

ZERO ONE TECHNOLOGY COMPANY LIMITED
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS FOR THE
NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018 AND
INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Zero One Technology Company Limited

Introduction

We have reviewed the accompanying consolidated balance sheets of Zero One Technology Company Limited and its subsidiaries (the "Group") as of September 30, 2019 and 2018, consolidated statements of comprehensive income for the three months ended September 30, 2019 and 2018 and the nine months ended September 30, 2019 and 2018, consolidated statements of changes in equity and cash flows for the nine months ended September 30, 2019 and 2018 and the related notes, including a summary of significant accounting policies (collectively referred to as the consolidated financial statements). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the financial position of the Company as of September 30, 2019 and 2018, its consolidated financial performance for the three months ended September 30, 2019 and 2018 and the nine months ended September 30, 2019 and 2018 and its consolidated cash flows for the nine months ended September 30, 2019 and 2018, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche

Taipei, Taiwan
Republic of China

October 30, 2019

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	September 30, 2019 (Reviewed)		December 31, 2018 (Audited)		September 30, 2018 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 906,079	19	\$ 238,626	5	\$ 187,716	5
Financial assets at fair value through profit or loss - current (Note 7)	77,941	2	84,618	2	81,811	2
Financial assets at fair value through other comprehensive income - current (Note 8)	-	-	11,505	-	11,869	-
Financial assets at amortized cost-current (Note 9)	250,507	5	588,197	13	507,076	14
Notes receivable (Note 10)	207,836	4	161,130	4	120,393	3
Trade receivables (Note 10)	1,925,121	40	1,728,421	39	1,800,055	47
Inventories (Note 11)	749,373	16	941,851	22	493,968	13
Current tax assets (Note 4)	-	-	1,314	-	-	-
Other current assets	14,518	-	23,578	1	21,762	1
Total current assets	<u>4,131,375</u>	<u>86</u>	<u>3,779,240</u>	<u>86</u>	<u>3,224,650</u>	<u>85</u>
NON-CURRENT ASSETS						
Financial assets at fair value through profit- non-current (Note 7)	29,990	1	42,347	1	40,817	1
Financial assets at fair value through other comprehensive income- non-current (Note 8)	200,757	4	137,138	3	120,704	3
Financial assets at amortized cost - non-current (Notes 9 and 28)	66,935	1	79,362	2	73,636	2
Investments accounted for using the equity method (Note 13)	-	-	-	-	672	-
Property, plant and equipment (Notes 14 and 28)	312,262	7	313,715	7	314,719	8
Right-of-use assets (Notes 4 and 15)	10,038	-	-	-	-	-
Other intangible assets	1,263	-	950	-	1,087	-
Deferred tax assets (Note 4)	42,599	1	37,938	1	26,561	1
Refundable deposits	4,535	-	3,157	-	2,713	-
Total non-current assets	<u>668,379</u>	<u>14</u>	<u>614,607</u>	<u>14</u>	<u>580,909</u>	<u>15</u>
TOTAL	<u>\$ 4,799,754</u>	<u>100</u>	<u>\$ 4,393,847</u>	<u>100</u>	<u>\$ 3,805,559</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 16)	\$ 360,000	9	\$ 100,000	2	\$ 50,000	1
Financial assets at fair value through loss - non-current (Note 7)	589	-	-	-	-	-
Trade payables	1,725,429	36	1,651,812	38	1,270,065	34
Other payables (Note 17)	167,063	3	245,008	6	144,873	4
Current tax liabilities (Note 4)	66,684	1	57,166	1	51,887	1
Lease liabilities - current (Notes 4 and 15)	5,098	-	-	-	-	-
Current portion of bonds payable (Note 18)	-	-	5,085	-	6,243	-
Other current liabilities	163,777	3	107,071	2	125,037	3
Total current liabilities	<u>2,488,640</u>	<u>52</u>	<u>2,166,142</u>	<u>49</u>	<u>1,648,105</u>	<u>43</u>
NON-CURRENT LIABILITIES						
Deferred tax liabilities (Note 4)	-	-	736	-	527	-
Lease liabilities - non-current (Notes 4 and 15)	4,539	-	-	-	-	-
Net defined benefit liabilities - non-current (Notes 4 and 19)	20,827	-	21,579	1	21,232	1
Other non-current liabilities	1,170	-	800	-	-	-
Total non-current liabilities	<u>26,536</u>	<u>-</u>	<u>23,115</u>	<u>1</u>	<u>21,759</u>	<u>1</u>
Total liabilities	<u>2,515,176</u>	<u>52</u>	<u>2,189,257</u>	<u>50</u>	<u>1,669,864</u>	<u>44</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 20)						
Share capital						
Ordinary shares	1,242,672	26	1,228,965	28	1,227,210	32
Share capital to be registered	-	-	-	-	180	-
Total share capital	<u>1,242,672</u>	<u>26</u>	<u>1,228,965</u>	<u>28</u>	<u>1,227,390</u>	<u>32</u>
Capital surplus	466,269	10	446,515	10	442,455	12
Retained earnings						
Legal reserve	184,732	4	159,438	4	159,438	4
Special reserve	16,844	-	15,501	-	15,501	-
Unappropriated earnings	381,394	8	362,722	8	295,160	8
Total retained earnings	<u>582,970</u>	<u>12</u>	<u>537,661</u>	<u>12</u>	<u>470,099</u>	<u>12</u>
Other equity	(13,873)	-	(16,844)	-	(12,542)	-
Total equity attributable to owners of the Company	<u>2,278,038</u>	<u>48</u>	<u>2,196,297</u>	<u>50</u>	<u>2,127,402</u>	<u>56</u>
NON-CONTROLLING INTERESTS						
Total equity	<u>2,284,578</u>	<u>48</u>	<u>2,204,590</u>	<u>50</u>	<u>2,135,695</u>	<u>56</u>
TOTAL	<u>\$ 4,799,754</u>	<u>100</u>	<u>\$ 4,393,847</u>	<u>100</u>	<u>\$ 3,805,559</u>	<u>100</u>

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

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUES								
Net sales	\$ 2,382,849	100	\$ 1,827,890	100	\$ 6,480,591	100	\$ 4,895,004	100
OPERATING COSTS(Note 11 and 21)								
Cost of goods sold	<u>2,175,566</u>	<u>91</u>	<u>1,652,358</u>	<u>90</u>	<u>5,845,444</u>	<u>90</u>	<u>4,410,440</u>	<u>90</u>
GROSS PROFIT	<u>207,283</u>	<u>9</u>	<u>175,532</u>	<u>10</u>	<u>635,147</u>	<u>10</u>	<u>484,564</u>	<u>10</u>
OPERATING EXPENSES (Note 21)								
Selling and marketing expenses	88,018	4	68,891	4	245,721	4	185,632	4
General and administrative expenses	34,982	2	26,459	2	99,394	2	77,105	2
Research and development expenses	1,526	-	2,029	-	4,509	-	6,239	-
Expected credit loss (reversed) recognized on trade receivables (Note 10)	<u>30,832</u>	<u>1</u>	<u>6,104</u>	<u>-</u>	<u>21,311</u>	<u>-</u>	<u>4,818</u>	<u>-</u>
Total operating expenses	<u>155,358</u>	<u>7</u>	<u>103,483</u>	<u>6</u>	<u>370,935</u>	<u>6</u>	<u>273,794</u>	<u>6</u>
PROFIT FROM OPERATIONS	<u>51,925</u>	<u>2</u>	<u>72,049</u>	<u>4</u>	<u>264,212</u>	<u>4</u>	<u>210,770</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES (Note 21)								
Other income	11,715	1	10,769	1	25,259	-	19,020	1
Other gains and losses	(1,750)	-	775	-	6,473	-	3,426	-
Excluding gain(loss) on financial assets measured at amortised cost	3,745	-	-	-	3,745	-	-	-
Finance costs	(965)	-	(119)	-	(1,553)	-	(201)	-
Share of profit or loss of associated and joint ventures	-	-	(1,331)	-	-	-	(3,774)	-
Total non-operating income and expenses	<u>12,745</u>	<u>1</u>	<u>10,094</u>	<u>1</u>	<u>33,924</u>	<u>-</u>	<u>18,471</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	64,670	3	82,143	5	298,136	4	229,241	5
INCOME TAX EXPENSE (Note 22)	<u>12,902</u>	<u>1</u>	<u>16,997</u>	<u>1</u>	<u>62,522</u>	<u>1</u>	<u>45,713</u>	<u>1</u>
NET PROFIT	<u>51,768</u>	<u>2</u>	<u>65,146</u>	<u>4</u>	<u>235,614</u>	<u>3</u>	<u>183,528</u>	<u>4</u>

