



ZERO ONE TECHNOLOGY CO., LTD.

2020 Annual Report

Printing Date: May 7, 2021

Market Observation Post System: <http://mops.twse.com.tw>

Annual Report Website: <http://www.zerone.com.tw>

Notice to readers.

THIS IS A TRANSLATION OF THE 2020 ANNUAL REPORT (THE "ANNUAL REPORT") OF ZERO ONE TECHNOLOGY CO., LTD. (THE "COMPANY"). THIS TRANSLATION IS INTENDED FOR REFERENCE ONLY AND NOTHING ELSE, THE COMPANY HEREBY DISCLAIMS ANY AND ALL LIABILITIES WHATSOEVER FOR THE TRANSLATION. THE CHINESE TEXT OF THE ANNUAL REPORT SHALL GOVERN ANY AND ALL MATTERS RELATED TO THE INTERPRETATION OF THE SUBJECT MATTER STATED HEREIN.

1. Spokesperson & Deputy Spokesperson:

Name: Michelle Chin

Title: Senior Director of Financial Management Division

Tel:(02)2656-5656

E-mail: michelle@zerone.com.tw

Name: Ken Chou

Title: Senior Manager of Information Management Division

Tel:(02)2656-5656

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

2. Headquarters:

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

Tel:(02)2656-5656

3. Stock Transfer Agency:

Name: Securities Registrar Department of MasterLink Securities Corporation

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

Tel:(02)2768-6668

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

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

Name: Chien Liang Liu 、 Pei De Chen

CPA Firm: Deloitte & Touche Accounting Firm

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

Tel:(02)2545-9988

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

5. Overseas Trade Places and related information for Listed Negotiable Securities: None.

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

Table of Contents

I. Letter to Shareholders	1
II. Company introduction	4
A. Date of Incorporation.....	4
B. Formation History.....	4
III. Corporate Governance Report	5
A. Organization.....	5
B. Information on Directors, Supervisors and Management Team.....	7
C. Remuneration of Directors, Supervisors, Management.....	13
D. Implementation of Corporate Governance	18
E. Information on CPA Professional Fee	43
F. Replacement of CPA:	44
G. The Company’s Chairman, Chief Executive Officer, Chief Financial Officer, and managers in charge of its finance and accounting operations hold any positions in the Company’s independent auditing firm or its affiliates during the last year	44
H. Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders....	45
I. Relationship among the Top Ten Shareholders	46
J. Ownership of Shares in Affiliated Enterprises:	47
IV. Capital Overview	47
A. Capital and Shares	47
B. Corporate Bonds.	50
C. Preferred Stocks.....	50
D. GDR/ADR.	50
E. Employee Stock Options:	51
F. Restricted Employee Shares:	53
G. New Shares Issuance in Connection with Mergers and Acquisitions	55
H. Financing Plans and Implementation.....	55
V. Operational Highlights	56
A. Business Activities.....	56
B. Markets and sales Overview	64
C. Human Resources	70
D. Environmental Protection Expenditure.....	70
E. Labor Relations.....	70
F. Important Contracts	73

VI. Financial Information	74
A. Five-Year Financial Summary	74
B. Five-Year Financial Analysis	78
C. Audit Committee’s Report for the Year 2020	81
D. Consolidated Financial Statements for the Years Ended December 31, 2020 and 2019, and Independent Auditors’ Report.....	82
E. Financial Statements for the Years Ended December 31, 2020 and 2019, and Independent Auditors’ Report	82
F. Company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the Company's financial situation	82
VII. Review of Financial Conditions, Financial Performance, and Risk Management	82
A. Analysis of Financial Status.....	82
B. Analysis of financial performance	83
C. Analysis of Cash Flow	84
D. Major Capital Expenditure Items and Source of Capital: None.	84
E. Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans, and Investment Plans for the Coming Year	85
F. Analysis of Risk Management:.....	86
G. Other material matters.	88
VIII. Special Disclosure	89
A. Summary of affiliated companies in recent years :	89
B. Private Placement Securities in the Most Recent Years : None.	89
C. Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years.....	89
D. Other supplementary information.....	89
IX. Any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report	89

I. Letter to Shareholders

Dear Shareholders,

The results of our operating performance in 2020, business plan for 2021, are illustrated as follows:

A. 2020 Operating Results

(A) Implementation Results of Business Plans

In FY 2020, the Company's total revenue stood at NT\$ 9,834,318 thousand, on the increase of NT\$ 919,148 thousand compared to the preceding year, 10.31% in year-over-year growth. The net profit after tax was NT\$ 440,398 thousand, on the increase of NT\$ 91,243 thousand compared to the preceding year, a 26.13% year-over-year growth. Basic earnings per share were NT\$3.55.

(B) Financial Status and Profitability Analysis

1. Financial Status :

In FY 2020, the Company's net profit was NT\$ 440,398 thousand. Cash provided by operating and investing activities were NT\$ 284,098 thousand and NT \$416,635 thousand, respectively. Cash used in financing activities were NT\$ 390,699 thousand. Cash and cash equivalents increase NT\$ 302,393 thousand during the period. Cash and cash equivalents at the end period were NT\$ 637,890 thousand.

2. Profitability Analysis :

Items	2020 (%)	2019 (%)
Ratio of return on total assets	8.27	7.29
Ratio of return on shareholders' equity	17.29	15.07
Ratio of operating income to capital stock	40.17	32.08
Ratio of profit before income tax to capital stock	44.09	35.53
Profit ratio	4.48	3.92
Earnings per share (NT\$)	3.55	2.85

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

Research and the development status of the Company and its subsidiaries in 2020:

1. Upgraded print servers: Including cost control, improvement of firmware effectiveness, etc.
2. Research and development of relevant product of IoTs: : Including the mass production of the Z920K (Sub-IG wireless IoT) product, and the continuing of R&D of Gateway.

B. Summary of 2021 Business Plan

(A) Business Plan

The business scope includes four dimensions, namely, IT infrastructure, network and information security, cloud platform and integration applications, big data and AI applications. Among the four, network and information security, and IT infrastructure are still the main key factors which provide the momentum for our business growth in 2021. Businesses around the world start to develop new schemes and strategies focusing on economic recovery in consideration of the lessening impacts of Covid-19 together with the improvement of international situations. We will continue to devote our efforts in providing relevant solutions so as to keep the drive of the dual growth of sustaining revenue and profit-making abilities. In the meantime, we will also cultivate further and strengthen the professional skills of our team in all operational aspects to enhance branding, as well as resources in R&D and professional consultants in terms of AP applications and data analysis. Continuing efforts will be devoted in the development of new business models and branding. Cross-departmental collaboration advantage will also be enhanced at the organizational level as the services provided by our consultants will in term facilitate venders and partners to create more business opportunities by using Zerone platform.

(B) Sales forecast and its reference

Each product and expected sales forecasts in 2021 are as follows:

Product category	Sales forecast (Set)
IT infrastructure	1,423,000
Network & information security	1,941,000
Cloud platform & application	22,400,000
Big data & application	86,000
Others	30,000
Total	25,880,000

As for products distribution, The Company focuses on sales of various IT's software, cloud platform and applications, network and information security, big data of AI and its applications and value-added services. As most of our products and services are of high unit prices, and the mode for transactions is through project sales and value-added services We therefore anticipate that the forecasts of the sales volume will be similar to the past few years.

(C) Important policy of production and sales.

1. We help our venders and partners expand markets from three divisions, namely, the enhanced integration of different brands, maximized brand potentials through the visibility of the value-added brands, and provide new business models.
2. Apart from providing solutions for the digital transformation of industries, the deployment of value-added consulting services for pre-sale and after-sale is also a direction worth going into.
3. To further expand new markets for enhancing the distribution of products.
4. To put efforts in the improvement of operational efficiency and reduce unnecessary expenditures.

C. Development strategies for the Company in the future

Due to the fierce competition of transformation among IT industries, the trend of AI, big data, cloud, virtual and mobile devices and 5G will affect the development of IT industries in the future. In addition to strengthening the current business of major products, the Company not only enhances the business of professional value-added services to elevate the positioning of distributed products to help customers in the process of digital transformation, but also strives to seize the opportunities for new business more fruitfully. Through doing so, we are confident that the annual operating targets will be reached and continue to see future growth.

D. Impacts from external competition, regulatory, and overall management environments.

(A) Based on the development of technology markets, internet security, hyper-converged IT, intelligence video analytics, 5G, and IoT/Cloud platform are the application industries and products for the future, and the Company has been putting lots of efforts in these regards.

(B) Changes in major local and international policies and laws do not have any material impacts on the Company's financial and business performance. In terms of macroeconomic environmental impacts which might influence the direction as to which the Company expands its market and business, timely and proper measures will be taken to proactively manage the challenges.

Sincerely yours,

Chairman Chia Hsin Lin

II. Company introduction

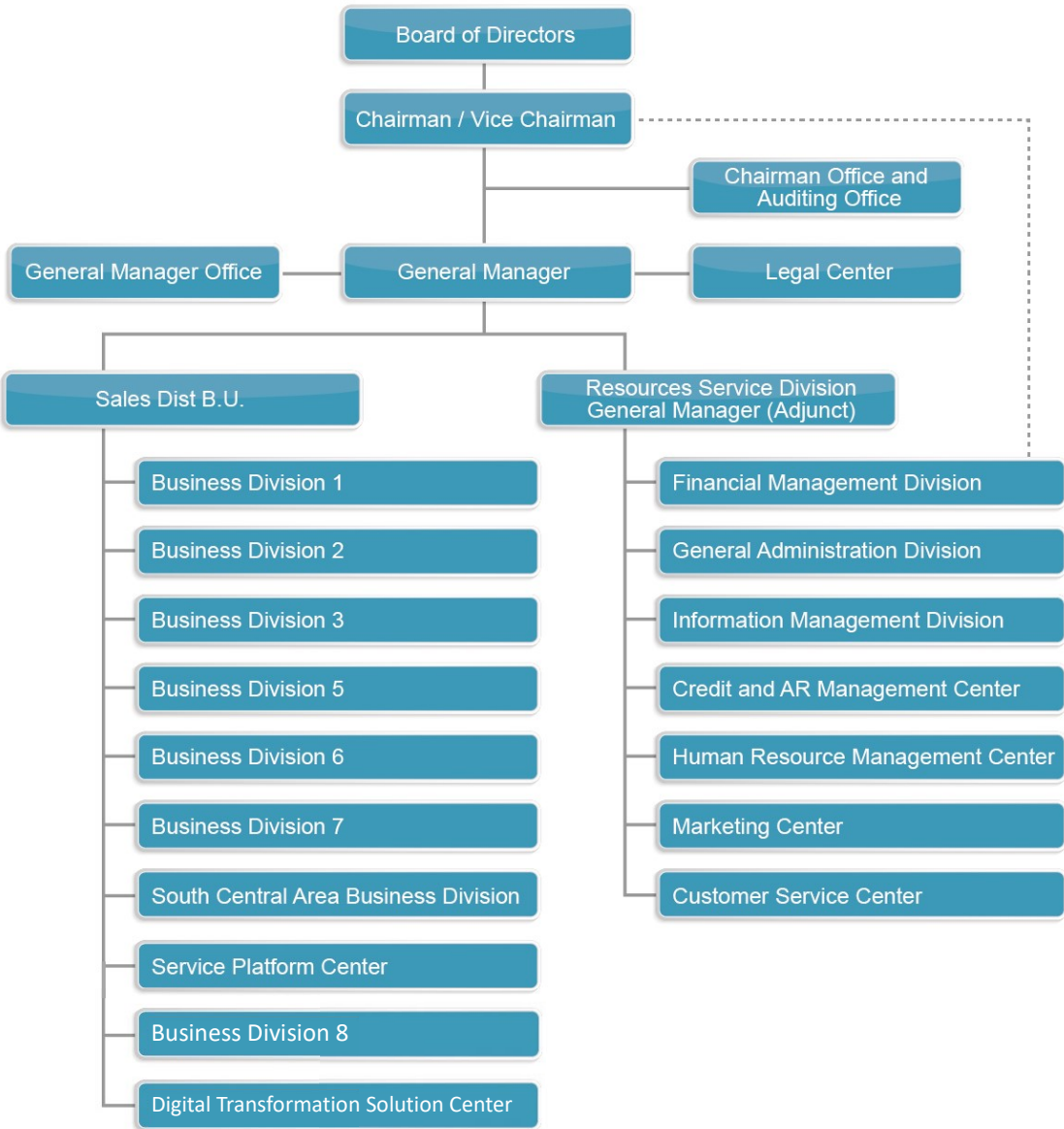
A. Date of Incorporation: June 27, 1980

B. Formation History

Year	Milestones
1980	.The Company Founded, with NT\$500,000 capital.
	.Invented Cangjie input method and ideographic description sequences method
	.Launched Chinese system of Zero one.
1990	.Distributed network products of Novell.
1993	.Distributed products of Microsoft.
1994	.Launched the print server.
1996	.Distributed products of Cisco.
1998	.Zero One Technology Co., Ltd. went listed by approval of by Securities & Future Institute.
2000	.The stock is listed in OTC, NT\$ 275,000,000 capital, in January 2000.
2001	.Distributed products of Cisco.
2002	.Zero One Technology Co., Ltd. went listed by approval of by Securities & Future Institute.
	.Listed on Taiwan Stock Exchange on August 2002. Increased capital to NT\$ 600,000,000.
2003	.Issued 1 st domestic secured convertible bond, worth an amount of NT\$ 250,000,000.
2008	.Increased paid-in capital to NT\$ 1,020,342,130, as convertible bonds are converted into new shares.
	.Decreased paid-in capital to NT\$ 989,962,130 for cancellation of treasury stock.
2011	.Decreased paid-in capital to NT\$ 947,442,130 for cancellation and transfer of treasury stock.
2014	.Issued 2 nd domestic convertible bonds with an amount of NT\$ 500,000,000.
2015	.Issued 1 st employee stock option.
2017	.Increased paid-in capital to NT\$ 1,224,803,750, as employee stock options and convertible bonds are converted into new shares.
2018	.Increased paid-in capital to NT\$ 1,228,964,660, as employee stock options and convertible bonds are converted into new shares.
2019	.As for de-listing of convertible bonds due to maturity, the issuance and cancellation of restricted stock awards, and employee stock options converted into new shares, paid-in capital had increased to NT\$ 1,246,232,120.
2020	The cancellation of employee restricted stock awards and the continuing of employee stock options converted into new shares, the paid-in capital increased to NT\$ 1,256,402,120.

III. Corporate Governance Report

A. Organization
 (A) Organizational Chart



(B)Major Corporate Functions

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

B. Information on Directors, Supervisors and Management Team

(A) Directors and Supervisors (1)

March 31, 2021 ; Unit: Shares ; %

Title	Nationality/ Country of Origin	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Sharehold- ing by Nominee Arrangeme- nt		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Share s	%			Title	Name	Relation
Chairman	R.O.C	Peter Lin	Male	2020.06.10	3	1989.12.15	9,523,292	7.64	9,338,292	7.39	2,954,714	2.34	0	0	Master of Electronics, NCTU Chairman of Chinese Foundation For Digitization Technology	Note 4	-	-	-
Director	R.O.C	Morris Jiang	Male	2020.06.10	3	1994.10.06	2,642,735	2.12	2,142,735	1.75	503,185	0.40	0	0	Chinese Culture University Deputy General Manager of Zero One Technology Co., Ltd.	Chairman of PETAcom	-	-	-
Director	Judicial person	R.O.C	K Way Information Corporation	Male	2020.06.10	3	2003.06.25	1,322,264	1.06	1,322,264	1.05	-	-	-	-	-	-	-	-
	Represen- tative	R.O.C	K Way Information Corporation Representative : Cheng Che Tseng	Male	2020.06.10	3	2003.06.25 (2020.06.10 Transition to Director)	0	0	0	0	0	0	0	0	EMBA of National Cheng-Chi University Assistant Manager of Chia-Her Technology Co. Ltd.	Chairman of K WAY information Co.	-	-
Director	Judicial person	R.O.C	Prisma Commerce & Networks, Inc.	Male	2020.06.10	3	2008.06.13	1,042,759	0.84	1,042,759	0.83	-	-	-	-	-	-	-	-
	Represen- tative	R.O.C	Prisma Commerce & Networks, Inc. Representative : Chih Chi Chou	Male	2020.06.10	3	2008.06.13	0	0	0	0	0	0	0	0	Taipei Computer Association Director Director of China Electric Mfg. Corp.	Chairman of Prisma Graphic Systems Inc.	-	-
Director	R.O.C	Jui Hsu Chen	Male	2020.06.10	3	2002.05.14	110,884	0.09	100,884	0.08	0	0	0	0	Electronic engineering, NTCU Graduate Institute of Management Science, NCTU Citibank-Taiwan Branch, AVP Vice President of Bank of Boston- Taiwan Branch General Manager and CFO of D- Link Corporation	Note 5	-	-	-
Independent Director	R.O.C	Ming Hsiung Wu	Male	2020.06.10	3	2017.06.14	0	0	0	0	0	0	0	0	Department of Electronic Computer, NCTU Chairman of Promaster Technology Corp.	Note 6	-	-	-

Title	Nationality/ Country of Origin	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Sharehold- ing by Nominee Arrangeme- nt		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Share s	%			Title	Name	Relation
Independent Director	R.O.C	Ming Yuan Lin	Male	2020.06.10	3	2017.06.14	0	0	0	0	0	0	0	0	Department Finance and Taxation, National University of Political Science, George Washington University, USA GM and Founder, Catalyst Management inc. GM and Founder, Catalyst Capital group corp.	Note 7	—	—	—
Independent Director	R.O.C	Chien Chen Lin	Male	2020.06.10	3	2017.06.14	0	0	0	0	0	0	0	0	Ph.D., Materials, University of Illinois Professor, Department of Materials Science and Engineering, NCTU	Professor of MSE of NCTU Member of Remuneration Committee of Weltrend Semiconductor Incorporated	—	—	—
Supervisor	R.O.C	Yu Chi Lin	Male	2017.06.14	3	2002.05.14 (2017.06.14 Transition to supervisor)	512,101	0.42	512,101	0.41	411,106	0.33	0	0	Department of Law, Chinese Culture University	Chairman of Royal Palace Hotel Chairman of K WAY information Co. and Taiwan Advance Bio- Pharmaceutical Inc.	—	—	—
Supervisor	R.O.C	Chih Cheng Lo	Male	2017.06.14	3	2008.06.13	10,406	0.01	10,406	0.01	0	0	0	0	EMBA, NCCU Master of Computer Science, NCTU	GM and Director of Transmission Books & Microinfo Co., Ltd. Supervisor of Welldone Company	—	—	—

Note 1: The “shareholding ratio” is based on the 124,846,212 shares of the issued ordinary shares in the period of election on June 10, 2020.

Note 2: The “shareholding ratio” is based on the number of 126,344,212 shares of the issued ordinary shares on March 31, 2021.

Note 3: The Company conducted a re-election on June 10, 2020, the original Supervisory judicial person K Way Information Co. was then elected to be the Company’s judicial director. Supervisors who completed term on June 10, 2020: Mr. Yu Chi Lin and Mr. Chih Cheng Lo (the information from the above table disclosed to the date of the completion date)

Note 4 : To serve concurrently as Chairman of Zerone Win Investment Co., Ltd., and Feng Yi Investment Co., Ltd. ; The independent director, remuneration committee and audit committee member of Abnova (Taiwan) Corporation ; The director of Promaster Technology Corp., JackerCleaning Co., Ltd., Citpo Tech. Co., Ltd. Maverick Digital Co., Ltd. and JOIUP Technology Inc.; The supervisor of Iweecare Co., Ltd and IJOING, Inc..

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

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

Note 7 : To serve concurrently as directors of Catalyst Management inc., Catalyst Capital group corp., Chung Tai Pottery & Porcelain co., ltd..

Note 8 : The company's Directors and Supervisors are major shareholders of the institutional shareholders:

March 31, 2021

Name of Institutional Shareholders	Major Shareholders
Prisma Commerce & Networks, Inc.	Greater China International Investment Co., Ltd., British Virgin Islands (100%)
K WAY Information Co.	Cheng Che Tseng (9.62%)、Chung Hsu Wang(6.52%)、Hua Hsuan Juan(5.25%)、Pao Chun Huang(4.51%)、Fu Yao Kung(3.92%)、Chuan Cheng Capital Co. Ltd. (3.59%)、Huon Ji Lin (3.18%)、Su Chiao Huang(2.89%)、Bing Huang (2.68%)、Jen Tsung Hsu(2.18%)

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

March 31, 2021

Name of Institutional Shareholders	Major Shareholders
Greater China International Investment Co., Ltd., British Virgin Islands	Oriental Bio-Energy Corp. 100%

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

March 31, 2021

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

Note: Directors, during the two years before being elected and during the term of office, meet any of the following situations, please tick the appropriate corresponding boxes:

1. Not an employee of the company or any of its affiliates;
2. Not a director or supervisor of the company or any of its affiliates;
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders;
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding 1 subparagraph, or of any of the above persons in the preceding subparagraphs 2 and 3;
5. Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, ranks as of its top five shareholders, or has representative director(s) serving on the company's board based on Article 27 of the Company Law.
6. Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company;
7. Not a director, supervisor, or employee of a company of which the chairman or CEO (or equivalent) themselves or their spouse also serve as the company's chairman or CEO (or equivalent);
8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company;
9. Other than serving as a compensation committee member of the company, not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, and the service provided is an "audit service" or a "non-audit service which total compensation within the recent two years exceeds NTD500,000";
10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company;
11. Not been a person of any conditions defined in Article 30 of the Company Law; and
12. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

Board Diversity (3)

In accordance with Article 20 of the Company’s Corporate Governance Best Practice Principles which states the diversity policy for the composition of the BoD is as follows:

The Board of Directors of the company shall be responsible to the company and its shareholders by providing guidance in company strategies and supervise the management team. The various procedures and arrangements of its corporate governance system shall ensure that, in exercising its authority, the Board of Directors complies with laws, regulations, its articles of incorporation and the resolutions of its shareholders meetings.

The structure of the Company’s Board of Directors shall be determined by choosing an appropriate number of board members, which is five and above, in consideration of its business scale, the shareholdings of its major shareholders and practical operational needs.

The number of Board members who are also employed by the company should not exceed one third of the total number of Board members. The composition of the Board of Directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the company’s business operations, operating dynamics and development needs. It is advisable that the policy include, without being limited to, the following two general standards:

1. Basic requirements and values: Gender, age, nationality and culture.
2. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing or technology), professional skills and industry experience etc.

All members of the board shall have the knowledge, skills and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the board of directors shall possess the following abilities:

1. Ability to make operational judgements.
2. Ability to perform accounting and financial analysis.
3. Ability to conduct management administration.
4. Ability to conduct crisis management.
5. Knowledge of the industry.
6. An international market perspective.
7. Ability to lead.
8. Ability to make policy decisions.

The Board of Directors is the highest corporate governance best practice principles of Zerone Technology, the 14th Board of Directors is composed by eight directors (for details please refer to Directors and Supervisors (1)). Members of the BoD are in different age groups where they have wide range of academic backgrounds and professional experiences necessary to fulfill the duties as a member of the Board and are able to supervise and provide constructive opinions to the management team. Among all members of the Board, there are three independent directors, and the number of Board members who are not employed by the company accounts for two-thirds or more.

Please find below the table for members of the 14th Board and their competency in relation to diversity.

Title	Name	Gender	Core Items of Diversity							
			Operational Judgements	Financial and Accounting Analysis	Management Administration	Crisis Management	Industry Knowledge	International Market Perspective	Ability to Lead	Making Policy Decisions
Chairman	Peter Lin	M	V	V	V	V	V	V	V	V
Director	Morris Jiang	M	V		V	V	V	V	V	V
Director	Prisma Commerce & Networks, Inc. Representative: Chih Chi Chou	M			V	V	V	V	V	V
Director	K Way Information Corporation Representative : Cheng Che Tseng	M	V	V	V	V	V	V	V	V
Director	Jui Hsu Chen	M	V	V	V	V	V	V	V	V
Independent Director	Ming Hsiung Wu	M	V	V	V	V	V	V	V	V
Independent Director	Chien Chen Lin	M			V	V		V	V	V
Independent Director	Ming Yuan Lin	M		V	V	V	V	V	V	V

(B) GM, VP, Directors and Managers of departments.

31 March, 2021

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	% (Note 1)	Share s	%	Share s	%			Title	Name	Relation
GM	Republic of China	Nancy Huang	Female	2018.01.01	304,615	0.24	0	0	0	0	Department of Information Management, Ming Chuan Commercial College	Chairman of Wing Will International Co., Ltd. General Manager of PETAcorn Technology Co., Ltd.	—	—	—
Sr. Director of Financial Management Division	Republic of China	Michelle Chin	Female	2000.12.01	95,732	0.08	0	0	0	0	Department of Bank Management, Takming College of Finance	—	—	—	
General Manager of the Business Divisions	Republic of China	Kevin Chen	Male	2019.02.01	113,409	0.09	1,005	0	0	0	EMBA, NCCU	—	—	—	

Note 1: The “shareholding ratio” column of shareholding is based on the outstanding ordinary shares’ number of 126,344,212 on March 31, 2021.

C. Remuneration of Directors, Supervisors, Management

(A) Remuneration of Directors

December 31, 2020 ; Unit: NT\$ thousands ; %

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees						Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from Non-consolidated Affiliates or Parent Company		
		Base Compensation (A)		Retirement pension (B)		Bonus to Directors (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Retirement pension (F)		Profit Sharing- Employee Bonus (G)						
		The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements			
		Cash	Stock	Cash	Stock							Cash	Stock									
Directors	Chairman	Peter Lin																				
	Director	Morris Jiang																				
	Director	Jui Hsu Chen																				
	Juridical person	Asia World Technologies																				
	Representative	0	0	0	0	6,914	6,914	51	51	1.58	1.58	5,380	5,380	0	0	0	0	0	0	2.80	2.80	None.
	Juridical person	K Way Information Corporation																				
Representative	K Way Information Corporation Representative : Cheng Che Tseng																					
Independent Director		Ming Hsiung Wu																				
		0	0	0	0	3,801	3,801	60	60	0.88	0.88	0	0	0	0	0	0	0	0	0.88	0.88	
		Ming Yuan Lin																				

Note 1: The remuneration policy, system, standards and structures and the connection between factors such as duties, risks, time devoted and the amount paid to independent directors: The Company allocates less than 1% of the current year's annual profits for the compensation to independent directors, and will provide reasonable reward by taking into account of the Company's operating results and the contribution they made. The procedures to determine the compensation is based on the Company's "Rules for Distribution of Compensation to Directors and Supervisors." Apart from referencing the company's overall operational efficiencies, future management risk and developing trend of the industry, the personal efficiency achievement rate, contribution to the overall performance, and devotion to company performance, achievement rate, profitability rate, operational efficiency and contribution are also collectively evaluated before calculating the compensation ratio. Relevant performance appraisals and the soundness of the compensation are reviewed and approved by the Compensation Committee and the Board in accordance with the charter of relevant laws and requirements, so as to achieve the balance of the Company's sustainability and risk management.

