,457	11,765
Compensation costs of employee share options	16,198	10,252
Net loss (gain) on fair value change of financial assets/liabilities at fair value through profit or loss	(8,097)	(2,987)
Reversal of expected credit losses	(5,901)	(16,525)
Dividend income	(4,406)	(5,162)
Net profit upon derecognition of financial assets measured at amortized cost	(3,745)	-
Finance costs	2,075	358
Amortization expenses	787	655
Share of loss (gain) of subsidiaries, associates and joint ventures accounted for using the equity method	-	4,057
Loss on disposal of property, plant and equipment	-	2
Loss on disposal of associates	-	49
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	39,356	(33,817)
Notes receivable	(117,998)	24,795
Trade receivables	(19,874)	(245,322)
Inventories	(413,439)	(529,506)
Other current assets	(4,253)	(10,611)
Trade payable	368,180	395,273
Other payable	132,826	109,864
Other current liabilities	36,001	32,845
Net defined benefit liabilities	(818)	(526)
Cash generated from operations	510,221	111,326
Income tax paid	(97,847)	(56,258)
Net cash generated from operating activities	<u>412,374</u>	<u>55,068</u>

(Continued)

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(\$ 179,521)	(\$ 443,654)
Purchase of financial assets at fair value through other comprehensive income	(104,261)	(73,883)
Disposal of financial assets at amortized cost	64,955	-
Proceeds from sale of financial assets at fair value through other comprehensive income	25,470	1,195
Interest received	20,773	14,305
Payments for property, plant and equipment	(7,123)	(8,819)
Other dividends received	4,406	5,162
Proceeds from the return of capital upon investees' capital reduction of financial assets at fair value through other comprehensive income	3,320	-
Increase in refundable deposits	(2,184)	(1,371)
Payments for intangible assets	(670)	(700)
Net cash inflow on disposal of associates	-	340
Proceeds from disposal of property, plant and equipment	-	79
Proceeds from disposal of intangible assets	-	65
Net cash used in investing activities	<u>(174,835)</u>	<u>(507,281)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(184,603)	(159,484)
Increase in short-term borrowings	50,000	100,000
Exercise of employee share options	9,322	1,497
Repayment of principal portion of lease liabilities	(6,215)	-
Interest paid	(2,071)	(196)
Guarantee deposits received	371	800
Dividends paid to non-controlling interests	(300)	-
Net cash used in financing activities	<u>(133,496)</u>	<u>(57,383)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>(7,172)</u>	<u>7,103</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	96,871	(502,493)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>238,626</u>	<u>741,119</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 335,497</u>	<u>\$ 238,626</u>

(Concluded)

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018

(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 February 26, 2020.

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 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 "LEASE", IFRIC 4 "Determining whether an Arrangement contains a Lease" and a number of related interpretations. Please reference Note 4 for relevant accounting policies.

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 under IFRS 16. 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.

Leases agreements classified as operating leases under IAS 17, except for leases of low-value asset and short-term leases, 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 are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. Right-of-use assets are subject to impairment testing under IAS 36.

The Group expects to apply the following practical expedients:

- a) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- b) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- c) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

The range of lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 was between 1.2%. The difference between the lease liabilities recognized and future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 6,688
Less: Recognition exemption for short-term leases	(163)
Less: Recognition exemption for low-value leases	(89)
Undiscounted amounts on January 1, 2019	<u>\$ 6,436</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	<u>\$ 6,378</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 6,378</u>

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.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	Carrying Amount as of January 1, 2019	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Right-of-use assets	\$ -	\$ 6,417	\$ 6,417
Prepayments for leases	39	(39)	-
Total effect on assets		<u>\$ 6,378</u>	
Lease liabilities - current	-	<u>\$ 6,378</u>	6,378
Total effect on liabilities		<u>\$ 6,378</u>	
Retained earnings	537,661	<u>\$ -</u>	537,661
Total effect on equity		<u>\$ -</u>	

(2) The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: The Group 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.

Note 2: The Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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 by the IASB but not yet endorsed and issued into effect by the FSC

<u>New IFRSs</u>	<u>Effective Date Announced by the IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by the IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Noncurrent"	January 1, 2022

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

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

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

Current assets include:

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

Current liabilities include:

- A. Liabilities held primarily for the purpose of trading;
- B. Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

C. Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period, unless issuing equities to defer settlement wouldn't affect classification, depending on liabilities conditions.

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

(4)Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss. 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. Subsidiaries' total other comprehensive income is recognized owner's equity and non-controlling interests, even though non-controlling interests have changed into deficits balance.

When the Group hasn't lost control of a subsidiary, it's considered as transactions for equity method. The adjustment of accounted amounts of consolidated companies and non-controlling equities of subsidiaries. The difference, between adjustment of non-controlling equities, and paid or received prices at fair value is directly recognized owner's equities of the company.

See Note 13 & Tables 3 for the detailed information of subsidiaries (including the percentage of ownership and main business).

(5)Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

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

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

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

(6)Inventories

Inventories consist of raw materials, materials, work in process, finished goods, and commodities are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost on the reporting period.

(7)Investment 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 and joint ventures.

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 and joint venture attributable to the Group.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate and a joint venture recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

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. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. 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 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

When the Group's share of losses of an associate and a joint venture equals or exceeds its interest in that associate and joint venture (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate and joint venture), the Group discontinues recognizing its share of further losses.

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 is deducted from 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.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. If the investment of associates becomes the investment of joint ventures, or visa versa, the Group will continue to evaluate investment accounted for by the equity method, other than remeasure retained equities.

Profits and losses, resulting from upstream, downstream, reciprocal transactions should be between the Group and associates, are recognized on consolidated financial statements in the scope of the Group's equities is not relevant to associates.

(8) Property, plant and equipment

Property, plant and equipment are stated at cost, less recognized accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

(9) Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On de-recognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss.

(10) Impairment of tangible and intangible assets

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss, without amortization or depreciation, been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

(11) 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

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.

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 26.

(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.

b. Impairment of financial assets

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. 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.

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.

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 which had been recognized in other comprehensive income is recognized in 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.

(12) Revenue recognition

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 and taking risks of losses of obsolete goods. The Group recognizes revenues and trade receivable as goods after shipment.

(13) Leases

2019

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

1) The Group as lessor

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

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

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

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. The Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

2018

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

1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

(14) Costs of loans

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

(15)Employee benefit

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

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

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. Net defined benefit asset shall not exceed the return contribution or the present value possibly calculated after reducing future contribution.

(16)Share-based payment arrangements

The fair value at the grant date of the employee share options and restricted shares for employees is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options and other equity - unearned employee benefits. It is recognized as an expense in full at the grant date if vested immediately.

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

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

(17)Taxation

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

A. Current tax

An additional profit-seeking income tax shall be levied at the rate of ten percent on such undistributed surplus earnings for income tax expenses by a shareholder resolution, according to Income Tax Act.

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

B. Deferred tax

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

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

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

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

C. Current and deferred tax for the year

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

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

(1) Estimated impairment of financial assets

The provision for impairment of trade receivables, investments in debt instruments, and financial guarantee contracts is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 10. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

(2) Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31, 2019	December 31, 2018
Cash on hand and revolving funds	\$ 183	\$ 142
Checking accounts and demand deposits	118,757	49,312
Cash equivalents		
Time deposits in banks	216,557	189,171
Others	-	1
	<u>\$ 335,497</u>	<u>\$ 238,626</u>

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

	December 31, 2019	December 31, 2018
Bank demand deposits	0.01%~0.67%	0.01%~0.46%
Time deposits	2.10%~2.27%	0.60%~3.30%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2019	December 31, 2018
<u>Financial assets – current</u>		
Designated as at FVTPL		
– Domestic convertible bonds	\$ 31,182	\$ 46,556
– Redemption & sell right for convertible bonds	-	1
– Forward Exchange Agreement(1)	-	916
– Fund beneficiary certification	34,243	37,145
	<u>\$ 65,425</u>	<u>\$ 84,618</u>
<u>Financial assets – non-current</u>		
Mandatorily classified as at FVTPL		
– Domestic listed shares	\$ 15,041	\$ 14,846
– Fund beneficiary certification	15,239	27,501
	<u>\$ 30,280</u>	<u>\$ 42,347</u>

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

December 31, 2018

	Currency	Maturity Date	Notional Amount (In Thousands)
Buy Foreign exchange contracts	USD/NTD	2019.02.25	USD 2,000/NTD 61,660
		2019.02.25	USD 1,000/NTD 30,640
		2019.04.03	USD 830/NTD 25,366
		2019.03.25	USD 3,100/NTD 94,931
		2019.04.25	USD 1,490/NTD 45,445
		2019.04.25	USD 1,390/NTD 42,356

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

	December 31, 2019	December 31, 2018
<u>Current</u>		
Domestic		
Listed ordinary shares	\$ -	\$ 11,505
Listed preference shares	-	-
	<u>\$ -</u>	<u>\$ 11,505</u>
<u>Non-current</u>		
Domestic		
Listed shares and emerging market shares	\$ 98,473	\$ 60,544
Listed preference shares	149,552	72,329
Unlisted shares	3,743	4,265
	<u>\$ 251,768</u>	<u>\$ 137,138</u>

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.

The Group has recognized the NT4,406 thousand and NT 5,162 thousand of dividend income in 2019 and 2018, separately.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31, 2019	December 31, 2018
<u>Current</u>		
Domestic investment		
Time deposits with original maturities more than three months(1)	\$ 307,809	\$ 588,197
Repurchase Bond(2)	391,239	-
	<u>\$ 699,048</u>	<u>\$ 588,197</u>
<u>Non-current</u>		
Domestic investment		
Pledged Time Deposit(3)	\$ 18,058	\$ 17,932
Barclays Bank Coupon Bond(USD)(4)	15,807	-
Prufin Perpetual Corp. Bond(USD)(5)	31,179	-
AT&T Corp. Bond(USD) (6)	16,580	-
Yuanta Securities Asia Financial Services Limited 2018 Non-secured USD-denominated Private Fixed Rate Notes (7)	-	61,430
	<u>\$ 81,624</u>	<u>\$ 79,362</u>

(1) As of December 31, 2019 and 2018, the market interest rate of time deposit over 3 months portion is 0.88%~2.33% and 1.01%~3.30%, respectively.

(2) As of December 31, 2019, the market interest rate of repurchase bond over 3 months portion is 2.70%~2.90%.

(3) Please refer to Note 28 for more details on financial assets at amortized cost under pledge.

(4) The group purchased Barclays Bank Coupon Bond (USD) by USD 527 thousand, with a coupon rate of 4.836%, on August, 2019.

(5) The group purchased Prufin Perpetual Corp (USD) by USD 1,040 thousand, with a coupon rate of 4.875%, on August, 2019.

(6) The group purchased AT&T Corp (USD) by USD 553 thousand, with a coupon rate of 4.50%, on November, 2019.

- (7) 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, and then selling all bonds by 64,954 thousand, for adjustment for the portion of the investment on August, 2019, 3,745 thousand recognized as net profit upon derecognition of financial assets measured at amortized cost.

10. NOTES AND TRADE RECEIVABLE

	December 31, 2019	December 31, 2018
<u>Notes receivable</u>		
Measured at amortized cost		
Notes receivable	\$ 279,128	\$ 161,130
Trade receivable	1,769,673	1,749,467
Overdue receivables	20,816	20,365
Less: Allowances for impairment loss - trade receivable	(14,694)	(21,046)
Less: Allowances for impairment loss - overdue receivables	(<u>20,816</u>)	(<u>20,365</u>)
	<u>\$ 2,034,107</u>	<u>\$ 1,889,551</u>

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 past experience of receivable and current financial position, expectation of GDP and prospect of the industry, deciding the rate of the expected credit losses by the different levels of credit limits of customers and actual conditions, based on the degree of doubtful accounts triggered by customers of different industries.

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

The following table details the loss allowance of trade receivable:

December 31, 2019

	Not Past Due	1-30 Days Past Due	31-60 Days Past Due	61-90 Days Past Due	More Than 90 Days Past Due	Total
Gross carrying amount	\$ 1,992,952	\$ 4,757	\$ 12,731	\$ 696	\$ 58,481	\$ 2,069,617
Loss allowance (Lifetime ECLs)	(<u>3,903</u>)	(<u>1,879</u>)	(<u>5,400</u>)	(<u>347</u>)	(<u>23,981</u>)	(<u>35,510</u>)
Amortized cost	<u>\$ 1,989,049</u>	<u>\$ 2,878</u>	<u>\$ 7,331</u>	<u>\$ 349</u>	<u>\$ 34,500</u>	<u>\$ 2,034,107</u>

December 31, 2018

	Not Past Due	1-30 Days Past Due	31-60 Days Past Due	61-90 Days Past Due	More Than 90 Days Past Due	Total
Gross carrying amount	\$ 1,855,519	\$ 14,139	\$ 39,184	\$ 1,755	\$ 20,365	\$ 1,930,962
Loss allowance (Lifetime ECLs)	(<u>4,614</u>)	(<u>3,323</u>)	(<u>12,598</u>)	(<u>511</u>)	(<u>20,365</u>)	(<u>41,411</u>)
Amortized cost	<u>\$ 1,850,905</u>	<u>\$ 10,816</u>	<u>\$ 26,586</u>	<u>\$ 1,244</u>	<u>\$ -</u>	<u>\$ 1,889,551</u>

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

	<u>2019</u>	<u>2018</u>
Balance at January 1, 2019	\$ 41,411	\$ 57,936
Less: Reversal of loss allowance, 2019	(5,901)	(16,525)
Balance at December 31, 2019	<u>\$ 35,510</u>	<u>\$ 41,411</u>

11. INVENTORIES

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Raw materials	\$ 3,314	\$ 3,931
Work in process	1,289	2,423
Finished goods	3,091	1,440
Commodities	<u>1,311,841</u>	<u>934,057</u>
	<u>\$ 1,319,535</u>	<u>\$ 941,851</u>

Cost of goods sold for inventories were NT\$8,019,012 thousand, and NT\$5,965,608 thousand, respectively, in 2019 and 2018. Cost of goods sold includes allowance for inventory valuation loss in the amount of NT\$27,469 thousand, and NT\$71,560 thousand.

12. SUBSIDIARIES

(1) Subsidiaries included in the consolidated financial statements

The consolidated entities were as follows:

<u>Investor</u>	<u>Investee</u>	<u>Nature of Activities</u>	<u>Proportion of Ownership (%)</u>		<u>Re- mark</u>
			<u>December 31, 2019</u>	<u>December 31, 2018</u>	
The Company	Zotech technology Co., Ltd.	Manufacturing for computer equipment	85.37%	85.37%	A
	Zerone Win Investment Co., Ltd.	Investment	100.00%	100.00%	A
	Asiaone Holdings Ltd.	Holding company	100.00%		A, C
Zerone Win Investment Co., Ltd.	WingWill International Co., Ltd.	Services of Cloud information software	70.00%	70.00%	A, B
	PetaCom technology Co., Ltd.	Services of information product agent	100.00%	100.00%	A

A. These are not significant subsidiaries.

B. Their 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.

C. It was established on September, 2019.

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

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Name of Associates	December 31, 2019	December 31, 2018
Insignificant associates		
Chi-Ta International Co., Ltd.	\$ _____ -	\$ _____ -
Percentage Of owners' equity and voting right		
PERCENTAGE	December 31, 2019	December 31, 2018
Chi-Ta International Co., Ltd.	30.00%	30.00%

Aggregate information of associates that are not individually material was summarized as follows:

	2019	2018
the Group's share of:		
Loss from continuing operations	\$ _____ -	(\$ 4,057)
Other comprehensive income	\$ _____ -	(\$ 4,057)

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 thousand of impairment losses thousand in 2015, and recognized book value of 0 thousand after recognized deficits.

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. The group disposed of all shares for NT 340 thousand, recognized NT 49 thousand in losses in November, 2018.

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.

14. PROPERTY, PLANT AND EQUIPMENT

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Delivery equipment</u>	<u>Other equipment</u>	<u>Total</u>
<u>Cost</u>							
Balance at January 1, 2018	\$234,892	\$128,185	\$12,853	\$35,259	\$ -	\$ 6,843	\$418,032
Additions	-	-	-	3,756	2,458	2,605	8,819
Disposals	-	-	(1,131)	(11,210)	-	(1,144)	(13,485)
Reclassification	-	-	-	455	-	6,204	6,659
Balance at December 31, 2018	<u>\$234,892</u>	<u>\$128,185</u>	<u>\$11,722</u>	<u>\$28,260</u>	<u>\$ 2,458</u>	<u>\$14,508</u>	<u>\$420,025</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2018	\$ -	\$ 68,034	\$12,391	\$21,432	\$ -	\$ 6,092	\$107,949
Disposals	-	-	(1,131)	(11,191)	-	(1,082)	(13,404)
Depreciation	-	1,816	436	6,751	492	2,270	11,765
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 69,850</u>	<u>\$11,696</u>	<u>\$16,992</u>	<u>\$ 492</u>	<u>\$ 7,280</u>	<u>\$106,310</u>
Carrying amounts at December 31, 2018	<u>\$234,892</u>	<u>\$ 58,335</u>	<u>\$ 26</u>	<u>\$11,268</u>	<u>\$ 1,966</u>	<u>\$ 7,228</u>	<u>\$313,715</u>
<u>Cost</u>							
Balance at January 1, 2019	\$234,892	\$128,185	\$11,722	\$28,260	\$ 2,458	\$14,508	\$420,025
Additions	-	-	-	7,123	-	-	7,123
Disposals	-	-	(835)	(194)	-	-	(1,029)
Reclassification	-	-	-	758	-	6,966	7,724
Balance at December 31, 2019	<u>\$234,892</u>	<u>\$128,185</u>	<u>\$10,887</u>	<u>\$35,947</u>	<u>\$ 2,458</u>	<u>\$21,474</u>	<u>\$433,843</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2019	\$ -	\$69,850	\$11,696	\$16,992	\$ 492	\$ 7,280	\$106,310
Disposals	-	-	(835)	(194)	-	-	(1,029)
Depreciation	-	-	-	-	-	-	-
Balance at December 31, 2019	<u>\$ -</u>	<u>1,816</u>	<u>26</u>	<u>8,128</u>	<u>492</u>	<u>3,688</u>	<u>14,150</u>
	<u>\$ -</u>	<u>\$71,666</u>	<u>\$10,887</u>	<u>\$24,926</u>	<u>\$ 984</u>	<u>\$10,968</u>	<u>\$119,431</u>
Carrying amounts at December 31, 2019	<u>\$234,892</u>	<u>\$56,519</u>	<u>\$ -</u>	<u>\$11,021</u>	<u>\$ 1,474</u>	<u>\$10,506</u>	<u>\$314,412</u>

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

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

Please refer to Note 28 for more details on property, plant and equipment under pledge.