(Continued)

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized gain (loss) on investments in equity instruments designated as at fair value through other comprehensive income	2,265	-	(11,812)	1	8,248	-	(2,362)	1
Remeasurement of defined benefit plans	-	-	-	-	-	-	438	-
Other comprehensive income (loss) for the period, net of income tax	2,265	-	(11,812)	1	8,248	-	(1,924)	1
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	<u>\$ 54,033</u>	<u>2</u>	<u>\$ 53,334</u>	<u>3</u>	<u>\$ 243,862</u>	<u>3</u>	<u>\$ 181,604</u>	<u>3</u>
NET PROFIT (LOSS) ATTRIBUTED TO:								
Owners of the Company	\$ 52,323	2	\$ 65,537	4	\$ 237,067	3	\$ 184,430	4
Non-controlling interests	(555)	-	(391)	-	(1,453)	-	(902)	-
	<u>\$ 51,768</u>	<u>2</u>	<u>\$ 65,146</u>	<u>4</u>	<u>\$ 235,614</u>	<u>3</u>	<u>\$ 183,528</u>	<u>4</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTED TO:								
Owners of the Company	\$ 54,588	2	\$ 53,725	3	\$ 245,315	3	\$ 182,506	4
Non-controlling interests	(555)	-	(391)	-	(1,453)	-	(902)	-
	<u>\$ 54,033</u>	<u>2</u>	<u>\$ 53,334</u>	<u>3</u>	<u>\$ 243,862</u>	<u>3</u>	<u>\$ 181,604</u>	<u>4</u>
EARNINGS PER SHARE (Note 23)								
From continuing operations								
Basic	<u>\$ 0.42</u>		<u>\$ 0.54</u>		<u>\$ 1.92</u>		<u>\$ 1.50</u>	
Diluted	<u>\$ 0.41</u>		<u>\$ 0.53</u>		<u>\$ 1.88</u>		<u>\$ 1.49</u>	

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

(Concluded)

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Company								Other Equity			Non-controlling Interests	Total Equity	
	Share Capital				Retained Earnings				Unrealized Gain/(Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unearned Employee Benefits	Total			
	Shares (In Thousand)	Issued Capital	Share capital to be registered	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	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 the 2017 earnings														
Legal reserve	-	-	-	-	19,598	-	(19,598)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	(1,222)	1,222	-	-	-	-	-	-	-
Cash dividends - NT\$1.3 per share	-	-	-	-	-	-	(159,484)	(159,484)	-	-	-	(159,484)	-	(159,484)
Net profit (loss) for the nine months ended September 30, 2018	-	-	-	-	-	-	184,430	184,430	-	-	-	184,430	(902)	183,528
Other comprehensive income (loss) for the nine months ended September 30, 2018, net of income tax	-	-	-	-	-	-	438	438	(2,362)	-	(2,362)	(1,924)	-	(1,924)
Total comprehensive income (loss) for the nine months ended September 30, 2018, net of income tax	-	-	-	-	-	-	184,868	184,868	(2,362)	-	(2,362)	182,506	(902)	181,604
Convertible bonds converted to capital stock	232	2,316	-	1,286	-	-	-	-	-	-	-	3,602	-	3,602
Share based payment transaction - employee stock option	-	-	-	6,926	-	-	-	-	-	-	-	6,926	-	6,926
Issuance of ordinary shares under employee share options	9	90	180	108	-	-	-	-	-	-	-	378	-	378
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	(774)	(774)	774	-	774	-	-	-
BALANCE, SEPTEMBER 30, 2018	<u>122,721</u>	<u>\$ 1,227,210</u>	<u>\$ 180</u>	<u>\$ 442,455</u>	<u>\$ 159,438</u>	<u>\$ 15,501</u>	<u>\$ 295,160</u>	<u>\$ 470,099</u>	<u>(\$ 12,542)</u>	<u>\$ -</u>	<u>(\$ 12,542)</u>	<u>\$ 2,127,402</u>	<u>\$ 8,293</u>	<u>\$ 2,135,695</u>
BALANCE, JANUARY 1, 2019	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 (loss) for the nine months ended September 30, 2019	-	-	-	-	-	-	237,067	237,067	-	-	-	237,067	(1,453)	235,614
Other comprehensive income (loss) for the nine months ended September 30, 2019, net of income tax	-	-	-	-	-	-	-	-	8,248	-	8,248	8,248	-	8,248
Total comprehensive income (loss) for the nine months ended September 30, 2019, net of income tax	-	-	-	-	-	-	237,067	237,067	8,248	-	8,248	245,315	(1,453)	243,862
Convertible bonds converted to capital stock	338	3,377	-	1,722	-	-	-	-	-	-	-	5,099	-	5,099
Share based payment transaction - employee stock option	-	-	-	8,715	-	-	-	-	-	-	-	8,715	-	8,715
Issuance of ordinary shares under employee share options	333	3,330	-	1,161	-	-	-	-	-	-	-	4,491	-	4,491
Issuance of restricted stock awards	700	7,000	-	8,156	-	-	-	-	-	(15,156)	(15,156)	-	-	-
Share based payment transaction - restricted stock awards	-	-	-	-	-	-	-	-	-	2,724	2,724	2,724	-	2,724
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(300)	(300)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	(7,155)	(7,155)	7,155	-	7,155	-	-	-
BALANCE, SEPTEMBER 30, 2019	<u>124,267</u>	<u>\$ 1,242,672</u>	<u>\$ -</u>	<u>\$ 466,269</u>	<u>\$ 184,732</u>	<u>\$ 16,844</u>	<u>\$ 381,394</u>	<u>\$ 582,970</u>	<u>(\$ 1,441)</u>	<u>(\$ 12,432)</u>	<u>(\$ 13,873)</u>	<u>\$ 2,278,038</u>	<u>\$ 6,540</u>	<u>\$ 2,284,578</u>

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

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 298,136	\$ 229,241
Adjustments for:		
Depreciation expenses	15,013	8,574
Amortization expenses	579	518
Expected credit loss on trade receivables	21,311	4,818
Net gain on fair value change of financial assets and liabilities at fair value through profit or loss	(5,024)	(2,216)
Net profit upon derecognition of financial assets measured at amortized cost	(3,745)	-
Finance costs	1,553	201
Interest income	(17,463)	(11,764)
Dividend income	(4,406)	(5,122)
Compensation costs of share based payments	11,439	6,926
Share of loss of associates accounted for using the equity method	-	3,774
Allowance for inventory valuation and obsolescence loss	3,643	17,311
Net gain on foreign currency exchange	(1,090)	(4,144)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	24,646	(30,251)
Notes receivable	(46,706)	65,532
Trade receivables	(218,211)	(338,927)
Inventories	186,541	(33,578)
Other current assets	13,194	(10,266)
Trade payables	68,579	20,065
Other payables	(78,070)	9,813
Other current liabilities	56,706	50,811
Net defined benefit liabilities	(752)	310
Cash (used in)generated from operations	325,873	(18,374)
Income tax paid	(57,087)	(32,086)
Net cash (used in)generated from operating activities	<u>268,786</u>	<u>(50,460)</u>