Table of range of remuneration

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements I	The company	Companies in the consolidated financial statements J
Under NT\$ 1,000,000	Jui Hsu Chen 、K Way Information Corporation 、K Way Information Corporation Representative : Cheng Che Tseng 、Prisma Commerce & Networks, Inc. 、Prisma Commerce & Networks, Inc. Representative : Chih Chi Chou	Jui Hsu Chen 、K Way Information Corporation 、K Way Information Corporation Representative : Cheng Che Tseng 、Prisma Commerce & Networks, Inc. 、Prisma Commerce & Networks, Inc. Representative : Chih Chi Chou	Jui Hsu Chen 、K Way Information Corporation 、K Way Information Corporation Representative : Cheng Che Tseng 、Prisma Commerce & Networks, Inc. 、Prisma Commerce & Networks, Inc. Representative : Chih Chi Chou	Jui Hsu Chen 、K Way Information Corporation 、K Way Information Corporation Representative : Cheng Che Tseng 、Prisma Commerce & Networks, Inc. 、Prisma Commerce & Networks, Inc. Representative : Chih Chi Chou
NT\$1,000,000~less than NT\$2,000,000	Ming Hsiung Wu 、Chien Chen Lin 、Ming Yuan Lin	Ming Hsiung Wu 、Chien Chen Lin 、Ming Yuan Lin	Ming Hsiung Wu 、Chien Chen Lin 、Ming Yuan Lin	Ming Hsiung Wu 、Chien Chen Lin 、Ming Yuan Lin
NT\$2,000,000~less than NT\$3,500,000	—	—	—	—
NT\$3,500,000~less than NT\$5,000,000	Morris Jiang	Morris Jiang	Morris Jiang	Morris Jiang
NT\$5,000,000~less than NT\$10,000,000	Peter Lin	Peter Lin	Peter Lin	Peter Lin
NT\$10,000,000~less than NT\$15,000,000	—	—	—	—
NT\$15,000,000~less than NT\$30,000,000	—	—	—	—
NT\$30,000,000~less than NT\$50,000,000	—	—	—	—
NT\$50,000,000~less than NT\$100,000,000	—	—	—	—
More than NT\$100,000,000	—	—	—	—
Total	10 Persons	10 Persons	10 Persons	10 Persons

(B) Remuneration of Supervisors

December 31, 2020 ; Unit: NT\$ thousands ; %

Title	Name	Remuneration						Ratio of Total Remuneration (A+B+C) to Net Income (%)		Compensation Paid to Supervisors from Non-consolidated Affiliates or Parent Company
		Base Compensation (A)		Bonus to Supervisors (B)		Allowances (C)		The company	Companies in the consolidated financial statements	
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements			
Supervisor	Chih Cheng Lo	0	0	1,092	1,092	24	24	0.25	0.25	None
Supervisor	Yu Chi Lin									
Corporate supervisor	K WAY information Co.									
Corporate supervisor representative	K WAY information Co. Representative: Cheng Che Tseng									

Table of range of remuneration

Range of Remuneration	Name of Supervisors	
	Total of (A+B+C)	
	The company	Companies in the consolidated financial statements D
Under NT\$ 1,000,000	Chih Cheng Lo 、 Yu Chi Lin 、 K WAY information Co. 、 K WAY information Co. Representative : Cheng Che Tseng	Chih Cheng Lo 、 Yu Chi Lin 、 K WAY information Co. 、 K WAY information Co. Representative : Cheng Che Tseng
NT\$1,000,000~less than NT\$2,000,000	—	—
NT\$2,000,000~less than NT\$3,500,000	—	—
NT\$3,500,000~less than NT\$5,000,000	—	—
NT\$5,000,000~less than NT\$10,000,000	—	—
NT\$10,000,000~less than NT\$15,000,000	—	—
NT\$15,000,000~less than NT\$30,000,000	—	—
NT\$30,000,000~less than NT\$50,000,000	—	—
NT\$50,000,000~less than NT\$100,000,000	—	—
More than NT\$100,000,000	—	—
Total	4 Persons	4 Persons

(C) Remuneration of the President and Vice President

December 31, 2020 ; Unit: NT\$ thousands ; %

Title	Name	Salary(A)		Retirement Pension (B)		Bonuses and Allowances (C)		Profit Sharing- Employee Bonus (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation Paid to the President and Vice President from Non-consolidated Affiliates or Parent Company
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
General Manager	Nancy Huang													
General manager of the Business Divisions	Kevin Chen	3,960	3,960	0	0	18,485	18,485	760	0	760	0	5.27	5.27	None

Table of range of remuneration

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

Employee profit sharing granted to the management team

December 31, 2020 ; Unit: NT\$ thousands ; %

	Title	Name	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	General manager	Nancy Huang	0	1,113	1,113	0.25
	GM of Business Division	Kevin Chen				
	Sr. Director of Financial Management Division	Michelle Chin				

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

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

Unit: NT\$ thousands

Title	Proportion of the total compensation to net profit after tax %			
	2019		2020	
	The Company	All companies in the consolidated financial statement	The Company	All companies in the consolidated financial statement
Directors	5.09	5.09	2.80	2.80
Independent Directors	0.78	0.78	0.87	0.88
Supervisors	0.61	0.61	0.25	0.25
General Managers and Deputy General Managers	9.24	9.24	5.25	5.27

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

The Remuneration Committee assists the Board in discharging its responsibilities relating to the Company's compensation and benefits policies, plans and programs, and the evaluation of the directors' and supervisors' compensation. Remuneration is appropriated according to the business performance of the Company in the year and the stipulated percentage of less 3% in Article 19 of the Articles of Incorporation. Procedure for the compensation were determined by the Regulations governing the performance assessment and compensation of directors and supervisors in accordance with operating performance of the company, operational risks and trend of the industries, and the employee's personal achievements, contribution made to the business operation. Evolution items include any unethical misconduct which results in a negative impact on the company's image and reputation, negligent of internal management, or unethical malpractices etc. The procedure for determining remuneration is also based on key performance indicators of the company. Relevant performance indicators and reasonability of remuneration shall be approved by the remuneration committee and the board of the directors and reviewed in relation to business operation and relevant laws and regulations, for a positive correlation with the company, and risk management.

The policy for managers' remuneration is based on the company's salary considerations and has taken into account as industry standards and personal performance evaluation items, which include financial indicators (such as the company's revenue, achievement rate for profit before tax and after tax) and non-financial related indicators (such as taking on the role as trainer and any gross misconduct of the department in terms of legal and compliance and operational risks incidents) are also included in the evaluation.

D. Implementation of Corporate Governance

(A) Board of Directors

A total of 7 meetings of the Board of Directors were held in 2020. The attendance of director and supervisor were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Chairman	Peter Lin	7	0	100	renewed, re-election on June 10, 2020
Director	Morris Jiang	7	0	100	
Director	Prisma Commerce & Networks, Inc. Representative: Chih Chi Chou	7	0	100	
Director	K WAY information Co. Representative : Cheng Che Tseng	7	0	100	
Director	Jui Hsu Chen	7	0	100	
Independent director	Ming Hsiung Wu	6	1	85.71	
Independent director	Chien Chen Lin	7	0	100	
Independent director	Ming Yuan Lin	7	0	100	

Other mentionable items:

1.If there are circumstances referred to as follows, resolutions of the directors' meetings objected to by independent directors or subject to qualified opinion and recorded or declared in writing, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:

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

Meeting Dates (Period)	Resolution	Any Independent Director Had a Dissenting Opinion or Qualified Opinion
2020 13 th -15 Regular Meeting Feb. 26	1. Discussion on the proposal of replacing CPA starting 2020 Q1 and independent assessment.	Approved as proposed by all independent directors
2020 13 th -16 Regular Meeting April 27	1. Discussion on the proposal of amendments to the Regulations Governing the Acquisition and Disposal of Assets 、 external endorsement and guaranty and loaning funds to others..	
2020 14 th -2 Regular Meeting July 29	1. Discussion on the proposal of amendments and addition of the content of the company's internal control system.	
2020 14 th -4 Regular Meeting December 23	1. Proposal of appointing CPA and independent assessment. 2. Discussion on the proposals of amendments of regulations governing internal material information process 、 content of internal control system and needely added audit system of 'the management of preventing insider trading.'	
2021 14 th -6 Regular Meeting April 14	1. Discussion on the proposal of capital increase for subsidiary ZeroneWin Investment Co., Ltd. and invest in new companies through it. 2. Discussion on the proposal of amendments to Procurement and Payment Cycle in the internal control system. 3. Discussion on the proposal of replacing CPA starting 2021 Q1 and independent assessment.	

(2) If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:
None

2.Avoidance of conflict of interest by Directors: None.

3. Measures taken toward achievement of Board of Directors

Frequency	Period	The scope of evaluation	Method	Content
Annual	From 2020/01/01 to 2020/12/31	Performance assessments of board of directors, board members (self-assessments or peer-to-peer assessments) and the remuneration committee.	<p>Human Resource Management Center shall be responsible for executing performance assessment, according to operation of the board of directors, participation of directors, operation of the remuneration committee, self-assessment among directors, assessment of the remuneration committee by its members, by questionnaires. The above conclusion of performance assessment shall be a reference for election or nomination of directors, and personal compensation shall be calculated by the conclusion of directors and members of the functional committee.</p> <p>Every January, after questionnaires are returned, Human Resource Management Center of the company will, in accordance with the aforementioned rules, conduct analysis and report the results to the Board, with an emphasis on any areas with room for improvement.</p> <p>The company has completed board of directors' performance assessments in January 2021, and detailed information for improvement in regarding the above evaluation in 2020 were reported to the Board at the Board Meeting on April 28, 2021. The score of assessment is graded 95 to 100 as excellent.</p>	<p>The company has edited rules and procedures for board of directors' performance assessments, which include the five items below:</p> <ol style="list-style-type: none"> 1. The degree of participation in the company's operations. 2. Improvement in the quality of decision making by the board of directors. 3. The composition and structure of the board of directors. 4. The election of the directors and their continuing professional education. 5. Internal controls. <p>It is advisable that performance assessments of board members (self-assessments or peer-to-peer assessments) include the following aspects, with appropriate adjustments made on the basis of the company's needs:</p> <ol style="list-style-type: none"> 1. Their grasp of the company's goals and missions. 2. Their recognition of director's duties. 3. Their degree of participation in the company's operations. 4. Their management of internal relationships and communication. 5. Their professionalism and continuing professional education. 6. Internal controls. <p>It is advisable that the performance assessment of cover the following aspects, subject to changes according to the company's needs:</p> <ol style="list-style-type: none"> 1. Their degree of participation in the company's operations. 2. Their recognition of the duties of the functional committee. 3. Improvement in the quality of decision making by the functional committee. 4. The composition of the functional committee, and election and appointment of committee members. 5. Internal Controls. <p>The indexes of board performance evaluation shall be determined based on the operation and needs of the Company and suitable and appropriate for evaluations by the company, subject to regular reviews and constructive comments of the remuneration committee.</p>

4. Evaluations for the measures taken to strengthen the core objectives and execution of the Board for the current year and the previous year:
 - (1) Chairman shall not serve concurrently as the managers of the Company.
 - (2) There are 3 independent directors among 8 directors. The Company shall appoint independent directors more than the total independent directors in accordance with statutory regulations.
 - (3) The Company set up the rules of board performance evaluation. The performance assessment of Board of directors for the members of Board of Directors by self-assessments in 2019, report the results to the remuneration committee, and then to Board of Directors, based on the Regulations governing the performance assessment and compensation of directors and supervisors in accordance with operating performance of the Company. The evaluation results for year 2020 was submitted to the Board and Remuneration Committee on April 28, 2021.
 - (4) The Company set up the Audit Committee in 2020 to replace Supervisors going forward.

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

1. Audit Committee

The company's Audit Committee was set up on June 10, 2020 in compliance with the regulations and all members of the Audit Committee were independent directors. The function and purpose of the Audit Committee is to supervise the proper presentation of the financial statements, the hiring (dismissal) of the signing CPAs, their independence and performance, and the effective execution of the company's internal control, as well as the compliance with related laws and regulations and the management of the existing or potential risks of the company

The duties and annual work items of the Audit Committee are as follows:

- (1) Adoption or amendment of the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
- (2) Evaluation of the effectiveness of the internal control system.
- (3) Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significant, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.
- (4) A matter bearing on the personal interest of a director or a supervisor.
- (5) A material asset or derivatives transaction.
- (6) A material monetary loan, endorsement, or provision of guarantee.
- (7) The offering, issuance, or private placement of any equity-type securities.
- (8) The hiring, discharge, or compensation of an attesting CPA.
- (9) The appointment or discharge of a financial, accounting, or internal auditing officer.
- (10) Annual financial reports which are signed or stamped by the Chairman, Executive Officers and Head of Accounting, and Q2 financial report which must be reviewed by CPA.
- (11) Any other material matters so required by the competent authority.

A total of seven (7) Audit Committee meetings were held from January 1, 2020 till end of April 28, 2021. The attendance of independent directors is as follows:

Title	Name	Attendance in Person (B)	Proxy	Attendance Rate (%) 【 B/A 】	Remarks
Independent director	Ming Yuan Lin	7	0	100%	-
Independent director	Ming Hsiung Wu	7	0	100%	
Independent director	Chien Chen Lin	7	0	100%	

Other mentionable items:

1. If a member of the Audit Committee expresses an opinion during a meeting, the dates of the Board of Directors meetings, sessions, contents of motion, resolutions of the Audit Committee meetings and the Company's response to the Audit Committee opinion should be specified.

(1) Items listed in Article 14-5 of the Securities and Exchange Act.

Board Meeting	Content and Follow-up Action	Items listed in Article 14-5 of the Securities and Exchange Act	Matters unapproved by the Audit Committee but approved by two-thirds or more of all directors
2020 14th -2 Regular Meeting Jul. 29	1. Amendments and addition of the content of the company's internal control system	v	
	2. Amendments and addition of the content of the company's internal audit system	v	
	Audit Committee Resolution (2020/06/24 & 2020/07/29): Approved by all members of the Audit Committee		
	The Company's response to the opinion of the Audit Committee: Approved by all members of the Board.		
2020 14th -4 Regular Meeting Dec. 23	1. Amendments of the content of the company's internal control system	v	
	2. Addition of content of the company's internal audit system	v	
	3. Hiring of CPA and independent assessment	v	
	4. Loaning funds to subsidiary WingWill International Co., Ltd.	v	
	5. Proposal to amend the company's accounting system	v	
	Audit Committee Resolution (2020/12/23): Approved by all members of the Audit Committee		
The Company's response to the opinion of the Audit Committee: Approved by all members of the Board.			
2021 14th -5 Regular Meeting Feb. 24	1. 2020 Compensation for the directors and employees	v	
	2. 2020 operating report · consolidated and parent company only financial statements.	v	
	3. 2020 Statement of Internal Control system	v	
	4. Distribution of 2020 retained earnings	v	
	Audit Committee Resolution (2021/2/24): Approved by all members of the Audit Committee		
The Company's response to the opinion of the Audit Committee: Approved by all members of the Board.			
2021 14th -6 Regular Meeting Apr. 14	1. Amendments of the content of the company's internal control system	v	
	2. Capital increase for subsidiary ZeroneWin Investment Co., Ltd. And invest in new companies through it.	v	
	3. Loaning funds to 100%-owned subsidiary ZeroneWin Investment Co., Ltd.	v	
	4. Replceing appointed CPA starting 2021 Q1 and the independent assessment.	v	
	Audit Committee Resolution (2021/4/14): Approved by all members of the Audit Committee		
	The Company's response to the opinion of the Audit Committee: Approved by all members of the Board.		

(2) Other than the items listed in the preceding paragraph, any other matters that were not approved by the Audit Committee but approved by two-thirds or more of all directors : None.

2. The names, contents of motion, reasons for conflict of interests and the participation for resolution for any recusals of independent directors due to conflict of interests should be specified: None.

3. Description of the communication between the independent directors, the internal auditors, and the independent auditors:

(1) Upon the delivery of the monthly audit reports sent by the internal auditor, discussions and communication will take place to address any questions raised by the independent directors. A panel discussion will be arranged at least once per year between the independent directors and the internal auditor, significant findings and relevant audit opinions from internal and external audits will also be documented as meeting minutes which then later submit to the Board.

(2) Members of the Company's Audit Committee are all independent directors. The presentation of business audit is made at least once per year. The presentation content includes business audit execution, internal operational items, audit personnel training and major findings from internal and external audit as well as follow-up actions taken etc.. Extraordinary meetings may also be convened at any time should serious anomalies arise.

(3) The CPA should report to the independent directors at least once a year, covering items regarding the company's overall financial performance and also the financial status, overall operations and internal controls of local and overseas subsidiaries. In addition, a through communication should be carried out to determine if there is any impact on the accounting principles from any major changes in financial policies and amendment in the laws and regulations.

(4) The communications between the auditor, the independent directors and the CPA functioned well, as not only were regular meetings arranged, emails, telephone calls or random meetings were also meaning of communication.

(5) The summary of communications between the internal auditor and the independent directors are listed in the table below.

Date	Item	Conclusion
2020/02/26	2019 Q4 Audit results presentation	Independent directors agreed with the audit results after discussion and communication.
2020/07/29 Audit Committee	1. Amend and add new content in the company's internal control system. 2. Amend and add new content in the internal audit system	1. Agreed. 2. Submit and report to the Board after review.
2020/12/23 Audit Committee	1. Presentation of 2021 Audit Plan 2. Amend the content of the company's internal control system 3. Add content to internal control system	1. Agreed. 2. Submit and report to the Board after review.
2021/02/24 Audit Committee	1. Report on the findings of the company's audit in 2020 2. Approved the statement for the company's internal control in 2020.	1. Agreed. 2. Submit and report to the Board after review.
2021/04/14 Audit Committee	Amend the content of the company's internal control system.	1. Agreed. 2. Submit and report to the Board after review.

(6) The summary of communications between the CPA and the independent directors are listed in the table below.

Date	Item	Conclusion
2020/02/26	2019 parent company only and consolidated financial statements	2019 financial reports were approved by the Board and disclosed in accordance with the regulations and supervisory authority.
2020/04/27	2020 Q1 consolidated financial statements	2020Q1 financial reports were approved by the Board and disclosed in accordance with the regulations and supervisory authority.
2020/07/29	Briefing and communication made by CPA regarding 2020 Q2 consolidated report.	The communication between independent directors and the CPAs was well, reaching mutual consensus after discussion. 2020 Q2 consolidated report were presented at the Audit Committee Meeting and the Board, and disclosed in accordance with the regulations and supervisory authority.
2020/11/04	Briefing and communication made by CPA regarding 2020 Q3 consolidated report.	The communication between independent directors and the CPAs was well, reaching mutual consensus after discussion. 2020 Q3 consolidated report were presented at the Audit Committee Meeting and the Board, and disclosed in accordance with the regulations and supervisory authority.

2021/02/24	Briefing and communication made by CPA regarding 2020 parent company only and consolidated reports.	The communication between independent directors and the CPAs was well, reaching mutual consensus after discussion. 2020 parent company only and consolidated reports were presented at the Audit Committee Meeting and the Board, and disclosed in accordance with the regulations and supervisory authority.
2021/04/28	Briefing and communication made by CPA regarding 2021 Q1 consolidated report and recent updates in the regulations.	The communication between independent directors and the CPAs was well, reaching mutual consensus after discussion. 2021 Q1 consolidated report were presented at the Audit Committee Meeting and the Board, and disclosed in accordance with the regulations and supervisory authority.

2. Information on Supervisors participating in the Board of Director's meetings:

A total of 2 meetings (A) of the Board in 2020 before the re-election. The Company re-elected on June 10, 2020 and replaced supervisors with the set-up of the Audit Committee. The attendance of the Supervisors is as follows:

Title	Name	Attendance in Person(B)	AttendanceRate (%) 【 B/A 】	Remarks
Supervisor	Yu Chi Lin	2	100	Previously elected, resigned on June 10, 2020.
Supervisor	K WAY Information Co. Representative: Cheng Che Tseng	2	100	
Supervisor	Chih Cheng Lo	2	100	

Other mentionable items:

I. Composition and responsibilities of supervisors:

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

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

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

Evaluation Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
1. Does Company follow “Taiwan Corporate Governance Implementation” to establish and disclose its corporate governance practices?	V		The Company has not set a corporate governance code of practice, but relevant key items and rules of corporate governance are being executed.	None.
2. Shareholding structure & shareholders’ rights				None.
(1) Does Company have Internal Operation Procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters. If yes, has these procedures been implemented accordingly?	V		(1) Governance by the agent of stock affairs and Chairman's Office.	
(2) Does Company possess a list of major shareholders and beneficial owners of these major shareholders?	V		(2) Handled and follow-up by the agent of stock affairs and Chairman's Office.	
(3) Has the Company built and executed a risk management system and “firewall” between the Company and its affiliates?	V		(3) In accordance with the Company’s protocols of Supervision Over Subsidiaries, Internal Controls, Audit, and relevant regulations.	
(4) Has the Company established internal rules prohibiting insider trading on undisclosed information?	V		(4) The Company already established the Internal Rules Prohibiting Insider Trading on Undisclosed Information and organizes relevant training to directors, officers and employees at least once per year. The procedures were disclosed on the company website.	

Evaluation Item	Implementation Status		Description	Difference from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
<p>3. Composition and Responsibilities of the Board of Directors</p> <p>(1) Has the Company established a diversification policy for the composition of its Board of Directors, and has it been implemented accordingly?</p> <p>(2) Other than the Compensation Committee and the Audit Committee which are required by law, does the Company plan to set up other Board committees?</p> <p>(3) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis, reported the results of performance to the Board of Directors, and use the results as reference for directors' remuneration and renewal?</p>	V	V	<p>(1) In Article 20 of the Company's Corporate Governance Best Practices, it is stated that the composition of the Board should be determined by taking diversity into consideration based on the company's business operations, operating dynamics and development needs; the 14th Board members fulfil that above mentioned requirement, please refer to "Board Diversity" paragraph of the annual report for more details.</p> <p>(2) The Remuneration Committee was set up on December, 2011, and shall be held for twice a year. The Audit Committee was set up on June 10, 2020 and the total number of meetings held was four. Whether it is necessary to set up other functional committees will be evaluated further and will be based upon the Company's actual needs or in compliance with relevant legal requirements.</p> <p>(3) The company has stipulated rules and procedures for board of directors performance assessments. Please refer to Measures taken toward achievement of Board of Directors of implementation of corporate governance in 2020 annual report. Also, Human Resource Management Center shall be responsible for executing performance assessment by questionnaires, which shall be a reference for personal compensation and nomination of directors.</p>	<p>Planned according to actual needs.</p> <p>On assessment.</p> <p>None.</p>

Evaluation Item	Implementation Status		Description	Difference from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
(4) Does the Company regularly evaluate its external auditors' independence?	V		(4)Each year, the Company evaluates the accounting firm, and the independence and suitability of its CPA, and ask CPA to issue a statement of independence based on No. 10 report of Code of Professional Ethics of CPAs of ROC. After inspections by the Audit Committee and the Board of Directors on December 23, 2020 and April 14, 2021, the Company's certifying accountants has been verified to be in compliance with requirement for independence as specified in theabove related regulations and article 47 of Certified Public Accountant Act.	None.
4. Does the Company appoint competent and appropriate corporate governance personnel and corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors, assisting directors' compliance of law, handling matters related to board meetings and shareholders' meetings according to law, and recording minutes of board meetings and shareholders' meetings)?	V		The Chairman appointed the Chairmen's Office to handle matters of the directors relating to Board meetings, Committee's meetings and Shareholders' meetings and record minutes of relevant meetings, etc. The stock affairs department is responsible for handling corporate registration and amendment registration. All application documents need to be approved by the manager.	None.

Evaluation Item	Implementation Status		Description	Difference from Corporate Governance Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No		
5. Has the Company established a means of communicating with its Stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities?	V		The company has established a means of communicating with its Stakeholders (such as, suppliers, customers and clients, etc.) on the website, for dealing with their questions and receiving opinions. Financial Management Division will communicate with correspondent banks and debtors. Human Resource Management Center will set up channels for communicate with employees and handle any feedbacks.	None.
6. Has the Company appointed a professional registrar for its Shareholders' Meetings?	V		The Company appointed the Registrar & Transfer Agency Department of Masterlink Securities as our registrar for stock affairs.	None.
7. Information Disclosure (1) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status? (2) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	V V		(1)The Company has set the website(http://www.zerone.com.tw), and assigned a specific unit responsible for collecting and updating company information regularly on the website. (2) The Company established a spokesperson system to deal with related matters and has appointed a person in charge to be responsible for the collection and disclosure of company information.	None.

Evaluation Item	Implementation Status		Description	Difference from Corporate Governance Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No		
(3) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?	V		(3)The Company announces and reports the financial statements in accordance with Article 36 of Securities and Exchange Act.	
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing liability insurance for directors)?	V		(1)Employee rights and wellness: The company has set a website for employee rights and wellness, and regularly heard the voice of employees. (2)Investor relations: The Company has established a Spokesperson system for handling relevant matters. (3)Supplier relations: The company maintains a good relationship with manufacturers. (4)Rights of stakeholders: Stakeholders shall communicate with the company and put forward proposals to protect their due legal rights and interests. (5)Directors' and supervisors' training records: The company encourages directors and supervisor to attend trainings required by laws, and discloses training records on Market Observation Post System. (6)The implementation of risk management policies and risk evaluation measures: The Company has already established internal control systems as required by laws and has properly implemented the systems. The Company also purchases liability insurance for directors and supervisors in order to reduce management risks. (7)The implementation of customer relations policies: The company maintains a good relationship with customers in order to create increasing profits. (8)Purchasing liability insurance for directors and supervisors: The company maintains D&O Insurance for its directors and officers.	None.

Evaluation Item	Implementation Status		Description	Difference from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
<p>9. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange</p> <p>For the 2020 Corporate Governance Evaluation, the implementation status regarding below non-scoring item(s):</p> <p>The Company placed high emphasis and proactively participated in the Corporate Governance Evaluation. Improvement status for the 2020 non-scoring items are as follows:</p> <p>(1) The company's Board of Directors approved the proposal to hold 2021 annual general meeting of shareholders by end of May, 2021.</p> <p>(2) The company stipulated Corporate Governance Best Practice Principles which include the diversity policy for directors, relevant information regarding diversity policy is disclosed on the company website and annual report.</p> <p>(3) The company is planning to accept the invitation (or organize) at least two institutional investor conferences this year.</p> <p>(4) The company set up the Audit Committee in compliance with the regulations in 2020.</p>				

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

1. Information on members of the Committee

Information on members of the Remuneration Committee

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

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

1. Not an employee of the company or any of its affiliates;
2. Not a director or supervisor of the company or any of its affiliates.;
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders;
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding 1 subparagraph, or of any of the above persons in the preceding subparagraphs 2 and 3;
5. Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, ranks as of its top five shareholders, or has representative director(s) serving on the company's board based on Article 27 of the Company Law.
6. Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company;
7. Not a director, supervisor, or employee of a company of which the chairman or CEO (or equivalent) themselves or their spouse also serve as the company's chairman or CEO (or equivalent);
8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company;
9. Other than serving as a compensation committee member of the company, not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, and the service provided is an "audit service" or a "non-audit service which total compensation within the recent two years exceeds NTD500,000";
10. Not been a person of any conditions defined in Article 30 of the Company Law.