15. LEASE ARRANGEMENTS

(1) Right-of-use assets – 2019

	December 31, 2019
Carrying amounts of right-of-use assets	
Buildings	\$ 7,758
Office equipment	<u>545</u>
	<u>\$ 8,303</u>
	<u>2019</u>
Additions to right-of-use assets	<u>\$ 8,193</u>
Depreciation charge for right-of-use assets	
Buildings	\$ 6,106
Office equipment	<u>201</u>
	<u>\$ 6,307</u>

(2) Lease liabilities - 2019

	December 31, 2019
Carrying amounts of lease liabilities	
Current	<u>\$ 4,553</u>
Non-current	<u>\$ 3,803</u>

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Buildings	1.20%
Office equipment	1.20%

(3) Other lease information

	2019
Expenses relating to short-term leases	<u>\$ 353</u>
Expenses relating to low-value asset leases	<u>\$ 54</u>
Total cash (outflow) for leases	<u>(\$ 6,734)</u>

16. SHORT-TERM LOANS

	December 31, 2019	December 31, 2018
<u>Unsecured loans</u>		
— Line of credit loans	<u>\$ 150,000</u>	<u>\$ 100,000</u>

Interest rate of bank loans is 0.94% on December 31, 2019 and 2018.

17. OTHER PAYABLE

	December 31, 2019	December 31, 2018
Salaries and bonuses payable	\$ 83,057	\$ 65,753
Employees', directors', and supervisors' compensation payable	28,379	20,137
Others	<u>269,982</u>	<u>159,118</u>
	<u>\$ 381,418</u>	<u>\$ 245,008</u>

18. BOND PAYABLE

	December 31, 2019	December 31, 2018
Unsecure domestic convertible bonds	\$ -	\$ 5,300
Less: Discounted bond payable	<u>-</u>	(<u>215</u>)
Total of bond payable	-	5,085
Less: due components in a year	<u>-</u>	(<u>5,085</u>)
Total	<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, 2018, liability components	\$ 9,733
Interest (2.0618%)	147
Convertible bonds changed into ordinary shares	(<u>4,795</u>)
Balance on December 31, 2018, liability components	<u>\$ 5,085</u>
Balance on January 1, 2019, liability components	\$ 5,085
Interest (2.0618%)	15
Convertible bonds changed into ordinary shares	(<u>5,100</u>)
Balance on December 31, 2019, liability components	<u>\$ -</u>

19. RETIREMENT BENEFIT PLANS

(1) Defined contribution plans

The plan under the R.O.C. Labor Pension Act (the “Act”) is deemed a defined contribution plan. Pursuant to the Act, the Group has made monthly contributions equal to 6% of each employee’s monthly salary to employees’ pension accounts.

(2) Defined benefit plans

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

Amounts recognized in respect of these defined benefit plans in consolidated balance sheets were as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Present value of defined benefit obligation	\$ 58,307	\$ 55,117
Fair value of plan assets	(36,389)	(33,538)
Contribution	<u>21,918</u>	<u>21,579</u>
Net defined benefit liability	<u>\$ 21,918</u>	<u>\$ 21,579</u>

Movements in net defined benefit liabilities/assets are as follows:

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability/Assets</u>
For the year ended January 1, 2018	<u>\$ 52,105</u>	<u>(\$ 31,183)</u>	<u>\$ 20,922</u>
Service cost			
Current service cost	352	-	352
Interest expense (income)	<u>586</u>	<u>(356)</u>	<u>230</u>
Recognized in profits or losses	<u>938</u>	<u>(356)</u>	<u>582</u>
Remeasurements			
Return on plan assets (excluding amounts included in interest, net)	-	(891)	(891)
Actuarial loss arising from changes in demographic assumptions	513	-	513
Actuarial loss (gain) arising from changes in financial assumptions	633	-	633
Actuarial loss arising from experience adjustments	<u>928</u>	<u>-</u>	<u>928</u>
Recognized in other comprehensive income	<u>2,074</u>	<u>(891)</u>	<u>1,183</u>
Contribution from employer	<u>-</u>	<u>(1,108)</u>	<u>(1,108)</u>
For the year ended December 31, 2018	<u>\$ 55,117</u>	<u>(\$ 33,538)</u>	<u>\$ 21,579</u>
For the year ended January 1, 2019	<u>\$ 55,117</u>	<u>(\$ 33,538)</u>	<u>\$ 21,579</u>
Service cost			
Current service cost	311	-	311
Interest expense (income)	<u>551</u>	<u>(339)</u>	<u>212</u>
Recognized in profits or losses	<u>862</u>	<u>(339)</u>	<u>523</u>
Remeasurements			
Return on plan assets (excluding amounts included in interest, net)	-	(1,171)	(1,171)
Actuarial loss arising from changes in demographic assumptions	400	-	400
Actuarial loss (gain) arising from changes in financial assumptions	1,329	-	1,329
Actuarial loss arising from experience adjustments	<u>599</u>	<u>-</u>	<u>599</u>
Recognized in other comprehensive income	<u>2,328</u>	<u>(1,171)</u>	<u>1,157</u>
Contribution from employer	<u>-</u>	<u>(1,341)</u>	<u>(1,341)</u>
For the year ended December 31, 2019	<u>\$ 58,307</u>	<u>(\$ 36,389)</u>	<u>\$ 21,918</u>

The pension costs of the aforementioned defined benefit plans were recognized in profit or loss by the following categories:

	<u>2019</u>	<u>2018</u>
Selling expenses	\$ 237	\$ 250
General and administrative expenses	<u>286</u>	<u>332</u>
	<u>\$ 523</u>	<u>\$ 582</u>

Through the defined benefit plans under the R.O.C. Labor Standards Law, the Group is exposed to the following risks:

- A. Investment risk: The pension funds are invested in equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the government's designated authorities or under the mandated management. However, under the R.O.C. Labor Standards Law, the rate of return on assets shall not be less than the average interest rate on a two-year time deposit published by the local banks and the government is responsible for any shortfall in the event that the rate of return is less than the required rate of return.
- B. Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the debt investments of the plan assets.
- C. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Discount rate	0.750%	1.000%
Future salary increase rate	2.750%	2.750%

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Discount rate		
increases by 0.25%	(\$ 1,333)	(\$ 1,265)
decreases by 0.25%	<u>\$ 1,382</u>	<u>\$ 1,314</u>
Future salary increase rate		
increases by 0.25%	<u>\$ 1,335</u>	<u>\$ 1,272</u>
decreases by 0.25%	(<u>\$ 1,295</u>)	(<u>\$ 1,232</u>)

Because actuarial assumptions may be correlative with one another, and a single assumption may not variate, the above sensitive analysis cannot indicate actual changes of the present value of defined benefit obligation.

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Contribution amounts within 1 year	<u>\$ 657</u>	<u>\$ 630</u>
Average due period of the defined benefit obligation	9.3 Years	9.4 Years

20. EQUITY

(1) Ordinary Shares

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Authorized shares (in thousands)	<u>150,000</u>	<u>150,000</u>
Authorized capital	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>
Issued and paid shares (in thousands)	<u>124,635</u>	<u>122,896</u>
Issued capital	<u>\$ 1,246,352</u>	<u>\$ 1,228,965</u>

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

(2)Capital Surplus

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (A)</u>		
Premium on shares issued above par value	\$ 408,165	\$ 399,648
Treasury stock transactions	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
Invalid employees stock options	300	300
<u>May not be used for any purpose</u>		
Stock options	-	433
Restricted Stock Awards	8,156	-
Employees stock options	<u>25,691</u>	<u>18,310</u>
	<u>\$ 470,136</u>	<u>\$ 446,515</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 the 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 21-6.

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 2018 and 2017 earnings have been approved by ZOTC's shareholder's meeting held on June 13, 2019 and June 11, 2018, respectively, were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share(NT\$)</u>	
	<u>For Fiscal Year 2018</u>	<u>For Fiscal Year 2017</u>	<u>For Fiscal Year 2018</u>	<u>For Fiscal Year 2017</u>
Legal capital reserve	\$ 25,294	\$ 19,598		
Special reserve	1,343	(1,222)		
Cash dividends	184,603	159,484	\$ 1.5	\$ 1.3

The appropriations of earnings for 2019 had been proposed by the Group's board of directors on February 26, 2020. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 35,131	
Special reserve	(16,844)	
Cash dividends	249,574	\$ 2.0

The appropriations of earnings for 2019 are subject to the resolution of the shareholders' meeting to be held on June 10, 2020.

(4) Other equity

A. Unrealized Gain/Loss from financial assets measured at FVTOCI

	2019	2018
Balance at January 1, 2019	(\$ 16,844)	(\$ 10,954)
In respect of the current period		
Unrealized profits and losses — equity instruments	27,604	(6,664)
Cumulative gain (loss) of equity instruments transferred to retained earnings due to disposal	7,105	774
Balance at December 31, 2019	<u>\$ 17,865</u>	<u>(\$ 16,844)</u>

B. Unearned employee benefit

In the shareholders' meetings held on June 11, 2018, the shareholders approved a restricted share plan for employees. Refer to Note 24 for the information of restricted shares issued.

	2019
Balance, beginning of period	\$ -
Issued at the current period	(15,156)
Share-based payment expenses recognized	4,767
Balance, end of period	<u>(\$ 10,389)</u>

21. NET INCOME

(1) Other income

	2019	2018
Interest income	\$ 22,977	\$ 17,007
Dividend income	4,406	5,162
Rental income	48	269
Others	6,192	8,995
	<u>\$ 33,623</u>	<u>\$ 31,433</u>

(2) Other gains and losses

	2019	2018
Gain on financial assets at FVTPL	\$ 8,097	\$ 2,987
Net foreign currency exchange gains (losses)	(377)	4,419
Losses(gains) on disposal of Property, plant and equipment	-	(2)
Losses on disposal of investment accounted for using the equity method	-	(49)
	<u>\$ 7,720</u>	<u>\$ 7,355</u>

(3) Financial costs

	<u>2019</u>	<u>2018</u>
Interests on bank borrowings	\$ 1,949	\$ 211
Interest on lease liabilities	111	-
Interests on convertible bonds	<u>15</u>	<u>147</u>
Total	<u>\$ 2,075</u>	<u>\$ 358</u>

(4) Depreciation & amortization

	<u>2019</u>	<u>2018</u>
Property, plant and equipment	\$ 14,150	\$ 11,765
Right-of-use assets	6,307	-
Intangible assets	<u>787</u>	<u>655</u>
	<u>\$ 21,244</u>	<u>\$ 12,420</u>

An analysis of depreciation by function

Operating costs	\$ 157	\$ 895
Operating expenses	<u>20,300</u>	<u>10,870</u>
	<u>\$ 20,457</u>	<u>\$ 11,765</u>

An analysis of amortization by function

Operating costs	\$ -	\$ -
Operating expenses	<u>787</u>	<u>655</u>
	<u>\$ 787</u>	<u>\$ 655</u>

(5) Employee benefits expense

	<u>2019</u>	<u>2018</u>
Post-employment benefits		
Defined contribution plans	\$ 9,746	\$ 8,219
Defined benefit plans (Note 19)	<u>523</u>	<u>582</u>
	10,269	8,801
Share-Based Payment		
Equity Swap	16,198	10,252
Other employee benefits	<u>327,152</u>	<u>265,416</u>
Employee benefits expense, Total	<u>\$ 353,619</u>	<u>\$ 284,469</u>

Employee benefits expense summarized by function

Recognized in cost of revenue	\$ 4,021	\$ 4,079
Recognized in operating expenses	<u>349,598</u>	<u>280,390</u>
	<u>\$ 353,619</u>	<u>\$ 284,469</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 amount of employees', Director's, and Supervisor's compensation for the years ended December 31, 2019 and 2018, with resolution of the board of directors on Feb. 26, 2020 and Feb. 27, 2019, is as follows:

Estimate Rate

	<u>2019</u>	<u>2018</u>
Employee compensation	4.00%	4.00%
Director's & Supervisor's compensation	2.00%	2.00%

Amount

	<u>2019</u>		<u>2018</u>	
	<u>Cash</u>	<u>Stock</u>	<u>Cash</u>	<u>Stock</u>
Employee compensation	\$ 18,911	\$ -	\$ 13,425	\$ -
Director's & Supervisor's compensation	9,456	-	6,712	-

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 2018, and 2017 has no difference compared to the recognized amount of consolidated financial statements in 2018 and 2017.

Please search for relevant information about employees', director's, and supervisor's compensation, resolved by the board of directors in 2019 and 2018, on the website of "Market Observation Post System" of TWSE.

(7) Foreign exchange gain (loss)

	<u>2019</u>	<u>2018</u>
Foreign exchange gain	\$ 42,398	\$ 17,082
Foreign exchange loss	(42,775)	(12,663)
Gain (loss), net	<u>(377)</u>	<u>\$ 4,419</u>

22. INCOME TAXES

(1) Income tax recognized in profit or loss

The major components of tax expenses were as follows:

	<u>2019</u>	<u>2018</u>
Current tax		
In respect of the current year	\$ 95,909	\$ 79,088
Surtax on Undistributed Retained Earnings	2,429	1,751
Adjustments for previous years	(408)	(348)
	97,930	80,491
Deferred tax		
Changes in tax rates	-	(2,908)
In respect of the current year	(4,283)	(14,665)
Income tax expense recognized in profit or loss	<u>\$ 93,647</u>	<u>\$ 62,918</u>

A reconciliation of accounting profit and income tax expense and the applicable tax rate were as follows:

	<u>2019</u>	<u>2018</u>
Accounting profit before tax from continuing operations	<u>\$ 442,802</u>	<u>\$ 314,955</u>
Income tax expense calculated at the statutory rate	\$ 88,560	\$ 62,991
Tax-exempt income	(1,771)	(1,493)
Tax effect of expenses not deductible for tax	5,471	4,134
Others	(2,790)	(1,743)
Additional Surtax on Undistributed Retained Earnings	2,429	1,751
Changes in tax rates	-	(2,908)
Unrecognized deficits credit	2,156	534
The adjustment of current income tax expenses in the past year	(408)	(348)
Total income tax expense recognized in profit or loss	<u>\$ 93,647</u>	<u>\$ 62,918</u>

In 2018, the Income Tax Law in the R.O.C. was amended and, starting from 2018, the corporate income tax rate was adjusted from 17% to 20%. In addition, the tax rate for 2018 unappropriated earnings was reduced from 10% to 5%.

(2) Income tax expense recognized in other comprehensive income

	<u>2019</u>	<u>2018</u>
<u>Deferred tax</u>		
Changes in tax rates	\$ -	\$ 438
In respect of the current period		
– Remeasurement of defined benefit plans	<u>231</u>	<u>236</u>
Total income tax expense recognized in other comprehensive income	<u>\$ 231</u>	<u>\$ 674</u>

(3) Deferred tax balances

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

2019

	<u>Opening Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in Other Comprehensive Income</u>	<u>Closing Balance</u>
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for loss on decline in value of inventory	\$ 23,360	\$ 5,949	\$ -	\$ 29,309
Allowance for bad debts	4,442	(1,449)	-	2,993
Defined benefit plans	4,316	(164)	231	4,383
Others	<u>5,820</u>	<u>4</u>	<u>-</u>	<u>5,824</u>
	<u>\$ 37,938</u>	<u>\$ 4,340</u>	<u>\$ 231</u>	<u>\$ 42,509</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized foreign exchange profits	<u>\$ 736</u>	<u>\$ 57</u>	<u>\$ -</u>	<u>\$ 793</u>

2018

	<u>Opening Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in Other Comprehensive Income</u>	<u>Closing Balance</u>
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for loss on decline in value of inventory	\$ 7,691	\$ 15,669	\$ -	\$ 23,360
Allowance for bad debts	3,525	917	-	4,442
Defined benefit plans	3,557	85	674	4,316
Others	<u>4,663</u>	<u>1,157</u>	<u>-</u>	<u>5,820</u>
	<u>\$ 19,436</u>	<u>\$ 17,828</u>	<u>\$ 674</u>	<u>\$ 37,938</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized foreign exchange profits	<u>\$ 481</u>	<u>\$ 255</u>	<u>\$ -</u>	<u>\$ 736</u>

(4) Amounts of unused carryforward for which deferred tax assets have not been recognized

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Loss carryforward	<u>\$ 21,283</u>	<u>\$ 11,022</u>

(5) Information about unused loss carry-forward

Loss carryforwards as of December 31, 2019 comprised of:

<u>Remaining Carrying</u>	<u>Expiry Year</u>
\$ 4,006	2027
7,016	2028
<u>10,261</u>	2029
<u>\$ 21,283</u>	

(6) Income tax assessment

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

<u>Co. Name</u>	<u>Year of Assessment</u>
The company	2017
Zotech technology Co., Ltd.	2016
Zerone Win Investment Co., Ltd.	2018
WingWill International Co., Ltd.	2018
PetaCom technology Co., Ltd.	2018

23. EARNINGS PER SHARE

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

Net Profit for the Period

	<u>2019</u>	<u>2018</u>
Net Profit for the Period	\$ 351,313	\$ 252,939
Effect of potentially dilutive ordinary shares:		
Effect of convertible bonds after tax	<u>15</u>	<u>148</u>
Earnings in computation of diluted earnings per share	<u>\$ 351,328</u>	<u>\$ 253,087</u>

Shares

(Units: thousand shares)

	<u>2019</u>	<u>2018</u>
Weighted average number of ordinary shares outstanding in computation of basic earnings per share	123,354	122,660
Effect of potentially dilutive ordinary shares :		
Convertible bonds	56	486
Employee compensation	839	871
Employee stock options	2,167	634
Restricted stock award	<u>202</u>	<u>-</u>
Weighted average number of ordinary shares outstanding in computation of diluted earnings per share	<u>126,618</u>	<u>124,651</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 third and fourth issued employee stock options is higher than average market price of shares in 2018. Owing to anti-diluted, it doesn't be calculated in each diluted earnings per share.