(Continued)

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(\$ 65,460)	(\$ 53,511)
Proceeds from sale of financial assets at fair value through other comprehensive income	21,594	1,195
Purchase of financial assets at amortized cost	(49,558)	(547,247)
Proceeds from sale of financial assets at amortized cost	406,861	190,440
Payments for property, plant and equipment	(6,693)	(372)
Proceeds from disposal of property, plant and equipment	-	79
Increase in refundable deposits	(1,378)	(927)
Payment for intangible assets	(670)	(700)
Proceeds from disposal of intangible assets	-	65
Interest received	13,787	10,514
Dividends received	4,406	5,122
Net cash (used in) generated from investing activities	<u>322,889</u>	<u>(395,342)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to owners of the Company	(184,603)	(159,484)
Proceeds from short-term borrowing	260,000	50,000
Guarantee deposits received	370	-
Repayment of principal portion of lease liabilities	(5,058)	-
Exercise of employee share options	4,491	378
Interest paid	(1,553)	(81)
Net cash (used in) generated from financing activities	<u>73,647</u>	<u>(109,187)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>2,131</u>	<u>1,586</u>
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	667,453	(553,403)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>238,626</u>	<u>741,119</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 906,079</u>	<u>\$ 187,716</u>

(Concluded)

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

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 and 2018
(Reviewed, Not Audited)

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

1. GENERAL

Zero one Technology Company Limited (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 Company.

2. THE DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved by the Board of Directors on October 30, 2019.

3. APPLICATION OF NEW, AMENDED 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 the "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. Refer to Note 4 for information relating to the 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 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 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 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

The Group 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	\$ -	\$ 6,417	\$ 6,417
Prepaid rents	39	(39)	-
Total effect on assets		<u>\$ 6,378</u>	
Lease liabilities - current	-	\$ 6,378	6,378
Total effect on liabilities		<u>\$ 6,378</u>	
Retained earnings	537,661	\$ -	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 IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 2)
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 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 9, IAS 39 and IFRS 7 "The Revolution of the Inter Bank Offered Rate"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021

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

(2) Basis of preparation

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

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

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

(3) Basis of consolidation

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

See Note 12 & Tables 3 for the detailed information of subsidiaries, the percentage of ownership and main business.

(4) Other Significant Accounting Policies

Except for relevant leasing accounting policies and following explanation, please reference the significant accounting policies applied in these consolidated financial statements for the year ended December 31, 2018.

A. Leasing

2019

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

The Group 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 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. 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 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.

The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments, and lease payments receivable to the lessor is recognized in the consolidated balance sheets.

Finance expenses implicit in interests of lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets; in which case, they are capitalized.

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

B. Defined benefits of retirement

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

C. Taxation

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

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

Key sources of the same critical accounting judgments, estimates and uncertainty assumption have been followed in these consolidated financial statements for the year ended December 31, 2018.

6. CASH AND CASH EQUIVALENTS

	September 30, 2019	December 31, 2018	September 30, 2018
Cash and cash on hand	\$ 151	\$ 142	\$ 202
Checking accounts and demand deposits	320,156	49,312	94,200
Cash equivalents			
Deposits in banks	53,436	189,171	93,313
Repurchase Bond	532,336	-	-
Others	-	1	1
	<u>\$ 906,079</u>	<u>\$ 238,626</u>	<u>\$ 187,716</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Financial assets – current</u>			
Mandatorily measured at FVTPL			
Domestic public offering securities	\$ -	\$ -	\$ 198
Domestic convertible bond	40,343	46,556	40,431
Redemption & sell right for convertible bonds	-	1	2
Forward Exchange Agreement(1)	-	916	1,086
Fund beneficiary certification	37,598	37,145	40,094
	<u>\$ 77,941</u>	<u>\$ 84,618</u>	<u>\$ 81,811</u>
<u>Financial assets – non-current</u>			
Mandatorily measured at FVTPL			
Domestic listed preference shares	\$ 14,950	\$ 14,846	\$ 14,618
Fund beneficiary certification	15,040	27,501	26,199
	<u>\$ 29,990</u>	<u>\$ 42,347</u>	<u>\$ 40,817</u>
<u>Financial liabilities – current</u>			
Held for trading			
Forward exchange contracts(1)	<u>\$ 589</u>	<u>\$ -</u>	<u>\$ -</u>

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

September 30, 2019

	Currency	Maturity Date	Notional Amount (In Thousands)
Buy Foreign exchange contracts	USD/NTD	2019.11.25	USD 1,000/NTD 31,249
		2019.11.25	USD 1,000/NTD 30,999
		2019.12.05	USD 1,000/NTD 31,291
		2019.12.05	USD 1,000/NTD 31,211

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

September 30, 2018

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

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

8. Financial assets measured at FVTOCI

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Current</u>			
Domestic investment			
Listed ordinary shares	\$ -	\$ 11,505	\$ 11,869
<u>Non-current</u>			
Domestic investment			
Listed and emerging market ordinary shares	\$ 55,992	\$ 60,544	\$ 65,008
Listed preference shares	140,500	72,329	52,310
Unlisted shares	4,265	4,265	3,386
	<u>\$ 200,757</u>	<u>\$ 137,138</u>	<u>\$ 120,704</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 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.

9. FINANCIAL ASSETS AT AMORTIZED COST

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Current</u>			
Domestic investment			
Time deposits with original maturities more than three months(1)	\$ 250,507	\$ 588,197	\$ 507,076
<u>Non-current</u>			
Domestic investment			
Pledged Time Deposit (2)	\$ 18,287	\$ 17,932	\$ 12,586
Barclays Bank Coupon Bond (USD)(3)	16,366	-	-
Prufin Perpetual Corp (USD)(4)	32,282	-	-
Yuanta Securities Asia Financial Services Limited 2018 Non-secured USD-denominated Private Fixed Rate Notes (5)	-	61,430	61,050
	<u>\$ 66,935</u>	<u>\$ 79,362</u>	<u>\$ 73,636</u>

(1) As of September 30, 2019, and December 31 and September 30, 2018, the market interest rate of time deposit over 3 months portion is 0.88%~2.86%, 1.01%~3.30% and 1.01%~3.00%, respectively.

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

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

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

(5) 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, 3,745 thousand recognized as net profit upon derecognition of financial assets measured at amortized cost.

10. NOTES AND TRADE RECEIVABLE

	September 30, 2019	December 31, 2018	September 30, 2018
Measured at amortised cost			
Notes receivable	\$ 207,836	\$ 161,130	\$ 120,393
Trade receivable	1,967,438	1,749,467	1,842,444
Overdue receivables	20,405	20,365	-
Deduct: Allowance for bad debts	(62,722)	(41,411)	(42,389)
	<u>\$ 2,132,957</u>	<u>\$ 1,889,551</u>	<u>\$ 1,920,448</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 current financial position and past experience of receivable, and the change in global and regional economic conditions of uncollectible accounts, deciding the rate of the expected credit losses by the level 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 trade 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 profits or losses.