2.Duties

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

3. Attendance of Members at Remuneration Committee Meetings

- (1)There are 3 members in the Remuneration Committee.
- (2)Current Term: From June 10, 2020 to June 9, 2023; The current term is the same as that of the board of directors.

A total of 3(A) Remuneration Committee meetings were held in 2020. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Convener	Ming Hsiung Wu	3	0	100	
Committee Member	Chien Chen Lin	3	0	100	
Committee Member	Ming Yuan Lin	3	0	100	

Remuneration Committee Meetings	The content of motions and after-treatment	Resolution Result	The Company dealing with a Dissenting Opinion or Qualified Opinion of committee members
3 rd -7 2020.04.27	1. To audit 2019 compensation distribution of each director and supervisor. 2. To audit 2019 employees compensation distribution of managers. 3. To audit 2019 employees salaries distribution of managers.	Approved by all committee members.	To report to Board of Directors, and approved by all attended directors.
4 th -1 2020.7.29	1. To audit the proposal of continuing contract and remuneration package of the company's GM.		
4 th -2 2020.12.23	1. To audit the plan of annual bonuses and stock ownership trust of managers and employees for the company and subsidiaries in 2020. 2. To decide distribution ratio of 2021 directors' and supervisors' compensation and employees bonuses. 3. To amend the evaluation of performance and policies of salary compensation for the Board. 4. To discuss 2021 working plan of the Compensation Committee.		

Other mentionable items:

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

(E)Corporate Social Responsibility:

Evaluation Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
1. Does the Company conduct risk assessments on environmental, social, and corporate governance issues related to its operations in accordance with the materiality principle, and implement relevant risk management policies or strategies?		V	Under planning	Based on practical needs
2. Does the Company establish an exclusively (or part-time) dedicated unit for promoting Corporate Social Responsibility? Is the unit authorized by the Board of Directors to implement CSR activities at the executive level? Does the unit report the progress of such activities to the Board of Directors?		V	Under planning	Based on practical needs
3. Environmental issues (1)Does the Company establish proper environmental management systems based on the characteristics of their industries? (2)Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment? (3)Does the Company assess the potential risks and opportunities of climate change for its current and future operations and undertake response measures with respect to climate change?		V V V	(1)Not applicable. Not related to our current business. (2)Not applicable. Not related to our current business. (3)Not applicable. Not related to our current business.	None.

Evaluation Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
(4) Does the Company calculate the amount of greenhouse gas emission, water consumption, and waste production in the past two years and implement policies to cut down energy and water consumptions, carbon and greenhouse gas emissions, and waste production?	V		<p>(4) The company sets an accurate goal of environmental and energy conservation in accordance with its operation and inspection of greenhouse gas, also formulates the environmental governance system for improvement of resources allocation and emission of pollution, putting much effort in energy saving for indoor lighting of the office, and setting a goal for environment friendly in order to attain less pollution, lower energy consumption, and higher energy savings. Based on actual situations of operation, the site of the company (including the office in Taipei, Taichung, Kaohsiung City) has implemented environmental protection and lighting energy saving.</p> <p>1. The important purposes for environmental protection go as follows:</p> <p>(1) Carbon emissions reduction goal The shock of climates changes is a global environmental issue. Thus, the globes shall be responsible for carbon emissions reduction, and attain a purpose of governance of carbon dioxide emissions reduction. The goal of carbon emissions reduction shall be formulated and announced in accordance with the standard of carbon dioxide emissions by ISO14064. As for setting this goal in 2020, the company's target is to reduce carbon emissions by 6% per unit of operating revenues this year in 2023.</p> <p>(2) Electricity saving goal Since more than 95% of the sources of greenhouse gas is from using electricity, we set the energy-saving plans for reduce carbon dioxide emissions in accordance with the energy management system. As for setting this goal in 2020, the company's</p>	

Evaluation Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
			<p>target is to reduce electricity by 6% per unit of operating revenues this year in 2023.</p> <p>(3)Waste reduction goal As resource misallocation regarding with waste, we set a triennial plan for improving resources allocation, continuing to adopt a policy of pollution reduction, reducing toxic waste for making recyclable resources useable. As for setting this goal in 2020, the company's target is to reduce waste by 6% this year in 2023.</p> <p>(4)To instruct policies of energy and carbon emissions conservation of the company and its offices.</p> <ul style="list-style-type: none"> ● The temperature of the air-conditioning system is on 25 degrees Celsius. ● Turn Off Lights When Leaving. ● Water saving. ● Take your own handkerchiefs. ● Take your own chopsticks and cups. ● No hard copy. ● Let employees wear no tie. ● Shut down the computer and stop electricity when leaving the office, and reduce the off-peak load of part of elevators in the building <p>2. The policy for reaching the goal To save electricity by 3 aspects-air-conditioning, electricity and lighting and other usages of electricity, and regularly inspect power consumption equipment for replacing, the company has reduced carbon per unit of operating revenues by 7% this year, for saving per unit of electricity, which is relevant to greenhouse gas, in 2023, based on the record in 2020.</p>	

Evaluation Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
<p>4. Social Issues</p> <p>(1) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p> <p>(2) Does the Company establish and deliver reasonable employee welfare programs (including salary, compensated absences, and other benefits) and adjust employee compensation in relation to business performance?</p>	V		(1) Working rules and management methods are established and governed by the Labor Laws.	None.
	V		(2) The company's object is to create happiness enterprises. Except for setting the employee benefit policy by providing a comfortable lounge, travels in Taiwan or foreign countries, free health inspection, bonuses and gifts in 3 Chinese Festivals, group insurance, family days and year-end activities to employees, we put much effort in increasing salaries for employees by setting aside 4% of employee compensation from annual profits, for the purpose of making employees' body healthy, and their mind and soul satisfied.	
<p>(3) Does the Company provide a healthy and safe work environment and organize training on health and safety for its employees on a regular basis?</p>	V		<p>(3) As the company values safe and healthy work environments for its employees, our company requests annual inspections of the building which includes every exists, floors, ventilation, lightening, fire/disaster prevention related equipment and other safety related systems, except for strict access security:</p> <p>1. Access security: Strict surveillance system is set up and security is hired to ensure safety of the office of the building all day.</p> <p>2. Maintenance and inspection of equipment: According to verification and application of</p>	

Evaluation Item	Implementation Status		Description	Difference from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
			<p>public security of the building, the management committee for the building appoints outside professional company to conduct inspection of public security. Inspection of fire safety equipment shall be appointed by outside institution based on Fire Services Act. According to Safety and health work rules of employees, routine maintenance for water dispenser every three months, and annual maintenance and inspection of high-voltage and low-voltage apparatus, air-conditioners, and fire safety equipment, etc.</p> <p>3.Physical health: The company hold regular employees yearly health examination, free consulting of doctors, advises if medical care of nurses, and hold lectures regarding with health, the office periodically cleaned and sterilized, and no smoking in the office.</p> <p>4.Mental health: We hold lectures for keep a good mental health enhance professional knowledge, and e-learning, regarding with stress (emotional pressure) management, communication technique, ideal thoughts.</p> <p>5.Insurance and medical allowance: We arrange labor (including occupational Injury) and health insurance for employees by laws. Also, we arrange casualty and accidental health insurance for them. As for injury and death of employees and their spouse, offspring, and parents, we provide medical allowance and emergency aids.</p>	

Evaluation Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
<p>(4)Does the Company provide its employees with career development and training sessions?</p> <p>(5)Does the Company comply with relevant regulations and international standards regarding customer health and safety, right to privacy, marketing and labeling of its products and services and set up relevant consumer protection policies and complaint procedures?</p> <p>(6)Does the Company formulate supplier management policies that require suppliers to comply with relevant regulations on environmental protection, occupational safety and health, and labor rights and request their reporting on the implementation of such issues?</p>	V		<p>(4)The company conducts skills or trainings for personal career development, by the performance management system, the plan of personal career development.</p> <p>(5)Not applicable. Not related to our business.</p> <p>(6)The suppliers of the company are mostly foreign brands of software and hardware products, whose supply chain for production rarely affects the environment and society.</p>	
<p>5. Did the company, following internationally recognized standards or guidelines, prepare and publish reports such as its Corporate Social Responsibility report to disclose non- financial information of the company? Has the company received assurance or certification of the aforesaid reports from a third party accreditation institution?</p>		V	Under planning	Based on practical needs
<p>6. If the Company has established the corporate social responsibility best practice principles based on the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies", please describe any discrepancy between the Principles and their implementation: The Company has not yet established specific codes of conducts.</p>				
<p>7.Other important information to facilitate better understanding of the company's Corporate Social Responsibility practices: Social aspects: The Company has always fulfilled the duties of being a corporate social entity, other CSR practices carried out by the Company are stated in the preceding paragraphs.</p>				

(F) Ethical Corporate Management:

Evaluation Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies and reason
	Yes	No	Description	
<p>1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures</p> <p>(1) Does the company have a clear ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?</p> <p>(2) Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?</p> <p>(3) Whether the company has established relevant policies that are duly enforced to prevent unethical conduct, provided implementation procedures, guidelines, consequences of violation and complaint procedures, and periodically reviews and revises such policies?</p>	V		<p>(1) The company forms the working procedures and regulations of employees, according to internal controls, and implements management policies submitted to the board of directors and management, through trainings for new employees, internal assessment, and audit.</p> <p>(2) The Company prevents and control unethical conduct by periodic audit work of internal controls, and the design of electric processes and procedures.</p> <p>(3) It has been set by Codes of Ethical Conduct for Directors, managers, and employees.</p>	None.
<p>2. Ethic Management Practice</p> <p>(1) Whether the company has assessed the ethics records of whom it has business relationship with and include business conduct and ethics related clauses in the business contracts?</p>	V		<p>(1) The company has set Codes of Ethical Conduct for employees for prohibiting all forms of improper conduct outside of the company.</p>	None.

Evaluation Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies and reason
	Yes	No	Description	
(2) Whether the company has set up a unit which is dedicated to promoting the company's ethical standards and regularly (at least once a year) reports directly to the Board of Directors on its ethical corporate management policy and relevant matters, and program to prevent unethical conduct and monitor its implementation?	V		(2) The Company has not established an exclusively (or concurrently) dedicated unit yet but implemented the management of corporate integrity for each employee and managers of each department in daily work.	
(3) Whether the company has established policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?	V		(3) It has been formed through internal controls; hence employees shall follow the policies in self-activities during daily work.	
(4) To implement relevant policies on ethical conducts, has the company established effective accounting and internal control systems, audit plans based on the assessment of unethical conduct, and have its ethical conduct program audited by internal auditors or CPA periodically?	V		(4) The Company has established accounting, finance, and internal control systems to ensure integrity in our operations. Financial reports were audited by CPAs, to ensure that the financial statements present fairly.	
(5) Does the company provide internal and external ethical conduct training programs on a regular basis?		V	(5) The company does not hold education training of integrity management inside and outside of the company, but regard integrity as the main core items of performance assessment and implement it in the management of corporate integrity for each employee and managers of each department in daily work.	
3. Implementation of Complaint Procedures				None.
(1) Does the company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received?	V		(1) Regulations regarding with reward and punishment of employees has been reviewed by administrative and related divisions.	

Evaluation Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/TPEX Listed Companies and reason
	Yes	No	Description	
(2) Whether the company has established standard operation procedures for investigating the complaints received, follow-up measures after investigation are completed, and ensuring such complaints are handled in a confidential manner?	V		(2) It has been set by Codes of Ethical Conduct for Directors, managers, and employees.	
(3) Does the company adopt proper measures to prevent a complainant from retaliation for his/her filing a complaint?	V		(3) It has been set by Codes of Ethical Conduct for Directors, managers, and employees.	
4. Information Disclosure Does the company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and Market Observation Post System (“MOPS”)?		V	Under planning	Based on practical needs.
5. If the company has established corporate governance policies based on Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation: The Company has not yet established Codes of Ethical Conduct, but paid attention to the development of relevant standards of corporate integrity, for reviews and improvements of the Company's integrity management policy to enhance the effectiveness of the Company's integrity management.				
6. Other important information to facilitate better understanding of the company's corporate conduct and ethics compliance practices (e.g., review the company's corporate conduct and ethics policy). The company demonstrates its commitment to integrity management by emphasizing and participating in trainings for important customers and manufacturers.				

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

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

(I) Internal Control Systems

1. Statement of internal control system

Zero One Technology Co., Ltd.
Statement of Internal Controls

Date: 2/24/2021

According to the examination on internal control system done by the Company itself in 2020, we hereby state as follows:

- (1) The company's board of directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
- (2) An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
- (3) The company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the Regulations). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities.
- (4) The company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
- (5) Based on the findings of such evaluation, ZOTC believes that, on December 31, 2020, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
- (6) This Statement is an integral part of ZOTC's annual report for the year 2020 and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
- (7) The Company hereby declares that this statement had been approved by the Board of Directors on February 24, 2021. Among the 8 attending Directors, to the contents of this statement.

Zero One Technology Co., Ltd.
Chairman: Peter Lin
General Manager: Nancy Huang

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

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

(K) Major Resolutions of Shareholders' Meeting and Board Meetings for the current year and as of the printing date of the annual report.

1. Major Resolutions of Shareholders' Meeting

Date	Major Resolutions
2020.06.10	<p>(1) Proposal: Approval of the 2019 business report and financial statement. Resolution: Proposal was approved as proposed (Please search for details of proposal on Market Observation Post System). Condition of execution: It was announced as important resolution of the shareholder's meeting, in the form of material information.</p> <p>(5) Proposal: Approval of the proposed distribution of 2019 earnings. Resolution: Proposal was approved as proposed (Please search for details of proposal on Market Observation Post System). Condition of execution: Ex-dividend date is June 16, 2020 and the distribution date is July 3, 2020 (NT\$2.01013223 per share).</p> <p>(6) Proposal: Discussion on the amendment to the Articles of Incorporation. Resolution: Proposal was approved as proposed (Please search for details of proposal on Market Observation Post System). Condition of execution: It has been approved and registered by Ministry of Economic Affairs, R.O.C., announced on July 1, 2020 on the company website.</p> <p>(7) Proposal: Discussion on the amendment to the Regulations Governing the Acquisition and Disposal of Assets. Resolution: Proposal was approved as proposed (Please search for details of proposal on Market Observation Post System). Condition of execution: It has been announced on June 23, 2019 on Market Observation Post System and the Company's website and executed it by edited regulations.</p> <p>(8) Proposal: Discussion on the amendment to the guidelines for external endorsement and guaranty. Resolution: Proposal was approved as proposed (Please search for details of proposal on Market Observation Post System). Condition of execution: It has been approved and registered by Ministry of Economic Affairs, R.O.C., announced on June 23, 2020 on the company website.</p> <p>(9) Proposal: Discussion on the amendment to the guidelines for loaning funds to others. Resolution: Proposal was approved as proposed (Please search for details of proposal on Market Observation Post System). Condition of execution: It has been approved and registered by Ministry of Economic Affairs, R.O.C., announced on June 23, 2020 on the company website.</p> <p>(10) Proposal: Election of 8 directors (including 3 independent directors) for the 14th Board. Resolution: Directors - Peter Lin Morris Jiang 、 K Way Information Corporation 、 Prisma Commerce & Networks, Inc. 、 Jui Hsu Chen Independent directors: Ming Hsiung Wu 、 Ming Yuan Lin 、 Chien Chen Lin Condition of execution: Election results were disclosed on June 10, 2020 on MOPS, and were registered by Ministry of Economic Affairs, R.O.C. on July 1, 2020.</p> <p>(11) Proposal: To dismiss the discussion for non-compete clause for the newly appointed directors. Resolution: Proposal was approved as proposed (Please search for details of proposal on Market Observation Post System). Condition of execution: It has been announced on MOPS on June 10, 2020.</p>

2. Major resolutions of Board Meetings

Date	Major resolutions
2020.02.26	(1) Approval of the 2019 business report, as well as parent and consolidated financial statements. (2) Approval of the proposal for distribution of 2019 earnings. (3) Approval of the amendment to the Articles of Incorporation. (4) Approval of the proposal for the election of the 14 th Board directors. (5) Approval of the proposal to the replacement and independent assessment of CPA in 2020 Q1.
2020.04.27	(1) Approval of the proposal for amendments to the Articles of Incorporation. (2) Approval of the amendments to the Regulations Governing the Acquisition and Disposal of Assets, External Endorsement and Guaranty and Loaning funds to others. (3) Approval of the nomination and review of Directors and independent Directors. (4) Approval to the dismissal of non-compete clause for the newly appointed Directors.
2021.02.24	(1) Approval of the 2020 business report, as well as parent and consolidated financial statements. (2) Approval of the proposal for distribution of 2020 earnings. (3) Approval of the amendment to the Articles of Incorporation.
2021.04.24	(1) Approval of the replacement and independent assessment of CPA in 2020 Q1.

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

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

E. Information on CPA Professional Fee

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
Deloitte & Touche	Cheng Ming Lee	Pei De Chen	2020.01.01~2020.12.31	

Unit: NT\$ thousands

Fee Range		Fee Items	Audit Fee	Non-audit Fee	Total
1	Under NT\$ 2,000,000			216	216
2	NT\$2,000,000 ~ NT\$4,000,000		2,250		2,250
3	NT\$4,000,000 ~ NT\$6,000,000				
4	NT\$6,000,000 ~ NT\$8,000,000				
5	NT\$8,000,000 ~ NT\$10,000,000				
6	Over NT\$100,000,000				

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
Deloitte & Touche	Cheng Ming Lee	2,250	-	-	30	186	216	2020/01/01~2020/12/31	Other non-audit fee is the expenditure for making the financial report.
	Pei De Chen								

(A) The non-audit fee paid to certified CPA, certified Office of CPA and affiliated companies accounts for over 1/4 to audit fee: None.

(B) Alter the CPA Firm and the audit fee in altering year is less than that in the previous year: None.

(C) Audit fee reduced more than 10% year over year: None.

F. Replacement of CPA

(A) Regarding the former CPA

Replacement Date	2021/04/14		
Replacement reasons and explanations	The original CPAs of the Company was Chen Ming, Lee from Deloitte & Touche, Taiwan, Republic of China. Due to internal restructuring at Deloitte & Touche, Taiwan, Republic of China, the CPA of the Company was changed to Jiang Lian Liu, beginning Q1 of 2021, approved by Board of Directors on April 14, 2021.		
Describe whether the Company terminated, or the CPA did not accept the appointment	Parties	CPA	The Company
	Status		
	Termination of appointment	Cheng Ming Lee	
	No longer accepted (continued) appointment		
Other issues (except for unqualified issues) in the audit reports within the last two years	None		
Differences with the company	Yes		Accounting principles or practices
			Disclosure of Financial Statements
			Audit scope or steps
			Others
	None	V	
	Remarks/specify details:		
Other Revealed Matters	None		

(B) Regarding the successor CPA

Name of accounting firm	Deloitte & Touche, Taiwan, Republic of China
Name of CPA	Chien Liang Liu, Pei De Chen
Date of appointment	2021/04/14
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	NA
Succeeding CPA's written opinion of disagreement toward the former CPA	NA

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

G. The Company's Chairman, Chief Executive Officer, Chief Financial Officer, and managers in charge of its finance and accounting operations hold any positions in the Company's independent auditing firm or its affiliates during the last year: None.

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

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

Units: Shares

Title		Name	2020		As of Mar. 31, 2021	
			Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman		Peter Lin	(235,000)	3,000,000 (3,485,101)	0	0
Director		Morris Jiang	(500,000)	0	0	0
Director	Judicial person	Prisma Commerce & Networks, Inc.	0	0	0	0
	Representative	Chih Chi Chou	0	0	0	0
Director	Judicial person	K Way Information Corp. (Note 1)	0	0	0	0
	Representative	Cheng Che Tseng (Note 1)	0	0	0	0
Director		Jui Hsu Chen	0	0	10,000	0
Independent director		Ming Hsiung Wu	0	0	0	0
Independent director		Chien Chen Lin	0	0	0	0
Independent director		Ming Yuan Lin	0	0	0	0
Supervisor		Yu Chi Lin (Note 2)	0	0	0	0
Supervisor		Chih Cheng Lo (Note 2)	0	0	0	0
General manager		Nancy Huang	215,000	0	50,000	0
Manager		Kevin Chen	13,000 (20,000)	-	0	0
Manager		Michelle Chin	3,000	0	30,000	0
Major Shareholders (shares holding over 10%)		Peter Lin	(235,000)	3,000,000 (3,485,101)	0	0

Note 1: Re-elected and appointed as Director on June 10, 2020.

Note 2: Service ended on June 10, 2020. The information from the above table discloses to the termination date of being the Company's supervisor.

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

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

I. Relationship among the Top Ten Shareholders

As of 3/30/2021 ; Units: Shares ; %

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Ceres investment co., ltd.	9,506,594	7.52	—	—	—	—	Peter Lin	These two people are relatives within two degrees	—
							Hui Fen Wang	These two people are relatives within two degrees	
Ceres investment co., ltd. Representative : Tsai Han Lin	599,550	0.47	—	—	—	—	Peter Lin	These two people are relatives within two degrees	—
							Hui Fen Wang	These two people are relatives within two degrees	
Peter Lin	9,338,292	7.39	2,954,714	2.34	—	—	Hui Fen Wang	Couples	—
							Ceres Investment Co., Ltd.	Relatives of the chairman of the corporate shareholder within two degrees	
Hui Fen Wang	2,954,714	2.34	9,338,292	7.39	—	—	Peter Lin	Couples	—
							Ceres Investment Co., Ltd.	Relatives of the chairman of the corporate shareholder within two degrees	
Morris Jiang	2,142,735	1.70	503,185	0.40	—	—	—	—	—
National Yang Ming Chiao Tung University	2,141,017	1.69	—	—	—	—	—	—	—
Chen Chang Liu	2,101,039	1.66	5,974	0.00	—	—	—	—	—
K Way Information Corp.	1,322,264	1.05	—	—	—	—	—	—	—
K Way Information Corp. Representative : Cheng Che Tseng	0	0	0	0	—	—	—	—	—
Yung Wei Hsu	1,219,156	0.96	44,140	0.03	—	—	—	—	—
Wei Ren Chen	1,101,000	0.87	—	—	—	—	—	—	—
Prisma Commerce & Networks, Inc.	1,042,759	0.83	—	—	—	—	—	—	—
Prisma Commerce & Networks, Inc. Representative: Chih Chi Chou	0	0	0	0	—	—	—	—	—

J. Ownership of Shares in Affiliated Enterprises

2021/03/31

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Zotech Technology Co., Ltd.	3,500,000	85.37	0	0	3,500,000	85.37
ZeroneWin Investment Co., Ltd.	14,900,000	100.00	0	0	14,900,000	100.00
Asiaone Holdings Ltd	320,000	100.00	0	0	320,000	100.00
Techone(Shanghai)Co.,Ltd.	Not applicable (Note 1)	70.00	Not applicable (Note 1)	0	Not applicable (Note 1)	70.00
WingWill International Co., Ltd.	25,500,000	87.93	0	0	25,500,000	87.93
PetaCom technology Co., Ltd.	50,000,000	100.00	0	0	50,000,000	100.00
TrustONE Security Inc.	4,000,000	32.00	0	0	4,000,000	32.00

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

IV. Capital Overview

A. Capital and Shares

(A)Source of Capital

Month/Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT\$ thousands)	Shares	Amount (NT\$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
2020.03	10	150,000,000	1,500,000,000	124,623,212	1,246,232,120	Capital increased by employee stock options conversion \$3,560,000. Cancellation of restricted employee stock award \$120,000	None	Note 1
2020.05	10	150,000,000	1,500,000,000	124,846,212	1,248,462,120	Capital increased by employee stock options conversion \$2,230,000	None	Note 2
2020.08	10	150,000,000	1,500,000,000	124,963,212	1,249,632,120	Capital increased by employee stock options conversion \$1,170,000	None	Note 3
2020.11	10	150,000,000	1,500,000,000	125,272,212	1,252,722,120	Capital increased by employee stock options conversion \$3,090,000	None	Note 4
2021.03	10	150,000,000	1,500,000,000	125,640,212	1,256,402,120	Capital increased by employee stock options conversion \$3,680,000	None	Note 5

Note 1 : No. 10901038160

Note 2 : No. 10901078310

Note 3 : No. 10901154350

Note 4 : No. 10901219850

Note 5 : No. 11001042870

As of March 18, 2021 : Units: ShareS

Share Type	Authorized Capital			Remark
	Issued Shares	Unissued Shares	Total	
Registered Ordinary Shares	125,640,212	24,359,788	150,000,000	Listed Shares

Note 1: Related information of the general declaration system : None.

Note 2: As of the printing date of the annual report, the number of the issued ordinary shares is 126,344,212.

The increase in the number of 704,000 ordinary shares resulted from employee stock conversion are yet to be registered for approval.

(B) Status of Shareholders

As of March 30, 2021 ; Units : Shares

Shareholder structure Quantity	Government agency	Financial institution	Other Juridical Persons	Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	1	274	33,445	55	33,775
Shareholding (shares)	0	747,000	19,213,370	102,543,958	3,839,884	126,344,212
Percentage	0.00%	0.59%	15.21%	81.16%	3.04%	100.00%

(C) Shareholding Distribution Status

1. Common Shares

As of 03/30/2021

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1-999	18,877	645,195	0.51%
1,000-5,000	12,102	23,624,017	18.70%
5,001-10,000	1,517	12,059,583	9.55%
10,001-15,000	415	5,208,904	4.12%
15,001-20,000	261	4,925,178	3.90%
20,001-30,000	218	5,678,005	4.49%
30,001-50,000	173	6,925,906	5.48%
50,001-100,000	98	7,086,412	5.61%
100,001-200,000	63	9,211,000	7.29%
200,001-400,000	22	5,994,070	4.74%
400,001-600,000	12	6,513,422	5.16%
600,001-800,000	4	2,897,408	2.29%
800,001-1,000,000	3	2,705,542	2.14%
1,000,001 or over	10	32,869,570	26.02%
Total	33,775	126,344,212	100.00%

2. Preferred Shares: Not applicable.

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

As of 03/30/2021

Shareholder's Name	Share	Shares	Percentage
Ceres Investment Co., Ltd.		9,506,594	7.52%
Peter Lin		9,338,292	7.39%
Hui Fen Wang		2,954,714	2.34%
Morris Jiang		2,142,735	1.70%
National Yang Ming Chiao Tung University		2,141,017	1.69%
Cheng Chan Liu		2,101,039	1.66%
K Way Information Corporation		1,322,264	1.05%
Yung Wei Hsu		1,219,156	0.96%
Wei Ren Chen		1,101,000	0.87%
Prisma Commerce & Networks, Inc.		1,042,759	0.83%

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

Unit: NT\$ Dollar

Item		Year			
		2019	2020	01/01/2021-03/31/2021	
Market Price per Share	Highest Market Price	36.25	47.60	48.25	
	Lowest Market Price	19.30	25.50	36.65	
	Average Market Price	28.78	36.05	43.09	
Net Worth per Share (Note 1)	Before Distribution	19.42	21.15	19.55	
	After Distribution	17.42	18.14	--	
Earnings per Share	Weighted Average Shares (thousand shares)	123,354	124,381	125,420	
	Earnings Per Share	2.85	3.55	0.92	
Dividends per Share	Cash Dividends	2	3	--	
	Free share distribution	Dividends from Retained Earnings	0	0	--
		Dividends from Capital Surplus	0	0	--
	Accumulated Undistributed Dividends	0	0	--	
Return on Investment	Price / Earnings Ratio (Note 2)	10.10	10.15	--	
	Price / Dividend Ratio (Note 3)	14.39	12.02	--	
	Cash Dividend Yield Rate (Note 4)	6.95	8.32	--	
Note 1 : Financial data after distribution shall be resolved by the shareholders' meeting next year.					
Note 2: Price / Earnings Ratio = Average Market Price / Earnings per Share					
Note 3: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share					
Note 4: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price					
Note 5: 2020 Earning distribution was approved by the Board of Directors on Feb. 24, 2021.					