24. SHARE-BASED PAYMENT ARRANGEMENTS

(1) Employee Share Option Plan

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	2019		2018	
	Number of Options (In Thousands)	Weighted Average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted Average Exercise Price (NT\$)
Balance, beginning of period	6,468	\$ 17.68	2,633	\$ 15.23
Options vested	-	-	4,000	19.73
Options exercised	(701)	13.30	(105)	14.25
Invalid options	(114)	15.91	(60)	14.05
Outstanding options at the end of the period	<u>5,653</u>	17.18	<u>6,468</u>	17.68
Options exercised at the end of the period	<u>1,049</u>		<u>912</u>	
Weighted-average fair value of options vested(NT\$)	<u>\$ -</u>		<u>\$ 6.73</u>	

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

December 31, 2019		December 31, 2018	
Range of Exercise Price (US\$)	Weighted-Over-Age Remaining Contractual Life (Years)	Range of Exercise Price (US\$)	Weighted-Over-Age Remaining Contractual Life (Years)
\$12.40 (Note)	1.67	\$ 13.10 (Note)	2.67
14.20 (Note)	2.68	15.00 (Note)	3.68
17.80 (Note)	4.01	18.80 (Note)	5.01
19.50 (Note)	4.67	20.65	5.67

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%

The compensation cost recognized were \$11,431 thousand and \$10,252 thousand for the years ended December 31, 2019 and 2018, respectively.

(2) Restricted stock awards

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

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

- A. An employee who remains employed at the Group after 1 year has elapsed from the time of RSA, and who personal performance have met with the criteria listing of 75 scores and above, will be eligible for vesting of an installment of 25% of the shares.
- B. An employee who remains employed at the Group after 2 year has elapsed from the time of RSA, and who personal performance have met with the criteria listing of 75 scores and above, will be eligible for vesting of an installment of 25% of the shares.
- C. An employee who remains employed at the Group after 3 year has elapsed from the time of RSA, and who personal performance have met with the criteria listing of 75 scores and above, will be eligible for vesting of an installment of 25% of the shares.
- D. An employee who remains employed at the Group after 4 year has elapsed from the time of RSA, and who personal performance have met with the criteria listing of 75 scores and above, will be eligible for vesting of an installment of 25% of the shares.

After employees received the vested shares from the Group, it will redeem and cancel the issued restricted employee shares as employees breach the labor contract and working regulations, for the restricted employee new shares that don't meet the vesting conditions.

When employees fail to meet the vesting conditions of restricted employee new shares as redeemed by the Group without charge will be cancelled, based on the relevant regulations.

Compensation costs by issuance of restricted stock awards recognized were NT\$4,767 thousand in 2019, respectively. As of December 31, 2019, unearned employee benefits totaled NT\$10,389 thousand, accounted for as an decrease in other equity.

25. 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.

26. 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:

	December 31, 2019		December 31, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial Assets</u>				
Measured at amortized cost -				
domestic corporate bonds	\$ -	\$ -	\$ 61,430	\$ 60,778
-foreign corporate bonds	63,566	64,992	-	-
<u>Financial liabilities</u>				
Convertible bonds	-	-	5,085	6,273

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

A. Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Convertible bonds	\$ 31,182	\$ -	\$ -	\$ 31,182
Listed shares and emerging market shares	15,041	-	-	15,041
Fund beneficiary certification	46,403	-	3,079	49,482
Total	<u>\$ 92,626</u>	<u>\$ -</u>	<u>\$ 3,079</u>	<u>\$ 95,705</u>

Financial assets at FVTOCI

Equity investments

– Domestic listed shares and emerging market shares	\$ 237,587	\$ -	\$ 10,438	\$ 248,025
– Domestic unlisted shares	-	-	3,743	3,743
Total	<u>\$ 237,587</u>	<u>\$ -</u>	<u>\$ 14,181</u>	<u>\$ 251,768</u>

December 31, 2018

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Convertible bonds	\$ 46,556	\$ -	\$ -	\$ 46,556
Listed shares and emerging market shares	14,846	-	-	14,846
Fund beneficiary certification	37,145	-	27,501	64,646
Derivatives	-	917	-	917
Total	<u>\$ 98,547</u>	<u>\$ 917</u>	<u>\$ 27,501</u>	<u>\$ 126,965</u>

Available-for-sale financial assets

Equity investments

– Domestic listed shares and emerging market shares	\$ 135,537	\$ -	\$ 8,841	\$ 144,378
– Domestic unlisted shares	-	-	4,265	4,265
Total	<u>\$ 135,537</u>	<u>\$ -</u>	<u>\$ 13,106</u>	<u>\$ 148,643</u>

There were no transfers between Level 1 and Level 2 in 2019 and 2018, 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 inputs applied for 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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial assets</u>		
Financial assets measured at FVTPL		
Mandatorily measured at FVTPL	\$ 95,705	\$ 126,965
Loans and receivables (Note 1)	3,170,472	2,803,114
Financial assets measured at amortized cost (Note 1)	251,768	148,643
Financial assets measured at FVTOCI— Investments in equity instruments		
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	2,567,775	2,002,705

Note 1: 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 2: The balances included financial liabilities measured at amortized cost, which comprise short-term loans, trade payable, other payable, and current portion of bonds payable and deposits received.

(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 30.

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 in 2019 and 2018 would increase/decrease by \$20,754 thousand and \$12,561 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:

	December 31, 2019	December 31, 2018
Interest rate risks at fair value		
— Financial assets	\$ 874,635	\$ 708,312
— Financial liabilities	158,356	100,000
Interest rate risks at cash flows		
— Financial assets	231,807	197,730

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 in 2019 and 2018 would increase/decrease by \$1,159 thousand and \$987 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 and fund beneficiary certificates. 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\$4,785 and NT\$6,302 thousand, because of the change in fair value of financial assets at FVTPL, respectively., at the end of the reporting period in 2019 and 2018, the other comprehensive income would have increased/decreased by NT\$12,588 and NT\$7,432 thousand, because of the change in fair value of financial assets at FVTOCI, respectively, at the end of the reporting period in 2019 and 2018.

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 top 5 customers of the Group. As of December 31, 2019 and 2018, the Group's five largest customers accounted for 33% 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.

December 31, 2019

	Less than 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>			
No Interest-bearing liabilities	\$ 2,416,604	\$ -	\$ -
Lease liability	4,617	3,831	-
Fixed rate instruments	<u>150,118</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,571,339</u>	<u>\$ 3,831</u>	<u>\$ -</u>

December 31, 2018

	Less than 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>			
No Interest-bearing liabilities	\$ 1,901,920	\$ -	\$ -
Fixed rate instruments	<u>100,149</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,002,069</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 December 31, 2019 and 2018, the Group's unused short-term credit of limit of the bank were 920,000 thousand and 670,000 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.

27. 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

	2019	2018
Short-term employee benefits	<u>\$ 40,241</u>	<u>\$ 28,132</u>

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

28. 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.

	December 31, 2019	December 31, 2018
Property, plant and equipment, Net	\$ 209,009	\$ 293,227
Pledged Time Deposits(Financial assets at amortized cost—non-current)	<u>18,058</u>	<u>17,932</u>
	<u>\$ 227,067</u>	<u>\$ 311,159</u>

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

(1)As of December 31, 2019, the group opens NT 87,000 thousand of cashier order for payment guaranteed for Microsoft Taiwan Corporation.

(2)As of December 31, 2019, the group opens NT 50,000 thousand of cashier order for payment guaranteed for Microsoft Regional Sales Corporation.

30. 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:

December 31, 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 31,858	29.980 (USD:NTD)	\$ <u>955,103</u>

<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	45,703	29.980 (USD:NTD)	\$ <u>1,370,176</u>

December 31, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 29,511	30.715 (USD:NTD)	\$ <u>906,430</u>

<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	37,690	30.715 (USD:NTD)	\$ <u>1,157,648</u>

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

	2019		2018	
Foreign currencies	Exchange Rate	Net Foreign exchange profit(loss)	Exchange Rate	Net Foreign exchange profit(loss)
USD	30.912 (USD:NTD)	(\$ <u>377</u>)	30.149 (USD:NTD)	\$ <u>4,419</u>

31. SEPARATELY DISCLOSED ITEMS

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

- A. Financing provided to others: Table 1.
- B. Endorsements/guarantees provided: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Table 2.
- 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 4.
- K. Information on investees: Table 3.

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

32. 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>2019</u>				
Revenues/from external customers	\$ 8,823,337	\$ 91,833	\$ -	\$ 8,915,170
Inter-segment revenues	<u>-</u>	<u>20,152</u>	<u>(20,152)</u>	<u>-</u>
Segment revenues	<u>\$ 8,823,337</u>	<u>\$ 111,985</u>	<u>(\$ 20,152)</u>	<u>8,915,170</u>
Consolidated revenues				<u>\$ 8,915,170</u>
Segment profit (loss)	<u>\$ 539,029</u>	<u>(\$ 9,658)</u>	<u>\$ -</u>	\$ 529,371
General administration division costs and directors' compensation				(129,582)
Other income				33,623
Other profit (loss)				7,720
Financial costs				3,745
Investments accounted FOR USING the EQUITY METHOD of associates and joint ventures				<u>(2,075)</u>
Net income before tax				<u>\$ 442,802</u>
<u>2018</u>				
Revenues/from external customers	\$ 6,548,711	\$ 98,641	\$ -	\$ 6,647,352
Inter-segment revenues	<u>-</u>	<u>11,516</u>	<u>(11,516)</u>	<u>-</u>
Segment revenues	<u>\$ 6,548,711</u>	<u>\$ 110,157</u>	<u>(\$ 11,516)</u>	<u>6,647,352</u>
Consolidated revenues				<u>\$ 6,647,352</u>
Segment profit (loss)	<u>\$ 439,328</u>	<u>(\$ 64,026)</u>	<u>\$ -</u>	\$ 375,302
General administration division costs and directors' compensation				(94,720)
Other income				31,433
Other profit (loss)				7,355
Financial costs				(358)
Investments accounted for using the equity method of associates and joint ventures				<u>(4,057)</u>
Net income before tax				<u>\$ 314,955</u>

Segment profits indicate earning profits of each segment, not including management segment costs and directors' compensation, investments accounted FOR USING the 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:

	2019	2018
IT Infrastructure	\$ 2,341,572	\$ 2,176,883
Network & Information Security	4,334,514	2,992,682
Cloud Platform & Application	1,651,780	1,080,787
Big Data & Application	580,651	385,046
Other	<u>6,653</u>	<u>11,954</u>
	<u>\$ 8,915,170</u>	<u>\$ 6,647,352</u>

(4) Geographical information

The Group is mainly headquartered in Taiwan.

The Group categorized the net revenue mainly based on the country in which the customer is headquartered, and non-current assets based on the site of assets.

	Net Revenue from External Customers		Non-current Assets	
			December 31, 2019	December 31, 2018
	2019	2018		
Taiwan	\$ 8,821,731	\$ 6,526,576	\$ 324,110	\$ 314,665
Others	<u>93,439</u>	<u>120,776</u>	<u>-</u>	<u>-</u>
	<u>\$ 8,915,170</u>	<u>\$ 6,647,352</u>	<u>\$ 324,110</u>	<u>\$ 314,665</u>

Non-current assets don't include financial instruments and deferred tax assets.

(5) Major customer information

Revenues in 2019 and 2018 of brand agent business division were 8,823,337 thousand, and 6,548,711 thousand, and some of revenues were 782,918 thousand, and 529,340 thousand from key account. In 2019 and 2018, no customers constituted more than 10% of the Group's total revenue.

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
FINANCING PROVIDED TO OTHERS
FOR THE YEARS ENDED DECEMBER 31, 2019

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

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 2)	Ending Balance	Amount Actually Drawn	Interest Rate	Nature for Financing (Note 3)	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 4)	Financing Company's Total Financing Amount Limits (Note 5)	Note
													Name	Item			
0	The company	WingWill international Co., Ltd.	Other receivables from related parties	Yes	\$10,000	\$10,000	\$10,000	3%	2	\$ -	Operating Capital	\$-	-	\$ -	\$ 242,030	\$ 484,061	

Note 1 : The number column is organized as follows :

(1)Number 0 represents the issuer.

(2)The Counter-party is numbered from 1 in order.

Note 2 : Maximum Balance of financing provided to others for the Period.

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

(1)1:The borrower has business contact with the creditor.

(2)2:The borrower has short-term financing necessities.

Note 4 : For short-term financing necessities, the total amount available for lending purpose shall not exceed 10% of the net worth reviewed or audited by CPA during the period.

Note 5 : The total amount available for lending purpose shall not exceed 20% of the company's net worth reviewed or audited by CPA during the period.

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
FOR THE YEAR ENDED DECEMBER 31, 2019

Table 2

Units : In Thousands of New Taiwan Dollars

Holding Company	Marketable Securities Type and Issuer's Name (Note 1)	Security Issuer's Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Shares/Units	Carrying Values	Percentage of Ownership (%)	Market Prices/Net value of equities	
The company	Beneficiary certificates							
	KGI Emerging Market Bond 1-5 ETF Fund	—	Financial assets at FYTPL — current	75,000	\$ 3,000	-	\$ 3,000	
	KGI Kaefer Fund	—	Financial assets at FYTPL — non-current	170,437	3,079	-	3,079	
	KGI Taiwan Multi-Asset Income Fund	—	Financial assets at FYTPL — non-current	1,198,020	12,160	-	12,160	
	Corporate bond							
	Giga Solar Materials Corp.—2 convertible corporate bonds	—	Financial assets at FYTPL — current	150 (Units)	14,550	-	14,550	
	China Airlines—6 convertible corporate bonds	—	Financial assets at FYTPL — current	30 (Units)	2,984	-	2,984	
	Tong Ming Enterprise Co., Ltd.—1 st domestic unsecured convertible corporate bonds	—	Financial assets at FYTPL — current	10 (Units)	985	-	985	
	Gemtek Technology Co., Ltd.—5 convertible corporate bonds	—	Financial assets at FYTPL — current	40 (Units)	4,388	-	4,388	
	Sigurd Microelectronics Corporation.—3 convertible corporate bonds	—	Financial assets at FYTPL — current	30 (Units)	3,394	-	3,394	
	Quang Viet Enterprise Co.,Ltd.—1 convertible corporate bonds	—	Financial assets at FYTPL — current	30 (Units)	3,236	-	3,236	
	Sheh Fung Screws Co., Ltd.—1 convertible corporate bonds	—	Financial assets at FYTPL — current	5 (Units)	519	-	519	
	Interactive Digital Technologies Inc.—1 convertible corporate bonds	—	Financial assets at FYTPL — current	10 (Units)	1,126	-	1,126	
	Barclays Bank Coupon Bond (USD)	—	Financial assets at amortized cost—non-current	5 (Units)	15,807	-	16,721	
	Prufin Coupon Bond (USD)	—	Financial assets at amortized cost—non-current	10 (Units)	31,179	-	31,611	
	AT&T Coupon Bond (USD)	—	Financial assets at amortized cost—non-current	5 (Units)	16,580	-	16,660	

(Continued)

Holding Company	Marketable Securities Type and Issuer's Name (Note 1)	Security Issuer's Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Shares/Units	Carrying Values	Percentage of Ownership (%)	Market Prices/Net value of equities	
The company	Securities							
	Cathay Financial Holdings Preferred Stock A	—	Financial assets at FYTPL — non-current	166,000	\$ 10,657	-	\$ 10,657	
	Union Bank of Taiwan Preferred Stock A	—	Financial assets at FYTPL — non-current	80,000	4,384	-	4,384	
	K WAY INFORMATION CORP.	The supervisor of the company	Financial assets at FVTOCI — non-current	490,000	17,150	1.60	17,150	
	China Electric Mfg. Corp.	—	Financial assets at FVTOCI — non-current	2,988,000	33,167	0.75	33,167	
	ASIX Electronics Corp.	—	Financial assets at FVTOCI — non-current	90,074	3,418	0.17	3,418	
	Promaster Technology Corp.	—	Financial assets at FVTOCI — non-current	1,111,563	10,438	2.82	10,438	
	Unex Technology Corporation	—	Financial assets at FVTOCI — non-current	175,000	3,743	1.68	3,743	
	Cathay Financial Holdings Preferred Stock A	—	Financial assets at FVTOCI — non-current	54,000	3,467	-	3,467	
	Union Bank of Taiwan Preferred Stock A	—	Financial assets at FVTOCI — non-current	70,000	3,836	-	3,836	
	Fubon Financial Holding Co., Ltd. Preferred Shares B	—	Financial assets at FVTOCI — non-current	400,000	25,720	-	25,720	
	Taishin Financial Holding Co., Ltd. Preferred Stock E	—	Financial assets at FVTOCI — non-current	240,000	13,296	-	13,296	
	CTBC Financial Holding Co., Ltd. Preferred Shares B	—	Financial assets at FVTOCI — non-current	90,000	5,958	-	5,958	
	Cathay Financial Holding Co., Ltd. Preferred Stock B	—	Financial assets at FVTOCI — non-current	230,000	14,720	-	14,720	
	Fubon Financial Holding Co., Ltd. Preferred Shares B	—	Financial assets at FVTOCI — non-current	200,000	10,760	-	10,760	
	WPG Holdings Limited Preferred Stock A	—	Financial assets at FVTOCI — non-current	700,000	36,190	-	36,190	
	United Orthopedic Corporation Preferred Stock A	—	Financial assets at FVTOCI — non-current	200,000	10,560	-	10,560	
	Miiicasa Holdings (Cayman) Inc.	—	Financial assets at FVTOCI — non-current	2,500,000	-	3.45	-	

(Continued)

(Concluded)

Holding Company	Marketable Securities Type and Issuer's Name (Note 1)	Security Issuer's Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Shares/Units	Carrying Values	Percentage of Ownership (%)	Market Prices/ Net value of equities	
Zerone Win Investment Co., Ltd.	Duofu Co., Ltd.	—	Financial assets at FVTOCI – non-current	10,000	\$ -	0.27	\$ -	
	Jotangi Technology Co., Ltd.	—	Financial assets at FVTOCI – non-current	796,250	-	16.94	-	
	Ijoing, Inc.	—	Financial assets at FVTOCI – non-current	500,000	-	10.00	-	
	Securities							
	WPG Holdings Limited Preferred Stock A	—	Financial assets at FVTOCI – non-current	240,000	12,408	-	12,408	
	Shin Kong Financial Holding Co.,Ltd. Preferred Stock A	—	Financial assets at FVTOCI – non-current	50,000	2,297	-	2,297	
Petacom Technology Co., Ltd.	Tatung System Technologies Inc.	—	Financial assets at FVTOCI – non-current	2,000,000	34,300	2.26	34,300	
	Beneficiary certifications Taishin 1699 Money Market Fund	—	Financial assets at FYTPL – current	2,300,000	31,243	-	31,243	
ZOTECH Co., Ltd.	Securities WPG Holdings Limited Preferred Stock A	—	Financial assets at FVTOCI – non-current	200,000	10,340	-	10,340	

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 3.