The following table details the loss allowance of trade receivable:

September 30, 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	\$ 2,058,559	\$ 71,821	\$ 25,699	\$ 12,694	\$ 26,906	\$ 2,195,679
Loss allowance (Lifetime ECLs)	(2,857)	(18,885)	(8,530)	(5,544)	(26,906)	(62,722)
Amortized cost	<u>\$ 2,055,702</u>	<u>\$ 52,936</u>	<u>\$ 17,169</u>	<u>\$ 7,150</u>	<u>\$ -</u>	<u>\$ 2,132,957</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)	(4,614)	(3,323)	(12,598)	(511)	(20,365)	(41,411)
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>

September 30, 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	\$ 1,941,840	\$ 4,337	\$ -	\$ 77	\$ 16,583	\$ 1,962,837
Loss allowance (Lifetime ECLs)	(24,749)	(1,028)	-	(29)	(16,583)	(42,389)
Amortized cost	<u>\$ 1,917,091</u>	<u>\$ 3,309</u>	<u>\$ -</u>	<u>\$ 48</u>	<u>\$ -</u>	<u>\$ 1,920,448</u>

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

	For the Nine Months Ended September 30, 2019	For the Nine Months Ended September 30, 2018
Balance at January 1, 2019(IFRS 9)	\$ 41,411	\$ 37,571
Deduct: Impairment losses reversed	<u>21,351</u>	<u>4,818</u>
Balance at September 30, 2019	<u>\$ 62,762</u>	<u>\$ 42,389</u>

11. INVENTORIES

	September 30, 2019	December 31, 2018	September 30, 2018
Raw materials	\$ 3,399	\$ 3,931	\$ 2,816
Work in process	3,817	2,423	2,999
Finished goods	4,040	1,440	711
Commodities	<u>738,117</u>	<u>934,057</u>	<u>487,442</u>
	<u>\$ 749,373</u>	<u>\$ 941,851</u>	<u>\$ 493,968</u>

Cost of goods sold for inventories were NT\$2,175,566 thousand, NT\$1,652,358 thousand, NT\$5,845,444 thousand and NT\$4,410,440 thousand, respectively, for the three and nine months ended September 30, 2019 and 2018. Cost of goods sold includes allowance for inventory valuation loss in the amount of NT\$15,505 thousand, NT\$17,627 thousand, NT\$3,643 thousand, and NT\$17,311 thousand.

12. SUBSIDIARIES

(1) Subsidiaries included in the consolidated financial statements

The consolidated entities were as follows:

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Re- mark
			September 30, 2019	December 31, 2018	September 30, 2018	
The Company	Zotech technology Co., Ltd.	Manufacturing for computer equipment	85.37%	85.37%	85.37%	A,B
	Zerone Win Investment Co., Ltd.	Investment	100.00%	100.00%	100.00%	A,B
	Asiaone Holdings Ltd.	Holding company	100.00%			A,B,C
Zerone Investment Ltd.	Win WingWill International Co., Ltd.	Services of Cloud & information software	70.00%	70.00%	70.00%	A,B
	PetaCom technology Co., Ltd.	Agents for services of information product agent	100.00%	100.00%	100.00%	A,B

A. These are not significant subsidiaries.

B. The financial statements haven't been reviewed by CPAs, beside the management personnel of the Group considers no material influence as the financial statements of the above subsidiaries haven't been reviewed by CPAs.

C. Established on June, 2019.

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

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Name of Associates	September 30, 2019	December 31, 2018	September 30, 2018
Insignificant associates			
Trident Pacific Co., Ltd.	\$ -	\$ -	\$ 672
Chi-Ta International Co., Ltd.	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 672</u>
Name of the Company	September 30, 2019	December 31, 2018	September 30, 2018
Trident Pacific Co., Ltd.	-	-	29.82%
Chi-Ta International Co., Ltd.	30.00%	30.00%	30.00%

The group invested and founded Chi-Ta International Co., Ltd., that engaged mainly in researching and manufacturing hardware of auto-used electronic equipment, with investment amount to 10,000 thousand, and share-holding ratio of 30% in March 2014, since it kept net losses, foresaw decrease in future cash flows, recognized evaluation of NT 7,243 thousand of estimated impairment losses in 2015, and book value of 0 thousand by 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 in March, 2017. The group disposed of all shares in November, 2018.

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

14. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2019	December 31, 2018	September 30, 2018
Land	\$ 234,892	\$ 234,892	\$ 234,892
Buildings	56,972	58,335	58,789
Machinery equipment	4	26	38
Office equipment	12,512	11,268	11,091
Delivery equipment	1,598	1,966	2,089
Other equipment	6,284	7,228	7,820
	<u>\$ 312,262</u>	<u>\$ 313,715</u>	<u>\$ 314,719</u>

Except for depreciation recognized, the asset of property, plant and equipment of the Group haven't been increased, disposed and impaired for the nine months ended September 30, 2019 and 2018.

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

		<u>September 30, 2019</u>
Carrying amounts of right-of-use assets		
Buildings		\$ 9,443
Office equipment		<u>595</u>
		<u>\$ 10,038</u>
	<u>For the Three Months Ended September 30, 2019</u>	<u>For the Nine Months Ended September 30, 2019</u>
Additions to right-of-use assets		<u>\$ 8,194</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 1,702	\$ 4,422
Office equipment	<u>50</u>	<u>151</u>
	<u>\$ 1,752</u>	<u>\$ 4,573</u>

(2) Lease liabilities - 2019

		<u>September 30, 2019</u>
Carrying amounts of lease liabilities		
Current		<u>\$ 5,098</u>
Non-current		<u>\$ 4,539</u>

Range of discount rate for lease liabilities was as follows:

	<u>September 30, 2019</u>
Buildings	1.20%
Office equipment	1.20%

(3) Other lease information

	<u>For the Nine Months Ended September 30, 2019</u>
Expenses relating to short-term leases	<u>\$ 312</u>
Expenses relating to low-value asset leases	<u>\$ 37</u>
Total cash (outflow) for leases	<u>(\$ 5,368)</u>

16. SHORT-TERM LOANS

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
<u>Guaranteed Loan</u>			
– Guaranteed Loan(28)	<u>\$ 180,000</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Unsecured loan</u>			
– Line of Credit	<u>\$ 180,000</u>	<u>\$ 100,000</u>	<u>\$ 50,000</u>

Interest rate of bank revolving loans is 0.94%, 0.94% and 0.95% on (1) on September 30, 2019, and December 31 and September 30, 2018.

17. OTHER PAYABLE

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Salaries and bonuses payable	\$ 54,317	\$ 65,753	\$ 39,768
Employees', directors', and supervisors' compensation payable	19,084	20,137	14,710
Others	<u>93,662</u>	<u>159,118</u>	<u>90,395</u>
	<u>\$ 167,063</u>	<u>\$ 245,008</u>	<u>\$ 144,873</u>

18. BOND PAYABLE

	September 30, 2019	December 31, 2018	September 30, 2018
Unsecure domestic convertible	\$ -	\$ 5,300	\$ 6,300
Deduct: Discounted bond payable	-	(215)	(57)
Total of bond payable	-	5,085	6,243
Deduct: due components in a year	-	(5,085)	(6,243)
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

On May 19, 2014, ZOTC issued no any interest unsecured bonds (the second tranche). The bonds include an aggregate face value of \$500,000 thousand, with a face value of NT\$100 thousand per unit, and the offering price was \$100.2% 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 the 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 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%)	115
Convertible bonds changed into ordinary shares	(3,605)
Balance on September 30, 2018, liability components	<u>\$ 6,243</u>
Balance on January 1, 2019, liability components	\$ 5,085
Interest (2.0618%)	15
Convertible bonds changed into ordinary shares	(5,100)
Balance on September 30, 2019, liability components	<u>\$ -</u>

19. RETIREMENT BENEFIT PLANS

For the three and nine months ended September 30, 2019 and 2018, the Group's pension costs under the defined benefit plan were made payment NT\$131 thousand, NT\$145 thousand, NT\$ 393 thousand and \$436 thousand, respectively, decided by actuarial pension costs rate on December 31 2018, and 2017.