(F) Dividend Policy and Implementation Status

1. Dividend Policy:

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

2. Proposal to distribute profits in the shareholders' meeting :

Cash dividends to shareholders total NT\$ 377,835,636, and NT\$ 3 per share, approved by the Board of Directors on February 24, 2021.

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

(H) Employees' Compensation and Remuneration to Directors and Supervisors

1. Employees' Compensation and Remuneration to Directors and Supervisors as Stated in the Articles of Incorporation

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

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

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

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

2. The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period. : NA.
3. Information on any approval by the board of directors for distribution of compensation:
 - (1) The amount of any employee compensation distributed in cash or stocks and compensation for directors and supervisors. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed.

Unit : NT\$ Dollar

	2020		
	Board resolution	Estimate	Difference
Employee Compensation	23,613,142	23,613,142	NA
Remuneration to Directors & Supervisors	11,806,571	11,806,571	NA

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

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

Unit : NT\$ Dollar; Shares

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

(I) Repurchase of Company Shares : The company hasn't repurchased any company shares in 2020.

- B. Status of Corporate Bonds : None.
- C. Status of Preferred Stocks : None.
- D. Status of GDR/ADR : None.

E. Employee Stock Options:

(A) Issuance of Employee Stock Options:

As of 03/31/2021

Type of Stock Option	2015 1 st Tranche	2016 1 st Tranche	2017 1 st Tranche	
Approval date	July 14, 2015	August 16, 2016	December 18, 2017	
Issue date	August 31, 2015	September 5, 2016	January 5, 2018	September 3, 2018
Units issued	1,000 Units	1,860 Units	2,000 Units	2,000 Units
Shares of stock options to be issued as a percentage of outstanding shares (Note)	0.81%	1.51%	1.62%	1.62%
Duration	From 2015/08/31 to 2021/08/30	From 2016/09/05 to 2022/09/04	From 2018/01/05 to 2024/01/04	From 2018/09/03 to 2024/09/02
Conversion measures	Issuance of new shares	Issuance of new shares	Issuance of new shares	Issuance of new shares
Conditional conversion periods and percentages	(1) 2017/08/31:30% (2) 2018/08/31:60% (3) 2019/08/31:100%	(1) 2018/09/05:30% (2) 2019/09/05:60% (3) 2020/09/05:100%	(1) 2020/01/05: 30% (2) 2021/01/05: 60% (3) 2022/01/05: 100%	(1) 2020/09/03: 30% (2) 2021/09/03: 60% (3) 2022/09/03: 100%
Converted shares	808,000 shares	1,268,000 shares	35,000 shares	126,000 shares
Exercised amount	9,947,900 dollars	17,420,800 dollars	5,974,600 dollars	2,318,400 dollars
Number of shares yet to be converted	60,000 shares	398,000 shares	1,500,000 shares	1,718,000 shares
Adjusted exercise price for those who have yet to exercise their right	The unit price is NT \$ 11.70 dollars	The unit price is NT \$ 13.40 dollars	The unit price is NT \$ 16.80 dollars	The unit price is NT \$ 18.40 dollars
Unexercised shares as a percentage of total issued shares (Note)	0.05%	0.32%	1.19%	1.37%
Impact on possible dilution of shareholdings	The Company tends to attract and retain outstanding professionals, encourage excellent employees, and strengthen coherence of the Company, for creating benefits for the company and shareholders. Therefore, it has a positive effect on shareholders' equity.			

Note : Total issued shares indicate that number of issued shares of the Company registered by Ministry of Economic Affairs is 125,640,212 at present.

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

As of 03/31/2021

	Title	Name	No. of Stock Options	Stock Options as a Percentage of Shares Issued (%) (Note 1)	Exercised				Unexercised			
					No. of Shares Converted	Strike Price (NT\$)	Amount(NT\$ thousands)	Converted Shares as a Percentage of Shares Issued (%) (Note 1)	No. of Shares Converted	Strike Price (NT\$)	Amount(NT\$ thousands)	Converted Shares as a Percentage of Shares Issued (%) (Note 1)
Executive officers	General manager	Nancy Huang	1,350,000	1.07								
	General manager of the Business Divisions	Kevin Chen			50,000	12.4	620,000	0.04	140,000	13.4	1,876,000	0.11
	Senior Director of the Financial Management Division	Michelle Chin			230,000 60,000	13.4 14.2	3,082,000 852,000	0.18 0.05	450,000 420,000	16.8 18.4	7,560,000 7,728,000	0.36 0.33
Employee	Senior Vice General Manager	Ben Dai	2,400,000	1.91								
	Executive Assistant of the General Manager's Office	Gary Wang										
	Vice General Manager	Polina Yuan										
	Vice General Manager	Fanny Cheng			161,000	11.7	1,883,700	0.13				
					225,000	12.4	2,790,000	0.18				
					75,000	13.1	982,500	0.06				
	Director	Kammy Chuang			9,000	13.9	125,100	0.01	144,000	13.4	1,929,600	0.11
	Director	Charles Lin			300,000	13.4	3,350,000	0.24	561,000	16.8	9,424,800	0.45
					201,000	14.2	2,854,200	0.16	678,000	18.4	12,475,200	0.54
					51,000	16.8	856,800	0.04				
Senior Director	Jack Yang	28,000	17.8	498,400	0.02							
		12,000	18.4	220,800	0.01							
Product Director	Bonbon Wang											
Senior Manager	Roy Kuo											
Sales Director	May Chen											

Note1 : Total issued shares indicate that number of issued shares of the Company registered by Ministry of Economic Affairs is 125,640,212 at present.

F. Restricted Employee Shares:

(A) Issuance of New Restricted Shares:

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

	<p>(4) In case the Company applies for capital reduction by cash and other capital reduction other than capital reduction by law before employees meet the vesting conditions, the RSA shall be cancelled by pro rata of capital reduction. In case of capital reduction by cash, the cash returned must be given to trust and shall only be given to employees after meeting the vested conditions and period. Nonetheless in case the employees fail to meet the vested conditions upon the expiration, the Company shall recover the cash.</p> <p>(5) The RSA shares shall be kept in a custodial trust immediately after the issuance. The granted employees have no right to ask the trustee to return the RSA shares for any reasons or by any way prior to the achievement of vesting conditions.</p>
Custody Status of New Restricted Employee Shares	The vested shares should be deposited in trust of stock, assigned the Company or appointed proxy to sign and edit the relevant trust agreement with the trust organization, and deal with related matters for trust for employees who received the vested shares.
Measures to be Taken When Vesting Conditions are not Met	Restricted employee new shares as redeemed by the Company without charge will be cancelled.
Number of New Restricted Employee Shares that have been Redeemed or Bought Back	27,000 shares
Number of Released New Restricted Employee Shares	172,000 shares
Number of Unreleased New Restricted Shares	501,000 shares
Ratio of Unreleased New Restricted Shares to Total Issued Shares (%) (Note)	0.40
Impact on possible dilution of shareholding	The dilution for future EPS is limited and therefore has no major impact on shareholder's equity.

Note : Total issued shares indicate that number of issued shares of the Company registered by Ministry of Economic Affairs is 125,640,212 at present.

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

As of 03/31/2021

	Title	Name	No. of New Restricted Shares	New Restricted Shares as a Percentage of Shares Issued (Note 1)	Released				Unreleased			
					No. of Shares	Issued Price (NT\$)	Amount (NT\$ thousands)	Released Restricted Shares as a Percentage of Shares Issued (Note 1)	No. of Shares	Strike Price (NT\$)	Amount (NT\$ thousands)	Unreleased Restricted Shares as a Percentage of Shares Issued (Note 1)
Executive Officers	General manager	Nancy Huang	324,000	0.26	81,000	N.A.	10	0.06	243,000	N.A.	10	0.19
	General manager of the Business Divisions	Kevin Chen										
	Sr. Director of the Financial Mgt. Division	Michelle Chin										
Employees	Senior Vice General Manager	Ben Dai	200,000	0.16	50,000	N.A.	10	0.04	150,000	N.A.	10	0.12
	Executive Assistant of the General Manager's Office	Gary Wang										
	Vice General Manager	Polina Yuan										
	Vice General Manager	Fanny Cheng										
	Director	Kammy Chuang										
	Director	Charles Lin										
	Senior Director	Jack Yang										
	Product Director	Bonbon Wang										
	Senior Manager	Roy Kuo										
	Sales Director	May Chen										

Note 1: Total issued shares indicate that the number of issued shares of the Company registered by Ministry of Economic Affairs is 125,640,212 at present.

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

H. Financing Plans and Implementation

In 2021 Q1, with respect to each uncompleted public issue or private placement of securities, and to such issues and placements that were completed in the most recent 3 years but have not yet fully yielded the planned benefits, the company doesn't have the plan for each such public issue and private placement.

V. Operational Highlights

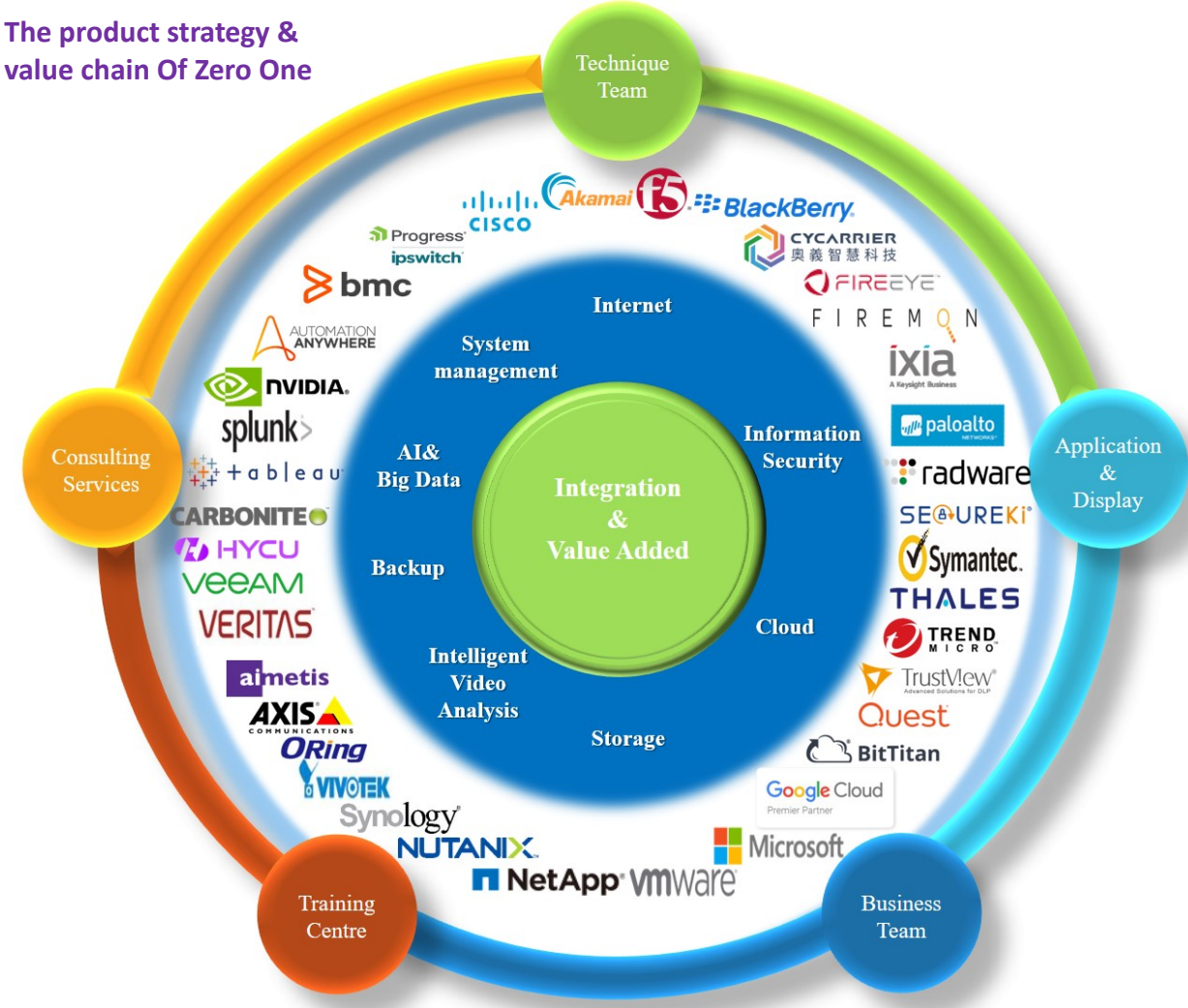
A. Business Activities

(A)The scope of business:

1. The major content of business of the Company goes as follows:

The company and subsidiaries continue to master the market trend, cooperate with the manufacturers, provides leading-edge, diversified, and sound IT solutions to meet the rapid and complex trend of technology, and continue to distribute international brand products. An upgraded and overall IT solutions is based on a motto – ”A distributor that satisfies business growth requirements and digital transformation; A partner that strategies on solution based products.”.

The structure of product agency is as follows:



2. Revenue distribution

2020

Units: NT\$ Thousands

Major Divisions	Total Sales	(%) of Total Sales
IT infrastructure	2,889,703	29.38
Network & information security	4,621,943	47.00
Cloud platform & application	1,844,467	18.76
Big data & application	474,176	4.82
Others	4,029	0.04
Total	9,834,318	100.00

3. The main products and services of the Company

(1) Big data analysis and AI application :

Data management platform, visual analysis tools, deep-learning platform and AIO.

(2) System application:

Servers, automatic deployment management and surveillance, backup, storage management, files classification.

(3) Integrated communication equipment:

Mobile office application and distance conference systems, networked video/voice conference, Intelligent Video Surveillance, IP network switch.

(4) Virtualization application:

Servers, virtualized operating system of desktop, and hybrid cloud and automatic management.

(5) Cloud application:

Basic infrastructure, OA application, cloud safety, cloud delivery network.

(6) Information security:

Advanced persistent threat protection, DDoS protection, server security and endpoint security, gateway protection, inspection of security of web codes, authentication and access security, mail server's protection, data security protection, IoT equipment security.

(7) Network equipment:

Switches, wireless networks, routers, network management systems, network equipment of data center, software-defined networking, network equipment of telecom service providers, network load balancing.

(8) Storage device:

Storage arrays, all-flash storage arrays, cloud-integrated applications, software-defined storage solutions, hyper-converged infrastructure solutions.

- Smart marketing strategies ◊
- Forward-looking market analysis ◊
- Assistance in broadening the horizon of marketing opportunities in the business world ◊
- Product promotion & Program planning ◊



(B) Industry overview

1. Situations and the development of the industry

The Company acts as a channel that provides enterprise integrated IT solution and valued-based professional service based on the market needs. The explanations below uses the research done by IDC, and Gartner to illustrate the current market, information equipment, cloud service and applications, network and information securities and big data and applications industries that the Company is in and the future potential.

(1) Information equipment:

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

(2) Cloud services and applications :

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

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

(3) Network & information security:

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

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

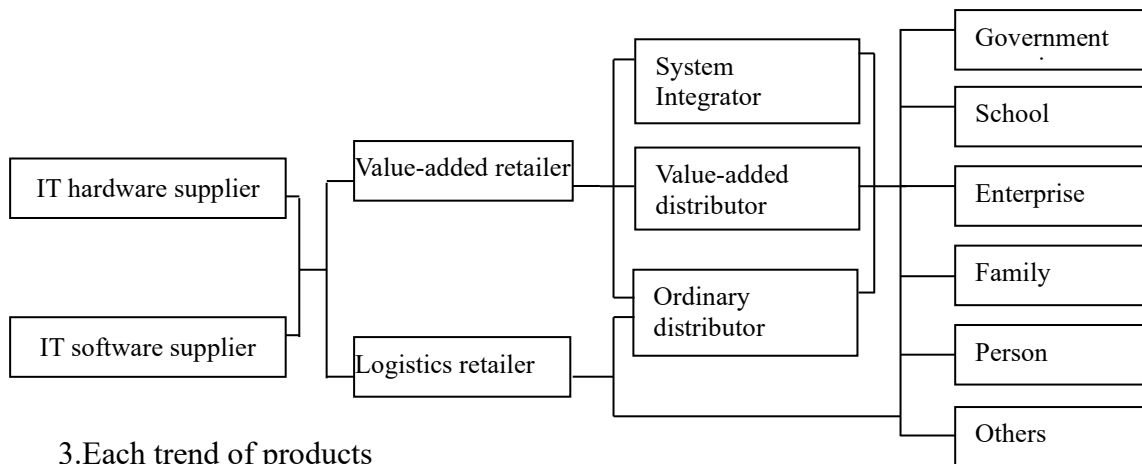
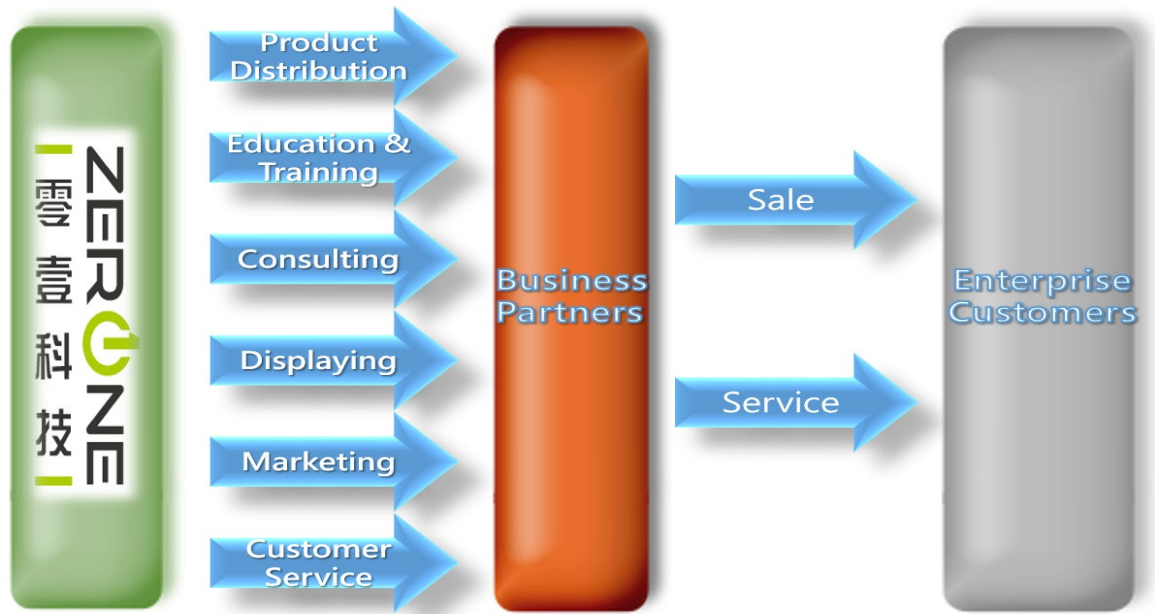
(4) Big data and application:

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

IEK of ITRI deems mastering information of important customers as a key point of becoming the digital business worlds. However, with the awareness of personal information protection, the company must obtain information via other methods, forecasts increasing requirements of data mart, and promotes establishment of the innovative operation method of emerging industries, for a wave of opportunities of the development of data market.

2. Correlation between upstream, mid-stream, and downstream industries

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



3. Each trend of products

(1) Software markets:

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

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

As for streaming services and marginal computing, and the analysis of the trend of miniaturized cloud service data centers, marginal computing is based on smart connections, real-time response and data security, and induces the connection of terminal devices, marginal equipment for forming a smart environment. Compared with cloud computing, marginal computing adopts more decentralized thoughts to design computing, constructing diversified computing, products and software and hardware services between the cloud and the terminal. It can be expected that the computing, storage, and connection performance of terminal

devices will further change in the future, and software definition and network virtualization technology will be on the edge, especially for devices in specific facilities, such as smart manufacturing industry and smart medical facilities. Forming a miniaturized cloud service data center from the upstream to downstream, the development of servo equipment and network toward new specifications and new applications is worth observing in the future.

(2) Cloud services and applications:

Oracle forecast driven by the popularity of cloud application services, 90% of manual IT operations and data management tasks in 114 fully automated years, will change the daily work of technicians require a lot of processing time, engineers will spend much time to develop advanced technologies, such as artificial intelligence and machine learning. Over the past decade, machine learning has required large servers, complex models, and extremely professional teams to put more time and resources. At present, some machine learning applications are able to put into motion sensors, and find more intelligent functions in edge devices. In 2022, IDC predicts that, 25% of global terminal equipment will have capabilities of AI edge computing. By collecting, analyzing, and learning the actions and usage habits of these AI terminal devices, with the deployment and services of 5G networks becoming more complete in the future, related feedback of it shall be transmitted back to the cloud through networking, for conforming to machine learning of the cloud. Therefore, edge computing will never replace cloud computing, but it can quickly improve the functions of cloud computing. By creating a decision system in the sensor, engineers can improve resources and save much energy and time. The successful application of these advanced technologies will be a supporting result for the service providers to move towards cloud services.

(3) Network and information security:

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

As for increasing attacks, ensuring data and system resilience is critical for enterprises. However, due to the shortage of labors for internet security, enterprises don't have enough professionals to ensure security. Hackers can easily launch attacks on systems with no patches installed. Therefore, in order to prevent endless network attacks, the best option for enterprises is to deploy autonomous systems and integrate advanced functions for security at all levels form application, data to the IT infrastructure of the chip.

During the past, enterprises adopt services of information security management to conduct surveillance and upgrade of equipment, and surveillance of the security incidents. With the rapid update of attacks and viruses, service providers begin to use new technologies, such as artificial intelligence and machine learning, to provide automatic detection, responses and digital forensics. Enterprises also change from a passive method to active ones in their defensive mode, and further extend from handling of the incidents of information securities before and after incidents happen, including advanced information security testing, threat intelligence, the practice of

incident responses, network security trainings and other services of "Threat Life-Cycle Management".

(4) Big data and application:

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

4. Situations of competition of products

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

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

(1) Advantages:

- a. A retailer of network value-added products.
- b. Cooperation with more than 2,500 distribution partners for network value-added products and solutions.
- c. The most professional and outstanding teams grouped by product managers.
- d. With a completed network solution of the brand-name product.
- e. A retailer has education & training center, and exhibition center of demo machines.
- f. A platform of services of innovative promotion.
- g. Consulting services for professional planning.
- h. Support services of professional technology.
- i. The business sites of Taipei, Taichung, Kaohsiung were established for providing perfect services to customers in Taiwan.

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

(C) Overview of technology and R&D

1. Technical level and research the development of the business

The main business activities are distribution and technical support services, R&D personnel focus on technology of agent products. The company and subsidiaries distribute most product lines of hardware and software of the network, and some of them are the major selling products of international manufacturers, hence having an advantage at the technical level, bring great benefits for selling agent products of the company and its subsidiaries. Otherwise, compared to a value-added channel retailer for

buying and selling agent products, we, a valued-added retailer, provide a full range of selling variety of products and professional services, as the field of electronic products channels is not limited to the field of the logistics channel. The company and its subsidiaries are supported by professional and technical personnel to provide customers with solutions of information products, thus laying a good image and status in the professional field of information and the network, and consolidating relationship with downstream customers.

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

2. During 2020 and as of the date of publication of this annual report, expenses of research and the development, as well as technology and products produced successfully.

Units: Amounts in thousands of NT

Items\Year	2020	2021 Q1
Expenses of research & development	7,427	1,584
Operating revenues	9,834,318	2,895,489
Ratio of expenses of research & development to operating revenues (%)	0.08	0.05

3. During 2020 and as of the date of publication of this annual report, technology and products developed and produced successfully.

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

(D) The development of the business plan in short term and long term

1. The short-term plan

- (1) To maintain relationship with top 200 distribution partners, and higher satisfaction of customers.
- (2) To establish a closer relationship with manufacturers.
- (3) To focus on the promotion of niche products to maintain high gross margin.
- (4) To concentrate the resources for operation of product lines and win stable profits.
- (5) To accomplish execution of the business.
- (6) To strictly control operating expenses.

2. The long-term plan

- (1) To introduce a product lines with much support of providing completed solutions as an object.
- (2) To operate a promotion approach for business, based on projects of solutions.
- (3) As for a guideline to helping customers become successful, we establish relationship with customers, in order to enhance loyalty of customers.
- (4) To establish innovative promotion, services platform, and regulations to improve operating efficiency.
- (5) To establish R&D standard operating procedures to ensure quality of products.
- (6) To continue employee education and training for enhancing professional knowledge.
- (7) To educate a technical team for providing services of consulting and planning.
- (8) To continue to require for and execute operating details.

B. Markets and sales Overview

(A) Market analysis

1.Areas of selling or providing products and services

Units: Amounts in thousands of NT dollars

Area \ Year	2019		2020	
	Amount	%	Amount	%
Taiwan	8,821,731	98.95	9,745,266	99.09
Other	93,439	1.05	89,052	0.91
Net operating revenues	8,915,170	100.00	9,834,318	100.00

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

As for fraught with uncertainty of conditions of economics and politics, and the purpose of a decrease in total operating expenses, a market survey institution-Gartner-predicts that enterprises shall purchase IT equipment and introduce solutions for improving efficiency of operation of enterprises, and making enterprises more competitive, and global IT expenditures shall reach 4.1 trillion US dollars in 2021, year-over-year growth at 8.4% compared to 2020. In 2022, the expenditures will reach a new height to 4.3 trillion US dollars, year-over-year growth at 5.5% compared to 2021.

Research data indicates that in 2021 as organizations strive to provide an environment for staff that is more comfortable, innovative and of high production value, all categories of IT will show a steady growth to help promote the overall operational efficiency of the businesses. Among the items of IT spending, devices category has the fastest growth of 14%; enterprise software (including SaaS-software as a service) comes next at a growth rate of 10.8%. In 2022 all IT spending categories will continue the trend of positive growth. It is anticipated that spending on cloud application services will exceed the traditional software purchase value. In addition, as many businesses require better IT devices (including cell phones and PCs), there will be a surge in the purchasing demand of IT device upgrade in Greater China and newly developed Asia Pacific region.