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2019

Table 3

(In Thousands of New Taiwan Dollars, Except Specified)

Investor Company	Investee Company	Location	Main Businesses	Investment Amount		As of December 31, 2019			Net Income (Loss) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2019	December 31, 2018	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	\$ 43,671	\$ 826	\$ 705	Subsidiary
	Chi-Ta International Co., Ltd.	Taipei City	Services of telecommunication apparatus	10,000	10,000	597,960	30.00	-	-	-	
	ZeroneWin Investment Co., Ltd.	Taipei City	Investment	100,000	100,000	10,000,000	100.00	90,729	(7,531)	(7,531)	Subsidiary
	Asiaone Holdings Ltd.	Republic of Seychelles	Holding company	10,063	-	320,000	100.00	9,545	(518)	(518)	Subsidiary
ZeroneWin Investment Co., Ltd.	WingWill International Co., Ltd.	Taipei City	Services of cloud information software	7,000	7,000	700,000	70.00	(3,738)	(7,599)	(5,319)	Sub-sub-sidiary
	PetaCom technology Co., Ltd.	Taipei City	Services of information product agent	50,000	50,000	50,000,000	100.00	43,495	(2,806)	(2,806)	Sub-sub-sidiary

ZERO ONE TECHNOLOGY CO., LTD.AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2019

Table 4

(Amounts in Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Transactions Details			
				Financial Statement Account	Amount	Transaction Terms	Percentage of Consolidated Total Revenues or Total Assets (Note 3)
0	The company	WingWill international Co., Ltd.	1	Sales revenue	\$ 17,224	Note 4	-
				Trade receivable	5,753	Note 4	-
		PetaCom Technology Co., Ltd.	1	Trade payable	6,300	Note 4	-
				Cost of goods sold	6,000	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.

Note 5 : Transaction amounts account for at least NT\$ 5,000 thousand.

ZERO ONE TECHNOLOGY CO., LTD.
PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE
THE YEARS ENDED DECEMBER 31, 2019 AND 2018 AND
INDEPENDENT AUDITORS' REPORT

Address: 10F., No.8, Ln. 360, Sec. 1, Neihu Rd.,
Taipei City.
Dial: +886 2 2656 5656

§TABLE OF CONTENTS§

Contents	Page No.	Financial Report's Note No.
1、Cover	1	-
2、Table of Contents	2	-
3、Independent Auditors' Review Report	3~5	-
4、Parent company only Balance Sheets	6	-
5、Parent company only Statements of Comprehensive Income	7~8	-
6、Parent company only Statements of Changes in Equity	9	-
7、Parent company only Statements of Cash Flows	10~11	-
8、Notes to Parent company only Financial Statements		
(1) General	12	1
(2) The date and procedures of authorization of financial statements	12	2
(3) Application of new and revised standards and interpretations	12~14	3
(4) Summary of significant accounting policies	14~22	4
(5) Critical Accounting judgements and key sources of estimation and uncertainty	22	5
(6) Explanation of significant accounts	23~45	6~25
(7) Related parties transactions	45~46	26
(8) Pledged assets	46	27
(9) Significant contingent liabilities and unrecognized commitments	46	28
(10) Foreign-currency-denominated assets and liabilities that have significant influence	46	29
(11) Separately disclosed items		
A. Information on significant transactions	47~51	30
B. Information on investees	47、52	30
C. Information on investment in Mainland China	47	30
9、List of major account tiles	53~67	-

INDEPENDENT AUDITORS' REPORT

The board of directors and Shareholders
Zero One Technology Company Limited

Opinion

We have audited the accompanying parent company only financial statements of zero one technology company limited, which comprise the parent company only balance sheets as of December 31, 2019 and 2018, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended December 31, 2019 and 2018, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the company as of December 31, 2019 and 2018, and its parent company only financial performance and its parent company only cash flows for the years then ended December 31, 2019 and 2018.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the republic of china. our responsibilities under those standards are further described in the auditors' responsibilities for the audit of the parent company only financial statements section of our report. we are independent of the company in accordance with the norm of professional ethics for certified public accountant of the republic of china and we have fulfilled our other ethical responsibilities in accordance with these requirements. we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2019. these matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the company's parent company only financial statements for the year ended December 31, 2019 are stated as follows:

Valuation of allowance for uncollectible accounts

Key Audit Matters

As indicated in Note 5 and Note 10 for judgements, the management of the Company assesses the collectability of accounts receivable and valuation of allowance for uncollectible accounts, based on the regulations of IFRS 9, and recognizes allowance for uncollectible accounts by lifetime expected credit losses. As the estimation of allowance for uncollectible accounts is subject to judgement of the management, we consider the valuation of allowance for uncollectible accounts a key audit matter.

We assess the policy of valuation of allowance for uncollectible accounts, assure reasonability of the rate of expected credit losses, and require reasons for insuring that credit losses of individuals with delinquent accounts are expected.

The following audit procedures

Our procedure includes understanding and testing controls of allowance for uncollectible accounts by the management in line with periodic review, predicting and managing differences as tracked for losses, design and execution of relevant controls. We also obtain an Aging report of trade receivable for calculation the allowance for uncollectible accounts on the balance sheet date, and perform the procedure of sampling and auditing for testing the correctness of the aging report, and calculate for evaluating the amount is recognized by allowance for uncollectible accounts in line with the Company's accounting policy for recording.

Allowance for inventory valuation loss

Key Audit Matters

The valuation of the inventory of the Company includes the estimate of net realizable value and the allowance for inventory valuation loss regarding with the outdated and obsolete inventory. Net realizable valuation, based on the historical data of market situation and similar products, of the inventory is the carrying amounts calculated by the estimate sales price deducts the estimate of input costs, and cost of goods sold, during the ordinary course of business. The material influence of market condition will affect the amount of net realizable valuation. Besides, the ratio of the allowance for inventory valuation loss is valued by inventory aging and the allowance for the actual loss. We consider the estimate of net realizable valuation, and the ratio of the allowance for inventory impairment loss of the outdated and obsolete inventories a key audit matter, based on management's professional estimation.

The following audit procedures

Our procedure includes understanding the accounting policies, valuation methods, and citation information originality for the inventory of the Company, obtaining information of the year-end allowance for inventory valuation loss and inventory aging reports, drawing samples to ensure the reasonableness of the inventory as valued by net realizable value method and the inventory aging, and the carrying amount of the year-end allowance for inventory valuation loss fitting the Company's accounting policy for allowance.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the regulations governing the preparation of financial reports by securities issuers and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the financial supervisory commission of the republic of china, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Parent company only Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company 's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. our conclusions are based on the audit evidence obtained up to the date of our auditors' report. however, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the parent company only financial statements. we are responsible for the direction, supervision and performance of the company audit. we remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2019 and are therefore the key audit matters. we describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche

Taipei, Taiwan
Republic of China

February 26, 2020

Notice to Readers

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

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

ZERO ONE TECHNOLOGY CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents(Note 4&6)	\$ 298,352	6	\$ 201,754	5
Financial assets at fair value through profit or loss - current(Note 4&7)	34,182	1	47,473	1
Financial assets at fair value through other comprehensive income - current(Note 4&8)	-	-	7,865	-
Financial assets at amortized cost - current(Note 4&9)	683,552	13	560,236	13
Notes receivable(Note 4&10)	276,895	5	160,573	4
Trade receivables(Note 4, 5, 10&26)	1,742,370	33	1,718,368	39
Inventories(Note 4, 5&11)	1,306,416	25	934,052	21
Other current assets(Note 26)	43,281	1	22,495	1
Total current assets	<u>4,385,048</u>	<u>84</u>	<u>3,652,816</u>	<u>84</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current(Note 4&7)	30,280	1	14,846	-
Financial assets at fair value through other comprehensive income - non-current(Note 4&8)	192,423	4	137,138	3
Financial assets at amortized cost - non-current(Note 4, 9&27)	79,079	1	76,828	2
Investments accounted for using the equity method(Note 4&12)	143,945	3	136,129	3
Property, plant and equipment(Note 4,13&27)	313,991	6	312,926	7
Right-of-use assets (Notes 4,5 and 14)	7,332	-	-	-
Other intangible assets(Note 4)	1,358	-	902	-
Deferred tax assets(Note 4, 5&21)	41,852	1	37,321	1
Refundable deposits	2,754	-	1,677	-
Total non-current assets	<u>813,014</u>	<u>16</u>	<u>717,767</u>	<u>16</u>
TOTAL	<u>\$ 5,198,062</u>	<u>100</u>	<u>\$ 4,370,583</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings(Note 15)	\$ 150,000	3	\$ 100,000	2
Trade payables(Note 26)	2,024,410	39	1,644,365	38
Other payables(Note 16)	374,041	7	239,136	6
Current tax liabilities(Note 4&21)	56,927	1	56,683	1
Lease liabilities - current (Notes 4, 5&14)	3,576	-	-	-
Current portion of bonds payable(Note 4&17)	-	-	5,085	-
Other current liabilities	141,128	3	105,902	2
Total current liabilities	<u>2,750,082</u>	<u>53</u>	<u>2,151,171</u>	<u>49</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities(Note 4&21)	793	-	736	-
Lease liabilities - non-current (Notes 4, 5&15)	3,803	-	-	-
Net defined benefit liabilities - non-current(Note 4&18)	21,918	-	21,579	1
Other noncurrent liabilities	1,162	-	800	-
Total non-current liabilities	<u>27,676</u>	<u>-</u>	<u>23,115</u>	<u>1</u>
Total liabilities	<u>2,777,758</u>	<u>53</u>	<u>2,174,286</u>	<u>50</u>
EQUITY(Note 19)				
Share capital				
Ordinary shares	1,246,352	24	1,228,965	28
Capital surplus	470,136	9	446,515	10
Retained earnings				
Legal reserve	184,732	4	159,438	4
Special reserve	16,844	-	15,501	-
Unappropriated earnings	494,764	10	362,722	8
Total retained earnings	<u>696,340</u>	<u>14</u>	<u>537,661</u>	<u>12</u>
Other equity	7,476	-	(16,844)	-
Total equity	<u>2,420,304</u>	<u>47</u>	<u>2,196,297</u>	<u>50</u>
TOTAL	<u>\$ 5,198,062</u>	<u>100</u>	<u>\$ 4,370,583</u>	<u>100</u>

ZERO ONE TECHNOLOGY CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE(Note 4&26)				
Net sales	\$ 8,826,659	100	\$ 6,551,970	100
OPERATING COSTS(Note 11&26)				
Cost of goods sold	<u>7,960,716</u>	<u>90</u>	<u>5,902,692</u>	<u>90</u>
GROSS PROFIT	<u>865,943</u>	<u>10</u>	<u>649,278</u>	<u>10</u>
OPERATING EXPENSES(Note 20)				
Selling and marketing expenses	336,544	4	278,359	4
General and administrative expenses	126,149	1	104,773	2
Expected credit loss reversed on trade receivables	(<u>5,901</u>)	<u>-</u>	(<u>16,494</u>)	<u>-</u>
Total operating expenses	<u>456,792</u>	<u>5</u>	<u>366,638</u>	<u>6</u>
PROFIT FROM OPERATIONS	<u>409,151</u>	<u>5</u>	<u>282,640</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES(Note 20)				
Other income	33,721	-	32,172	1
Other gains and losses	7,196	-	2,828	-
Excluding gain(loss) on financial assets measured at amortised cost	3,745	-	-	-
Finance costs	(<u>2,054</u>)	<u>-</u>	(<u>358</u>)	<u>-</u>
Share of profit or loss of subsidiaries, associates and joint ventures(Note 12)	(<u>7,344</u>)	<u>-</u>	(<u>1,805</u>)	<u>-</u>
Total non-operating income and expenses	<u>35,264</u>	<u>-</u>	<u>32,837</u>	<u>1</u>

(Continued)

ZERO ONE TECHNOLOGY CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX	\$ 444,415	5	\$ 315,477	5
INCOME TAX EXPENSE(Note 21)	<u>93,102</u>	<u>1</u>	<u>62,538</u>	<u>1</u>
NET PROFIT	<u>351,313</u>	<u>4</u>	<u>252,939</u>	<u>4</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Note 18&21)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(1,157)	-	(1,183)	-
Unrealized gain (loss) on investments in equity instruments designated as at fair value through other comprehensive income	20,757	-	(2,289)	-
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method	6,847	-	(4,375)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>231</u>	<u>-</u>	<u>674</u>	<u>-</u>
Other comprehensive (loss) income for the year, net of income tax	<u>26,678</u>	<u>-</u>	<u>(7,173)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 377,991</u>	<u>4</u>	<u>\$ 245,766</u>	<u>4</u>
EARNINGS PER SHARE (Note 22)				
From continuing operations				
Basic	<u>\$ 2.85</u>		<u>\$ 2.06</u>	
Diluted	<u>\$ 2.77</u>		<u>\$ 2.03</u>	

(Concluded)

ZERO ONE TECHNOLOGY CO., LTD.
**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	Share Capital		Capital Surplus	Retained Earnings				Other Equity		Total	Total 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	Other Employee Benefits		
BALANCE, JANUARY 1, 2018	122,480	\$ 1,224,804	\$ 434,135	\$ 139,840	\$ 16,723	\$ 288,926	\$ 445,489	(\$ 10,954)	\$ -	(\$ 10,954)	\$ 2,093,474
Appropriation of 2017 earnings											
Legal reserve	-	-	-	19,598	-	(19,598)	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(1,222)	1,222	-	-	-	-	-
Cash dividends - NTS\$1.3 per share	-	-	-	-	-	(159,484)	(159,484)	-	-	-	(159,484)
Net profit for the year ended December 31, 2018	-	-	-	-	-	252,939	252,939	-	-	-	252,939
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(509)	(509)	(6,664)	-	(6,664)	(7,173)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	252,430	252,430	(6,664)	-	(6,664)	245,766
Convertible bonds converted to capital stock	311	3,111	1,681	-	-	-	-	-	-	-	4,792
Share based payment transaction - employee stock option	-	-	10,252	-	-	-	-	-	-	-	10,252
Issuance of ordinary shares under employee share options	105	1,050	447	-	-	-	-	-	-	-	1,497
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	(774)	(774)	774	-	774	-
BALANCE, DECEMBER 31, 2018	122,896	1,228,965	446,515	159,438	15,501	362,722	537,661	(16,844)	-	(16,844)	2,196,297
Appropriation of the 2018 earnings											
Legal reserve	-	-	-	25,294	-	(25,294)	-	-	-	-	-
Special reserve	-	-	-	-	1,343	(1,343)	-	-	-	-	-
Cash dividends - NTS\$1.5 per share	-	-	-	-	-	(184,603)	(184,603)	-	-	-	(184,603)
Net profit for the year ended December 31, 2019	-	-	-	-	-	351,313	351,313	-	-	-	351,313
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(926)	(926)	27,604	-	27,604	26,678
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	350,387	350,387	27,604	-	27,604	377,991
Convertible bonds converted to capital stock	338	3,377	1,722	-	-	-	-	-	-	-	5,099
Share based payment transaction - employee stock option	-	-	11,431	-	-	-	-	-	-	-	11,431
Share based payment transaction - restricted stock awards	-	-	-	-	-	-	-	-	4,767	4,767	4,767
Issuance of restricted stock awards	700	7,000	8,156	-	-	-	-	-	(15,156)	(15,156)	-
Issuance of ordinary shares under employee share options	701	7,010	2,312	-	-	-	-	-	-	-	9,322
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	(7,105)	(7,105)	7,105	-	7,105	-
BALANCE AT DECEMBER 31, 2019	124,635	\$ 1,246,352	\$ 470,136	\$ 184,732	\$ 16,844	\$ 494,764	\$ 696,340	\$ 17,865	(\$ 10,389)	\$ 7,476	\$ 2,420,304