20. EQUITY

(1) Ordinary Shares

	September 30, 2019	December 31, 2018	September 30, 2018
Authorized shares (in thousands)	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>
Authorized capital	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>
Issued and paid shares (in thousands)	<u>124,267</u>	<u>122,896</u>	<u>122,721</u>
Issued capital	<u>\$ 1,242,672</u>	<u>\$ 1,228,965</u>	<u>\$ 1,227,210</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

	September 30, 2019	December 31, 2018	September 30, 2018
<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	\$ 404,907	\$ 399,648	\$ 398,347
Treasury stock transactions	25,343	25,343	25,343
<u>Only be used to offset a deficit</u>			
From shares of changes in equities of subsidiaries (B)	2,481	2,481	2,481
Invalid employees stock options	300	300	895
<u>May not be used for any purpose</u>			
Stock options	-	433	536
Restricted stock awards	8,156	-	-
Employees stock options	25,082	18,310	14,853
	<u>\$ 466,269</u>	<u>\$ 446,515</u>	<u>\$ 442,455</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 and once a year).

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

(3)Retained earnings and dividend policy

The Group's Articles of Incorporation provide that, when allocating the net profits for each fiscal year, ZOTC shall first pay taxes and offset its losses in previous years and then set aside the legal capital reserve at 10% of the profits left over, and then set aside or reverse the legal capital reserve. Any balance left over shall be added accumulated undistributed earnings of previous year and allocated according to the resolution, provided from the board meeting, of the shareholders' meeting. Please reference the distribution policy regulated by the Group's Articles of Incorporation of employee, 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, and the ratio for cash dividend shall not below 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 legal capital 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 shareholders' meeting on June 13, 2019 and June 11, 2018, respectively, were as follows:

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

(4) Other equity

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

	For the Nine Months Ended September 30, 2019	For the Nine Months Ended September 30, 2018
Balance at January 1, 2019	(\$ 16,844)	(\$ 10,954)
In respect of the current period		
Unrealized profits and losses – equity instruments	8,248	(2,362)
Cumulative gain (loss) of equity instruments transferred to retained earnings due to disposal	7,155	774
Balance at September 30, 2019	(\$ 1,441)	(\$ 12,542)

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.

	For the Nine Months Ended September 30, 2019
Balance, beginning of period	\$ -
Issued at the current period	(15,156)
Share-based payment expenses recognized	2,724
Balance, end of period	(\$ 12,432)

21. NET INCOME

(1) Other income

	For the Three Months Ended September 30, 2019	For the Three Months Ended September 30, 2018	For the Nine Months Ended September 30, 2019	For the Nine Months Ended September 30, 2018
Interest income	\$ 7,091	\$ 4,763	\$ 17,463	\$ 11,764
Dividend income	4,390	4,666	4,406	5,122
Others	234	1,340	3,390	2,134
	<u>\$ 11,715</u>	<u>\$ 10,769</u>	<u>\$ 25,259</u>	<u>\$ 19,020</u>

(2) Other gains and losses

	For the Three Months Ended September 30, 2019	For the Three Months Ended September 30, 2018	For the Nine Months Ended September 30, 2019	For the Nine Months Ended September 30, 2018
Net foreign exchange profit(loss)	(\$ 2,377)	\$ 1,642	\$ 1,449	\$ 1,210
Net gain arising on financial assets at FVTPL	627	(867)	5,024	2,216
	<u>(\$ 1,750)</u>	<u>\$ 775</u>	<u>\$ 6,473</u>	<u>\$ 3,426</u>

(3) Financial costs

	For the Three Months Ended September 30, 2019	For the Three Months Ended September 30, 2018	For the Nine Months Ended September 30, 2019	For the Nine Months Ended September 30, 2018
Interests on bank borrowings	\$ 937	\$ 86	\$ 1,471	\$ 86
Interest on lease liabilities	28	-	67	-
Interests on convertible bonds	-	33	15	115
Total	<u>\$ 965</u>	<u>\$ 119</u>	<u>\$ 1,553</u>	<u>\$ 201</u>

(4) Depreciation & amortization

	For the Three Months Ended September 30, 2019	For the Three Months Ended September 30, 2018	For the Nine Months Ended September 30, 2019	For the Nine Months Ended September 30, 2018
Property, plant and equipment	\$ 3,611	\$ 3,076	\$ 10,440	\$ 8,574
Intangible assets	199	169	579	518
Right-of-use assets	<u>1,752</u>	<u>-</u>	<u>4,573</u>	<u>-</u>
	<u>\$ 5,562</u>	<u>\$ 3,245</u>	<u>\$ 15,592</u>	<u>\$ 9,092</u>
An analysis of depreciation by function				
Operating costs	\$ 5	\$ 196	\$ 153	\$ 773
Operating expenses	<u>5,358</u>	<u>2,880</u>	<u>14,860</u>	<u>7,801</u>
	<u>\$ 5,363</u>	<u>\$ 3,076</u>	<u>\$ 15,013</u>	<u>\$ 8,574</u>
An analysis of amortization by function				
Operating expenses	<u>\$ 199</u>	<u>\$ 169</u>	<u>\$ 579</u>	<u>\$ 518</u>

(5) Employee benefits expense

	For the Three Months Ended September 30, 2019	For the Three Months Ended September 30, 2018	For the Nine Months Ended September 30, 2019	For the Nine Months Ended September 30, 2018
Post-employment benefits				
Defined contribution plans	\$ 2,599	\$ 2,166	\$ 7,235	\$ 6,234
Defined benefit plans (Note 19)	<u>131</u>	<u>145</u>	<u>393</u>	<u>436</u>
	<u>2,730</u>	<u>2,311</u>	<u>7,628</u>	<u>6,670</u>
Share-Based Payment				
Equity Swap	<u>4,898</u>	<u>2,546</u>	<u>11,439</u>	<u>6,926</u>
Other employee benefits	<u>80,185</u>	<u>64,894</u>	<u>231,609</u>	<u>183,805</u>
Total	<u>\$ 87,813</u>	<u>\$ 69,751</u>	<u>\$ 250,676</u>	<u>\$ 197,401</u>
Employee benefits expense summarized by function				
Recognized in cost of revenue	\$ 1,015	\$ 1,017	\$ 3,224	\$ 3,150
Recognized in operating expenses	<u>86,798</u>	<u>68,734</u>	<u>247,452</u>	<u>194,251</u>
	<u>\$ 87,813</u>	<u>\$ 69,751</u>	<u>\$ 250,676</u>	<u>\$ 197,401</u>

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

ZOTC shall allocate compensation to employees', Director's, and Supervisor's of ZOTC not less than 1%~15% and not more than 3% of annual profits during the period, respectively, and the estimate of employees', Director's, and Supervisor's compensation for the three and nine months ended September 30, 2019 and 2018 is as follows:

Estimate Rate

	For the Three Months Ended September 30, 2019	For the Three Months Ended September 30, 2018	For the Nine Months Ended September 30, 2019	For the Nine Months Ended September 30, 2018
Employee compensation	4.00%	4.00%	4.00%	4.00%
Director's & Supervisor's compensation	2.00%	2.00%	2.00%	2.00%

Amount

	For the Three Months Ended September 30, 2019	For the Three Months Ended September 30, 2018	For the Nine Months Ended September 30, 2019	For the Nine Months Ended September 30, 2018
Employee compensation	\$ 2,735	\$ 3,611	\$ 12,723	\$ 9,779
Director's & Supervisor's compensation	1,367	1,806	6,361	4,890

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 have been approved by ZOTC's Board of Directors in its meeting held on February 27, 2019 and February 26, 2018, respectively, were as follows:

	2018		2017	
	Cash	Stock	Cash	Stock
Employee compensation	\$ 13,425	\$ -	\$ 10,439	\$ -
Director's & Supervisor's compensation	6,712	-	5,219	-

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, decided by the board of directors in 2019 and 2018, on the website of "Market Observation Post System" of TWSE.