Table 1. Worldwide IT Spending Forecast (Millions of U.S. Dollars)

	2020 Spending	2020 Growth (%)	2021 Spending	2021 Growth (%)	2022 Spending	2022 Growth (%)
Data Center Systems	219,940	2.3	236,806	7.7	247,513	4.5
Enterprise Software	466,647	-2.1	516,872	10.8	571,725	10.6
Devices	663,223	-6.9	755,798	14.0	778,949	3.1
IT Services	1,021,187	-1.8	1,112,626	9.0	1,193,461	7.3
Communications Services	1,386,471	-0.7	1,450,444	4.6	1,504,743	3.7
Overall IT	3,757,468	-2.2	4,072,547	8.4	4,296,391	5.5

Source: Gartner (April 2021)

3.Niche of competition

The company has focused on operation of solutions of software and hardware of the network, organizing value-added channels for solutions of domestic products of the network for a long time, and continually evaluating and introducing each solution of the network as for leading brands. Our business philosophy is to help customers become successful, in addition to providing completed solutions of the network, and professional services of technical support. A long term and perfect relationship with partners by providing products to distribution partners and educational training of

technology for enhancing knowledge and sales capabilities of products of partners. Owing to keeping a good relationship with distribution partners, operating capabilities of the company is recognized by the business markets, through completed product portfolio and strong abilities of technical support. The viewpoints for explanation of competition niche are as follows:

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

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

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

(2) Completed value-added distribution channel:

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

(3) Innovative marketing platform:

The company makes manpower devotion to carry out different types of innovative marketing platform, hope to figure out requirements of customers precisely by our leading marketing channel, which is better than the industry, and improve satisfaction of customers through more interaction between the company and distribution partners.

(4) Innovative service models:

The company has drawn upon the concept of cooperative chain combined with capabilities of distribution partners to organize the only platform of information services in the industry. The platform provides all information services, including warranty, maintenance, installation, and solutions, etc., with the function of summary and notification of network anomaly traffic detection of the infrastructure outsourcing (IO). As for an enterprise with limited manpower and budget, the company may sacrifice quality of network performance under cost consideration. Therefore, services of network monitoring enable enterprises to control connection status of network devices, and immediately receive notification of disconnection of the network by a simple and convenient method

(5) Well-equipped education and training center:

The education and training center of the company, which is the only retailer and agent who provide services of long-term education and training to salespersons of distribution partners and engineers regarding with products and technology, is well-equipped with three classrooms for up to 200 people at present, and helps distribution partners win the trust and acquire technological support of end-users, through completed education and training authorized by manufacturers.

(6) Planning services of professional consulting:

The company has had the teams of professional consulting services, and been good at different fields of solutions, which not only assist technical support of distribution partners but also train paid internship of technical support, of the network, and provided value-added services for create a competitive advantage for unique services distinct from other retailers. The company draws out strategies of innovative services and platform, points out the above competitive advantages analyzed by observation of it, based on its competitiveness, and provides services distinct from partners to maintain unique competitive advantages of the company.

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

(1) Factors of advantages of the development for prospects

a. Invention of new technologies increase requirements of users

Appearance of the broadband network to cloud based technology leads to different types of solutions produced and requirements of information security increased. Requirements of information security emerged, due to implementing different types of projects, and users depend on information solutions frequently. As technologies continue to develop, we concluded that IT of information industries will keep growing in the long term.

b. To create new opportunities in a digital era

The world shall be trapped in a storm of digitalization, beyond the borders of the countries, as technology of unmanned and automation manipulates the world day and night. For completion of global infrastructure of fiber-optic internet, we meet requirement of customers who need services of solutions, correspondent to the trend in the internet age. For example, how to establish an automated and interactive operation of the business model of promotion shall be an opportunity for huge growth of profits.

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

a. Cutthroat competition of the Same Trade Concerned leads to decrease profits

Countermeasure strategy:

- (a) To focus on core competitive advantages and provide services of differentiation.
- (b) To discard the produce line of low profit margin products without value-added.
- (c) To provide niche products in the niche markets and provide integrated solutions.
- (d) Switch from traditional sales of single-function products to solution-oriented approach.
- (e) To concentrate on the channel of distribution, and enhance satisfaction of customers.
- (f) To develop new type of the retailer, for creation of drawing up a blue ocean strategy.

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

To make sound business decisions:

- (a) To control time for completion of the project.
- (b) To strictly execute surveillance and control for inventories, inspect inventories for safety stock based on market demand.
- (c) To establish a good relationship with manufacturers, and receive new information of products.
- (d) To make manufacturers agree with our policy of sales return.
- (e) To increase product turnover and sales speed is the core value of the company.
- (f) To strictly control and manage procedures of the procurement.

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

1. Important use of major products

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

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

(C) Supply Status of Main Materials

Major Raw Materials	Major suppliers	Source of Supply	Supply Situation
distributed Products	NetApp	USA	Good
	CISCO		Good
	Microsoft		Good
	Vmware		Good
	Akamai		Good

(D)Major Suppliers & clients

1. Names, amount and percentage of the major suppliers in the last two calendar years that exceeded 10% of total sales of the consolidated financial:

Units: NT\$ Thousands

Item	2019				2020				2021 (As of March 31)			
	Company Name	Amount	Percent (%)	Relation with Issuer	Company Name	Amount	Percent (%)	Relation with Issuer	Company Name	Amount	Percent (%)	Relation with Issuer
1	CISCO BV	4,075,109	41.35	NA	CISCO BV	4,158,744	40.48	NA	CISCO BV	1,071,022	35.07	NA
2	NetApp	1,368,149	13.88	NA	NetApp	1,706,351	16.61	NA	NetApp	769,710	25.20	NA
3	—	—	—	NA	—	—	—	NA	—	—	—	NA
—	Others	4,411,792	44.77	—	Others	4,409,270	42.91	—	Others	1,213,112	39.73	—
—	Net Total Supplies	9,855,050	100.00	—	Net Total Supplies	10,274,365	100.00	—	Net Total Supplies	3,053,844	100.00	—

Note : The explanation of the reason for increases or decreases : No significant difference in the percentage of the major suppliers.

2. Names, amount and percentage of the major clients in the last two calendar years that exceeded 10% of total sales of the consolidated financial:

Item	2019				2020				2021 (As of March 31)			
	Company Name	Amount	Percent (%)	Relation with Issuer	Company Name	Amount	Percent (%)	Relation with Issuer	Company Name	Amount	Percent (%)	Relation with Issuer
1	—	—	—	NA	Genesis Technology Inc. (Note)	1,001,631	10.19	NA	Kinmax Technology Inc.	385,365	13.31	NA
—	Others	8,915,170	100.00	—	Others	8,832,687	89.81	—	Others	2,510,124	86.69	—
—	Net Sales	8,915,170	100.00	—	Net Sales	9,834,318	100.00	—	Net Sales	2,895,489	100.00	—

Note : The explanation of the reason for increases or decreases: Net sales of Kinmax exceeded 10% of total sales was due to the increase in the number of projects.

(E) Production in the last two Years

Units: NT\$ Thousand; set

Output		Year	2019		2020	
		Major Products	Quantity (Note 2)	Amount	Quantity (Note 2)	Amount
Distributed Products	1.IT infrastructure		1,727,590	2,076,275	1,989,224	2,486,457
	2.Network & information security		2,552,775	5,818,819	2,025,723	6,051,936
	3.Cloud platform & application		27,409,090	1,528,281	56,473,579	1,494,714
	4.Big data & application		30,388	522,708	24,171	394,001
	5.Others		2,152	2,744	326	1,610
Total			31,721,995	9,948,827	60,513,023	10,428,718

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

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

(F) Shipments and Sales in the Last Two Years

Units: NT\$ Thousand; set

Shipments & Sales		Year	2019				2020			
		Major Products	Local		Export		Local		Export	
			Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Distributed Products	1.IT infrastructure	1,388,846	2,220,448	221,057	121,124	1,760,262	2,747,684	170,494	142,019	
	2.Network & information security	3,140,591	4,315,845	610	18,669	2,001,686	4,606,679	57,638	15,264	
	3.Cloud platform & platform	25,823,112	1,625,281	1,578,674	26,499	53,180,880	1,830,408	3,124,660	14,059	
	4.Big data & application	33,404	529,973	223	50,678	24,840	434,815	321	39,361	
	5.Others	2,092	4,725	3	1,928	374	3,750	30	279	
Total		30,388,045	8,696,272	1,800,567	218,898	56,968,042	9,623,336	3,353,143	210,982	

C. Human Resources

As of April 30, 2021

Year		2019	2020	As of April 30, 2021
Number of Employees	Executive officers	18	19	19
	Employee	220	230	259
	Total	238	249	278
Average Age		38.3	38.47	37.79
Average Years of Service		5.97	6.53	5.84
Education	Ph.D.	0%	0%	0%
	Masters	7.98%	11.65%	11.51%
	Bachelor's Degree	88.66%	83.13%	82.37%
	Senior High School	3.36%	5.22%	6.12%
	Below Senior High	—	—	—

D. Environmental Protection Expenditure:

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

E. Labor Relations

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

1. Employee welfare policy

(1) Insurance

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

(2) Aspects of health and safety

- a. Annual physical examination of employees shall be held, as the Company pays attention to the result of physical examination of employees. If the employee agrees, the Company assists the employees, who have had abnormal results or special situations of physical examination, in tracking and observing for treatment, and assuring the employee keeping healthy.
- b. For enhancing recognition of awareness of firefighting and disaster prevention, and preventing that the employee being too nervous to trigger an accident from conflagration and other disasters, the Company shall hold annual courses of fire safety for increasing general knowledge of firefighting.
- c. The building of the headquarter of the Company is equipped with AED, and regular safety seminars and CPR courses are held to instruct the employee in usage, in case of emergency.

(3) For traveling

- a. Employees' welfare committee of the Company holds annual activities of domestic and international traveling, with NT\$ 20,000 of reimbursement for traveling each person.
- b. The Company shall regularly hold "family day", the year-end party, different recreational and artistic activities, in order to provide physical and mental relaxation, and create new interactive experience for employees.

(4) Clubs

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

(5) Vacation

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

(6) Survey for employee satisfaction

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

(7) Birthday, wedding and funeral

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

(8) Childbirth allowance

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

(9) Other allowance

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

(10) Hardware equipment

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

2. On-the-job training of employees

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

3. The system and implementation of retirement

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

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

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

4. Agreement between labor and management

The Company always pays higher attention on the harmony relation with labor and management, regularly holding meetings, in line with benefits-sharing of labor and management, and putting much effort in the Company's prospect.

5. Various policies for maintenance of employees' rights

The Company concentrates on employees' opinions, messages of the policies of the Company correctly transmitted, and two-way communication, and establishes multiple methods for communication with employees, whose voice shall help relationship between labor and management better.

- (1) We hold a semi-annual meeting for employees every half year by the executive officers, who report operational situations semiannually, business plan, and future goals, announce new information, for helping employees realize state of operation and prospect of the Company. Besides, the executive officers shall semi-annually praise the employees for outstanding performance, for fostering labor harmony.
- (2) The Company hasn't set union yet, but shall hear the voice of employees through the conference of labor and management every quarter, with two-way communication with employees, whose ideas may be adopted for room for improvement, helping foster labor harmony.
- (3) The Company sets the committee of employee benefits to enhance employees' benefits by funds provided by the Company.

6. Measures to improve employee benefits or interests compared with the previous year

- (1) The allowance of health inspection was increased with various inspection items, in order to protect health of employees.
 - (2) The Company organized dinner gathering to create stronger bonds between employees and harmony.
 - (3) The Company held Family Day activity with no charge for staff and their family members and promote happiness in families and social harmony.
 - (4) As for promoting the atmosphere of physical activity, the Company formed Sports Club, in order to help employee exercise and release pressure off the work.
 - (5) The Company had signed the contracts with 5 daycare centers in the chain or privateform, in order to provide a best child-care policy to employees.
- (B) Loss suffered from labor disputes in the latest year and up to the printing date of this Annual Report: None.

F. Important Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Distributor Agreement	Akamai	2020.05.17~2021.05.17	Authorized to distributing clouds services products	Territory: Taiwan
	CISCO	2020.08.01~2021.07.31	Authorized to distributing network telecommunications equipment	
	F5	2010.09.01~2021.08.31	Authorized to distributing products of F5	
	Microsoft	2018.09.01~2021.08.31	Authorized to distributing software products of MOLP, SELECT	
	NetApp	2020.05.01~2021.04.30	Authorized to distributing the data service of hybrid cloud	
	Nutanix	2020.07.06~2021.07.05	Authorized to distributing products of Nutanix	
	NVIDIA	2020.05.29~2021.05.28	Authorized to distributing products of Nvidia	
	Palo Alto Networks	2020.09.22~2021.09.21	Authorized to distributing products of information security	
	Synology	2020.05.31~2021.05.30	Authorized to distributing products of anti-virus software or enterprise authorized	
	Trend Micro	2020.01.01~2020.12.31	Authorized to distributing products of anti-virus software or enterprise authorized	
	Veeam	2020.04.27~2021.04.26	Authorized to distributing virtual back-up products	
	Veritas	2020.10.03~2021.10.02	Authorized to distributing products of Veritas	
	VMware	2020.04.01~2021.03.31	Authorized to distributing products of VMware	

VI. Financial Information

A. Five-Year Financial Summary

(A) Condensed Balance Sheet

1. Consolidated Condensed Balance Sheet—Based on IFRS

Units: NT\$ Thousands

Item	Year	Financial Summary for The Last Five Years (Note1)					As of March31, 2021 (Note3)
		2016	2017	2018	2019	2020	
Current assets		3,067,517	3,180,231	3,779,240	4,489,720	4,649,078	4,948,138
Property, Plant and Equipment (Note 2)		303,812	310,083	313,715	314,412	308,367	306,276
Intangible assets		1,427	970	950	1,395	1,238	1,347
Other assets (Note 2)		18,399	21,222	41,095	47,850	55,534	73,346
Total assets		3,454,395	3,618,710	4,393,847	5,225,352	5,471,676	5,847,639
Current liabilities	Before distribution	1,416,482	1,504,140	2,166,142	2,771,478	2,774,855	3,336,755
	After distribution	1,563,172	1,663,624	2,350,745	3,021,052	3,152,691	—
Non-current liabilities		20,835	21,403	23,115	27,685	27,409	28,907
Total liabilities	Before distribution	1,437,317	1,525,543	2,189,257	2,799,163	2,802,264	3,365,662
	After distribution	1,584,007	1,685,027	2,373,860	3,048,737	3,180,100	—
Equity attributable to shareholders of the parent		2,009,206	2,083,972	2,196,297	2,420,304	2,657,270	2,470,346
Capital stock		1,212,655	1,224,804	1,228,965	1,246,352	1,256,402	1,263,292
Capital surplus		421,421	434,135	446,515	470,136	478,757	481,206
Retained earnings	Before distribution	391,853	440,534	537,661	696,340	887,761	645,151
	After distribution	245,163	281,050	353,058	446,766	509,925	—
Other equity interest		(16,723)	(15,501)	(16,844)	7,476	34,350	80,697
Treasury stock		—	—	—	—	—	—
Non-controlling interest		7,872	9,195	8,293	5,885	12,142	11,631
Total equity	Before distribution	2,017,078	2,093,167	2,204,590	2,426,189	2,669,412	2,481,977
	After distribution	1,870,388	1,933,683	2,019,987	2,176,615	2,291,576	—

Note 1 : Financial data from 2016 to 2020 has been audited and reviewed by the CPA.

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

Note 3 : Financial data in 2021 Q1 has been reviewed by the CPA.

Note 4 : The earning distribution of 2020 was approved by Board of Director on February 24, 2021.

2. Parent Condensed Balance Sheet–Based on IFRS

Units: NT\$ Thousands

Item	Year	Financial Summary for The Last Five Years (Note1)				
		2016	2017	2018	2019	2020
Current assets		2,950,212	3,009,604	3,652,816	4,385,048	4,501,049
Property, Plant and Equipment (Note 2)		302,077	308,819	312,926	313,991	307,276
Intangible assets		952	893	902	1,358	765
Other asset(Note 2)		17,477	20,013	38,998	44,606	40,257
Total assets		3,377,377	3,556,852	4,370,583	5,198,062	5,416,016
Current liabilities	Before distribution	1,347,246	1,451,434	2,151,171	2,750,082	2,735,367
	After distribution	1,493,936	1,610,918	2,335,774	2,999,656	3,113,203
Non-current liabilities		20,925	21,446	23,115	27,676	23,379
Total liabilities	Before distribution	1,368,171	1,472,880	2,174,286	2,777,758	2,758,746
	After distribution	1,514,861	1,632,364	2,358,889	3,027,332	3,136,582
Capital stock		1,212,655	1,224,804	1,228,965	1,246,352	1,256,402
Capital surplus		421,421	434,135	446,515	470,136	478,757
Retained earnings	Before distribution	391,853	440,534	537,661	696,340	887,761
	After distribution	245,163	281,050	353,058	446,766	509,925
Other equity interest		(16,723)	(15,501)	(16,844)	7,476	34,350
Treasury stock		—	—	—	—	—
Total equity	Before distribution	2,009,206	2,083,972	2,196,297	2,420,304	2,657,270
	After distribution	1,862,516	1,924,488	2,011,694	2,170,730	2,279,434

Note 1 : Financial data from 2016 to 2020 has been audited and reviewed by the CPA.

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

Note 3 : The earning distribution of 2020 was approved by Board of Director on February 24, 2021.

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

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

Units: NT\$ Thousands

Item \ Year	Financial Summary for The Last Five Years (Note 1)					As of March 31, 2021 (Note 2)
	2016	2017	2018	2019	2020	
Operating revenue	5,932,359	5,967,589	6,647,352	8,915,170	9,834,318	2,895,489
Gross profit	579,268	588,291	681,744	896,158	1,046,126	279,734
Income from operations	258,122	234,694	280,582	399,789	504,640	131,999
Non-operating income and expenses	7,923	9,812	34,373	43,013	49,335	13,542
Income before tax	266,045	244,506	314,955	442,802	553,975	145,541
Income from operations of continued segments - after tax	225,344	194,906	252,037	349,155	440,398	115,331
Income from discontinued operations	—	—	—	—	—	—
Net income (Loss)	225,344	194,906	252,037	349,155	440,398	115,331
Other comprehensive income (income after tax)	3,691	610	(7,173)	26,728	21,860	64,318
Total comprehensive income	229,035	195,516	244,864	375,883	462,258	179,649
Net income attributable to shareholders of the parent	224,077	195,983	252,939	351,313	441,623	115,828
Net income attributable to non-controlling interest	1,267	(1,077)	(902)	(2,158)	(1,225)	(497)
Comprehensive income attributable to Shareholders of the parent	227,768	196,593	245,766	377,991	463,499	180,160
Comprehensive income attributable to non-controlling interest	1,267	(1,077)	(902)	(2,108)	(1,241)	(511)
Earnings per share	1.85	1.61	2.06	2.85	3.55	0.92

Note 1 : Financial data from 2016 to 2020 has been audited and reviewed by the CPA.

Note 2 : Financial data in 2021 Q1 has been reviewed by the CPA.

Note 3 : No discontinued operation.

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

Units: NT\$ Thousands

Item \ Year	Financial Summary for The Last Five Years (Note 1)				
	2016	2017	2018	2019	2020
Operating revenue	5,629,077	5,836,451	6,551,970	8,826,659	9,658,778
Gross profit	522,138	572,670	649,278	865,943	997,244
Income from operations	241,713	242,322	282,640	409,151	511,320
Non-operating income & expenses	20,366	2,988	32,837	35,264	43,589
Income before tax	262,079	245,310	315,477	444,415	554,909
Income from operations of continued segments - after tax	224,077	195,983	252,939	351,313	441,623
Income from discontinued operations	—	—	—	—	—
Net income (Loss)	224,077	195,983	252,939	351,313	441,623
Other comprehensive income (income after tax)	3,691	610	(7,173)	26,678	21,876
Total comprehensive income	227,768	196,593	245,766	377,991	463,499
Earnings per share	1.85	1.61	2.06	2.85	3.55

Note 1 : Financial data from 2016 to 2020 have all been inspected and authenticated by CPAs.

Note 2 : No discontinuing operation.

(C) Auditors' Opinions in the last five years

Year	Accounting Firm	CPA	Audit Opinion
2016	Deloitte & Touche, Taiwan, Republic of China	Wen Chin Lin, Li Wen Kuo	An unqualified opinion
2017		Wen Chin Lin, Hsin Wei Tai	
2018			
2019			
2020		Cheng Ming Lee Pei De Chen	

B. Five-Year Financial Analysis

(A) Consolidated Financial Analysis – Based on IFRS

Item		Year					As of March 31, 2021 (Note2)
		Financial Analysis for the Last Five Years (Note 1)					
		2016	2017	2018	2019	2020	
Financial structure (%)	Debt Ratio	41.61	42.16	49.83	53.55	51.21	57.56
	Ratio of long-term capital to property, plant and equipment	663.92	675.03	702.74	772.16	874.55	819.81
Solvency (%)	Current ratio	216.56	211.43	174.47	180.41	167.54	148.29
	Quick ratio	184.13	178.19	130.09	126.59	121.91	116.62
	Interest earned ratio (times)	223.07	654.76	880.76	214.40	261.20	2747.06
Operating performance	Accounts receivable turnover (times)	3.84	3.61	3.75	4.54	4.71	5.03
	Average collection period	95.05	101.10	97.33	80.39	77.49	72.56
	Inventory turnover(times)	12.42	11.50	8.33	7.09	6.86	9.17
	Accounts payable turnover (times)	4.96	4.49	4.11	4.35	4.11	4.56
	Average days in sales	29.39	31.73	43.81	51.48	53.21	39.80
	Property, plant and equipment turnover (times)	19.40	19.44	21.31	28.39	31.58	37.69
	Total asset turnover (times)	1.77	1.69	1.66	1.85	1.84	2.05
Profitability	Return on total assets(%)	6.77	5.52	6.30	7.29	8.27	8.15
	Return on stockholders' equity (%)	11.49	9.48	11.73	15.07	17.29	17.91
	Pre-tax income to paid-in capital (%)	21.94	19.96	25.63	35.53	44.09	11.52
	Profit ratio (%)	3.80	3.27	3.79	3.92	4.48	3.98
	Earnings per share (NT\$)	1.85	1.61	2.06	2.85	3.55	0.92
Cash flow	Cash flow ratio (%)	14.04	25.82	2.54	16.57	10.24	2.02
	Cash flow adequacy ratio (%)	36.54	75.10	76.96	116.34	88.33	89.14
	Cash reinvestment ratio (%)	3.63	10.87	(4.47)	7.97	1.22	2.54
Leverage	Operating leverage	274.88	229.36	245.39	210.71	189.63	186.22
	Financial leverage	100.47	100.16	100.13	100.52	100.42	100.04
<p>Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%):</p> <ol style="list-style-type: none"> 1. The increase in interest earned ratio was mainly due to the increase in profit before tax. 2. The increase in pre-tax income to paid-in capital was mainly due to the increase in profit before tax. 3. The increase in earnings per share was mainly due to the increase in profit after tax. 4. Cash flow: The decreases in cash flow, cash flow adequacy and cash reinvestment ratio were mainly due to the decrease in net cash generated from operating activities. 							

Note 1: Financial data from 2016 to 2020 have all been inspected and authenticated by CPAs.

Note 2: 2021 Q1 financial data has been reviewed by CPAs.

Note 3: The calculation formula goes as follows.

1. Financial Structure

(1) Debt Ratio = total liabilities / total assets

(2) Ratio of long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net worth of property, plant and equipment

2. Solvency

(1) Current ratio = current assets / current liabilities

(2) Quick ratio = (current assets – inventory – prepaid expenses) / current liabilities

(3) Interest coverage ratio = income before income tax and interest expenses / current interest expenses

3. Operating ability

- (1) Receivables (including accounts receivable and notes receivable arising from business operations) turnover rate = net sales / average receivables (including accounts receivable and notes receivable arising from business operations) for each period
- (2) Average collection days for receivables = 365 / receivables turnover rate
- (3) Inventory turnover rate = cost of sales / average inventory
- (4) Payables (including accounts payable and notes payable arising from business operations) turnover rate = cost of sale / average payables (including accounts payable and notes payable arising from business operations) for each period
- (5) Average days of sale = 365 / inventory turnover rate
- (6) Property, plant and equipment turnover rate = net sales / average net worth of property, plant and equipment
- (7) Total asset turnover rate = net sales / average total asset

4. Profitability

- (1) Return on assets = [net income + interest expenses (1 - tax rate)] / average total assets
- (2) Return on equity = net income / average total equity
- (3) Profit margin before tax = net income / net sales
- (4) Earnings per share = (profit and loss attributable to owners of the parent – dividends on preferred shares) / weighted average number of issued shares

5. Cash flow

- (1) Cash flow ratio = Net cash flow from operating activities / current liabilities
- (2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (capital expenditures + inventory increase + cash dividend)
- (3) Cash flow reinvestment ratio = (Net cash flow from operating activities – cash dividend) / gross property, plant and equipment value + long-term investment + other non-current asset + working capital)

6. Leveraging:

- (1) Operating leverage = (net operating revenue – variable operating costs and expenses) / operating income
- (2) Financial leverage = operating income / (operating income – interest expenses)

(B) Parent Financial Analysis–Based on IFRS

Items for Analysis		Financial Analysis for the Last Five Years (Note1)				
		2016	2017	2018	2019	2020
Financial Structure (%)	Debt Ratio	40.51	41.41	49.75	53.44	50.94
	Ratio of long-term capital to property, plant and equipment	672.06	674.82	701.86	771.32	872.39
Solvency (%)	Current ratio	218.98	207.35	169.81	159.45	164.55
	Quick ratio	185.49	174.90	125.51	111.25	118.97
	Interest earned ratio (times)	425.08	680.53	882.22	217.37	272.35
Operating performance	Accounts receivable turnover (times)	3.77	3.58	3.72	4.53	4.69
	Average collection period	96.82	101.96	98.12	80.57	77.83
	Inventory turnover (times)	12.31	11.66	8.43	7.11	6.85
	Accounts payable turnover (times)	5.03	4.60	4.14	4.34	4.07
	Average days in sales	29.65	31.30	43.30	51.34	53.28
	Property, plant and equipment turnover(times)	18.62	19.11	21.08	28.16	31.09
	Total assets turnover (times)	1.74	1.68	1.65	1.84	1.82
Profitability	Return on total assets (%)	7.56	5.66	6.39	7.38	8.35
	Return on stockholders' equity (%)	12.51	9.58	11.82	15.21	17.40
	Pre-tax income to paid-in capital (%)	21.61	20.03	25.67	35.66	44.17
	Profit ratio (%)	3.98	3.36	3.86	3.98	4.57
	Earnings per share (NT\$)	1.85	1.61	2.06	2.85	3.55
Cash flow	Cash flow ratio (%)	12.33	28.77	5.28	14.16	10.15
	Cash flow adequacy ratio (%)	44.05	85.53	84.69	118.29	90.26
	Cash reinvestment ratio (%)	2.11	12.28	(1.98)	8.00	1.00
Leverage	Operating leverage	238.88	216.67	235.57	199.17	179.29
	Financial leverage	100.26	100.15	100.13	100.50	100.40
<p>Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%):</p> <ol style="list-style-type: none"> 1. The increase in interest earned ratio was mainly due to the increase in profit before tax. 2. The increase in pre-tax income to paid-in capital was mainly due to the increase in profit before tax. 3. The increase in earnings per share was mainly due to the increase in profit after tax. 4. Cash flow: The decreases in cash flow, cash flow adequacy and cash reinvestment ratio were mainly due to the decrease in net cash generated from operating activities. 						