ZERO ONE TECHNOLOGY CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 444,415	\$ 315,477
Adjustments for:		
Write-down of inventories	29,563	73,836
Net (gain) loss on foreign currency exchange	23,769	(2,530)
Interest income	(22,488)	(16,502)
Depreciation expenses	18,058	10,688
Compensation costs of employee share options	16,198	10,252
Net loss (gain) on fair value change of financial assets/liabilities at fair value through profit or loss	(7,359)	247
Share of loss (gain) of subsidiaries, associates and joint ventures accounted for using the equity method	7,344	1,805
Reversal of expected credit losses	(5,901)	(16,494)
Dividend income	(4,366)	(5,092)
Net profit upon derecognition of financial assets measured at amortized cost	(3,745)	-
Finance costs	2,054	358
Amortization expenses	776	626
Loss on disposal of property, plant and equipment	-	2
Loss on disposal of associates	-	49
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	5,215	3,185
Notes receivable	(116,322)	24,655
Trade receivables	(17,318)	(244,155)
Inventories	(410,213)	(548,874)
Other current assets	(3,678)	(13,611)
Trade payable	364,851	436,155
Other payable	131,321	107,876
Other current liabilities	35,226	32,169
Net defined benefit liabilities	(818)	(526)
Cash generated from operations	486,582	169,596
Income tax paid	(97,101)	(56,094)
Net cash generated from operating activities	<u>389,481</u>	<u>113,502</u>

(Continued)

ZERO ONE TECHNOLOGY CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(\$ 191,975)	(\$ 422,182)
Disposal of financial assets at amortized cost	64,955	-
Purchase of financial assets at fair value through other comprehensive income	(47,786)	(73,883)
Proceeds from sale of financial assets at fair value through other comprehensive income	17,803	1,195
Interest received	20,178	13,800
Acquisition of investments accounted for using the equity method	(10,063)	-
Increase in other receivables-related parties	(10,000)	-
Payments for property, plant and equipment	(7,033)	(8,217)
Other dividends received	4,366	5,092
Proceeds from the return of capital upon investees' capital reduction of financial assets at fair value through other comprehensive income	3,320	-
Dividend received from subsidiaries	1,750	-
Increase in refundable deposits	(1,077)	(193)
Payments for intangible assets	(670)	(700)
Net cash inflow on disposal of associates	-	340
Proceeds from disposal of property, plant and equipment	-	79
Proceeds from disposal of intangible assets	-	65
Net cash used in investing activities	<u>(156,232)</u>	<u>(484,604)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(184,603)	(159,484)
Increase in short-term borrowings	50,000	100,000
Exercise of employee share options	9,322	1,497
Repayment of principal portion of lease liabilities	(4,319)	-
Interest paid	(2,050)	(196)
Guarantee deposits received	362	710
Net cash used in financing activities	<u>(131,288)</u>	<u>(57,473)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>(5,363)</u>	<u>5,992</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	96,598	(422,583)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>201,754</u>	<u>624,337</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 298,352</u>	<u>\$ 201,754</u>

(Concluded)

ZERO ONE TECHNOLOGY CO., LTD.
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018

(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 Company 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 parent company only financial statements are expressed by the functional currency (new taiwan dollars) of the company.

2. THE DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying parent company only financial statements were approved by the board of directors and issued on February 26, 2020.

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").

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 Company's accounting policies:

IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 "LEASE", IFRIC 4 "Determining whether an Arrangement contains a Lease" and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of a lease

Upon initial application of IFRS 16, the Company 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 Company as lessee

Upon initial application of IFRS 16, the Company 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 Company 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 and cash payments for the interest portion of lease liabilities will be classified within financing activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis under IFRS 16. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows.

The Company 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.

Leases agreements classified as operating leases under IAS 17 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 are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. Right-of-use assets are subject to impairment testing under IAS 36.

The Company expects to apply the following practical expedients:

- d) The Company will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- e) The Company will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- f) The Company will use hindsight, such as in determining lease terms, to measure lease liabilities.

The range of lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 was between 1.2%. The difference between the lease liabilities recognized and future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 3,731
Less: Recognition exemption for short-term leases	(163)
Less: Recognition exemption for low-value leases	(27)
Undiscounted amounts on January 1, 2019	<u>\$ 3,541</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	<u>\$ 3,505</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 3,505</u>

The Company as lessor

The Company does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Right-of-use assets	\$ -	<u>\$ 3,505</u>	\$ 3,505
Total effect on assets		<u>\$ 3,505</u>	
Lease liabilities - current	-	<u>\$ 3,505</u>	3,505
Total effect on liabilities		<u>\$ 3,505</u>	
Retained earnings	537,661	<u>\$ -</u>	537,661
Total effect on Equities		<u>\$ -</u>	

(2)The IFRSs endorsed by the FSC with effective date starting 2020

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: 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.

Note 2: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB (Note)</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Noncurrent”	January 1, 2022

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

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

(2) Basis of preparation

The Parent company only financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair 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.

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

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

Current assets include:

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

Current liabilities include:

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

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

(4) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

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

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

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

(5) Inventories

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost on the reporting period.

(6) Investment in subsidiaries

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

Subsidiaries are the entities controlled by the Company.

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

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

When the Company's share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment in subsidiary accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the entire financial statements of the invested company. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes the reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts

previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Unrealized profits and losses from upstream transactions with a subsidiary are eliminated in full. profits and losses from downstream between the company and subsidiaries are recognized in the company' parent company only financial statements in the scope of the Company's equities are not relevant to subsidiaries.

(7)Investment in associates

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

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

Under the equity method, investments in an associate are initially recognized in the parent company only balance sheet at cost and adjusted thereafter to recognize the company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the equity of associates attributable to the Company.

When the Company 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 Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Company'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 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

When the Company's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

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 is deducted from 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.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. If the investment of associates becomes the investment of joint ventures, or visa versa, the Company will continue to evaluate investment accounted for by the equity method, other than remeasure retained equities.

Profits and losses, resulting from upstream, downstream, reciprocal transactions should be between the Company and associates, are recognized on parent company only financial statements in the scope of the Company's equities are not relevant to associates.

(8)Property, plant and equipment

Property, plant and equipment are stated at cost, less recognized accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

(9) Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On de-recognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss.

(10) Impairment of tangible and intangible assets

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss, without amortization or depreciation, been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

(11) Financial instruments

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

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

A. Financial assets

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

a. Measurement category

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.

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 25.

(b) Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, 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 Company 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 Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b. Impairment of financial assets

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

The Company always recognizes the loss allowance by lifetime Expected Credit Loss (i.e. ECL) for trade receivable. For all other financial instruments, the

Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance at an amount equal to 12-month ECL.

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

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

c. De-recognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss which 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 Company 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.

(12) Revenue recognition

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

Revenue from sale of goods

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

(13) Leases

2019

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

A. The Company as lessor

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

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

B. The Company as lessee

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

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

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

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

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

2018

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

A. The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

B. The Company as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

(14) Costs of loans

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

(15) Employee benefit

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

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

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan. Net defined benefit asset shall not exceed the return contribution or the present value possibly calculated after reducing future contribution.

(16) Share-based payment arrangements

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

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

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

(17) Taxation

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

A. Current tax

An additional profit-seeking income tax shall be levied at the rate of ten percent on such undistributed surplus earnings for income tax expenses by a shareholder resolution, according to Income Tax Act.

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

B. Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, net operating loss carryforwards and tax credits for research and development

expenses to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

C. Current and deferred tax for the year

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

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

(1) Estimated impairment of financial assets

The provision for impairment of trade receivables and investments in debt instruments is based on the Company's assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Notes 10. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

(2) Write-down of inventory

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

6. CASH AND CASH EQUIVALENTS

	December 31, 2019	December 31, 2018
Cash on hand and revolving funds	\$ 183	\$ 142
Checking accounts and demand deposits in banks	84,112	22,421
Cash equivalents		
Time deposits in banks	214,057	179,191
	<u>\$ 298,352</u>	<u>\$ 201,754</u>

As the end of reporting period, the interest rate at market of deposits in banks is as follows :

	December 31, 2019	December 31, 2018
Demand deposits in banks	0.01%~0.67%	0.01%~0.46%
Time deposits in banks	2.10%~2.27%	3.00%~3.30%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2019	December 31, 2018
<u>Financial assets – current</u>		
Designated as at FVTPL		
– Domestic convertible bonds	\$ 31,182	\$ 46,556
– Redemption & sell right for convertible bonds	-	1
– Forward Exchange Agreement(1)	-	916
– Fund beneficiary certification	3,000	-
	<u>\$ 34,182</u>	<u>\$ 47,473</u>
<u>Financial assets – non-current</u>		
Mandatorily classified as at FVTPL		
– Domestic listed shares	\$ 15,041	\$ 14,846
– Fund beneficiary certification	15,239	-
	<u>\$ 30,280</u>	<u>\$ 14,846</u>

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

December 31, 2018

	<u>Currency</u>	<u>Maturity Date</u>	<u>Notional Amount (In Thousands)</u>
Buy Foreign exchange contracts	USD/NTD	2019.02.25	USD 2,000/NTD 61,660
		2019.02.25	USD 1,000/NTD 30,640
		2019.04.03	USD 830/NTD 25,366
		2019.03.25	USD 3,100/NTD 94,931
		2019.04.25	USD 1,490/NTD 45,445
		2019.04.25	USD 1,390/NTD 42,356

The Company 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 Investments in equity instruments

	December 31, 2019	December 31, 2018
<u>Current</u>		
Domestic		
Listed preference shares	\$ -	\$ 7,865
<u>Non-current</u>		
Domestic		
Listed shares and emerging market shares	\$ 64,173	\$ 60,544
Listed preference shares	124,507	72,329
Unlisted shares	3,743	4,265
	<u>\$ 192,423</u>	<u>\$ 137,138</u>

These long-term investments in ordinary and preferred shares are held for receiving profits, under medium to long-term business development strategic purposes. Accordingly, the Company'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 Company's strategy of holding these investments for long-term purposes.

The Company has recognized the NT4,366 thousand and NT 5,092 thousand of dividend income in 2019 and 2018, separately.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31, 2019	December 31, 2018
<u>Current</u>		
Domestic investment		
Time deposits with original maturities more than three months(1)	\$ 292,313	\$ 560,236
Repurchase Bond(2)	391,239	-
	<u>\$ 683,552</u>	<u>\$ 560,236</u>
<u>Non-current</u>		
Domestic investment		
Pledged Time Deposit(3)	\$ 15,513	\$ 15,398
Barclays Bank Coupon Bond(USD)(4)	15,807	-
Prufin Perpetual Corp. Bond(USD)(5)	31,179	-
AT&T Corp. Bond(USD) (6)	16,580	-
Yuanta Securities Asia Financial Services Limited 2018 Non-secured USD-denominated Private Fixed Rate Notes (7)	-	61,430
	<u>\$ 79,079</u>	<u>\$ 76,828</u>

(1) As of December 31, 2019 and 2018, the market interest rate of time deposit over 3 months portion is 1.02%~2.33% and 1.01%~3.30%, respectively.

(2) As of December 31, 2019, the market interest rate of repurchase bond over 3 months portion is 1.02%~2.33% and 1.01%~3.30%, respectively.

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

(4) The Company purchased Barclays Bank Coupon Bond (USD) by USD 527 thousand, with a coupon rate of 4.836%, on August, 2019.

(5) The Company purchased Prufin Perpetual Corp (USD) by USD 1,040 thousand, with a coupon rate of 4.875%, on August, 2019.

(6) The Company purchased AT&T Corp (USD) by USD 553 thousand, with a coupon rate of 4.50%, on November, 2019.

(7) The Company 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, and then selling all bonds by 64,954 thousand, for adjustment for the portion of the investment August, 2019, 3,745 thousand recognized as net profit upon derecognition of financial assets measured at amortized cost.

10. NOTES AND TRADE RECEIVABLE

	December 31, 2019	December 31, 2018
<u>Notes receivable</u>		
Measured at amortized cost		
Notes receivable	\$ 276,895	\$ 160,573
Trade receivable	1,757,064	1,739,414
Overdue receivables	20,816	20,365
Less: Allowances for impairment loss - trade receivable	(14,694)	(21,046)
Less: Allowances for impairment loss - overdue receivables	(<u>20,816</u>)	(<u>20,365</u>)
	<u>\$ 2,019,265</u>	<u>\$ 1,878,941</u>

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

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

The Company applies the 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 past experience of receivable and current financial position, expectation of GDP and prospect of the industry, deciding the rate of the expected credit losses by the different levels of credit limits of customers and actual conditions, based on the degree of doubtful accounts triggered by customers of different industries.

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

The following table details the loss allowance of trade receivable:

December 31, 2019

	Not Past Due	1-30 Days Past Due	31-60 Days Past Due	61-90 Days Past Due	More Than 90 Days Past Due	Total
Gross carrying amount	\$ 1,978,112	\$ 4,755	\$ 12,731	\$ 696	\$ 58,481	\$ 2,054,775
Loss allowance (Lifetime ECLs)	(3,903)	(1,879)	(5,400)	(347)	(23,981)	(35,510)
Amortized cost	\$ 1,974,209	\$ 2,876	\$ 7,331	\$ 349	\$ 34,500	\$ 2,019,265

December 31, 2018

	Not Past Due	1-30 Days Past Due	31-60 Days Past Due	61-90 Days Past Due	More Than 90 Days Past Due	Total
Gross carrying amount	\$ 1,845,405	\$ 14,013	\$ 39,184	\$ 1,385	\$ 20,365	\$ 1,920,352
Loss allowance (Lifetime ECLs)	(4,614)	(3,323)	(12,598)	(511)	(20,365)	(41,411)
Amortized cost	\$ 1,840,791	\$ 10,690	\$ 26,586	\$ 874	\$ -	\$ 1,878,941

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

	2019	2018
Balance at January 1, 2019	\$ 41,411	\$ 57,905
Less: Reversal of loss allowance, 2019	(5,901)	(16,494)
Balance at December 31, 2019	<u>\$ 35,510</u>	<u>\$ 41,411</u>

11. INVENTORIES

	December 31, 2019	December 31, 2018
Commodities	<u>\$ 1,306,416</u>	<u>\$ 934,052</u>

Cost of goods sold for inventories were NT\$7,960,716 thousand, and NT\$5,902,692 thousand, respectively, in 2019 and 2018. Cost of goods sold includes allowance for inventory valuation loss in the amount of NT\$29,563 thousand, and NT\$73,836 thousand.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31, 2019	December 31, 2018
Investments in subsidiaries	<u>\$ 143,945</u>	<u>\$ 136,129</u>

(1) Investments in subsidiaries

	December 31, 2019	December 31, 2018
Zotech Co., Ltd.	\$ 43,671	\$ 44,426
Zerone Win Investment Co., Ltd.	90,729	91,703
Asiaone Holdings Ltd.	<u>9,545</u>	<u>-</u>
	<u>\$ 143,945</u>	<u>\$ 136,129</u>

Percentage Of owners' equity and voting right

Name of subsidiaries	December 31, 2019	December 31, 2018
Zotech Co., Ltd.	85.37%	85.37%
Zerone Win Investment Co., Ltd.	100.00%	100%
Asiaone Holdings Ltd.	100.00%	-

The Company invested and established Asiaone Holdings Ltd., which engages in investments, in September, 2019, with investment amount to 10,063 thousand and shareholding ratio of 100%.

Profits and losses and other comprehensive income of investments in subsidiaries accounted for using the equity method recognized in the financial statements and audited by CPA in 2019 and 2018.

(2) Investments in associates

	December 31, 2019	December 31, 2018
<u>Insignificant associates</u>		
Chi-Ta International Co., Ltd.	\$ <u> -</u>	\$ <u> -</u>
	<u>Percentage Of owners' equity and voting right</u>	
	December 31, 2019	December 31, 2018
<u>PERCENTAGE</u>		
Chi-Ta International Co., Ltd.	30.00%	30.00%

Aggregate information of associates that are not individually material was summarized as follows:

	2019	2018
the Company's share of:		
Net loss from continuing operations	\$ <u> -</u>	(\$ <u> 4,057</u>)
Other comprehensive income	\$ <u> -</u>	(\$ <u> 4,057</u>)

The Company 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 thousand of impairment losses thousand in 2015, and recognized book value of 0 thousand after recognized deficits.

The Company 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. The Company disposed of all shares for NT 340 thousand, recognized NT 49 thousand in losses in November, 2018.