(7) Foreign exchange gain (loss)

	For the Three Months Ended September 30, 2019	For the Three Months Ended September 30, 2018	For the Nine Months Ended September 30, 2019	For the Nine Months Ended September 30, 2018
Foreign exchange gain	(\$ 1,911)	\$ 388	\$ 2,399	\$ 2,786
Foreign exchange loss	(466)	1,254	(950)	(1,576)
(Loss)Profit, net	<u>(\$ 2,377)</u>	<u>\$ 1,642</u>	<u>\$ 1,449</u>	<u>\$ 1,210</u>

22. INCOME TAXES

(1) Income tax recognized in profit or loss

The major components of tax expenses were as follows:

	For the Three Months Ended September 30, 2019	For the Three Months Ended September 30, 2018	For the Nine Months Ended September 30, 2019	For the Nine Months Ended September 30, 2018
Current tax				
In respect of the current period	\$ 23,613	\$ 18,842	\$ 67,919	\$ 52,702
Adjustments for prior periods	<u>-</u>	<u>-</u>	<u>-</u>	<u>(348)</u>
	23,613	18,842	67,919	52,354
Deferred tax				
In respect of the current period	<u>(10,711)</u>	<u>(1,845)</u>	<u>(5,397)</u>	<u>(6,641)</u>
Income tax expense recognized in profit or loss	<u>\$ 12,902</u>	<u>\$ 16,997</u>	<u>\$ 62,522</u>	<u>\$ 45,713</u>

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

(2) Income tax expense recognized in other comprehensive income

	For the Three Months Ended September 30, 2019	For the Three Months Ended September 30, 2018	For the Nine Months Ended September 30, 2019	For the Nine Months Ended September 30, 2018
<u>Deferred income tax</u>				
Tax rate changes				
– Remeasurement of defined benefit plans	\$ -	\$ -	\$ -	\$ 438
Total income tax expense recognized in other comprehensive income	\$ -	\$ -	\$ -	\$ 438

(3) Income tax assessment

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

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

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

	For the Three Months Ended September 30, 2019	For the Three Months Ended September 30, 2018	For the Nine Months Ended September 30, 2019	For the Nine Months Ended September 30, 2018
Net Profit for the Period	\$ 52,323	\$ 65,537	\$ 237,067	\$ 184,430
Effect of potentially dilutive ordinary shares:				
Effect of convertible bonds after tax	-	37	15	114
Earnings in computation of diluted earnings per share	<u>\$ 52,323</u>	<u>\$ 65,574</u>	<u>\$ 237,082</u>	<u>\$ 184,544</u>

Shares

	For the Three Months Ended September 30, 2019	For the Three Months Ended September 30, 2018	For the Nine Months Ended September 30, 2019	For the Nine Months Ended September 30, 2018
Weighted average number of ordinary shares used in the computation of basic (loss) earnings per share	123,388	122,480	123,236	122,694
Effect of potentially dilutive ordinary shares:				
Convertible bonds	-	430	74	509
Employees' compensation	387	495	672	749
Employee share options	2,530	632	1,982	585
Restricted stock awards	<u>312</u>	<u>-</u>	<u>119</u>	<u>-</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>126,617</u>	<u>124,037</u>	<u>126,083</u>	<u>124,537</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 in the computation of diluted earnings per share until the number of shares to be distributed to employee.

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

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. Each option entitles the holder to subscribe for 1,000 ordinary shares of the Group. 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 will be adjusted by the regulated formula, accordingly.

Information about employees' stock options was as follows:

Employee Stock options	For the Nine Months Ended September 30, 2019		For the Nine Months Ended September 30, 2018	
	Number of Exercisable Options (In Thousands)	Weighted Average Exercise Price (NT\$)	Number of Exercisable Options (In Thousands)	Weighted Average Exercise Price (NT\$)
Options exercisable, beginning of period	6,468	\$ 17.68	2,633	\$ 15.23
Options vested	-		4,000	20.25
Options exercised	(333)	13.48	(27)	14.57
Options forfeited	(33)	13.55	(60)	14.90
Outstanding options, end of period	<u>6,102</u>	16.93	<u>6,546</u>	18.30
Options exercisable, end of period	<u>1,422</u>		<u>544</u>	
Weighted-average fair value of options vested(NT\$)	\$ -		\$ 6.41	

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

September 30, 2019		December 31, 2018		September 30, 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)	Range of Exercise Price (US\$)	Weighted- Over-Age Remaining Contractual Life (Years)
\$ 12.40 (Note)	1.92	\$ 13.10 (Note)	2.67	\$ 13.10 (Note)	2.92
14.20 (Note)	2.93	15.00 (Note)	3.68	15.00 (Note)	3.93
17.80 (Note)	4.26	18.80 (Note)	5.01	18.80 (Note)	5.26
19.50 (Note)	4.92	20.65	5.67	20.65	5.92

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

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

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

The compensation cost recognized were NT\$2,855 thousand, NT\$2,546 thousand, NT\$8,715 thousand and \$6,926 thousand for the three and nine months ended September 30, 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\$2,043 thousand and NT\$2,724 thousand for the three and nine months ended September 30, 2019, respectively. As of September 30, 2019, unearned employee benefit totaled NT\$12,432 thousand, accounted for as an decrease in other equity.

25. CAPITAL RISK MANAGEMENT

The Group engages mainly in the agent of software, without any present and future plans of imposed capital requirements. 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 the purpose of 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:

	September 30, 2019		December 31, 2018		September 30, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial Assets</u>						
Measured at amortized cost						
– Domestic corporate bonds	\$ -	\$ -	\$ 61,430	\$ 60,778	\$ 61,050	\$ 60,928
– Foreign corporate bond	48,648	49,113	-	-	-	-
<u>Financial liabilities</u>						
Convertible bonds	-	-	5,085	6,273	6,243	9,406

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

A. Fair value hierarchy

September 30, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at FVTPL</u>				
Convertible bonds	\$ 40,343	\$ -	\$ -	\$ 40,343
Domestic listed shares	14,950	-	-	14,950
Fund beneficiary certification	47,678	-	4,960	52,638
Total	<u>\$ 102,971</u>	<u>\$ -</u>	<u>\$ 4,960</u>	<u>\$ 107,931</u>

Financial assets measured at FVTOCI

Equity investments

– Domestic listed shares and emerging market shares	\$ 187,651	\$ -	\$ 8,841	\$ 196,492
– Domestic unlisted shares	-	-	4,265	4,265
Total	<u>\$ 187,651</u>	<u>\$ -</u>	<u>\$ 13,106</u>	<u>\$ 200,757</u>

Financial liabilities measured at FVTPL

Derivatives – Foreign Exchange

Forward Contract	\$ -	\$ 589	\$ -	\$ 589
Total	<u>\$ -</u>	<u>\$ 589</u>	<u>\$ -</u>	<u>\$ 589</u>

December 31, 2018

	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at FVTPL</u>				
Convertible bonds	\$ 46,556	\$ -	\$ -	\$ 46,556
Domestic listed 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>

Financial assets measured at FVTOCI

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

September 30, 2018

	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at FVTPL</u>				
Convertible bonds	\$ 40,431	\$ -	\$ -	\$ 40,431
Fund beneficiary certification	40,094	-	26,199	66,293
Domestic listed shares and emerging market shares	14,816	-	-	14,816
Derivatives	-	1,088	-	1,088
Total	<u>\$ 95,341</u>	<u>\$ 1,088</u>	<u>\$ 26,199</u>	<u>\$ 122,628</u>

Financial assets measured at FVTOCI

Equity investments				
– Domestic listed shares and emerging market shares	\$ 118,737	\$ -	\$ 10,450	\$ 129,187
– Domestic unlisted shares	-	-	3,386	3,386
	<u>\$ 118,737</u>	<u>\$ -</u>	<u>\$ 13,836</u>	<u>\$ 132,573</u>

There were no transfers between Level 1 and Level 2 for nine months ended September 30, 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 counterparty 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 the purpose of measuring Level 3 fair value measurement

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

(3) Categories of financial instruments

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Financial assets</u>			
Measured at FVTPL			
Mandatorily measured at FVTPL	\$ 107,931	\$ 126,965	\$ 122,620
Financial assets measured at amortized cost (Note 1)	3,367,657	2,803,114	2,695,414
Financial assets measured at FVTOCI—Investments in equity instruments	200,757	148,643	132,573
<u>Financial liabilities</u>			
Measured at FVTPL—Held for trading	589	-	-
Measured at amortized cost (Note 2)	2,253,662	2,002,705	1,471,181

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, etc.