Note1 : Financial data from 2016 to 2020 have all been inspected and authenticated by CPAs.

Note2 : Calculation formula is same as the above table(A) Note3.

Zero One Technology Company Ltd.

Audit Committee's Review Report

The Board of Directors has prepared the company's 2020 Consolidated, and Parent Company Only Financial Statements. The CPAs of Deloitte & Touche, Cheng Ming Lee and Pei De Chen, were retained to audit ZOTC's Financial Statements. The Business Report, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by the supervisors of ZERO ONE Technology Company Limited. According to Article 14-4 of Securities and Exchange Act, and Article 219 of the Company Act, we hereby submit this report.

Sincerely,

The 2021 Annual Shareholders' Meeting

The Audit Committee of ZERO ONE TECHNOLOGY
COMPANY LIMITED

Chairperson: Ming Yuan Lin

24 February 2021

- D. Consolidated Financial Statements for the Years Ended December 31, 2020 and 2019, and Independent Auditors' Report: Please refer to page 90 to 146 of the annual report.
- E. Financial Statements for the Years Ended December 31, 2020 and 2019, and Independent Auditors' Report: Please refer to page 147 to 215 of the annual report.
- F. If the Company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the Company's financial situation: None.

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

A. Analysis of Financial Status

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

Units: NT\$ Thousands

Item	Year	2019	2020	Units: NT\$ Thousands		
				Amount	%	Note
Current Assets		4,489,720	4,649,078	159,358	3.55%	
Property, Plant and Equipment		314,412	308,367	(6,045)	(1.92%)	
Intangible Assets		1,395	1,238	(157)	(11.25%)	
Other Assets		47,850	55,534	7,684	16.06%	
Total Assets		5,225,352	5,471,676	246,324	4.71%	
Current Liabilities		2,771,478	2,774,855	3,377	0.12%	
Noncurrent Liabilities		27,685	27,409	(276)	(1.00%)	
Total Liabilities		2,799,163	2,802,264	3,101	0.11%	
Total Equity Attributable to Owners Of The Company		2,420,304	2,657,270	236,966	9.79%	
Capital Stock		1,246,352	1,256,402	10,050	0.81%	
Capital Surplus		470,136	478,757	8,621	1.83%	
Retained Earnings		696,340	887,761	191,421	27.49%	(1)
Other Equity		7,476	34,350	26,874	359.47%	(2)
Treasury Stock		—	—	—	—	
Non-Controlling Interest		5,885	12,142	6,257	106.32%	
Total Stockholders' Equity		2,426,189	2,669,412	243,223	10.02%	
1. Analysis of changes in financial ratios: (Changes by 20% or more and NTD 10 million or more) (1) The increase in retained earnings was mainly due to the increase in net profit after tax in 2020. (2) The increase in other equity was mainly due to the increase in unrealized gain on investments in equity instrument. 2. Future response actions: None						

B. Analysis of financial performance

Units: NT\$ Thousands

Item	Year	2019	2020	Differences Amount	Differences %	Note
Net Revenue		8,915,170	9,834,318	919,148	10.31%	
Gross operating profit		896,158	1,046,126	149,968	16.73%	
Profit from operations		399,789	504,640	104,851	26.23%	(1)
Non-business income and expenditure		43,013	49,335	6,322	14.70%	(1)
Pre-tax profit		442,802	553,975	111,173	25.11%	(1)
Net profit (losses)		349,155	440,398	91,243	26.13%	
Other comprehensive (loss) income for the year, net of income tax		26,728	21,860	(4,868)	(18.21%)	(2)
Total comprehensive (loss) income		375,883	462,258	86,375	22.98%	
<p>1. Analysis of changes in financial ratios: (changes by 20% or more and NTD 10 million or more)</p> <p>(1) The increases in profit from operations, pre-tax profit and net profit were mainly due to the increase in sales volume in 2020.</p> <p>(2) Total comprehensive (loss) income was mainly due to the increase in net profit in 2020.</p> <p>2. A sales volume forecast and the basis therefor, and the effect upon the Company's financial operations as well as measures to be taken in response:</p> <p>(1) As for products distribution, the Company will continue to focus on sales of various IT's software, cloud platform and application, network and information security, big data of AI and its application and value-added services, owing to most types of products and services, with high unit prices, belonging to project sales and value-added services, hence we forecast sales volume in 2021 will be similar to the sales volume in past years.</p> <p>(2) We expect our operating results conduct no material effects on our finance and business, with no change in our business plan and a perfect financial structure in 2020.</p>						

C. Analysis of Cash Flow

(A) Cash Flow Analysis for the Current Year

Units: NT Thousands

Balance of cash at start of term (1)	Net cash flow from business activities throughout the year (2)	Net cash flow from Investing and Financing activities throughout the year (3)	Balance of cash (shortage) (1)+(2)-(3)	Remedies for shortage in cash	
				Investment plan	Wealth management plan
335,497	284,098	18,295	637,890	—	—

1. Cash utilization and liquidity analysis of the current year:
- (1) Business activities: Net cash generated NT\$ 284,098 thousand.
 - (2) Investing activities: Net cash generated NT\$ 416,635 thousand; It is generated mainly by disposal of financial instrument.
 - (3) Financing activities: Net cash used NT\$ 390,699 thousand; (with Effect of foreign Exchange 7,641); It is generated mainly by the decrease of short-term loans and distribution of cash dividends.
2. Remedy for Cash Deficit and Liquidity Analysis: Not applicable.

(B) Cash Flow Analysis for the Coming Year

Units: NT Thousands

Balance of cash at start of term (1)	Expected net cash flow from business activities throughout the year (2)	Expected net cash flow from Investing and Financing activities throughout the year (3)	Expected balance of cash (shortage) (1)+(2)-(3)	Expected remedies for shortage in cash	
				Investment plan	Wealth management plan
637,890	418,121	377,844	678,167	—	—

1. Cash utilization and liquidity analysis for the coming year:
- (1) Business activities: Since the increase of operating revenues is expected, cash generated from operating revenue shall be NT\$ 418,121 thousand.
 - (2) Investing activities: We don't have any important investment plan in the future.
 - (3) Financing activities: Net cash used due to distribution of cash dividends.
2. Expected remedies for shortage in cash and liquidity analysis: Not applicable.

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

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

(A)Investment Policy

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

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

Units: NT Thousands

Item	Main Businesses	Income (Loss) Amount	Reasons for Gainor Loss	Action Plan
Zotech Technology Co., Ltd.	Services of telecommunication apparatus	364	Increase in government funding	None.
ZeroneWin Investment Co., Ltd.	Investment	(712)	A subsidiary established in 2017, and it haven't earned profits yet.	Positive business growth is ongoing and expected to contribute to the profits of the parent company in the future.
Asiaone Holdings Ltd.	Holding company	(93)	An Offshore Company established in 2019, and it haven't earned profits yet.	
WingWill International Co., Ltd.	Services of cloud information software	(5,582)	A sub-subsiidiary established in 2017, and it haven't earned profits yet.	
Techone(Shanghai)Co.,Ltd.	Tenical service for network technology	(27)	A sub-subsiidiary established in 2020, and it haven't earned profits yet.	
PetaCom technology Co., Ltd.	Services of informationproduct agent	4,057	Increase in revenue from consulting service	None.

(C)Investment Plan for the Next 12 Months: Will make distinction in terms of the sales function and distributed brands, a new subsidiary will be established.

F. Analysis of Risk Management

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

Units: NT Thousands

Remarks	Effects on gain or loss				Future plan
Changes in interest rates	Balance of loan	Level of interest rates of loans	Interest expenses (Thousand)	Effects of changes in retained earnings	By regularly evaluating the interest rate of the bank loans, and its effects on gain or loss of the Company, we shall acquire a favorable interest rate of loans by actual requirements.
	Balance of loan is zero thousand in 2020.	-	2,129	0.04 dollars	
Changes in foreign exchange rates	The Company is mainly on domestic sales. The Company's distributed product line includes a large proportion of import from foreign manufacturers. Therefore, the recent annual exchange rate of US dollar has a considerable impact on the Company's profitability.	Foreign exchange gains are 10,077 thousand in 2020.		0.26 dollars	Imported materials are calculated in US dollars. In order to reduce risks of the foreign exchange rate, financial assets in US dollars will be purchased to balance liabilities in US dollars. If Taiwan currency appreciates as expected, then the foreign currency exposure proportion shall be increased to no more than 50% of the average value of US\$ liabilities.
Inflation	The Company belongs to the service industry of information software, distributing foreign authorized products for domestic sales. Inflation of domestic raw materials has no significant impact on the Company.				

(B) Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions.

1. Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, and Derivatives Transactions:

The Company and its subsidiaries are not engaged in high-risk and highly leveraged investments. The policy of trading of the derivative is to reduce the risk of changes in the fair value of the assets and liabilities of the Company and its subsidiaries. Under this principle, the Company engages in forward exchange transactions to circumvent the risk of changes in cash flows arising from fluctuations by the change of foreign exchange rate due to transactions' purchase prices that are denominated in US dollars.

2. Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to Lending or Endorsement Guarantees:

As of the print date of the annual report, the Company has lent loan to indirectly 87.93% of the holding company (Wing Will International Co., Ltd.), with a limit of NT\$ 20 million, and to 100% of the holding company (Zerone Win Investment Co., Ltd.), with a limit of NT\$ 50 million as approved by the Board on April 14, 2021, according to the "Regulations Governing Loaning of Funds and Making of Endorsement /Guarantees", and announced related information on time.

(C) Future Research & Development Projects and Corresponding Budgets.

Except for the Company and its subsidiaries focusing on information services of products distribution, we continue to make an effort in research and development of our products and application in IoT markets.

1. Product

1. Print Server: In response to the recent shortage of parts, design and improvement of sub-site materials is underway. This is an important R&D focus and activity for the coming year.

2. Generation II-carbon remover R&D, including the adhesive design to the side of the printer and validated by lab tests.

2. Relevant Research & Development plan of Smart Edge

1. Embedded AI model includes a) the application of acoustic AI in the production line; b) the application of image recognition AI in the production line.

2. Data Collection: with the newly developed MLOps platform which enables the data collection of the lower end of IoT, the total amount of R&D expense to be invested in this project is approximately NT\$ 6 million.

(D) Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales.

There were no significant changes in policies and regulations relating to corporate finance and sales as of the date of publication of the annual report in 2021 and 2020. In the event of a significant change in policies and regulations relating to corporate finance and sales, the Company would consult with or engage legal practitioners and or public accountants to assess the impact and develop a response plan, in order to obey the laws and reduce effects of changes in policies and regulations relating to corporate finance and sales.

(E) Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales.

In the case of technological changes, the Company will adjust the direction of product development and sales distribution on time in response to changes in

market products that affect the Company's gain or loss. In addition, the Company shall be highly sensitive to changes in industrial technologies and receive market news in response to the impact of financial business due to changes in the industry.

- (F) The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures.

The Company has always obeyed the law, put much effort in strengthening corporate governance, and maintain a good corporate image. So far, there has not been a situation that will change the corporate image, so it has not caused the impact of corporate crisis management.

- (G) Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans: None.

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

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

The major sales customers of the Company and its subsidiaries are diversified, apart from Kinmax Technology (10.19), individual revenues of the sales customers are not more than 10%, so no risk of concentration of sales exist. The major top 2 suppliers are 57.09% of the total amount for purchases, which are internationally famous software suppliers. The Company and its subsidiaries are also the major distributor of the manufacturer, and maintain a long-term relationship with them, by reduction of the risk of concentrated purchases through diversification of sales products and continuous development of new products.

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

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

- (L) Litigation or Non-litigation Matters:

1. List major litigious, non-litigious or administrative disputes that: The Company have been involved or concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the annual report shall disclose the fact of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the previous year: There is no dispute could materially affect shareholders' equity or the prices of the Company's securities.

2. List major litigious, non-litigious or administrative disputes that: involve the Company and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the Company; and (2) have been concluded by means of a final and unappealable judgment or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the annual report shall disclose the fact of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the previous 2 years: None.

- (M) Other Major Risks: None.

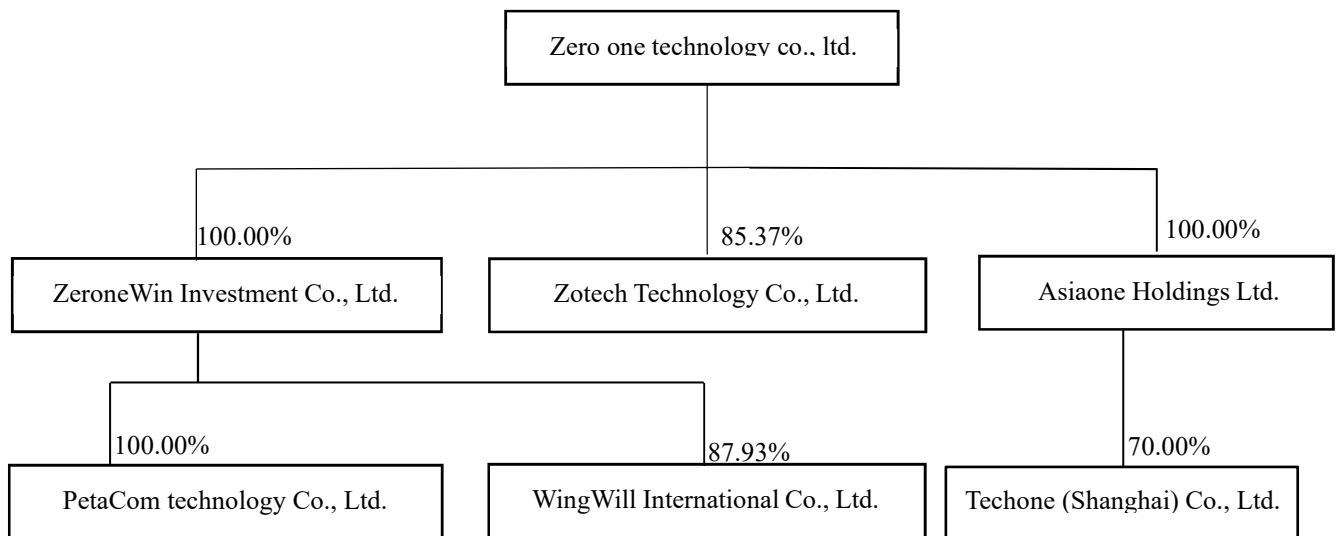
- G. Other material matters: None.

VIII. Special Disclosure

A. Summary of affiliated companies in recent years :

(A) Consolidated business report of affiliated companies:

1. Affiliated companies' chart



2. Summary of each affiliated company

Company	Date of Incorporation	Place of Registration	Capital Stock (NT\$)	Main business or production activities
Zotech Co., Ltd.	2014/06/20	2F.,No.5,Aly.22,Ln.513, Ruiguang Rd., Neihu Dist., Taipei City	41,000,000	Services of telecommunication apparatus
ZeroneWin Investment Co., Ltd.	2017/04/06	10F., No.8, Ln.360, Sec. 1, Neihu Rd., Neihu Dist., Taipei City	149,000,000	Investment
WingWill International Co., Ltd	2017/07/07	9F., No.8, Ln.360, Sec.1, Neihu Rd., Neihu Dist., Taipei City	10,000,000	Services of cloud information software
Petacom Technology co., ltd.	2017/07/07	9F., No.6, Ln. 360, Sec.1, Neihu Rd., Neihu Dist., Taipei City	50,000,000	Services of information product agent
Asiaone Holdings Ltd	2019/06/27	Suite1, Commercial House One, Eden Island, Republic of Seychelles	10,063,000	Holding company
Techone (Shanghai) Co., Ltd.	2020/10/31	Room501, Building14, No.258, Chen-Jia-Chiao Rd., Min-Xin District, Shanghai City, China PRC	13,131,000	Technical service for network technology

(B) Consolidated financial statements of affiliated companies : Please refer to Page. 90 to 146

(C) Report of affiliated companies : Not applicable.

B. Private Placement Securities in the Most Recent Years : None.

C. Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years: None.

D. Other supplementary information : None.

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

ZERO ONE TECHNOLOGY CO., LTD.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS FOR THE
YEARS ENDED DECEMBER 31, 2020 AND 2019 AND
INDEPENDENT AUDITORS' REPORT

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

§TABLE OF CONTENTS§

Contents	Page No.	Financial Report's Note No.
1、Cover	1	-
2、Table of Contents	2	-
3、Declaration of consolidation of financial statements of affiliates	3	
4、Independent Auditors' Audit Report	4~7	-
5、Consolidated Balance Sheets	8	-
6、Consolidated Statements of Comprehensive Income	9~10	-
7、Consolidated Statements of Changes in Equity	11	-
8、Consolidated Statements of Cash Flows	12~13	-
9、Notes to Consolidated Financial Statements		
(1) General	14	1
(2) The date and procedures of authorization of financial statements	14	2
(3) Application of new and revised standards and interpretations	14~15	3
(4) Summary of significant accounting policies	15~24	4
(5) Critical Accounting judgments and key sources of estimation and uncertainty	24	5
(6) Explanation of significant accounts	24~45	6~26
(7) Related parties transactions	45	27
(8) Pledged assets	45	28
(9) Significant contingent liabilities and unrecognized commitments	45	29
(10) Foreign-currency-denominated assets and liabilities that have significant influence	45~46	30
(11) Separately disclosed items		
A. Information on significant transactions	46、50~53	31
B. Information on investees	46、54	31
C. Intercompany relationships and significant intercompany transactions	46、55	31
D. Information on investment in Mainland China	47、56	31
E. Information on Major Shareholders	47、57	31
(12) Segment information	47~49	32

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities that are required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2020 (starting from 1 January till 31 December, 2020) are all the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the consolidated financial statements is included in the consolidated financial statements. Consequently, Zero One Technology Co., Ltd. and its subsidiaries do not prepare a separate set of consolidated financial statements.

Very truly yours,

ZERO ONE TECHNOLOGY CO., LTD.

By

Chia Hsin, Lin

Chairman

February 24, 2021

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Zero One Technology Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Zero One Technology Co., Ltd. and subsidiaries (the “Group”), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2020 are stated as follows:

Valuation of allowance for uncollectible accounts

Key Audit Matters

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

The following audit procedures

Our audit procedure includes evaluating the policy of recognizing loss allowance for expected credit losses, understanding and testing internal controls of allowance for uncollectible accounts by the management that are in line with periodic reviews, design and implement of relevant controls. We also obtain an aging analysis

report of accounts receivable for calculation the allowance for uncollectible accounts on the balance sheet date, and perform the procedure of sampling and auditing to evaluate the correctness of the aging analysis report, and examine the valuation of allowance for uncollectible accounts and related reasons so as to evaluate the appropriate nature of the expected credit losses.

Allowance for inventory valuation loss

Key Audit Matters

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

The following audit procedures

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

Other Matter

We have also audited the parent company only financial statements of Zero One Technology Co., Ltd. as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chen Ming, Lee and Pei Te, Chen.

Deloitte & Touche

Taipei, Taiwan
Republic of China

February 24, 2021

Notice to Readers

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

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

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 637,890	12	\$ 335,497	7
Financial assets at fair value through profit or loss – current (Notes 4 and 7)	360,873	7	65,425	1
Financial assets at amortized cost – current (Notes 4 and 9)	238,510	4	699,048	13
Notes receivable (Notes 4, 5 and 10)	230,490	4	279,128	5
Trade receivables (Notes 4, 5 and 10)	1,909,941	35	1,754,979	34
Current tax assets (Notes 4 and 22)	831	-	1,314	-
Inventories (Notes 4, 5 and 11)	1,242,141	23	1,319,535	25
Other current assets	28,402	-	34,794	1
Total current assets	<u>4,649,078</u>	<u>85</u>	<u>4,489,720</u>	<u>86</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	35,391	1	30,280	1
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	339,515	6	251,768	5
Financial assets at amortized cost - non-current (Notes 4, 9 and 28)	69,526	1	81,624	1
Property, plant and equipment (Notes 4, 14 and 28)	308,367	6	314,412	6
Right-of-use assets (Notes 4 and 15)	13,027	-	8,303	-
Other intangible assets	1,238	-	1,395	-
Deferred tax assets (Notes 4 and 22)	37,594	1	42,509	1
Refundable deposits	7,940	-	5,341	-
Prepayments for investments	10,000	-	-	-
Total non-current assets	<u>822,598</u>	<u>15</u>	<u>735,632</u>	<u>14</u>
TOTAL	<u>\$ 5,471,676</u>	<u>100</u>	<u>\$ 5,225,352</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ -	-	\$ 150,000	3
Trade payables	2,245,464	41	2,035,186	39
Other payables (Note 17)	246,382	5	381,418	7
Current tax liabilities (Notes 4 and 22)	59,661	1	57,249	1
Lease liabilities - current (Notes 4 and 15)	7,484	-	4,553	-
Other current liabilities	215,864	4	143,072	3
Total current liabilities	<u>2,774,855</u>	<u>51</u>	<u>2,771,478</u>	<u>53</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 22)	20	-	793	-
Lease liabilities - non-current (Notes 4 and 15)	5,607	-	3,803	-
Net defined benefits liabilities - non-current (Notes 4 and 19)	20,982	-	21,918	1
Other noncurrent liabilities	800	-	1,171	-
Total non-current liabilities	<u>27,409</u>	<u>-</u>	<u>27,685</u>	<u>1</u>
Total liabilities	<u>2,802,264</u>	<u>51</u>	<u>2,799,163</u>	<u>54</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 20)				
Share capital				
Ordinary shares	1,256,402	23	1,246,352	24
Capital surplus	478,757	9	470,136	9
Retained earnings				
Legal reserve	219,863	4	184,732	4
Special reserve	-	-	16,844	-
Unappropriated earnings	667,898	12	494,764	9
Total retained earnings	<u>887,761</u>	<u>16</u>	<u>696,340</u>	<u>13</u>
Other equity	34,350	1	7,476	-
Total equity attributable to owners of the Company	<u>2,657,270</u>	<u>49</u>	<u>2,420,304</u>	<u>46</u>
NON-CONTROLLING INTERESTS	<u>12,142</u>	<u>-</u>	<u>5,885</u>	<u>-</u>
Total equity	<u>2,669,412</u>	<u>49</u>	<u>2,426,189</u>	<u>46</u>
TOTAL	<u>\$ 5,471,676</u>	<u>100</u>	<u>\$ 5,225,352</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 FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Note 4)				
Net sales	\$ 9,834,318	100	\$ 8,915,170	100
OPERATING COSTS (Notes 11 and 21)				
Cost of goods sold	<u>8,788,192</u>	<u>89</u>	<u>8,019,012</u>	<u>90</u>
GROSS PROFIT	<u>1,046,126</u>	<u>11</u>	<u>896,158</u>	<u>10</u>
OPERATING EXPENSES (Notes 19 and 21)				
Selling and marketing expenses	402,658	4	359,766	4
General and administrative expenses	134,663	2	135,483	1
Research and development expenses	7,427	-	7,021	-
Reversal of expected credit losses (Note 10)	(<u>3,262</u>)	<u>-</u>	(<u>5,901</u>)	<u>-</u>
Total operating expenses	<u>541,486</u>	<u>6</u>	<u>496,369</u>	<u>5</u>
PROFIT FROM OPERATIONS	<u>504,640</u>	<u>5</u>	<u>399,789</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 21)				
Interest income	17,768	1	22,977	-
Other income	16,943	-	10,646	-
Other gains and losses (Note 13)	15,493	-	7,720	-
Net gain on derecognition of financial assets at amortized cost (Note 9)	1,260	-	3,745	-
Finance costs	(<u>2,129</u>)	<u>-</u>	(<u>2,075</u>)	<u>-</u>
Total non-operating income and expenses	<u>49,335</u>	<u>1</u>	<u>43,013</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	553,975	6	442,802	5
INCOME TAX EXPENSE (Notes 4 and 22)	<u>113,577</u>	<u>1</u>	<u>93,647</u>	<u>1</u>
NET PROFIT	<u>440,398</u>	<u>5</u>	<u>349,155</u>	<u>4</u>

(Continued)