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

13. PROPERTY, PLANT AND EQUIPMENT

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Delivery equipment</u>	<u>Other equipment</u>	<u>Total</u>
<u>Cost</u>							
Balance at January 1, 2018	\$234,892	\$128,185	\$10,139	\$34,258	\$ -	\$ 1,141	\$ 408,615
Additions	-	-	-	3,394	2,458	2,365	8,217
Disposals	-	-	(1,131)	(11,163)	-	(1,141)	(13,435)
Reclassification	-	-	-	455	-	6,204	6,659
Balance at December 31, 2018	<u>\$234,892</u>	<u>\$128,185</u>	<u>\$ 9,008</u>	<u>\$26,944</u>	<u>\$ 2,458</u>	<u>\$ 8,569</u>	<u>\$ 410,056</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2018	\$ -	\$ 68,034	\$10,135	\$20,645	\$ -	\$ 982	\$ 99,796
Disposals	-	-	(1,131)	(11,145)	-	(1,078)	(13,354)
Depreciation	-	1,816	4	6,575	492	1,801	10,688
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 69,850</u>	<u>\$ 9,008</u>	<u>\$16,075</u>	<u>\$ 492</u>	<u>\$ 1,705</u>	<u>\$ 97,130</u>
Carrying amounts at December 31, 2018	<u>\$234,892</u>	<u>\$ 58,335</u>	<u>\$ -</u>	<u>\$10,869</u>	<u>\$ 1,966</u>	<u>\$ 6,864</u>	<u>\$ 312,926</u>
<u>Cost</u>							
Balance at January 1, 2019	\$234,892	\$128,185	\$ 9,008	\$26,944	\$ 2,458	\$ 8,569	\$ 410,056
Additions	-	-	-	7,033	-	-	7,033
Disposals	-	-	(835)	(149)	-	-	(984)
Reclassification	-	-	-	758	-	6,966	7,724
Balance at December 31, 2019	<u>\$234,892</u>	<u>\$128,185</u>	<u>\$ 8,173</u>	<u>\$34,586</u>	<u>\$ 2,458</u>	<u>\$15,535</u>	<u>\$ 423,829</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2019	\$ -	\$69,850	\$ 9,008	\$16,075	\$ 492	\$ 1,705	\$ 97,130
Disposals	-	-	(835)	(149)	-	-	(984)
Depreciation	-	1,816	-	7,906	492	3,478	13,692
Balance at December 31, 2019	<u>\$ -</u>	<u>\$71,666</u>	<u>\$ 8,173</u>	<u>\$23,832</u>	<u>\$ 984</u>	<u>\$ 5,183</u>	<u>\$ 109,838</u>
Carrying amounts at December 31, 2019	<u>\$234,892</u>	<u>\$56,519</u>	<u>\$ -</u>	<u>\$10,754</u>	<u>\$ 1,474</u>	<u>\$10,352</u>	<u>\$ 313,991</u>

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

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

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

14. LEASE ARRANGEMENTS

(1) Right-of-use assets – 2019

	December 31, 2019
Carrying amounts of right-of-use assets	
Buildings	\$ 6,787
Office equipment	<u>545</u>
	<u>\$ 7,332</u>
	<u>2019</u>
Additions to right-of-use assets	<u>\$ 8,193</u>
Depreciation charge for right-of-use assets	
Buildings	\$ 4,165
Office equipment	<u>201</u>
	<u>\$ 4,366</u>

(2) Lease liabilities - 2019

	December 31, 2019
Carrying amounts of lease liabilities	
Current	<u>\$ 3,576</u>
Non-current	<u>\$ 3,803</u>

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Buildings	1.20%
Office equipment	1.20%

(3) Other lease information

	2019
Expenses relating to short-term leases	<u>\$ 353</u>
Expenses relating to low-value asset leases	<u>\$ 34</u>
Total cash (outflow) for leases	<u>(\$ 4,797)</u>

15. SHORT-TERM LOANS

	December 31, 2019	December 31, 2018
<u>Unsecured loans</u>		
–Line of credit loans	<u>\$ 150,000</u>	<u>\$ 100,000</u>

Interest rate of bank loans is 0.94% on December 31, 2019 and 2018.

16. OTHER PAYABLE

	December 31, 2019	December 31, 2018
Salaries and bonuses payable	\$ 78,281	\$ 63,414
Employees', directors', and supervisors' compensation payable	28,367	20,137
Others	<u>267,393</u>	<u>155,585</u>
	<u>\$ 374,041</u>	<u>\$ 239,136</u>

17. BOND PAYABLE

	December 31, 2019	December 31, 2018
Unsecure domestic convertible bonds	\$ -	\$ 5,300
Less: Discounted bond payable	<u>-</u>	(<u>215</u>)
Total of bond payable	-	5,085
Less: due components in a year	<u>-</u>	(<u>5,085</u>)
Total	<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 Company 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, 2018, liability components	\$ 9,733
Interest (2.0618%)	147
Convertible bonds changed into ordinary shares	(<u>4,795</u>)
Balance on December 31, 2018, liability components	<u>\$ 5,085</u>
Balance on January 1, 2019, liability components	\$ 5,085
Interest (2.0618%)	15
Convertible bonds changed into ordinary shares	(<u>5,100</u>)
Balance on December 31, 2019, liability components	<u>\$ -</u>

18. RETIREMENT BENEFIT PLANS

(1) Defined contribution plans

The plan under the R.O.C. Labor Pension Act (the “Act”) is deemed a defined contribution plan. Pursuant to the Act, the Company has made monthly contributions equal to 6% of each employee’s monthly salary to employees’ pension accounts.

(2) Defined benefit plans

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

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

	December 31, 2019	December 31, 2018
Present value of defined benefit obligation	\$ 58,307	\$ 55,117
Fair value of plan assets	(36,389)	(33,538)
Contribution	21,918	21,579
Net defined benefit liability	<u>\$ 21,918</u>	<u>\$ 21,579</u>

Movements in net defined benefit liabilities/assets are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability/Assets
For the year ended January 1, 2018	<u>\$ 52,105</u>	<u>(\$ 31,183)</u>	<u>\$ 20,922</u>
Service cost			
Current service cost	352	-	352
Interest expense (income)	<u>586</u>	<u>(356)</u>	<u>230</u>
Recognized in profits or losses	<u>938</u>	<u>(356)</u>	<u>582</u>
Remeasurements			
Return on plan assets (excluding amounts included in interest, net)	-	(891)	(891)
Actuarial loss arising from changes in demographic assumptions	513	-	513
Actuarial loss (gain) arising from changes in financial assumptions	633	-	633
Actuarial loss arising from experience adjustments	<u>928</u>	<u>-</u>	<u>928</u>
Recognized in other comprehensive income	<u>2,074</u>	<u>(891)</u>	<u>1,183</u>
Contribution from employer	<u>-</u>	<u>(1,108)</u>	<u>(1,108)</u>
For the year ended December 31, 2018	<u>\$ 55,117</u>	<u>(\$ 33,538)</u>	<u>\$ 21,579</u>
For the year ended January 1, 2019	<u>\$ 55,117</u>	<u>(\$ 33,538)</u>	<u>\$ 21,579</u>
Service cost			
Current service cost	311	-	311
Interest expense (income)	<u>551</u>	<u>(339)</u>	<u>212</u>
Recognized in profits or losses	<u>862</u>	<u>(339)</u>	<u>523</u>
Remeasurements			
Return on plan assets (excluding amounts included in interest, net)	-	(1,171)	(1,171)
Actuarial loss arising from changes in demographic assumptions	400	-	400
Actuarial loss (gain) arising from changes in financial assumptions	1,329	-	1,329
Actuarial loss arising from experience adjustments	<u>599</u>	<u>-</u>	<u>599</u>
Recognized in other comprehensive income	<u>2,328</u>	<u>(1,171)</u>	<u>1,157</u>
Contribution from employer	<u>-</u>	<u>(1,341)</u>	<u>(1,341)</u>
For the year ended December 31, 2019	<u>\$ 58,307</u>	<u>(\$ 36,389)</u>	<u>\$ 21,918</u>

The pension costs of the aforementioned defined benefit plans were recognized in profit or loss by the following categories:

	<u>2019</u>	<u>2018</u>
Selling and marketing expenses	\$ 237	\$ 250
General and administrative expenses	<u>286</u>	<u>332</u>
	<u>\$ 523</u>	<u>\$ 582</u>

Through the defined benefit plans under the R.O.C. Labor Standards Law, the Company is exposed to the following risks:

- a. Investment risk: The pension funds are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the government's designated authorities or under the mandated management. However, under the R.O.C. Labor Standards Law, the rate of return on the Company's assets shall not be less than the average interest rate on a two-year time deposit published by the local banks and the government is responsible for any shortfall in the event that the rate of return is less than the required rate of return.
- b. Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the debt investments of the plan assets.
- c. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Discount rate	0.750%	1.000%
Future salary increase rate	2.750%	2.750%

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Discount rate		
increases by 0.25%	(\$ 1,333)	(\$ 1,265)
decreases by 0.25%	<u>\$ 1,382</u>	<u>\$ 1,314</u>
Future salary increase rate		
increases by 0.25%	<u>\$ 1,335</u>	<u>\$ 1,272</u>
decreases by 0.25%	(\$ 1,295)	(\$ 1,232)

Because actuarial assumptions may be correlative with one another, and a single assumption may not variate, the above sensitive analysis cannot indicate actual changes of the present value of defined benefit obligation.

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Contribution amounts within 1 year	<u>\$ 657</u>	<u>\$ 630</u>
Average due period of the defined benefit obligation	9.3 Years	9.4 Years

19. EQUITY

(1) Ordinary Shares

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Authorized shares (in thousands)	<u>150,000</u>	<u>150,000</u>
Authorized capital	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>
Issued and paid shares (in thousands)	<u>124,635</u>	<u>122,896</u>
Issued capital	<u>\$ 1,246,352</u>	<u>\$ 1,228,965</u>

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

(2) Capital Surplus

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (A)</u>		
Premium on shares issued above par value	\$ 408,165	\$ 399,648
Treasury stock transactions	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
Invalid employees stock options	300	300
<u>May not be used for any purpose</u>		
Stock options	-	433
Restricted Stock Awards	8,156	-
Employees stock options	<u>25,691</u>	<u>18,310</u>
	<u>\$ 470,136</u>	<u>\$ 446,515</u>

A. Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company'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 Company recognizes subsidiaries' capital surplus adjustments for equity method.

(3) Retained earnings and dividend policy

The Company'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 the 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 Company's Articles of Incorporation of employees', directors' and supervisors' compensation for Note 20-6.

Distribution of earnings shall be made preferably by way of surplus cash dividend, according to future capital budget plan, and operating fund requirements. The Company 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 Company's paid-in capital. The reserve may be used to offset a deficit, or be distributed as dividends in cash for the portion in excess of 25% of the paid-in capital if the Company incurs no loss.

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 Company shall appropriate or reverse to a special reserve.

The appropriations of 2018 and 2017 earnings have been approved by ZOTC's shareholder's meeting held on June 13, 2019 and June 11, 2018, respectively, were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share(NT\$)</u>	
	<u>For Fiscal Year 2018</u>	<u>For Fiscal Year 2017</u>	<u>For Fiscal Year 2018</u>	<u>For Fiscal Year 2017</u>
Legal capital reserve	\$ 25,294	\$ 19,598		
(Reversal of) Special reserve	1,343	(1,222)		
Cash dividends	184,603	159,484	\$ 1.5	\$ 1.3

The appropriations of earnings for 2019 had been proposed by the Company's board of directors on February 26, 2020. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 35,131	
Reversal of Special reserve	(16,844)	
Cash dividends	249,574	\$ 2.0

The appropriations of earnings for 2019 are subject to the resolution of the shareholders' meeting to be held on June 10, 2020.

(4) Other equity

A. Unrealized Gain/Loss from financial assets measured at FVTOCI

	2019	2018
Balance at January 1, 2019	(\$ 16,844)	(\$ 10,954)
In respect of the current period		
Unrealized profits and losses – equity instruments	27,604	(6,664)
Cumulative gain (loss) of equity instruments transferred to retained earnings due to disposal	7,105	774
Balance at December 31, 2019	<u>\$ 17,865</u>	<u>(\$ 16,844)</u>

B. Unearned employee benefit

In the shareholders' meetings held on June 11, 2018, the shareholders approved a restricted share plan for employees. Refer to Note 23 for the information of restricted shares issued.

	2019
Balance, beginning of period	\$ -
Issued at the current period	(15,156)
Share-based payment expenses recognized	4,767
Balance, end of period	<u>(\$ 10,389)</u>

20. NET INCOME

(1) Other income

	2019	2018
Interest income	\$ 22,488	\$ 16,502
Dividend income	4,366	5,092
Rental income	790	1,769
Others	6,077	8,809
	<u>\$ 33,721</u>	<u>\$ 32,172</u>

(2) Other gains and losses

	2019	2018
Losses(gains) on financial assets/liabilities at FVTPL	\$ 7,359	(\$ 247)
Net foreign currency exchange gains (losses)	(163)	3,126
Losses on disposal of Property, plant and equipment	-	(2)
Losses on disposal of investment accounted for using the equity method	-	(49)
	<u>\$ 7,196</u>	<u>\$ 2,828</u>

(3) Financial costs

	<u>2019</u>	<u>2018</u>
Interests on bank borrowings	\$ 1,949	\$ 211
Interest on lease liabilities	90	-
Interests on convertible bonds	<u>15</u>	<u>147</u>
Total	<u>\$ 2,054</u>	<u>\$ 358</u>

(4) Depreciation & amortization

	<u>2019</u>	<u>2018</u>
Property, plant and equipment	\$ 13,692	\$ 10,688
Right-of-use assets	4,366	-
Intangible assets	<u>776</u>	<u>626</u>
	<u>\$ 18,834</u>	<u>\$ 11,314</u>

An analysis of depreciation by function		
Operating expenses	<u>\$ 18,058</u>	<u>\$ 10,688</u>

An analysis of amortization by function		
Operating expenses	<u>\$ 776</u>	<u>\$ 626</u>

(5) Employee benefits expense

	<u>2019</u>	<u>2018</u>
Post-employment benefits		
Defined contribution plans	\$ 8,458	\$ 6,984
Defined benefit plans (Note 18)	<u>523</u>	<u>582</u>
	<u>8,981</u>	<u>7,566</u>
Share-Based Payment		
Equity Swap	<u>\$ 16,198</u>	<u>\$ 10,252</u>
Other employee benefits		
Salaries expense	259,051	209,712
Labor and health insurance expenses	17,287	14,313
Others	<u>18,857</u>	<u>13,574</u>
	<u>295,195</u>	<u>237,599</u>
Employee benefits expense, Total	<u>\$ 320,374</u>	<u>\$ 255,417</u>

Employee benefits expense summarized by function

Recognized in operating expenses	<u>\$ 320,374</u>	<u>\$ 255,417</u>
----------------------------------	-------------------	-------------------

	<u>2019</u>			<u>2018</u>		
	Operating costs	Operating Expenses	Total	Operating costs	Operating Expenses	Total
Salaries expense	\$ -	\$267,994	\$267,994	\$ -	\$214,664	\$214,664
Labor and health insurance expenses	-	17,287	17,287	-	14,313	14,313
Pension expenses	-	8,981	8,981	-	7,566	7,566
Directors' remuneration	-	7,255	7,255	-	5,300	5,300
Other employee benefits	<u>-</u>	<u>18,857</u>	<u>18,857</u>	<u>-</u>	<u>13,574</u>	<u>13,574</u>
Total	<u>\$ -</u>	<u>\$320,374</u>	<u>\$320,374</u>	<u>\$ -</u>	<u>\$255,417</u>	<u>\$255,417</u>

The Company's average number of employees is 235 and 201 (persons) in 2019 and 2018, including average number of directors, who act as an employees of the Company, is 5 (persons). The calculation basis of average number of employees is the same as that of employee benefits expenses.

The company's average employee benefits expenses are NT\$ 1,361 thousand and NT\$ 1,276 thousand in 2019 and 2018, respectively; The company's average employee salaries expenses are NT\$ 1,165 thousand and NT\$ 1,095 thousand in 2019 and 2018, respectively, and the adjusted rate of change of employee salaries expenses is 6%.

(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 amount of employees', Director's, and Supervisor's compensation for the years ended December 31, 2019 and 2018, with resolution of the board of directors on Feb. 26, 2020 and Feb. 27, 2019, is as follows:

Estimate Rate

	<u>2019</u>	<u>2018</u>
Employee compensation	4.00%	4.00%
Director's & Supervisor's compensation	2.00%	2.00%

Amount

	<u>2019</u>		<u>2018</u>	
	<u>Cash</u>	<u>Stock</u>	<u>Cash</u>	<u>Stock</u>
Employee compensation	\$ 18,911	\$ -	\$ 13,425	\$ -
Director's & Supervisor's compensation	9,456	-	6,712	-

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 2018, and 2017 has no difference compared to the recognized amount of the parent company only financial statements in 2018 and 2017.

Please search for relevant information about employees', director's, and supervisor's compensation, resolved by the board of directors in 2019 and 2018, on the website of "Market Observation Post System" of TWSE.

(7) Foreign exchange gain (loss)

	<u>2019</u>	<u>2018</u>
Foreign exchange gain	\$ 40,445	\$ 13,900
Foreign exchange loss	(40,608)	(10,774)
Gain (loss), net	(\$ 163)	\$ 3,126

21. INCOME TAXES

(1) Income tax recognized in profit or loss

The major components of tax expenses were as follows:

	<u>2019</u>	<u>2018</u>
Current tax		
In respect of the current year	\$ 95,484	\$ 78,602
Surtax on Undistributed Retained Earnings	2,269	1,751
Adjustments for previous years	(408)	1
	<u>97,345</u>	<u>80,354</u>
Deferred tax		
Changes in tax rates	-	(2,756)
In respect of the current year	(4,243)	(15,060)
Income tax expense recognized in profit or loss	<u>\$ 93,102</u>	<u>\$ 62,538</u>

A reconciliation of accounting profit and income tax expense and the applicable tax rate were as follows:

	<u>2019</u>	<u>2018</u>
Accounting profit before tax from continuing operations	\$ 444,415	\$ 315,477
Income tax expense calculated at the statutory rate	\$ 88,883	\$ 63,095
Tax-exempt income	(1,771)	(1,493)
Tax effect of expenses not deductible for tax	3,825	4,134
Others	304	(2,194)
Additional Surtax on Undistributed Retained Earnings	2,269	1,751
Changes in tax rates	-	(2,756)
The adjustment of current income tax expenses in the past year	(408)	1
Total income tax expense recognized in profit or loss	<u>\$ 93,102</u>	<u>\$ 62,538</u>

In 2018, the Income Tax Law in the R.O.C. was amended and, starting from 2018, the corporate income tax rate was adjusted from 17% to 20%. In addition, the tax rate for 2018 unappropriated earnings was reduced from 10% to 5%.