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, etc.

(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 generated from operating activities, 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.

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 for the nine months ended September 30, 2019 and 2018 would decrease/increase by \$1,161 thousand and increase/decrease by \$4,855 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 periodically, observing influences on profits or losses of the company from fluctuation range of the interest rate, and keeping contact with the bank based on the actual requirement for acquiring the best interest rate of the loan.

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

	September 30, 2019	December 31, 2018	September 30, 2018
Interest rate risks at fair value			
– Financial assets	\$ 780,845	\$ 708,312	\$ 538,395
– Financial liabilities	269,637	100,000	56,243
Interest rate risks at cash flows			
– Financial assets	442,990	197,730	229,830
– Financial liabilities	100,000	-	-

Sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the nine months ended September 30, 2019 and 2018 would increase/ decrease by \$1,286 thousand and \$862 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 the securities and fund beneficiary certificate. 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\$5,397 thousand and NT\$6,131 thousand, because of the change in fair value of financial assets at FVTPL, respectively., at the end of the reporting period for the nine months ended September 30, 2019 and 2018, the other comprehensive income would have increased/decreased by NT\$10,038 thousand and NT\$6,629 thousand, because of the change in fair value of financial assets at FVTOCI, respectively, at the end of the reporting period for the nine months ended September 30, 2019 and 2018.

B. Credit risk

A 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 condensed 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 customers pertaining to trade receivable. If necessary, purchasing insurance for credit enhancing procedures is a must.

As of September 30, 2019, December 31, 2018 and September 30, 2018, the Group's five largest customers accounted for 32%, 33% and 35% 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 principal and interest 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; the due analysis of other non-derivative financial liabilities are listed at their contract repayment dates.

September 30, 2019

	Less than 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>			
No Interest-bearing liabilities	\$ 1,892,492	\$ -	\$ -
Lease liabilities	5,176	4,579	-
Fixed rate instruments	360,282	-	-
	\$ 2,257,950	\$ 4,579	\$ -

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	100,149	-	-
	\$ 2,002,069	\$ -	\$ -

September, 2018

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

The operating fund of the Group are sufficient to meet cash flow demand, and there is no doubt that the fund is insufficient; If the demand exists, it shall be short-term. Otherwise, the loans of the Group are less than 1 year, with available general credit limit of the bank. After considering the financial position of the Group, the management does not think the banks will execute their rights to require the Group to repay the bank loans.

As of September 30, 2019, December 31, 2018 and September 30, 2018, the Group's unused short-term credit of limit of the bank were 710,000 thousand, 670,000 thousand and 770,000 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

	For the Three Months Ended September 30, 2019	For the Three Months Ended September 30, 2018	For the Nine Months Ended September 30, 2019	For the Nine Months Ended September 30, 2018
Short-term employee benefits	\$ 4,610	\$ 2,455	\$ 35,876	\$ 25,752

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

28. PLEDGED ASSETS

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

	September 30, 2019	December 31, 2018	September 30, 2018
Property, plant and equipment, Net	\$ 209,356	\$ 293,227	\$ 293,681
Pledged Time Deposits(Financial assets at amortised cost – non-current)	<u>18,287</u>	<u>17,932</u>	<u>12,586</u>
	<u>\$ 227,643</u>	<u>\$ 311,159</u>	<u>\$ 306,267</u>

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- a. As of September 30, 2019, the group opens NT 87,000 thousand of cashier order for payment guaranteed for Microsoft Taiwan Corporation.
- b. As of September 30, 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:

September 30, 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 36,730	31.04 (USD:NTD)	<u>\$ 1,140,099</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	35,982	31.04 (USD:NTD)	<u>\$ 1,116,881</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>

September 30, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 18,580	30.525 (USD:NTD)	<u>\$ 567,155</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	21,761	30.525 (USD:NTD)	<u>\$ 664,255</u>

The material foreign exchange profit(loss)(realised and unrealised) was as follows:

Foreign currencies	For the Nine Months Ended September 30, 2019		For the Nine Months Ended September 30, 2018	
	Exchange Rate	Net Foreign exchange profit(loss)	Exchange Rate	Net Foreign exchange profit(loss)
USD	31.054	\$ <u>1,449</u>	29.915 (USD:NTD)	\$ <u>1,210</u>

Foreign currencies	For the Three Months Ended September 30, 2019		For the Three Months Ended September 30, 2018	
	Exchange Rate	Net Foreign exchange profit(loss)	Exchange Rate	Net Foreign exchange profit(loss)
USD	31.197	(\$ <u>2,377</u>)	30.672 (USD:NTD)	\$ <u>1,642</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: 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 continuing operation segments' revenue and results of the Group, based on its business unit separately, was as follows:

	The brand agent business division	Other	Eliminations	Total
<u>January 1, 2019 to September 30, 2019</u>				
Revenues from external customers	\$ 6,418,375	\$ 62,216	\$ -	\$ 6,480,591
Inter-segment revenues	<u>11,823</u>	<u>2,247</u>	(<u>14,070</u>)	-
Segment revenues	<u>\$ 6,430,198</u>	<u>\$ 64,463</u>	(<u>\$ 14,070</u>)	<u>6,480,591</u>
Consolidated revenues				<u>\$ 6,480,591</u>
Segment profit (loss)	<u>\$ 394,185</u>	(<u>\$ 9,308</u>)	<u>\$ -</u>	\$ 384,877
General administration division costs and directors' compensation				(120,665)
Other income				25,259
Other profit (loss)				6,473
Net profit upon derecognition of financial assets measured at amortized cost				3,745
Financial costs				(<u>1,553</u>)
Net income before tax				<u>\$ 298,136</u>
<u>January 1, 2018 to September 30, 2018</u>				
Revenues from external customers	\$ 4,819,917	\$ 75,087	\$ -	\$ 4,895,004
Inter-segment revenues	<u>-</u>	<u>1,862</u>	(<u>1,862</u>)	-
Segment revenues	<u>\$ 4,819,917</u>	<u>\$ 76,949</u>	(<u>\$ 1,862</u>)	<u>4,895,004</u>
Consolidated revenues				<u>\$ 4,895,004</u>
Segment profit (loss)	<u>\$ 311,378</u>	(<u>\$ 18,685</u>)	<u>\$ -</u>	\$ 292,693
General administration division costs and directors' compensation				(81,923)
Other income				19,020
Other profit (loss)				3,426
Financial costs				(201)
Share of profit or loss of associates and joint ventures				(<u>3,774</u>)
Net income before tax				<u>\$ 229,241</u>

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

(2) Total assets and liabilities of the department

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

(3) Revenues of major products and services

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

	For the Nine Months Ended September 30, 2019	For the Nine Months Ended September 30, 2018
IT Infrastructure	\$ 1,683,660	\$ 1,675,241
Network & Information Security	3,233,463	2,133,017
Cloud Platform & Application	1,136,587	845,994
Big Data & Application	421,418	232,212
Other	5,463	8,540
	<u>\$ 6,480,591</u>	<u>\$ 4,895,004</u>

ZERO ONE TECHNOLOGY CO., LTD.AND SUBSIDIARIES
 FINANCING PROVIDED TO OTHERS
 FOR NINE MONTHS ENDED SEPTEMBER 30, 2019

Table 1

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

No. (Note 1)	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	\$5,000	3%	2	\$ -	Operating Capital	\$-	-	\$-	\$ 227,804	\$ 455,608	

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 NINE MONTHS ENDED SEPTEMBER 30, 2019