	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Notes 19 and 22)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(\$ 212)	-	(\$ 1,157)	-
Unrealized gain (loss) on investments in equity instruments designated as at fair value through other comprehensive income	21,924	-	27,654	-
Income tax relating to remeasurement of defined benefit plans	43	-	231	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	105	-	-	-
Other comprehensive income (loss) for the year, net of income tax	21,860	-	26,728	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 462,258</u>	<u>5</u>	<u>\$ 375,883</u>	<u>4</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 441,623	5	\$ 351,313	4
Non-controlling interests	(1,225)	-	(2,158)	-
	<u>\$ 440,398</u>	<u>5</u>	<u>\$ 349,155</u>	<u>4</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 463,499	5	\$ 377,991	4
Non-controlling interests	(1,241)	-	(2,108)	-
	<u>\$ 462,258</u>	<u>5</u>	<u>\$ 375,883</u>	<u>4</u>
EARNINGS PER SHARE (Note 23)				
From continuing operations				
Basic	<u>\$ 3.55</u>		<u>\$ 2.85</u>	
Diluted	<u>\$ 3.44</u>		<u>\$ 2.77</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
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Equity Attributable to Owners of the Company							Other Equity						
	Share Capital		Retained Earnings					Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Comprehensive Income	Unearned Employee Benefits	Total	Total	Non-controlling Interests	Total Equity
	Shares (In Thousand)	Issued Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total							
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 distributed by the Company-NT \$1.5 per share	-	-	-	-	-	(184,603)	(184,603)	-	-	-	-	(184,603)	-	(184,603)
Net profit (loss) for the year ended December 31, 2019	-	-	-	-	-	351,313	351,313	-	-	-	-	351,313	(2,158)	349,155
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	(926)	(926)	-	27,604	-	27,604	26,678	50	26,728
Total comprehensive income (loss) for the year ended December 31, 2019.	-	-	-	-	-	350,387	350,387	-	27,604	-	27,604	377,991	(2,108)	375,883
Convertible bonds converted to capital stock	338	3,377	1,722	-	-	-	-	-	-	-	-	5,099	-	5,099
Share based payment transaction – restricted stock awards	-	-	-	-	-	-	-	-	-	4,767	4,767	4,767	-	4,767
Share based payment transaction - employee stock option	-	-	11,431	-	-	-	-	-	-	-	-	11,431	-	11,431
Issuance of restricted stock awards	700	7,000	8,156	-	-	-	-	-	-	(15,156)	(15,156)	-	-	-
Issuance of ordinary shares under employee share options	701	7,010	2,312	-	-	-	-	-	-	-	-	9,322	-	9,322
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(300)	(300)
Disposals of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(7,105)	(7,105)	-	7,105	-	7,105	-	-	-
BALANCE, DECEMBER 31, 2019	124,635	1,246,352	470,136	184,732	16,844	494,764	696,340	-	17,865	(10,389)	7,476	2,420,304	5,885	2,426,189
Appropriation of the 2019 earnings														
Legal reserve	-	-	-	35,131	-	(35,131)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	(16,844)	16,844	-	-	-	-	-	-	-	-
Cash dividends distributed by the Company– NT \$2.0 per share	-	-	-	-	-	(249,574)	(249,574)	-	-	-	-	(249,574)	-	(249,574)
Net profit (loss) for the year ended December 31, 2020	-	-	-	-	-	441,623	441,623	-	-	-	-	441,623	(1,225)	440,398
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	(169)	(169)	74	21,971	-	22,045	21,876	(16)	21,860
Total comprehensive income (loss) for the year ended December 31, 2020.	-	-	-	-	-	441,454	441,454	74	21,971	-	22,045	463,499	(1,241)	462,258
Changes in percentage of ownership interests in subsidiaries	-	-	(2,481)	-	-	(718)	(718)	-	-	-	-	(3,199)	3,199	-
Share based payment transaction – restricted stock awards	-	-	-	-	-	-	-	-	-	5,088	5,088	5,088	-	5,088
Share based payment transaction - employee stock option	-	-	6,894	-	-	-	-	-	-	-	-	6,894	-	6,894
Recall of unissued shares of restricted stock awards	(12)	(120)	120	-	-	-	-	-	-	-	-	-	-	-
Issuance of ordinary shares under employee share options	1,017	10,170	4,088	-	-	-	-	-	-	-	-	14,258	-	14,258
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(108)	(108)
Disposals of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	259	259	-	(259)	-	(259)	-	-	-
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	4,407	4,407
BALANCE, DECEMBER 31, 2020	125,640	\$ 1,256,402	\$ 478,757	\$ 219,863	\$ -	\$ 667,898	\$ 887,761	\$ 74	\$ 39,577	(\$ 5,301)	\$ 34,350	\$ 2,657,270	\$ 12,142	\$ 2,669,412

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

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 553,975	\$ 442,802
Adjustments for:		
Depreciation expenses	22,861	20,457
Amortization expenses	802	787
Reversal of expected credit losses	(3,262)	(5,901)
Net gain on fair value change of financial assets/liabilities at fair value through profit or loss	(5,141)	(8,097)
Finance costs	2,129	2,075
Net gain on derecognition of financial assets at amortized cost	(1,260)	(3,745)
Interest income	(17,768)	(22,977)
Dividend income	(10,911)	(4,406)
Compensation costs of employee share options	11,982	16,198
Gain on disposal of investments accounted for using equity method	(275)	-
(Reversal of write-down) write-down of inventories	(7,372)	27,469
Net loss on foreign currency exchange	6,571	25,578
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(295,418)	39,356
Notes receivable	48,638	(117,998)
Trade receivables	(153,446)	(19,874)
Inventories	82,122	(413,439)
Other current assets	3,596	(4,253)
Trade payables	214,634	368,180
Other payables	(133,506)	132,826
Other current liabilities	72,792	36,001
Net defined benefit liabilities	(1,148)	(818)
Cash generated from operations	390,595	510,221
Income tax paid	(106,497)	(97,847)
Net cash generated from operating activities	<u>284,098</u>	<u>412,374</u>

(Continued)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(\$ 93,118)	(\$ 104,261)
Proceeds from sale of financial assets at fair value through other comprehensive income	24,217	25,470
Proceeds from the return of capital upon investees' capital reduction of financial assets at fair value through other comprehensive income	3,078	3,320
Purchase of financial assets at amortized cost	(236,229)	(179,521)
Disposal of financial assets at amortized cost	707,148	64,955
Proceeds from disposal of investments accounted for using equity method	275	-
Increase in prepayments for investments	(10,000)	-
Payments for property, plant and equipment	(7,507)	(7,123)
Proceeds from disposal of property, plant and equipment	540	-
Increase in refundable deposits	(2,599)	(2,184)
Payments for intangible assets	(645)	(670)
Interest received	20,564	20,773
Other dividends received	<u>10,911</u>	<u>4,406</u>
Net cash generated from (used in) investing activities	<u>416,635</u>	<u>(174,835)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	-	50,000
Repayments of short-term borrowings	(150,000)	-
Proceeds from guarantee deposits received	-	371
Refund of guarantee deposits received	(371)	-
Repayment of principal portion of lease liabilities	(7,178)	(6,215)
Dividends paid	(249,574)	(184,603)
Exercise of employee share options	14,258	9,322
Interest paid	(2,133)	(2,071)
Dividends paid to non-controlling interests	(108)	(300)
Increase in non-controlling interests	<u>4,407</u>	<u>-</u>
Net cash used in financing activities	<u>(390,699)</u>	<u>(133,496)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>(7,641)</u>	<u>(7,172)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	302,393	96,871
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>335,497</u>	<u>238,626</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 637,890</u>	<u>\$ 335,497</u>

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

(Concluded)

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019

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

1. GENERAL

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

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

2. THE DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved by the Board of Directors and issued on February 24, 2021.

3. APPLICATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

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

Application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group's accounting policies.

(2) The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4, "Extension of the Temporary Exemption from Applying IFRS 9"	Effective as announced
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform – Phase II"	January 1, 2021 for annual reporting periods
Amendments to IFRS 16 "Covid-19 leases – rent concessions"	June 1, 2020 for annual reporting period

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

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

New IFRSs	Effective Date Announced by the IASB (Note 1)
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
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, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Noncurrent"	January 1, 2023
Amendments to IAS 1 "Disclosure of accounting policies"	January 1, 2023 (Note 6)
Amendments to IAS 8 "Definition of accounting estimates"	January 1, 2023 (Note 7)
Amendments to IAS 16 "Property, Plant and Equipment – Proceeds before Intended Use"	January 1, 2022 (Note 4)
Amendments to IAS 37 "Onerous Contracts – Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)

- Note 1 : Unless stated otherwise, the above new, revised or amended standards and interpretations are effective for annual periods beginning on or after their respective effective dates.
- Note 2 : The amendments to IFRS 9 are applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” are applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.
- Note 3 : The amendments are applicable 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, 2022.
- Note 4 : The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.
- Note 5 : The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.
- Note 6 : The amendments are effective for annual periods beginning on or after 1 January, 2023.
- Note 7 : The amendments are effective for annual periods beginning on or after 1 January, 2023, and changes in accounting policies and changes in accounting estimates that occur on or after the start of the period.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

These consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs.

(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 values, and present value of defined benefits plans deducts net defined benefit liabilities measured at fair value.

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

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

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

Current assets include:

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

Current liabilities include:

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

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

(4)Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries, including structured entities). 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 Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When the changes in the Group's ownership interests in subsidiaries do not result in the Group's losing control over the subsidiaries, those changes are accounted for equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in the relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of the Group.

Please see Note 12, Tables 3&5 for detailed information on subsidiaries (including percentages of ownership and main businesses).

(5)Foreign currencies

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

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

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

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

When preparing the consolidated financial report, the assets and liabilities of foreign operating organizations (including subsidiaries in countries where they operate or whose currencies are different from those of the Group) are converted to NT dollars at the exchange rate on each balance sheet date. The income and expense items are converted at the average exchange rate of the current period, and the resulting conversion difference is listed in other comprehensive profit and losses (and respectively attributable to the Group and non-controlling interests of the company).

(6) Inventories

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

(7) Investment in associates

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

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

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

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

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

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

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

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

ventures, or vice versa, the Group will continue to evaluate investment accounted for by the equity method, other than remeasuring retained equities.

Profits and losses, resulting from upstream, downstream, and sidestream transactions between the Group and associates, are recognized on parent company only financial statements in the scope of the Group's equities that are not relevant to its associates.

(8) Property, plant and equipment

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

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

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

(9) Intangible assets

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

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

(10) Impairment of property, plant and equipment, right-of-use assets, and intangible assets (excluding goodwill)

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

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

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

The inventory, property, plant and equipment and intangible assets recognized in the customer contract are first recognized as impairment in accordance with the inventory policies and the above regulations, and the book value of the relevant assets according to the contract cost exceeds the expected consideration for the provision of related goods or services. The amount after deducting the directly related costs is recognized as an impairment loss, and the book value of the contract cost-related assets is continuously included in the cash-generating unit in order to perform the impairment assessment of the cash-generating unit.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but

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

(11) Financial instruments

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

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

A. Financial assets

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

a. Measurement category

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

(a) Financial assets at FVTPL

For certain financial assets which include debt instrument that do not meet the criteria of amortized cost or FVTOCI, it is mandatorily required to measure them at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The dividends, interest earned and net gain or loss recognized in profit or loss on the financial asset. Fair value is determined in the manner described in Note 26.

(b) Financial assets at amortized cost

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

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

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

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

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

(c) Investments in equity instruments at FVTOCI

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

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

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

b. Impairment of financial assets

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

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

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

In order for the Group to fulfill the purpose of internal credit and risk management control, under the premise that does not take into account of the collaterals owned by the Group, the following will be deemed as a default of the financial assets:

- A. Either internal or external information indicates that it is impossible for the debtors to clear the debts;
- B. Any delay in payment – unless there is reasonable and supporting information that indicates the basis for delaying the payment is more appropriate.

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

c. De-recognition of financial assets

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

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

B. Financial liabilities

a. Subsequent measurement

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

b. De-recognition of financial liabilities

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

C. Convertible bonds

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

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

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

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

(12) Revenue recognition

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

Revenue from sale of goods

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

(13) Leases

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

A. The Group as lessor

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

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

B. 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 Group 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 parent company only 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 rates.

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 parent company only balance sheets.

(14) Costs of loans

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

(15) Employee benefit

A. Short-term employee benefits.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for service rendered by employees.

B. Retirement benefits

For defined contribution retirement benefit plans, payments to the benefit plan are recognized as an expense when employees have rendered service entitling them to the contribution. For defined benefit retirement benefit plans, the cost of providing benefit is recognized based on actuarial calculations. Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the Projected Unit Credit Method. Service cost (including current service cost as well as previous service cost, and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur, or when the plan amendment or curtailment occurs/when the settlement occurs. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

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

(16) Share-based payment arrangements

The fair value and expected estimate amounts of the stock options and restricted stock sward determined at the grant date of the stock options is expensed on a straight-line

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

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

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

(17) Taxation

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

A. Current tax

The Group recognizes current earnings (losses) in accordance with the Income Tax Act of the Republic of China, and calculate the amount for tax payable (recoverable).

Income tax on unappropriated earnings is expensed in the year the shareholders approved the appropriation of earnings which is the year subsequent to the year the earnings are generated according to Taiwan's Income Tax Act.

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

B. Deferred tax

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

C. Current and deferred tax for the year

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

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

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

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

(1) Estimated impairment of financial assets

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

(2) Write-down of inventory

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

6. CASH AND CASH EQUIVALENTS

	December 31, 2020	December 31, 2019
Cash on hand and revolving funds	\$ 213	\$ 183
Checking accounts and demand deposits in banks	609,197	118,757
Cash equivalents		
Time deposits in banks	-	216,557
Repurchase bond	28,480	-
	<u>\$ 637,890</u>	<u>\$ 335,497</u>

As the end of reporting period, the market rate intervals of time deposits in banks and repurchase bonds were as follows :

	December 31, 2020	December 31, 2019
Demand deposits in banks	0.005%~0.32%	0.01%~0.67%
Time deposits in banks	-	2.10%~2.27%
Repurchase bond	0.45%	-

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2020	December 31, 2019
<u>Financial assets – current</u>		
Mandatorily measured at FVTPL		
– Domestic convertible bonds	\$ 15,966	\$ 31,182
– Domestic listed ordinary shares	1,785	-
– Fund beneficiary certificates	<u>343,122</u>	<u>34,243</u>
	<u>\$ 360,873</u>	<u>\$ 65,425</u>
<u>Financial assets – non-current</u>		
Mandatorily measured at FVTPL		
– Domestic listed preference shares	\$ 14,403	\$ 15,041
– Fund beneficiary certificates	<u>20,988</u>	<u>15,239</u>
	<u>\$ 35,391</u>	<u>\$ 30,280</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in equity instruments

	December 31, 2020	December 31, 2019
<u>Non-current</u>		
<u>Domestic</u>		
Listed ordinary shares and emerging market ordinary shares	\$ 123,829	\$ 98,473
Listed preferred shares	197,544	149,552
Unlisted shares	<u>18,142</u>	<u>3,743</u>
	<u>\$ 339,515</u>	<u>\$ 251,768</u>

These long-term investments in equity instruments are held for receiving profits, under medium to long-term business development strategic purposes. Accordingly, the Group's management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31, 2020	December 31, 2019
<u>Current</u>		
<u>Domestic investment</u>		
Time deposits with original maturities more than three months (1)	\$ 238,510	\$ 307,809
Repurchase bond (2)	<u>-</u>	<u>391,239</u>
	<u>\$ 238,510</u>	<u>\$ 699,048</u>

(Continued)

	December 31, 2020	December 31, 2019
<u>Non-current</u>		
Domestic investment		
Pledged time deposit (3)	\$ 25,465	\$ 18,058
Barclays Bank Coupon Bond (USD) (4)	14,895	15,807
Prufin Perpetual Corp. Bond (USD) (5)	29,166	31,179
AT&T Corp. Bond (USD) (6)	-	16,580
Yuanta Securities Asia Financial Services Limited 2018 Non-secured USD-denominated Private Fixed Rate Notes (7)	-	-
	<u>\$ 69,526</u>	<u>\$ 81,624</u>

(Concluded)

- (1) As of December 31, 2020 and 2019 the market interest rate intervals of time deposit over 3 months portion were 0.63%~2.10% and 0.88%~2.33%, respectively.
- (2) As of December 31, 2019, the market interest rate of repurchase bond over 3 months portion was 2.70%~2.90%.
- (3) Please refer to Note 28 for more details on financial assets at amortized cost under pledge.
- (4) The Group purchased Barclays Bank Coupon Bond (USD) by USD 527 thousand, with a coupon rate of 4.836%, in August, 2019.
- (5) The Group purchased Prufin Perpetual Corp (USD) by USD 1,040 thousand, with a coupon rate of 4.875%, in August, 2019.
- (6) The Group purchased AT&T Corp (USD) by USD 553 thousand, with a coupon rate of 4.50%, in November, 2019. In November 2020, the Group sold all the bonds at \$17,130 thousand in order to adjust the portion of the investment, \$1,260 thousand recognized as net gain on derecognition of financial assets at amortized cost.
- (7) The Group purchased Yuanta Securities Asia Financial Services Limited issued 5-year Non-secured Fixed Rate Notes, with the face value of USD 2,000 thousand and a coupon rate of 4.10%, in August, 2018, and then selling all bonds by \$64,954 thousand, for adjustment for the portion of the investment in August, 2019, \$3,745 thousand recognized as net gain on derecognition of financial assets at amortized cost.

10. NOTES AND TRADE RECEIVABLE

	December 31, 2020	December 31, 2019
Measured at amortized cost		
Notes receivable	\$ 230,490	\$ 279,128
Trade receivable	1,921,373	1,769,673
Overdue receivables	1,474	20,816
Less: Allowances for impairment loss - trade receivable	(11,432)	(14,694)
Less: Allowances for impairment loss - overdue receivables	(<u>1,474</u>)	(<u>20,816</u>)
	<u>\$ 2,140,431</u>	<u>\$ 2,034,107</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, which permits the use of lifetime expected loss provision for all trade receivable. The expected credit losses of trade receivable on durable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's past experience of receivable and current financial position, expectation of GDP and prospect of the industry, deciding the rate of the expected credit losses by the different levels of credit limits of customers and actual conditions, based on the degree of doubtful accounts triggered by customers of different industries.

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

The following table details the loss allowance of trade receivable:

December 31, 2020

	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	\$ 2,138,258	\$ 2,869	\$ 10,160	\$ 576	\$ 1,474	\$ 2,153,337
Loss allowance (Lifetime ECLs)	(5,895)	(899)	(4,344)	(294)	(1,474)	(12,906)
Amortized cost	<u>\$ 2,132,363</u>	<u>\$ 1,970</u>	<u>\$ 5,816</u>	<u>\$ 282</u>	<u>\$ -</u>	<u>\$ 2,140,431</u>

December 31, 2019

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

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

	2020	2019
Balance at January 1	\$ 35,510	\$ 41,411
Less: Amounts written off	(19,342)	-
Less: Reversal of loss allowance	(3,262)	(5,901)
Balance at December 31	<u>\$ 12,906</u>	<u>\$ 35,510</u>

11. INVENTORIES

	December 31, 2020	December 31, 2019
Raw materials	\$ 3,555	\$ 3,314
Work in process	2,626	1,289
Finished goods	336	3,091
Commodities	<u>1,235,624</u>	<u>1,311,841</u>
	<u>\$ 1,242,141</u>	<u>\$ 1,319,535</u>

Cost of goods sold for inventories were \$8,788,192 thousand and \$8,019,012 thousand, respectively, in 2020 and 2019. Cost of goods sold included reversals of inventory write-downs of \$7,372 thousand, and inventory write-downs of \$27,469 thousand, respectively, in 2020 and 2019. The reversals of previous write-downs resulted from disposal of the commodities that had been listed previously for loss in price.

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
			December 31, 2020	December 31, 2019	
ZOTC	Zotech Technology Co., Ltd.	Manufacturing for computer equipment	85.37%	85.37%	A
	Zerone Win Investment Co., Ltd.	Investment	100.00%	100.00%	A
	Asiaone Holdings Ltd.	Holding company	100.00%	100.00%	A, B
Zerone Win Investment Co., Ltd.	WingWill International Co., Ltd.	Services of Cloud information software	87.93%	70.00%	A, D
	PetaCom Technology Co., Ltd.	Services of information product agent	100.00%	100.00%	A
Asiaone Holdings Ltd.	Techone Ltd. (Shanghai)	Service of network Technology	70.00%	-	A, C

A. These are not significant subsidiaries.

B. It was established in September, 2019.

C. It was established in January, 2020.

D. The Group participated in capital injection in July 2020, and the shareholding ratio increased to 87.93%.

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

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The Group invested and founded Chi-Ta International Co., Ltd., that engaged mainly in researching and manufacturing hardware of auto-used electronic equipment, with investment amount to \$10,000 thousand, and share-holding ratio of 30% in March, 2014, since it kept net losses, foresaw decrease in future cash flows, evaluated recognized \$7,243 thousand of impairment losses in 2015, and recognized book value of \$0 thousand after recognized deficits. In April, 2020, the Group disposed all shares and recognized \$275 thousand in gains.

14. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and equipment	Office equipment	Delivery equipment	Other equipment	Total
<u>Cost</u>							
Balance at January 1, 2019	\$ 234,892	\$ 128,185	\$ 11,722	\$ 28,260	\$ 2,458	\$ 14,508	\$ 420,025
Additions	-	-	-	7,123	-	-	7,123
Disposals	-	-	(835)	(194)	-	-	(1,029)
Reclassification	-	-	-	758	-	6,966	7,724
Balance at December 31, 2019	<u>\$ 234,892</u>	<u>\$ 128,185</u>	<u>\$ 10,887</u>	<u>\$ 35,947</u>	<u>\$ 2,458</u>	<u>\$ 21,474</u>	<u>\$ 433,843</u>

(Continued)

	Land	Buildings	Machinery and equipment	Office equipment	Delivery equipment	Other equipment	Total
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2019	\$ -	\$ 69,850	\$ 11,696	\$ 16,992	\$ 492	\$ 7,280	\$ 106,310
Disposals	-	-	(835)	(194)	-	-	(1,029)
Depreciation	-	1,816	26	8,128	492	3,688	14,150
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 71,666</u>	<u>\$ 10,887</u>	<u>\$ 24,926</u>	<u>\$ 984</u>	<u>\$ 10,968</u>	<u>\$ 119,431</u>
Carrying amounts at December 31, 2019	<u>\$ 234,892</u>	<u>\$ 56,519</u>	<u>\$ -</u>	<u>\$ 11,021</u>	<u>\$ 1,474</u>	<u>\$ 10,506</u>	<u>\$ 314,412</u>
<u>Cost</u>							
Balance at January 1, 2020	\$ 234,892	\$ 128,185	\$ 10,887	\$ 35,947	\$ 2,458	\$ 21,474	\$ 433,843
Additions	-	-	-	4,277	-	3,230	7,507
Disposals	-	-	(257)	(505)	-	(926)	(1,688)
Reclassification	-	-	-	1,753	-	891	2,644
Net Exchange Difference	-	-	-	20	-	-	20
Balance at December 31, 2020	<u>\$ 234,892</u>	<u>\$ 128,185</u>	<u>\$ 10,630</u>	<u>\$ 41,492</u>	<u>\$ 2,458</u>	<u>\$ 24,669</u>	<u>\$ 442,326</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2020	\$ -	\$ 71,666	\$ 10,887	\$ 24,926	\$ 984	\$ 10,968	\$ 119,431
Disposals	-	-	-	(505)	-	(386)	(1,148)
Depreciation	-	1,816	(257)	7,821	492	5,543	15,672
Net Exchange Difference	-	-	-	4	-	-	4
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 73,482</u>	<u>\$ 10,630</u>	<u>\$ 32,246</u>	<u>\$ 1,476</u>	<u>\$ 16,125</u>	<u>\$ 133,959</u>
Carrying amounts at December 31, 2020	<u>\$ 234,892</u>	<u>\$ 54,703</u>	<u>\$ -</u>	<u>\$ 9,246</u>	<u>\$ 982</u>	<u>\$ 8,544</u>	<u>\$ 308,367</u>

(Concluded)

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

	December 31, 2020	December 31, 2019
Carrying amounts of right-of-use assets		
Buildings	\$ 12,683	\$ 7,758
Office equipment	344	545
	<u>\$ 13,027</u>	<u>\$ 8,303</u>
	2020	2019
Additions to right-of-use assets	<u>\$ 11,925</u>	<u>\$ 8,193</u>
Depreciation charge for right-of-use assets	\$ 6,988	\$ 6,106
Buildings	201	201
Office equipment	<u>\$ 7,189</u>	<u>\$ 6,307</u>

(2) Lease liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Carrying amounts of lease liabilities		
Current	\$ 7,484	\$ 4,553
Non-current	\$ 5,607	\$ 3,803

Ranges of discount rate for lease liabilities were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Buildings	0.95%~4.75%	1.20%
Office equipment	1.20%	1.20%

(3) Other lease information

	<u>2020</u>	<u>2019</u>
Expenses relating to short-term leases	\$ 790	\$ 353
Expenses relating to low-value asset leases	\$ 51	\$ 54
Total cash (outflow) for leases	(\$ 8,195)	(\$ 6,734)

16. SHORT-TERM LOANS

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Unsecured loans</u>		
– Line of credit loans	\$ -	\$ 150,000

Interest rate of bank loans was 0.94% on December 31, 2019.

17. OTHER PAYABLE

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Salaries and bonuses payable	\$ 91,256	\$ 83,057
Employees', directors', and supervisors' compensation payable	35,420	28,379
Others	<u>119,706</u>	<u>269,982</u>
	<u>\$ 246,382</u>	<u>\$ 381,418</u>

18. BOND PAYABLE

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

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

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

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

Balance on January 1, 2019, liability components	\$ 5,085
Interest (2.0618%)	15
Convertible bonds changed into ordinary shares	(5,100)
Balance on December 31, 2019, liability components	<u>\$ -</u>

19. RETIREMENT BENEFIT PLANS

(1) Defined contribution plans

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

(2) Defined benefit plans

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

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

	December 31, 2020	December 31, 2019
Present value of defined benefit obligation	\$ 60,393	\$ 58,307
Fair value of plan assets	(39,411)	(36,389)
Contribution	<u>20,982</u>	<u>21,918</u>
Net defined benefit liability	<u>\$ 20,982</u>	<u>\$ 21,918</u>

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability/Assets
Balance at January 1, 2019	\$ 55,117	(\$ 33,538)	\$ 21,579
Service cost			
Current service cost	311	-	311
Interest expense (income)	<u>551</u>	(339)	<u>212</u>
Recognized in profits or losses	<u>862</u>	(339)	<u>523</u>
Remeasurements			
Return on plan assets (excluding amounts included in interest, net)	-	(1,171)	(1,171)
Actuarial loss arising from changes in demographic assumptions	400	-	400
Actuarial loss arising from changes in financial assumptions	1,329	-	1,329
Actuarial loss arising from experience adjustments	<u>599</u>	-	<u>599</u>
Recognized in other comprehensive income	<u>2,328</u>	(1,171)	<u>1,157</u>
Contribution from employer	<u>-</u>	(1,341)	(1,341)
Balance at December 31, 2019	<u>\$ 58,307</u>	<u>(\$ 36,389)</u>	<u>\$ 21,918</u>

(Continued)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability/Assets
Balance at January 1, 2020	<u>\$ 58,307</u>	<u>(\$ 36,389)</u>	<u>\$ 21,918</u>
Service cost			
Current service cost	256	-	256
Interest expense (income)	<u>437</u>	<u>(275)</u>	<u>162</u>
Recognized in profits or losses	<u>693</u>	<u>(275)</u>	<u>418</u>
Remeasurements			
Return on plan assets (excluding amounts included in interest, net)	-	(1,181)	(1,181)
Actuarial loss arising from changes in demographic assumptions	185	-	185
Actuarial loss arising from changes in financial assumptions	1,320	-	1,320
Actuarial gain arising from experience adjustments	<u>(112)</u>	<u>-</u>	<u>(112)</u>
Recognized in other comprehensive income	<u>1,393</u>	<u>(1,181)</u>	<u>212</u>
Contribution from employer	<u>-</u>	<u>(1,566)</u>	<u>(1,566)</u>
Balance at December 31, 2020	<u>\$ 60,393</u>	<u>(\$ 39,411)</u>	<u>\$ 20,982</u>

(Concluded)

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

	2020	2019
Selling and marketing expenses	\$ 181	\$ 237
General and administrative expenses	<u>237</u>	<u>286</u>
	<u>\$ 418</u>	<u>\$ 523</u>

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

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

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

	December 31, 2020	December 31, 2019
Discount rate	0.500%	0.750%
Future salary increase rate	2.750%	2.750%

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rate		
increases by 0.25%	(\$ <u>1,321</u>)	(\$ <u>1,333</u>)
decreases by 0.25%	<u>\$ 1,368</u>	<u>\$ 1,382</u>
Future salary increase rate		
increases by 0.25%	<u>\$ 1,317</u>	<u>\$ 1,335</u>
decreases by 0.25%	(\$ <u>1,280</u>)	(\$ <u>1,295</u>)

As actuarial assumptions may be correlative with one another, it is less likely that only one single assumption will be changed, the above sensitive analysis cannot indicate actual changes of the present value of defined benefit obligation.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Contribution amounts within 1 year	<u>\$ 1,609</u>	<u>\$ 657</u>
Average due period of the defined benefit obligation	8.8 Years	9.3 Years

20. EQUITY

(1) Ordinary Shares

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Authorized shares (in thousands)	<u>150,000</u>	<u>150,000</u>
Authorized capital	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>
Issued and paid shares (in thousands)	<u>125,640</u>	<u>124,635</u>
Issued capital	<u>\$ 1,256,402</u>	<u>\$ 1,246,352</u>

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

(2) Capital Surplus

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (A)</u>		
Premium on shares issued above par value	\$ 418,488	\$ 408,165
Treasury stock transactions	25,343	25,343
<u>Only be used to offset a deficit</u>		
From shares of changes in equities of subsidiaries (B)	-	2,481
Invalid employees stock options	300	300
<u>May not be used for any purpose</u>		
Restricted stock awards	8,276	8,156
Employees stock options	<u>26,350</u>	<u>25,691</u>
	<u>\$ 478,757</u>	<u>\$ 470,136</u>

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

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

(3) Retained earnings and dividend policy

ZOTC's Articles of Incorporation provide that, when allocating the net profits for each fiscal year, ZOTC shall first pay taxes and offset its losses in previous years and then set aside the legal capital reserve at 10% of the profits left over, and then set aside or reverse the legal capital reserve. Any balance left over shall be added accumulated undistributed earnings of the previous year and allocated according to the resolution, provided from the board meeting, of the shareholders' meeting. Please reference the distribution policy regulated by ZOTC's Articles of Incorporation of employees', directors' and supervisors' compensation for Note 21(7).