(2) Income tax expense recognized in other comprehensive income

	<u>2019</u>	<u>2018</u>
<u>Deferred tax</u>		
Changes in tax rates	\$ -	\$ 438
In respect of the current period		
– Remeasurement of defined benefit plans	<u>231</u>	<u>236</u>
Total income tax expense recognized in other comprehensive income	<u>\$ 231</u>	<u>\$ 674</u>

(3) Deferred tax balances

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

2019

	<u>Opening Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in Other Comprehensive Income</u>	<u>Closing Balance</u>
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for loss on decline in value of inventory	\$ 22,748	\$ 5,913	\$ -	\$ 28,661
Allowance for bad debts	4,442	(1,449)	-	2,993
Defined benefit plans	4,316	(164)	231	4,383
Others	<u>5,815</u>	<u>-</u>	<u>-</u>	<u>5,815</u>
	<u>\$ 37,321</u>	<u>\$ 4,300</u>	<u>\$ 231</u>	<u>\$ 41,852</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized foreign exchange profits	<u>\$ 736</u>	<u>\$ 57</u>	<u>\$ -</u>	<u>\$ 793</u>

2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for loss on decline in value of inventory	\$ 6,784	\$ 15,964	\$ -	\$ 22,748
Allowance for bad debts	3,525	917	-	4,442
Financial instruments measured at cost	3,557	85	674	4,316
Defined benefit plans	<u>4,663</u>	<u>1,152</u>	-	<u>5,815</u>
Others	<u>\$ 18,529</u>	<u>\$ 18,118</u>	<u>\$ 674</u>	<u>\$ 37,321</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized foreign exchange profits	<u>\$ 434</u>	<u>\$ 302</u>	<u>\$ -</u>	<u>\$ 736</u>

(4) Income tax assessment

The Company's tax returns through 2017 had been assessed by the tax authorities.

22. EARNINGS PER SHARE

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

Net Profit for the Period

	2019	2018
Net Profit for the Period	\$ 351,313	\$ 252,939
Effect of potentially dilutive ordinary shares:		
Effect of convertible bonds after tax	<u>15</u>	<u>148</u>
Earnings in computation of diluted earnings per share	<u>\$ 351,328</u>	<u>\$ 253,087</u>

Shares

	2019	2018
Weighted average number of ordinary shares outstanding in computation of basic earnings per share	123,354	122,660
Effect of potentially dilutive ordinary shares :		
Convertible bonds	56	486
Employee compensation	839	871
Employee stock options	2,167	634
Restricted stock award	<u>202</u>	<u>-</u>
Weighted average number of ordinary shares outstanding in computation of diluted earnings per share	<u>126,618</u>	<u>124,651</u>

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

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

23. SHARE-BASED PAYMENT ARRANGEMENTS

(1) Employee Share Option Plan

In August 2015, September 2016, January 2018, and September 2018, 1,000, 1,860, 2000, and 2,000 options were granted to qualified employees of the Company, and each option entitles the holder to subscribe for 1,000 thousand ordinary shares of the Company when exercisable. The options granted are valid for 6 years and shall be exercised a portion of them after two years from the date of grant. The options were granted at an exercise price equal to the fair value of the Company's ordinary shares on the grant date. For any subsequent changes in the Company's ordinary shares, the exercise price of options will be adjusted by the regulated formula, accordingly.

Information about employees' stock options was as follows:

	2019		2018	
	Number of Options (In Thousands)	Weighted Average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted Average Exercise Price (NT\$)
Employee Stock options				
Balance, beginning of period	6,468	\$ 17.68	2,633	\$ 15.23
Options vested	-	-	4000	19.73
Options exercised	(701)	13.30	(105)	14.25
Invalid options	(114)	15.91	(60)	14.05
Outstanding options at the end of the period	<u>5,653</u>	17.18	<u>6,468</u>	17.68
Options exercised at the end of the period	<u>1,049</u>		<u>912</u>	
Weighted-average fair value of options vested(NT\$)	<u>\$ -</u>		<u>\$ 6.73</u>	

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

December 31, 2019		December 31, 2018	
Range of Exercise Price (US\$)	Weighted-Over-Age Remaining Contractual Life (Years)	Range of Exercise Price (US\$)	Weighted-Over-Age Remaining Contractual Life (Years)
\$12.40 (Note)	1.67	\$ 13.10 (Note)	2.67
14.20 (Note)	2.68	15.00 (Note)	3.68
17.80 (Note)	4.01	18.80 (Note)	5.01
19.50 (Note)	4.67	20.65	5.67

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

The Company 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%
Risk-free interest rate	0.72%	0.74%	0.56%	0.77%~0.87%

The compensation cost recognized were \$11,431 thousand and \$10,252 thousand for the years ended December 31, 2019 and 2018, respectively.

(2) Restricted stock awards

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

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

- A. An employee who remains employed at the company after 1 year has elapsed from the time of RSA, and who personal performance have met with the criteria listing of 75 scores and above, will be eligible for vesting of an installment of 25% of the shares.
- B. An employee who remains employed at the company after 2 year has elapsed from the time of RSA, and who personal performance have met with the criteria listing of 75 scores and above, will be eligible for vesting of an installment of 25% of the shares.
- C. An employee who remains employed at the company after 3 year has elapsed from the time of RSA, and who personal performance have met with the criteria listing of 75 scores and above, will be eligible for vesting of an installment of 25% of the shares.
- D. An employee who remains employed at the company after 4 year has elapsed from the time of RSA, and who personal performance have met with the criteria listing of 75 scores and above, will be eligible for vesting of an installment of 25% of the shares.

After employees received the vested shares from the Company, it will redeem and cancel the issued restricted employee shares as employees breach the labor contract and working regulations, for the restricted employee new shares that don't meet the vesting conditions.

When employees fail to meet the vesting conditions of restricted employee new shares as redeemed by the Company without charge will be cancelled, based on the relevant regulations.

Compensation costs by issuance of restricted stock awards recognized were NT\$4,767 thousand in 2019, respectively. As of December 31, 2019, unearned employee benefits totaled NT\$10,389 thousand, accounted for as an decrease in other equity.

24. CAPITAL RISK MANAGEMENT

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

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

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

25. FINANCIAL INSTRUMENTS

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

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

	December 31, 2019		December 31, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial Assets</u>				
Measured at amortized cost	\$ -	\$ -	\$ 61,430	\$ 60,778
-domestic corporate bonds	63,566	64,992	-	-
-foreign corporate bonds				
<u>Financial liabilities</u>				
Convertible bonds	-	-	5,085	6,273

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

A. Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Convertible bonds	\$ 31,182	\$ -	\$ -	\$ 31,182
Listed shares and emerging market shares	15,041	-	-	15,041
Fund beneficiary certificate	15,160	-	3,079	18,239
Total	<u>\$ 61,383</u>	<u>\$ -</u>	<u>\$ 3,079</u>	<u>\$ 64,462</u>

Financial assets at FVTOCI

Equity investments				
- Listed shares and emerging market shares	\$ 178,242	\$ -	\$ 10,438	\$ 188,680
- Unlisted shares	-	-	3,743	3,743
Total	<u>\$ 178,242</u>	<u>\$ -</u>	<u>\$ 14,181</u>	<u>\$ 192,423</u>

December 31, 2018

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Convertible bonds	\$ 46,556	\$ -	\$ -	\$ 46,556
Listed shares and emerging market shares	14,846	-	-	14,846
Derivatives	-	917	-	917
Total	<u>\$ 61,402</u>	<u>\$ 917</u>	<u>\$ -</u>	<u>\$ 62,319</u>

Available-for-sale financial assets

Equity investments				
- Listed shares and emerging market shares	\$ 131,897	\$ -	\$ 8,841	\$ 140,738
- Unlisted shares	-	-	4,265	4,265
Total	<u>\$ 131,897</u>	<u>\$ -</u>	<u>\$ 13,106</u>	<u>\$ 145,003</u>

There were no transfers between Level 1 and Level 2 in 2019 and 2018, 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 inputs applied for 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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial assets</u>		
Financial assets measured at FVTPL		
Mandatorily measured at FVTPL	\$ 64,462	\$ 62,319
Financial assets measured at amortized cost (Note 1)	3,107,140	2,723,198
Financial assets measured at FVTOCI— Investments in equity instruments	192,423	145,003
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	2,549,613	1,989,386

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 financial liabilities measured at amortized cost, which comprise short-term loans, trade payable, other payable, current portion of bonds payable, and deposits received.

(4) Financial risk management objectives and policies

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

A. Market risk

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

(a) Foreign currency risk

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

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

Sensitivity analysis

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

The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. If interest rates had been 5% higher/lower, the Company's net profit in 2019 and 2018 would increase/decrease by 21,166 thousand and \$14,309 thousand, respectively.

(b) Interest rate risk

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

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

	December 31, 2019	December 31, 2018
Interest rate risks at fair value		
– Financial assets	\$ 854,095	\$ 667,837
– Financial liabilities	157,379	100,000
Interest rate risks at cash flows		
– Financial assets	206,706	170,838

Sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's pre-tax profit in 2019 and 2018 would increase/ decrease by \$1,034 thousand and \$854 thousand, respectively. Exposure is triggered by risks of cash flows of the Company's variable interest rates of deposits.

(c) Other price risk

The Company 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\$3,223 thousand and NT\$3,070 thousand, because of the change in fair value of financial assets at FVTPL, respectively., at the end of the reporting period in 2019 and 2018, the other comprehensive income would have increased/decreased by NT\$9,621 thousand and NT\$7,250 thousand, because of the change in fair value of financial assets at FVTOCI, respectively, at the end of the reporting period in 2019 and 2018.

B. Credit risk

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

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

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

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

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

The credit risk of the Company concentrates on top 5 customers of the Company. As of December 31, 2019 and 2018, the Company's five largest customers accounted all for 33% of trade receivable, respectively.

C. Liquidity risk

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

Liquidity & interest rate risk table

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

The following tables detail the bank loans are listed on the earliest date on which the Company 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.

December 31, 2019

	Less than 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>			
No Interest-bearing liabilities	\$ 2,398,448	\$ -	\$ -
Lease liabilities	3,639	3,831	-
Fixed rate instruments	<u>150,118</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,552,205</u>	<u>\$ 3,831</u>	<u>\$ -</u>

December 31, 2018

	Less than 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>			
No Interest-bearing liabilities	\$ 1,888,601	\$ -	\$ -
Fixed rate instruments	<u>100,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,988,601</u>	<u>\$ -</u>	<u>\$ -</u>

The operating fund of the Company 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 Company, the management does not think the banks will execute their rights of requiring the Company to repay the bank loans.

As of December 31, 2019 and 2018, the Company's unused short-term credit of limit of the bank were 920,000 thousand and 670,000 thousand, respectively.

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

26. RELATED PARTIES TRANSACTIONS

(1) The Names and Relationships of Related-parties

<u>Name of the related parties</u>	<u>Relationship with the Company</u>
Zotech Co., Ltd.	Subsidiaries
Zerone Win Investment Co., Ltd.	Subsidiaries
Petacom Technology Co., Ltd.)	Subsidiaries
Wing Will International Co., Ltd.	Subsidiaries
AsiaOne Holdings Ltd.	Subsidiaries

(2) Operating revenue

<u>Line Items</u>	<u>Types of related parties</u>	<u>2019</u>	<u>2018</u>
Sales revenue	Subsidiaries	\$ 17,310	\$ 1,824
Services revenue	Subsidiaries	\$ 2,476	\$ 2,243

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

(3) Purchases(not including loans to related parties and contract asset)

<u>Types of related parties</u>	<u>2019</u>	<u>2018</u>
Subsidiaries	\$ 6,472	\$ 8,966

(4) Receivables from related parties

<u>Line Items</u>	<u>Types of related parties</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Trade receivable	Subsidiaries	\$ 6,090	\$ 397
Other receivable	Subsidiaries	104	-
		\$ 6,194	\$ 397

For the year ended December 31, 2019 and 2018, no impairment loss was recognized for trade receivables from related parties.

(5) Payables to related parties

<u>Line Items</u>	<u>Types of related parties</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Trade payable	Subsidiaries	\$ 6,300	\$ 9,543
Other payable	Subsidiaries	-	10
		\$ 6,300	\$ 9,553

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

<u>Types of related parties / Name</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Subsidiaries	\$ 10,000	\$ -
<u>Interest income</u>		
<u>Types of related parties / Name</u>	<u>2019</u>	<u>2018</u>
Subsidiaries	\$ 104	\$ -

(7) Non-operating income

<u>Line Items</u>	<u>Types of related parties</u>	<u>2019</u>	<u>2018</u>
Rental income	Subsidiaries	\$ <u>743</u>	\$ <u>1,595</u>

(8) Compensation of key management personnel

	<u>2019</u>	<u>2018</u>
Short-term employee benefits	\$ <u>38,724</u>	\$ <u>26,798</u>

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

27. PLEGGED ASSETS

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Property, plant and equipment, Net	\$ 209,009	\$ 293,227
Pledged Time Deposits(Financial assets at amortized cost – non-current)	<u>15,513</u>	<u>15,398</u>
	\$ <u>224,522</u>	\$ <u>308,625</u>

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

(1) As of December 31, 2019, the Company opens NT 87,000 thousand of cashier order for payment guaranteed for Microsoft Taiwan Corporation.

(2) As of December 31, 2019, the Company opens NT 50,000 thousand of cashier order for payment guaranteed for Microsoft Regional Sales Corporation.

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

The significant financial assets and liabilities denominated in foreign currencies were as follows:

December 31, 2019

<u>Financial assets</u>	<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Monetary items</u>			
USD	\$ 31,131	29.98 (USD:NTD)	\$ <u>933,307</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	45,251	29.98 (USD:NTD)	\$ <u>1,356,625</u>

December 31, 2018

<u>Financial assets</u>	<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Monetary items</u>			
USD	\$ 28,142	30.715 (USD:NTD)	\$ <u>864,382</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	37,459	30.715 (USD:NTD)	\$ <u>1,150,553</u>

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

	<u>2019</u>		<u>2018</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	30.912 (USD:NTD)	(\$ <u>163</u>)	30.149 (USD:NTD)	\$ <u>3,126</u>

30. SEPARATELY DISCLOSED ITEMS

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

A. Financing provided to others: Table 1.

B. Endorsements/guarantees provided:None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Table 2.

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. Information on investees: Table 3.

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

ZERO ONE TECHNOLOGY CO., LTD.
FINANCING PROVIDED TO OTHERS
FOR THE YEARS ENDED DECEMBER 31, 2019

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

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 2)	Ending Balance	Amount Actually Drawn	Interest Rate	Nature for Financing (Note 3)	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 4)	Financing Company's Total Financing Amount Limits (Note 5)	Note
													Name	Item			
0	The company	WingWill international Co., Ltd.	Other receivables from related parties	Yes	\$10,000	\$10,000	\$10,000	3%	2	\$ -	Operating Capital	\$-	-	\$ -	\$ 242,030	\$ 484,061	

Note 1 : The number column is organized as follows :

(1)Number 0 represents the issuer.

(2)The Counter-party is numbered from 1 in order.

Note 2 : Maximum Balance of financing provided to others for the Period.

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

(1)1:The borrower has business contact with the creditor.

(2)2:The borrower has short-term financing necessities.

Note 4 : For short-term financing necessities, the total amount available for lending purpose shall not exceed 10% of the net worth reviewed or audited by CPA during the period.

Note 5 : The total amount available for lending purpose shall not exceed 20% of the company's net worth reviewed or audited by CPA during the period.

ZERO ONE TECHNOLOGY CO., LTD.
MARKETABLE SECURITIES HELD
FOR THE YEAR ENDED DECEMBER 31, 2019

Table 2

Units : In Thousands of New Taiwan Dollars

Holding Company	Marketable Securities Type and Issuer's Name (Note 1)	Security Issuer's Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Shares/Units	Carrying Values	Percentage of Ownership (%)	Market Prices/Net value of equities	
The company	Beneficiary certificates							
	KGI Emerging Market Bond 1-5 ETF Fund	—	Financial assets at FYTPL — current	75,000	\$ 3,000	-	\$ 3,000	
	KGI Kaefer Fund	—	Financial assets at FYTPL — non-current	170,437	3,079	-	3,079	
	KGI Taiwan Multi-Asset Income Fund	—	Financial assets at FYTPL — non-current	1,198,020	12,160	-	12,160	
	Corporate bond							
	Giga Solar Materials Corp.—2 convertible corporate bonds	—	Financial assets at FYTPL — current	150 (Units)	14,550	-	14,550	
	China Airlines—6 convertible corporate bonds	—	Financial assets at FYTPL — current	30 (Units)	2,984	-	2,984	
	Tong Ming Enterprise Co., Ltd.—1 st domestic unsecured convertible corporate bonds	—	Financial assets at FYTPL — current	10 (Units)	985	-	985	
	Gemtek Technology Co., Ltd.—5 convertible corporate bonds	—	Financial assets at FYTPL — current	40 (Units)	4,388	-	4,388	
	Sigurd Microelectronics Corporation.—3 convertible corporate bonds	—	Financial assets at FYTPL — current	30 (Units)	3,394	-	3,394	
	Quang Viet Enterprise Co.,Ltd.—1 convertible corporate bonds	—	Financial assets at FYTPL — current	30 (Units)	3,236	-	3,236	
	Sheh Fung Screws Co., Ltd.—1 convertible corporate bonds	—	Financial assets at FYTPL — current	5 (Units)	519	-	519	
	Interactive Digital Technologies Inc.—1 convertible corporate bonds	—	Financial assets at FYTPL — current	10 (Units)	1,126	-	1,126	
	Barclays Bank Coupon Bond (USD)	—	Financial assets at amortized cost—non-current	5 (Units)	15,807	-	16,721	
	Prufin Coupon Bond (USD)	—	Financial assets at amortized cost—non-current	10 (Units)	31,179	-	31,611	
	AT&T Coupon Bond (USD)	—	Financial assets at amortized cost—non-current	5 (Units)	16,580	-	16,660	

(Continued)