Table 2

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

Holding Company	Marketable Securities Type and Issuer's Name (Note 1)	Security Issuer's Relationship with the Holding Company	Financial Statement Account	September 30, 2019				Note
				Shares(Units)	Carrying Values	Percentage of Ownership (%)	Market Prices/Net value of equities	
The company	Corporate bond							
	Walton Advanced Engineering, Inc. – 2 convertible corporate bonds	–	Financial assets at FYTPL – current	40 (Units)	\$ 4,014	-	\$ 4,014	
	Giga Solar Materials Corp. – 2 convertible corporate bonds	–	Financial assets at FYTPL – current	150 (Units)	14,189	-	14,189	
	China Airlines – 6 convertible corporate bonds	–	Financial assets at FYTPL – current	30 (Units)	2,975	-	2,975	
	Tong Ming Enterprise Co., Ltd. – 1 st domestic unsecured convertible corporate bonds	–	Financial assets at FYTPL – current	10 (Units)	974	-	974	
	Shin Kong Financial Holding Co., Ltd. – 5 convertible corporate bonds	–	Financial assets at FYTPL – current	50 (Units)	5,190	-	5,190	
	Gemtek Technology Co., Ltd. – 5 convertible corporate bonds	–	Financial assets at FYTPL – current	40 (Units)	4,508	-	4,508	
	Chilisin Electronics Corp. – 6 convertible corporate bonds	–	Financial assets at FYTPL – current	30 (Units)	3,246	-	3,246	
	Alltop Technology Co., Ltd. – 4 convertible corporate bonds	–	Financial assets at FYTPL – current	20 (Units)	2,026	-	2,026	
	Scivision Biotech Inc. – 1 convertible corporate bonds	–	Financial assets at FYTPL – current	30 (Units)	3,221	-	3,221	
	Barclays Bank Coupon Bond (USD)	–	Financial assets at amortized cost – non-current	5 (Units)	16,366	-	16,676	
	Prufin Perpetual Corp (USD)	–	Financial assets at amortized cost – non-current	10 (Units)	32,282	-	32,437	
Securities								
Cathay Financial Holdings Preferred Stock A	–	Financial assets at FYTPL – non-current	166,000	10,558	-	10,558		
Union Bank of Taiwan Preferred Stock A	–	Financial assets at FYTPL – non-current	80,000	4,392	-	4,392		

(Continued)

Holding Company	Marketable Securities Type and Issuer's Name (Note 1)	Security Issuer's Relationship with the Holding Company	Financial Statement Account	September 30, 2019				Note
				Shares(Units)	Carrying Values	Percentage of Ownership (%)	Market Prices/ Net value of equities	
	KGI Kaifu Fund	—	Financial assets at FYTPL — non-current	170,437	\$ 2,993	-	\$ 2,993	
	KGI Taiwan Multi-Asset Income Fund	—	Financial assets at FYTPL — non-current	1,000,000	10,080	-	10,080	
	Kaway Information Corp.	The supervisor of the company	Financial assets at FVTOCI — non-current	490,000	13,720	1.60	13,720	
	China Electric Mfg. Corp.	—	Financial assets at FVTOCI — non-current	3,320,000	29,747	0.83	29,747	
	ASIX Electronics Corp.	—	Financial assets at FVTOCI — non-current	90,074	3,684	0.17	3,684	
	Promaster Technology Corp.	—	Financial assets at FVTOCI — non-current	1,075,601	8,841	2.72	8,842	
	Cathay Financial Holdings Preferred Stock A	—	Financial assets at FVTOCI — non-current	54,000	3,435	-	3,435	
	Union Bank of Taiwan Preferred Stock A	—	Financial assets at FVTOCI — non-current	70,000	3,843	-	3,843	
	Unex Technology Corporation	—	Financial assets at FVTOCI — non-current	175,000	4,265	1.68	4,265	
	Fubon Financial Holding Co., Ltd. Preferred Shares B	—	Financial assets at FVTOCI — non-current	400,000	25,560	-	25,560	
	Taishin Financial Holding Co., Ltd. Preferred Stock E	—	Financial assets at FVTOCI — non-current	240,000	13,392	-	13,392	
	CTBC Financial Holding Co., Ltd. Preferred Shares B	—	Financial assets at FVTOCI — non-current	90,000	5,850	-	5,850	
	Cathay Financial Holding Co., Ltd. Preferred Stock B	—	Financial assets at FVTOCI — non-current	230,000	14,605	-	14,605	
	Kwong Lung Enterprise Co., Ltd. Preferred Stock A	—	Financial assets at FVTOCI — non-current	200,000	10,740	-	10,740	
	WPG Holdings Preferred Stock A	—	Financial assets at FVTOCI — non-current	700,000	35,000	-	35,000	
	Miiicasa Holdings (Cayman) Inc.	—	Financial assets at FVTOCI — non-current	2,500,000	-	3.45	-	
	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	-	

(Continued)

Holding Company	Marketable Securities Type and Issuer's Name (Note 1)	Security Issuer's Relationship with the Holding Company	Financial Statement Account	September 30, 2019				Note
				Shares(Units)	Carrying Values	Percentage of Ownership (%)	Market Prices/ Net value of equities	
ZeroneWin	Beneficiary certifications Yuanta Diamond Funds SPC	—	Financial assets at FYTPL — non-current	490	\$ 1,967	-	\$ 1,967	
	Securities WPG Holdings Limited Preferred Stock A	—	Financial assets at FVTOCI — non-current	240,000	12,000	-	12,000	
	Shin Kong Financial Holding Co.,Ltd. Preferred Stock A	—	Financial assets at FVTOCI — non-current	135,000	6,075	-	6,075	
PetaCom	Beneficiary certifications Taishin 1699 Money Market Fund	—	Financial assets at FYTPL — current	2,771,843	37,598	-	37,598	
Zotech	Securities WPG Holdings Limited Preferred Stock A	—	Financial assets at FVTOCI — non-current	200,000	10,000	-	10,000	

(Concluded)

Note 1 : Securities, indicated by the above table, are derivative from stock, bonds, beneficiary certificates, and the above items, based on IFRSs 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 NINE MONTHS ENDED SEPTEMBER 30, 2019

Table 3

(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses	Investment Amount		As of 30 September 2019			Net Income (Loss) of the Investee	Share of Profits/Losses of Investee	Note
				30 September 2019	31 December 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	\$ 44,752	\$ 2,432	\$ 2,076	Subsidiary
	Navizot Inc.	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	81,649	(10,205)	(10,205)	Subsidiary
	Asiaone Holdings Ltd.	Republic of Seychelles	Holding company	10,063		320,000	100.00	9,871	(192)	(192)	Subsidiary
ZeroneWin Investment Co., Ltd.	WingWill International Co., Ltd.	Taipei City	Services of cloud of information software	7,000	7,000	7,000,000	70.00	(2,640)	(6,030)	(4,221)	Sub-subsubsidiary
	PetaCom technology Co., Ltd.	Taipei City	Agent for services of information product	50,000	50,000	50,000,000	100.00	39,409	(6,891)	(6,891)	Sub-subsubsidiary

ZERO ONE TECHNOLOGY CO., LTD.AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR NINE MONTHS ENDED SEPTEMBER 30, 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	Zotech Technology Co., Ltd.	1	Service income	\$ 630	Note 4	-
				Sales revenue	33	Note 4	-
				Trade receivable	182	Note 4	-
		WingWill international Co., Ltd.	1	Sales revenue	11,849	Note 4	-
				Cost of goods sold	472	Note 4	-
				Service income	624	Note 4	-
				Trade receivable	4,540	Note 4	-
				Trade payable	250	Note 4	-
				Rental income	257	Note 4	-
		PetaCom Technology Co., Ltd.	1	Service income	520	Note 4	-
				Sales revenue	48	Note 4	-
				Rental income	300	Note 4	-
				Trade receivable	156	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.