Holding Company	Marketable Securities Type and Issuer's Name (Note 1)	Security Issuer's Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Shares/Units	Carrying Values	Percentage of Ownership (%)	Market Prices/Net value of equities	
The company	Securities							
	Cathay Financial Holdings Preferred Stock A	—	Financial assets at FYTPL — non-current	166,000	\$ 10,657	-	\$ 10,657	
	Union Bank of Taiwan Preferred Stock A	—	Financial assets at FYTPL — non-current	80,000	4,384	-	4,384	
	K WAY INFORMATION CORP.	The supervisor of the company	Financial assets at FVTOCI — non-current	490,000	17,150	1.60	17,150	
	China Electric Mfg. Corp.	—	Financial assets at FVTOCI — non-current	2,988,000	33,167	0.75	33,167	
	ASIX Electronics Corp.	—	Financial assets at FVTOCI — non-current	90,074	3,418	0.17	3,418	
	Promaster Technology Corp.	—	Financial assets at FVTOCI — non-current	1,111,563	10,438	2.82	10,438	
	Unex Technology Corporation	—	Financial assets at FVTOCI — non-current	175,000	3,743	1.68	3,743	
	Cathay Financial Holdings Preferred Stock A	—	Financial assets at FVTOCI — non-current	54,000	3,467	-	3,467	
	Union Bank of Taiwan Preferred Stock A	—	Financial assets at FVTOCI — non-current	70,000	3,836	-	3,836	
	Fubon Financial Holding Co., Ltd. Preferred Shares B	—	Financial assets at FVTOCI — non-current	400,000	25,720	-	25,720	
	Taishin Financial Holding Co., Ltd. Preferred Stock E	—	Financial assets at FVTOCI — non-current	240,000	13,296	-	13,296	
	CTBC Financial Holding Co., Ltd. Preferred Shares B	—	Financial assets at FVTOCI — non-current	90,000	5,958	-	5,958	
	Cathay Financial Holding Co., Ltd. Preferred Stock B	—	Financial assets at FVTOCI — non-current	230,000	14,720	-	14,720	
	Kwong Lung Enterprise Co., Ltd. Preferred Stock A	—	Financial assets at FVTOCI — non-current	200,000	10,760	-	10,760	
	WPG Holdings Limited Preferred Stock A	—	Financial assets at FVTOCI — non-current	700,000	36,190	-	36,190	
	United Orthopedic Corporation Preferred Stock A	—	Financial assets at FVTOCI — non-current	200,000	10,560	-	10,560	
	Miiicasa Holdings (Cayman) Inc.	—	Financial assets at FVTOCI — non-current	2,500,000	-	3.45	-	

(Continued)

(Concluded)

Holding Company	Marketable Securities Type and Issuer's Name (Note 1)	Security Issuer's Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Shares/Units	Carrying Values	Percentage of Ownership (%)	Market Prices/ Net value of equities	
Zerone Win Investment Co., Ltd.	Duofu Co., Ltd.	—	Financial assets at FVTOCI – non-current	10,000	\$ -	0.27	\$ -	
	Jotangi Technology Co., Ltd.	—	Financial assets at FVTOCI – non-current	796,250	-	16.94	-	
	Ijoing, Inc.	—	Financial assets at FVTOCI – non-current	500,000	-	10.00	-	
	Securities							
	WPG Holdings Limited Preferred Stock A	—	Financial assets at FVTOCI – non-current	240,000	12,408	-	12,408	
	Shin Kong Financial Holding Co.,Ltd. Preferred Stock A	—	Financial assets at FVTOCI – non-current	50,000	2,297	-	2,297	
Petacom Technology Co., Ltd.	Tatung System Technologies Inc.	—	Financial assets at FVTOCI – non-current	2,000,000	34,300	2.26	34,300	
	Beneficiary certifications Taishin 1699 Money Market Fund	—	Financial assets at FYTPL – current	2,300,000	31,243	-	31,243	
ZOTECH Co., Ltd.	Securities WPG Holdings Limited Preferred Stock A	—	Financial assets at FVTOCI – non-current	200,000	10,340	-	10,340	

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 3.

ZERO ONE TECHNOLOGY CO., LTD.
 INFORMATION ON INVESTEES
 FOR THE YEAR ENDED DECEMBER 31, 2019

Table 3

(In Thousands of New Taiwan Dollars, Except Specified)

Investor Company	Investee Company	Location	Main Businesses	Investment Amount		As of December 31, 2019			Net Income (Loss) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2019	December 31, 2018	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	\$ 43,671	\$ 826	\$ 705	Subsidiary
	Chi-Ta International Co., Ltd.	Taipei City	Services of telecommunication apparatus	10,000	10,000	597,960	30.00	-	-	-	
	ZeroneWin Investment Co., Ltd.	Taipei City	Investment	100,000	100,000	10,000,000	100.00	90,729	(7,531)	(7,531)	Subsidiary
	Asiaone Holdings Ltd.	Republic of Seychelles	Holding company	10,063	-	320,000	100.00	9,545	(518)	(518)	
ZeroneWin Investment Co., Ltd.	WingWill International Co., Ltd.	Taipei City	Services of cloud information software	7,000	7,000	700,000	70.00	(3,738)	(7,599)	(5,319)	Sub-subsubsidiary
	PetaCom technology Co., Ltd.	Taipei City	Services of information product agent	50,000	50,000	50,000,000	100.00	43,495	(2,806)	(2,806)	Sub-subsubsidiary

§THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS§

<u>ITEMS</u>	<u>NO. / INDEX</u>
MAJOR ACCOUNTING ITEMS IN ASSETS, LIABILITIES AND EQUITY	
STATEMENT OF CASH AND CASH EQUIVALENTS	Statement 1
STATEMENT OF FINANCIAL ASSETS AT FYTPL – CURRENT	Statement 2
STATEMENT OF FINANCIAL ASSETS AT AMORTIZED COST – CURRENT	Note 9
STATEMENT OF FINANCIAL ASSETS AT FVTOCI – CURRENT	Statement 3
STATEMENT OF NOTES RECEIVABLE	Statement 4
STATEMENT OF TRADE RECEIVABLE	Statement 5
STATEMENT OF INVENTORIES	Statement 6
STATEMENT OF FINANCIAL ASSETS AT FYTPL – NON-CURRENT	Statement 7
STATEMENT OF FINANCIAL ASSETS AT FVTOCI – NON-CURRENT	Statement 8
STATEMENT OF FINANCIAL ASSETS AT AMORTIZED COST – NON-CURRENT	Note 9
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	Statement 9
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT	Note 13
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	Note 13
STATEMENT OF DEFERRED INCOME TAX ASSETS	Note 21
STATEMENT OF TRADE PAYABLES	Statement 10
STATEMENT OF OTHER PAYABLES	Note 16
STATEMENT OF OTHER CURRENT	Statement 11
LIABILITIES	
MAJOR ACCOUNTING ITEMS IN PROFIT OR LOSS	
STATEMENT OF OPERATING REVENUE	Statement 12
STATEMENT OF OPERATING COST	Statement 13
STATEMENT OF OPERATING EXPENSES	Statement 14
STATEMENT OF EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTIZATION BY FUNCTION	Note 20

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Statement 1

(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Demand deposits	New Taiwan dollar	\$ 36,276
	USD 1,588 thousand@29.98;EUR 6 thousand@ 33.59	47,835
Foreign currency time deposit	USD 7,140 thousand@ 29.98; yearly interest rates at 2.10% ~2.27%; Expired by 2020.2.10	214,057
cash on hand and revolving funds		183
Checking deposits		<u>1</u>
		<u>\$ 298,352</u>

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF FINANCIAL ASSETS AT FYTPL – CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2019

Statement 2

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

Name of financial instruments	Description	Units	Par value (Dollars)	Total	Acquisition Cost	Fair value	
						Units (Dollars)	Total
KGI Emerging Market Bond 1-5 ETF Fund	Fund Beneficiary Certificate	75,000	10	\$ 3,000	\$ 3,000	40	\$ 3,000
Giga Solar Materials Corp. – 2	Convertible bond	150 (Units)	100,000	15,000	14,672	97	14,550
China Airlines – 6	Convertible bond	30 (Units)	100,000	3,000	3,006	99.45	2,984
Tong Ming Enterprise Co., Ltd. – 1	Convertible bond	10 (Units)	100,000	1,000	1,005	98.5	985
Gemtek Technology Co., Ltd. – 5	Convertible bond	40 (Units)	100,000	4,000	4,013	109.7	4,388
Sigurd Microelectronics Corporation. – 3	Convertible bond	30 (Units)	100,000	3,000	3,030	113.15	3,394
Quang Viet Enterprise Co., Ltd. – 1	Convertible bond	30 (Units)	100,000	3,000	3,060	107.85	3,236
Sheh Fung Screws Co., Ltd. – 1	Convertible bond	5 (Units)	100,000	500	502	103.85	519
Interactive Digital Technologies Inc. – 1	Convertible bond	10 (Units)	100,000	1,000	<u>1,004</u>	112.6	<u>1,126</u>
					33,292		<u>\$ 34,182</u>
					<u>890</u>		
Add (Less) : Valuation adjustment					<u>\$ 34,182</u>		

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF FINANCIAL ASSETS AT FVTOCI – CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2019

Statement 3

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

Name of financial instruments	Beginning Balance		Addition		Decrease		Valuation for the current year	Balance, December 31, 2019		Remark
	Shares	Book value	Shares	Amount	Shares	Amount		Shares	Book value	
Global Mixed-mode Technology Inc.	50,000	\$ 3,230	-	\$ -	50,000	\$ 4,815	\$ 1,585	-	\$ -	
ASLAN Pharmaceuticals, Ltd.	60,000	1,515	-	-	60,000	1,318	(197)	-	-	
Chunghwa Precision Test Tech. Co., Ltd.	6,000	<u>3,120</u>	-	<u>-</u>	6,000	<u>4,807</u>	<u>1,687</u>	-	<u>-</u>	
		<u>\$ 7,865</u>		<u>\$ -</u>		<u>\$ 10,940</u>	<u>\$ 3,075</u>		<u>\$ -</u>	

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF NOTES RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2019

Statement 4

(In Thousands of New Taiwan Dollars)

The firm name	Description	Amount
Non-related parties		\$ 179,482
Genesis technology inc.	Payment	16,190
Stark inforcom inc.	Payment	28,637
Apex fong yi technology co., ltd.	Payment	<u>52,586</u>
Others (Note)	Payment	<u>276,895</u>
		-
Less: Allowance for doubtful accounts		<u>\$ 276,895</u>

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

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF TRADE RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2019

Statement 5 (In Thousands of New Taiwan Dollars)

<u>The Company's name</u>	<u>Description</u>	<u>Amount</u>
SYSTEX SOFTWARE & SERVICE CORPORATION	Payment for goods	\$ 135,788
Kinmax Technology Inc.	Payment for goods	124,615
SYSTEX CORPORATION	Payment for goods	115,572
STARK TECHNOLOGY INC.	Payment for goods	108,773
HWACOM SYSTEMS INC.	Payment for goods	100,017
Others (Note)	Payment for goods	<u>1,172,299</u>
		1,757,064
Less: Allowance for doubtful accounts		<u>14,694</u>
Total		<u>\$ 1,742,370</u>

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

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF INVENTORIES
FOR THE YEAR ENDED DECEMBER 31, 2019

Statement 6

(In Thousands of New Taiwan Dollars)

Items	Book value	Market value (Note)
Commodities	<u>\$ 1,306,416</u>	<u>\$ 1,312,321</u>

Note : Market value shall be net realizable value.

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF FINANCIAL ASSETS AT FYTPL – NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2019

Statement 7

(In Thousands of New Taiwan Dollars, Except Specified)

Name	Beginning Balance		Addition		Decrease		Valuation for the current year	Balance, December 31, 2019		Remark
	Shares	Book value	Shares	Amount	Shares	Amount		Shares	Book value	
Cathay Financial Holding Co., Ltd. Preferred Stock A	166,000	\$ 10,574	-	\$ -	-	\$ -	\$ 83	166,000	\$ 10,657	
Union Bank of Taiwan Preferred Stock A	80,000	4,272	-	-	-	-	112	80,000	4,384	
KGI Kaefer Fund	-	-	170,437	3,000	-	-	79	170,437	3,079	
KGI Taiwan Multi-Asset Income Fund	-	-	2,198,020	<u>22,100</u>	1,000,000	<u>10,100</u>	<u>160</u>	1,198,020	<u>12,160</u>	
		<u>\$ 14,846</u>		<u>\$ 25,100</u>		<u>\$ 10,100</u>	<u>\$ 434</u>		<u>\$ 30,280</u>	

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF FINANCIAL ASSETS AT FVTOCI – NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2019

Statement 8

(In Thousands of New Taiwan Dollars)

Name	Beginning Balance		Addition		Decrease		Valuation for the current year	Balance, December 31, 2019		Remark
	Shares	Book value	Shares	Amount	Shares	Amount		Shares	Book value	
K WAY INFORMATION CORP.	490,000	\$ 13,696	-	\$ -	-	\$ -	\$ 3,454	490,000	\$ 17,150	
China Electric Mfg. Corp.	3,320,000	30,179	-	-	332,000	3,320	6,308	2,988,000	33,167	
ASIX Electronics Corp.	260,074	7,828	-	-	170,000	6,863	2,453	90,074	3,418	
Promaster Technology Corp.	1,075,601	8,841	35,962	-	-	-	1,597	1,111,563	10,438	
Unex Technology Corp.	175,000	4,265	-	-	-	-	(522)	175,000	3,743	
Cathay Financial Holding Co., Ltd. Preferred Stock A	34,000	2,166	20,000	1,285	-	-	16	54,000	3,467	
Union Bank of Taiwan Preferred Stock A	50,000	2,670	20,000	1,101	-	-	65	70,000	3,836	
Fubon Financial Holding Co., Ltd. Preferred Shares B	400,000	24,800	-	-	-	-	920	400,000	25,720	
Taishin Financial Holding Co., Ltd. Preferred Stock E	240,000	12,768	-	-	-	-	528	240,000	13,296	
CTBC Financial Holding Co., Ltd. Preferred Shares B	90,000	5,688	-	-	-	-	270	90,000	5,958	
Cathay Financial Holding Co., Ltd. Preferred Stock B	230,000	14,237	-	-	-	-	483	230,000	14,720	
Kwong Lung Enterprise Co., Ltd. Preferred Stock A	200,000	10,000	-	-	-	-	760	200,000	10,760	
WPG Holdings Limited Preferred Stock A	-	-	700,000	35,000	-	-	1,190	700,000	36,190	
United Orthopedic Corporation Preferred Stock A	-	-	200,000	10,400	-	-	160	200,000	10,560	
Miiicasa Holdings (Cayman) Inc.	2,500,000	-	-	-	-	-	-	2,500,000	-	
Duofu Co., Ltd.	10,000	-	-	-	-	-	-	10,000	-	
Jotangi Technology Co., Ltd.	796,250	-	-	-	-	-	-	796,250	-	
Ijoing, Inc.	500,000	-	-	-	-	-	-	500,000	-	
		<u>\$ 137,138</u>		<u>\$ 47,786</u>		<u>\$ 10,183</u>	<u>\$ 17,682</u>		<u>\$ 192,423</u>	

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2019

Statement 9

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

Name	Beginning Balance		Addition		Decrease		Unrealized gains (losses) on financial instruments	Investment gain(loss)	Balance, December 31, 2019			Net value of equity	Collateral/Pledge
	Shares	Amount	Shares	Amount	Shares	Amount			Shares	Percentage of ownership %	Amount		
ZeroneWin Investment Co., Ltd.	10,000,000	\$ 91,703	-	\$ -	-	\$ -	\$ 6,557	(\$ 7,531)	10,000,000	100	\$ 90,729	\$ 90,729	None
Zotech Technology Co., Ltd.	3,500,000	44,426	-	-	-	1,750	290	705	3,500,000	85.37	43,671	43,671	None
Asiaone Holdings Ltd.	-	-	320,000	10,063	-	-	-	(518)	320,000	100	9,545	9,545	None
Chi-Ta International Co., Ltd.	597,960	-	-	-	-	-	-	-	597,960	30	-	-	None
		<u>\$ 136,129</u>		<u>\$ 10,063</u>		<u>\$ 1,750</u>	<u>\$ 6,847</u>	<u>(\$ 7,344)</u>			<u>\$ 143,945</u>		

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF TRADE PAYABLES
FOR THE YEAR ENDED DECEMBER 31, 2019

Statement 10

(In Thousands of New Taiwan Dollars)

<u>The Company's name</u>	<u>Amount</u>
CISCO SYSTEMS INTERNATIONAL B.V.	\$ 887,231
Trend Micro Inc.	195,447
Net App, Inc.	137,423
Others (Note)	<u>804,309</u>
	<u>\$ 2,024,410</u>

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

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF OTHER CURRENT LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

Statement 11

(In Thousands of New Taiwan Dollars)

<u>Items</u>	<u>Amount</u>
Receipts under custody	\$ 109,809
Contract liability—current	22,982
Temporary receipts	<u>8,337</u>
	<u>\$ 141,128</u>

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019

Statement 12

(In Thousands of New Taiwan Dollars)

<u>Items</u>	<u>Description</u>	<u>Amount</u>
Sales revenue	Selling the software suite	\$ 8,799,382
Other operating revenues		<u>56,787</u>
		8,856,169
Less: sales returns		17,044
sales discounts		<u>12,466</u>
		<u>\$ 8,826,659</u>

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF OPERATING COST
FOR THE YEAR ENDED DECEMBER 31, 2019

Statement 13

(In Thousands of New Taiwan Dollars)

Items	Amount
Costs of goods sold	
Initial inventory	\$ 1,047,792
Add : Purchases	8,377,277
Ending inventory	(1,449,719)
Others	(<u>47,000</u>)
Total costs of sales and purchases	7,928,350
Gain from price recovery of inventory	29,563
Losses on disposal of scrap inventories	<u>2,803</u>
	<u>\$ 7,960,716</u>

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

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

Statement 14

(In Thousands of New Taiwan Dollars)

Items	Selling and marketing expenses	General and administrative expenses	Total
Payroll Expenses	\$ 202,256	\$ 81,974	\$ 284,230
Entertainment expense	34,651	1,333	35,984
Insurance expense	25,638	6,169	31,807
Reversal for expected credit losses	-	(5,901)	(5,901)
Depreciation expense	6,684	11,374	18,058
Others (Note)	<u>67,315</u>	<u>25,299</u>	<u>92,614</u>
	<u>\$ 336,544</u>	<u>\$ 120,248</u>	<u>\$ 456,792</u>

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

ZERO ONE TECHNOLOGY CO., LTD.

Chairman

Chia Hsin Lin