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

The appropriation for legal capital reserve shall be made until the reserve equals ZOTC's paid-in capital. The reserve may be used to offset a deficit, or be distributed as dividends in cash for the portion in excess of 25% of the paid-in capital if ZOTC 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", ZOTC shall appropriate or reverse to a special reserve.

The appropriations of 2019 and 2018 earnings have been approved by ZOTC's shareholder's meeting held on June 10, 2020 and June 13, 2019, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share(NT\$)	
	For Fiscal Year 2019	For Fiscal Year 2018	For Fiscal Year 2019	For Fiscal Year 2018
Legal reserve	\$ 35,131	\$ 25,294		
(Reversal of) Special reserve	(16,844)	1,343		
Cash dividends	249,574	184,603	\$ 2.0	\$ 1.5

The appropriations of earnings for 2020 had been proposed by ZOTC's board of directors on February 24, 2021. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 44,100	
Cash dividends	377,836	\$ 3.0

The appropriations of earnings for 2020 are subject to the resolution of the shareholders' meeting to be held on May 28, 2021.

(4) Other equity

A. Exchange differences on translation of the financial statements of foreign operations

	2020	2019
Balance at January 1	\$ -	\$ -
In respect of the current year		
Exchange differences on the translation of the financial statements of foreign operations	74	-
Balance at December 31	\$ 74	\$ -

B. Unrealized gain (loss) on financial assets at FVTOCI

	<u>2020</u>	<u>2019</u>
Balance at January 1	\$ 17,865	(\$ 16,844)
In respect of the current year		
Unrealized gain (loss)—equity instruments	21,971	27,604
Cumulative gain (loss) of equity instruments transferred to retained earnings due to disposal	(<u>259</u>)	<u>7,105</u>
Balance at December 31	<u>\$ 39,577</u>	<u>\$ 17,865</u>

C. 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.

	<u>2020</u>	<u>2019</u>
Balance at January 1	(\$ 10,389)	\$ -
Issued at the current year	-	(15,156)
Share-based payment expenses recognized	<u>5,088</u>	<u>4,767</u>
Balance at December 31	<u>(\$ 5,301)</u>	<u>(\$ 10,389)</u>

21. NET INCOME

(1) Interest income

	<u>2020</u>	<u>2019</u>
Bank deposits	\$ 2,658	\$ 3,655
Financial assets at amortized cost	15,105	19,320
Others	<u>5</u>	<u>2</u>
	<u>\$ 17,768</u>	<u>\$ 22,977</u>

(2) Other income

	<u>2020</u>	<u>2019</u>
Dividend income	\$ 10,911	\$ 4,406
Others	<u>6,032</u>	<u>6,240</u>
	<u>\$ 16,943</u>	<u>\$ 10,646</u>

(3) Other gains and losses

	<u>2020</u>	<u>2019</u>
Gain (loss) on financial assets/liabilities at FVTPL	\$ 5,141	\$ 8,097
Net foreign currency exchange gain (loss)	10,077	(377)
Gain on disposal of investment accounted for using the equity method	<u>275</u>	<u>-</u>
	<u>\$ 15,493</u>	<u>\$ 7,720</u>

(4) Finance costs

	<u>2020</u>	<u>2019</u>
Interests on bank borrowings	\$ 1,953	\$ 1,949
Interest on lease liabilities	176	111
Interests on convertible bonds	<u>-</u>	<u>15</u>
	<u>\$ 2,129</u>	<u>\$ 2,075</u>

(5) Depreciation & amortization

	<u>2020</u>	<u>2019</u>
Property, plant and equipment	\$ 15,672	\$ 14,150
Right-of-use assets	7,189	6,307
Intangible assets	<u>802</u>	<u>787</u>
	<u>\$ 23,663</u>	<u>\$ 21,244</u>
An analysis of depreciation by function		
Operating costs	\$ -	\$ 157
Operating expenses	<u>22,861</u>	<u>20,300</u>
	<u>\$ 22,861</u>	<u>\$ 20,457</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 802</u>	<u>\$ 787</u>

(6) Employee benefits expense

	<u>2020</u>	<u>2019</u>
Post-employment benefits		
Defined contribution plans	\$ 10,922	\$ 9,746
Defined benefit plans (Note 19)	<u>418</u>	<u>523</u>
	<u>11,340</u>	<u>10,269</u>
Share-based payment		
Equity-settled	<u>11,982</u>	<u>16,198</u>
Other employee benefits	<u>369,936</u>	<u>327,152</u>
Total employee benefits expense	<u>\$ 393,258</u>	<u>\$ 353,619</u>
Employee benefits expense summarized by function		
Operating cost	\$ 3,569	\$ 4,021
Operating expenses	<u>389,689</u>	<u>349,598</u>
	<u>\$ 393,258</u>	<u>\$ 353,619</u>

(7) Compensation for employees and directors

ZOTC shall allocate compensation to employees and Directors of ZOTC not less than 1%~15% and not more than 3% of annual profits during the period, respectively, and the amount of employees' and Directors' compensation for the years ended December 31, 2020 and 2019, with resolution of the board of directors on Feb. 24, 2021 and Feb. 26, 2020, were as follows:

Estimate Rate

	<u>2020</u>	<u>2019</u>
Employee compensation	4.00%	4.00%
Directors' compensation	2.00%	2.00%

Amount

	<u>2020</u>		<u>2019</u>	
	<u>Cash</u>	<u>Stock</u>	<u>Cash</u>	<u>Stock</u>
Employee compensation	\$ 23,613	\$ -	\$ 18,911	\$ -
Director's compensation	11,807	-	9,456	-

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' and director's compensation in 2019, and 2018 has no difference compared to the recognized amount of the consolidated financial statements in 2019 and 2018.

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

22. INCOME TAXES

(1) Income tax recognized in profit or loss

The major components of tax expenses were as follows:

	<u>2020</u>	<u>2019</u>
Current tax		
In respect of the current year	\$ 105,290	\$ 95,909
Surtax on undistributed retained earnings	3,771	2,429
Adjustments for previous years	<u>331</u>	<u>(408)</u>
	<u>109,392</u>	<u>97,930</u>
Deferred tax		
In respect of the current year	<u>4,185</u>	<u>(4,283)</u>
Income tax expense recognized in profit or loss	<u>\$ 113,577</u>	<u>\$ 93,647</u>

A reconciliation of accounting profit and income tax expense was as follows:

	<u>2020</u>	<u>2019</u>
Profit before income tax from continuing operations	<u>\$ 553,975</u>	<u>\$ 442,802</u>
Income tax expense calculated at the statutory rate	\$ 110,795	\$ 88,560
Tax-exempt income	<u>(3,955)</u>	<u>(1,771)</u>
Tax effect of expenses not deductible for tax	3,384	5,471
Surtax on undistributed retained earnings	3,771	2,429
Unrecognized tax loss carryforward	629	2,156
The adjustment of current income tax expenses for previous years	331	<u>(408)</u>
Others	<u>(1,378)</u>	<u>(2,790)</u>
Total income tax expense recognized in profit or loss	<u>\$ 113,577</u>	<u>\$ 93,647</u>

(2) Income tax expense recognized in other comprehensive income

	<u>2020</u>	<u>2019</u>
<u>Deferred tax</u>		
In respect of the current year		
– Remeasurement of defined benefit plans	<u>\$ 43</u>	<u>\$ 231</u>

(3) Deferred tax balances

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

2020

	<u>Opening Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in Other Comprehensive Income</u>	<u>Closing Balance</u>
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for loss on decline in value of inventory	\$ 29,309	(\$ 1,652)	\$ -	\$ 27,657
Allowance for bad debts	2,993	(2,993)	-	-
Defined benefit plans	4,383	(229)	43	4,197
Loss carryforward	-	1,042	-	1,042
Others	<u>5,824</u>	<u>(1,126)</u>	<u>-</u>	<u>4,698</u>
	<u>\$ 42,509</u>	<u>(\$ 4,958)</u>	<u>\$ 43</u>	<u>\$ 37,594</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized foreign exchange gains	\$ <u>793</u>	(\$ <u>773</u>)	\$ <u>-</u>	\$ <u>20</u>

2019

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

(Concluded)

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Loss carryforward	<u>\$ 23,695</u>	<u>\$ 21,012</u>

(5) Information about unused loss carry-forward

Loss carryforwards as of December 31, 2020 comprised of:

<u>Remaining Carrying</u>	<u>Expiry Year</u>
\$ 1,886	2027
5,853	2028
9,098	2029
<u>12,066</u>	2030
<u>\$ 28,903</u>	

(6) Income tax assessment

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

<u>Co. Name</u>	<u>Year of Assessment</u>
The Company	2018
Zotech Technology Co., Ltd.	2019
Zerone Win Investment Co., Ltd.	2018
WingWill International Co., Ltd.	2019
PetaCom Technology Co., Ltd.	2019

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 Year

	<u>2020</u>	<u>2019</u>
Net profit for the year attributable to owners of the Company	\$ 441,623	\$ 351,313
Effect of potentially dilutive ordinary shares:		
Effect of convertible bonds after tax	<u>-</u>	<u>15</u>
Earnings in computation of diluted earnings per share	<u>\$ 441,623</u>	<u>\$ 351,328</u>

Shares

(Units: thousand shares)

	<u>2020</u>	<u>2019</u>
Weighted average number of ordinary shares outstanding in computation of basic earnings per share	124,381	123,354
Effect of potentially dilutive ordinary shares :		
Convertible bonds	-	56
Employee compensation	702	839
Employee stock options	2,674	2,167
Restricted stock award	<u>448</u>	<u>202</u>
Weighted average number of ordinary shares outstanding in computation of diluted earnings per share	<u>128,205</u>	<u>126,618</u>

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

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 ZOTC, and each option entitles the holder to subscribe for 1,000 ordinary shares of the Company when exercisable. The options granted are valid for 6 years and shall be exercised a portion of them after two years from the date of grant. The options were granted at an exercise price equal to the fair value of ZOTC's ordinary shares on the grant date. For any subsequent changes in the Company's ordinary shares, the exercise price of options will be adjusted by the regulated formula, accordingly.

Information about employees' stock options was as follows:

	<u>2020</u>		<u>2019</u>	
	Number of Options (In Thousands)	Weighted Average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted Average Exercise Price (NT\$)
Employee Stock options				
Balance, beginning of period	5,653	\$ 17.18	6,468	\$ 17.68
Options exercised	(1,017)	14.02	(701)	13.30
Invalid options	(<u>168</u>)	17.51	(<u>114</u>)	15.91
Outstanding options at the end of the year	<u>4,468</u>	16.70	<u>5,653</u>	17.18
Options exercised at the end of the year	<u>1,820</u>		<u>1,049</u>	

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

December 31, 2020		December 31, 2019	
Range of Exercise Price (US\$)	Weighted-Over-Age Remaining Contractual Life (Years)	Range of Exercise Price (US\$)	Weighted-Over-Age Remaining Contractual Life (Years)
\$ 11.70 (Note)	0.67	\$12.40 (Note)	1.67
13.40 (Note)	1.68	14.20 (Note)	2.68
16.80 (Note)	3.01	17.80 (Note)	4.01
18.40 (Note)	3.67	19.50 (Note)	4.67

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

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

	September, 2018	January, 2018	September, 2016	August, 2015
Securities price of the vested date	20.65 Dollars	19.85 Dollars	16.95 Dollars	15.65 Dollars
Exercised price	20.65 Dollars	19.85 Dollars	16.95 Dollars	15.65 Dollars
Foreseeable volatility rate	32.96%	33.81%	38.26%	39.14%~40.47%
Duration	6 Years	6 Years	6 Years	4~5 Years
Foreseeable dividend rate	0%	0%	0%	0%
Risk-free interest rate	0.72%	0.74%	0.56%	0.77%~0.87%

The compensation cost recognized were \$6,894 thousand and \$11,431 thousand for the years ended December 31, 2020 and 2019, respectively.

(2) Restricted stock awards

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

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

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

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

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

Compensation costs by issuance of restricted stock awards recognized were \$5,088 thousand and \$4,767 thousand in 2020 and 2019 respectively. As of December 31, 2020

and 2019, unearned employee benefits totaled \$5,301 thousand and \$10,389 thousand respectively, accounted for as a decrease in other equity.

25. CAPITAL RISK MANAGEMENT

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

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

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

26. FINANCIAL INSTRUMENTS

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

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

	December 31, 2020		December 31, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial Assets</u>				
Measured at amortized cost				
– Foreign corporate bonds	\$ 44,061	\$ 45,323	\$ 63,566	\$ 64,992

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

A. Fair value hierarchy

December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Convertible bonds	\$ 15,966	\$ -	\$ -	\$ 15,966
Listed shares and emerging market shares	16,188	-	-	16,188
Fund beneficiary certificates	<u>355,581</u>	<u>-</u>	<u>8,529</u>	<u>364,110</u>
Total	<u>\$ 387,735</u>	<u>\$ -</u>	<u>\$ 8,529</u>	<u>\$ 396,264</u>
<u>Financial assets at FVTOCI</u>				
Equity investments				
– Domestic listed shares and emerging market shares	\$ 309,281	\$ -	\$ 12,092	\$ 321,373
– Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>18,142</u>	<u>18,142</u>
Total	<u>\$ 309,281</u>	<u>\$ -</u>	<u>\$ 30,234</u>	<u>\$ 339,515</u>

December 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Convertible bonds	\$ 31,182	\$ -	\$ -	\$ 31,182
Listed shares and emerging market shares	15,041	-	-	15,041
Fund beneficiary certificates	<u>46,403</u>	<u>-</u>	<u>3,079</u>	<u>49,482</u>
Total	<u>\$ 92,626</u>	<u>\$ -</u>	<u>\$ 3,079</u>	<u>\$ 95,705</u>
<u>Financial assets at FVTOCI</u>				
Equity investments				
– Domestic listed shares and emerging market shares	\$ 237,587	\$ -	\$ 10,438	\$ 248,025
– Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>3,743</u>	<u>3,743</u>
Total	<u>\$ 237,587</u>	<u>\$ -</u>	<u>\$ 14,181</u>	<u>\$ 251,768</u>

There were no transfers between Level 1 and Level 2 in 2020 and 2019, respectively.

B. Valuation techniques and inputs applied for Level 3 fair value measurement

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

(3) Categories of financial instruments

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets measured at FVTPL		
Mandatorily measured at FVTPL	\$ 396,264	\$ 95,705
Financial assets measured at amortized cost (Note 1)	3,098,473	3,170,472
Financial assets measured at FVTOCI— Investments in equity instruments	339,515	251,768
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	2,492,646	2,567,775

Note 1: The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, investments in debt instruments, notes receivable, trade receivable, other receivable and refundable deposits.

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

(4) Financial risk management objectives and policies

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

A. Market risk

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

(A) Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities of non-functional currency calculated (including those eliminated on consolidation) at the end of the reporting period are set out in Note 30.

Sensitivity analysis

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

The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. If interest rates had been 5 % higher/lower, the Group's net profit in 2020 and 2019 would increase/decrease by \$40,991 thousand and \$20,754 thousand, respectively.

(B) Interest rate risk

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

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

	December 31, 2020	December 31, 2019
Interest rate risks at fair value		
– Financial assets	\$ 206,574	\$ 874,635
– Financial liabilities	13,091	158,356
Interest rate risks at cash flows		
– Financial assets	739,139	231,807

Sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit in 2020 and 2019 would increase/decrease by \$3,696 thousand and \$1,159 thousand, respectively. Exposure is triggered by risks of cash flows of the Group's variable interest rates of deposits.

(C) Other price risk

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

Sensitivity analysis

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

Assuming a hypothetical increase/decrease of 5% in prices of the equity investments, increased/decreased by \$19,813 thousand and \$4,785 thousand, because of the change in fair value of financial assets at FVTPL, respectively, at

the end of the reporting period in 2020 and 2019. The other comprehensive income would have increased/decreased by \$16,976 thousand and \$12,588 thousand respectively, because of the change in fair value of financial assets at FVTOCI at the end of the reporting period in 2020 and 2019.

B. Credit risk

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

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

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

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

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

The credit risk of the Group concentrates on top 5 customers of the Group. As of December 31, 2020 and 2019, the Group's five largest customers accounted for 33% of trade receivable, respectively.

C. Liquidity risk

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

Liquidity & interest rate risk table

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

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

December 31, 2020

	<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>5+ Years</u>
<u>Non-derivative financial liabilities</u>			
No interest-bearing liabilities	\$ 2,491,846	\$ -	\$ -
Lease liability	<u>7,636</u>	<u>5,192</u>	<u>-</u>
	<u>\$ 2,499,482</u>	<u>\$ 5,192</u>	<u>\$ -</u>

December 31, 2019

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

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

As of December 31, 2020 and 2019, the Group's unused short-term credit of limit of the bank were \$1,250,000 thousand and \$920,000 thousand, respectively.

27. RELATED PARTIES TRANSACTIONS

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

Compensation of key management personnel

	<u>2020</u>	<u>2019</u>
Short-term employee benefits	<u>\$ 45,417</u>	<u>\$ 40,673</u>

Salaries of the board members and other key management personnel are determined by their personal performance and economic market trend by the Compensation Committee.

28. PLEDGED ASSETS

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Property, plant and equipment, Net	\$ 207,620	\$ 209,009
Pledged time deposits (Financial assets at amortized cost— non-current)	<u>25,465</u>	<u>18,058</u>
	<u>\$ 233,085</u>	<u>\$ 227,067</u>

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

(1)As of December 31, 2020, the Group issued \$87,000 thousand of cashier order for payment guaranteed for Microsoft Taiwan Corporation.

(2)As of December 31, 2020, the Group issued \$50,000 thousand of cashier order for payment guaranteed for Microsoft Regional Sales Corporation.

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

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

December 31, 2020

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 12,526	28.48 (USD:NTD)	<u>\$ 356,740</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	41,312	28.48 (USD:NTD)	<u>\$ 1,176,566</u>

December 31, 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 31,858	29.98 (USD:NTD)	<u>\$ 955,103</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	45,703	29.98 (USD:NTD)	<u>\$ 1,370,176</u>

The material foreign exchange gains (losses) (realized and unrealized) were as follows:

	2020		2019	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	29.549 (USD:NTD)	<u>\$ 10,077</u>	30.912 (USD:NTD)	<u>(\$ 377)</u>

31. SEPARATELY DISCLOSED ITEMS

(1) Significant Transactional Items

- 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: None.
- J. Others: Intercompany relationships and significant intercompany transactions.
Table 4.

(2) Information on investees: Table 3.

(3) Information on investment in Mainland China :

- A. The name of the investee in mainland China, the main business and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Table 5.
- B. Significant direct or indirect transactions with the investee, its price and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: None.
- (i) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
- (ii) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
- (iii) The amount of property transactions and the amount of the resultant gains or losses.
- (iv) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
- (v) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
- (vi) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

- (4) Information on major shareholder : List of all shareholders with ownership of 5 percent or greater showing the names and the number of shares and percentage of ownership held by each shareholder: Table 6.

32. SEGMENT INFORMATION

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

(1) Segments revenue & operating results

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

	The brand agent business division	Other	Eliminations	Total
<u>2020</u>				
Revenues from external customers	\$ 9,655,156	\$ 179,162	\$ -	\$ 9,834,318
Inter-segment revenues	<u>-</u>	<u>36,192</u>	<u>(36,192)</u>	<u>-</u>
Segment revenues	<u>\$ 9,655,156</u>	<u>\$ 215,354</u>	<u>(\$ 36,192)</u>	<u>9,834,318</u>
Consolidated revenues				<u>\$ 9,834,318</u>
Segment profit (loss)	<u>\$ 631,009</u>	<u>\$ 5,032</u>	<u>\$ -</u>	\$ 636,041
General administration division costs and directors' compensation				(131,401)
Interest income				17,768
Other income				16,943
Other gains and losses				15,493
Net gain on derecognition of financial assets at amortized cost				1,260
Finance costs				(<u>2,129</u>)
Profit before income tax				<u>\$ 553,975</u>

(Continued)

	The brand agent business division	Other	Eliminations	Total
<u>2019</u>				
Revenues from external customers	\$ 8,823,337	\$ 91,833	\$ -	\$ 8,915,170
Inter-segment revenues	<u>-</u>	<u>20,152</u>	<u>(20,152)</u>	<u>-</u>
Segment revenues	<u>\$ 8,823,337</u>	<u>\$ 111,985</u>	<u>(\$ 20,152)</u>	<u>8,915,170</u>
Consolidated revenues				<u>\$ 8,915,170</u>
Segment profit (loss)	<u>\$ 539,029</u>	<u>(\$ 9,658)</u>	<u>\$ -</u>	\$ 529,371
General administration division costs and directors' compensation				(129,582)
Interest income				22,977
Other income				10,646
Other gains and losses				7,720
Net gain on derecognition of financial assets at amortized cost				3,745
Finance costs				<u>(2,075)</u>
Profit before income tax				<u>\$ 442,802</u>

(Concluded)

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

(2) Total assets and liabilities of the department

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

(3) Revenues of major products and services

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

	2020	2019
IT Infrastructure	\$ 2,889,703	\$ 2,341,572
Network & Information Security	4,621,943	4,334,514
Cloud Platform & Application	1,844,467	1,651,780
Big Data & Application	474,176	580,651
Other	<u>4,029</u>	<u>6,653</u>
	<u>\$ 9,834,318</u>	<u>\$ 8,915,170</u>

(4) Geographical information

The Group mainly operates in Taiwan.

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

	Net revenue from external customers		Non-current Assets	
			December 31, 2020	December 31, 2019
	2020	2019	2020	2019
Taiwan	\$ 9,745,266	\$ 8,821,731	\$ 320,077	\$ 324,110
Others	<u>89,052</u>	<u>93,439</u>	<u>2,555</u>	<u>-</u>
	<u>\$ 9,834,318</u>	<u>\$ 8,915,170</u>	<u>\$ 326,632</u>	<u>\$ 324,110</u>

Non-current assets do not include financial instruments and deferred tax assets.

(5) Major customer information

Revenues in 2020 and 2019 of brand agent business division were \$9,655,156 thousand, and \$8,823,337 thousand, and among those revenues, \$1,001,631 thousand, and \$782,918 thousand came from the largest key account. In 2020 and 2019, the largest single customer which contributed to more than 10% of the Group's total revenue was as follows:

	2020	2019
Genesis Technology Inc.	<u>\$ 1,001,631</u>	N.A. (Note)

Note: Revenue received did not exceed 10% of the Group's total revenue.

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
FINANCING PROVIDED TO OTHERS
FOR THE YEARS ENDED DECEMBER 31, 2020

Table 1

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

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 2)	Ending Balance	Amount Actually Drawn	Interest Rate	Nature for Financing (Note 3)	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 4)	Financing Company's Total Financing Amount Limits (Note 5)	Note
													Name	Item			
0	ZOTC	Zerone Win Investment Co. Ltd	Other receivables from related parties	Yes	\$ 40,000	\$ 40,000	\$ -	3%	2	\$ -	Operating Capital	\$ -	—	\$ -	\$ 265,727	\$ 531,454	
0	ZOTC	WinWill Co. Ltd.	Other receivables from related parties	Yes	20,000	20,000	-	3%	2	-	Operating Capital	-	—	-	265,727	531,454	

Note 1 : The number column is organized as follows :

(1)Number 0 represents the issuer.

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

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

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

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

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

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

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

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
FOR THE YEAR ENDED DECEMBER 31, 2020

Table 2

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

Holding Company	Marketable Securities Type and Issuer's Name (Note 1)	Security Issuer's Relationship with the Holding Company	Financial Statement Account	D e c e m b e r 3 1 , 2 0 2 0				N o t e
				Shares/Units	Carrying Values	Percentage of Ownership (%)	Market Prices/ Net value of equities	
ZOTC	Beneficiary certificates							
	KGI Emerging Market Bond 1-5 ETF Fund	—	Financial assets at FVTPL — current	65,000	\$ 2,473	-	\$ 2,473	
	Taishin 1699 Money Market Fund	—	Financial assets at FVTPL — current	10,993,924	150,022	-	150,022	
	Jih Sun Money Market Fund	—	Financial assets at FVTPL — current	10,034,989	150,023	-	150,023	
	Prudential Financial Money Market Fund	—	Financial assets at FVTPL — current	1,880,394	30,001	-	30,001	
	KGI Kaefer Fund	—	Financial assets at FVTPL — non- current	170,199	3,354	-	3,354	
	KGI Taiwan Multi-Asset Income Fund	—	Financial assets at FVTPL — non- current	1,198,020	12,459	-	12,459	
	KGI Taiwan Select-Asset Income Fund	—	Financial assets at FVTPL — non- current	500,325	5,175	-	5,175	
	Corporate bond							
	Tong Ming Enterprise Co., Ltd. — 1 st domestic unsecured convertible corporate bonds	—	Financial assets at FVTPL — current	10 (Units)	1,000	-	1,000	
	Quang Viet Enterprise Co., Ltd. — 1 st convertible corporate bonds	—	Financial assets at FVTPL — current	30 (Units)	3,132	-	3,132	
	M.J. International Co. Ltd. — 1 st convertible corporate bonds	—	Financial assets at FVTPL — current	20 (Units)	2,099	-	2,099	
	Rossmax International Ltd. — 2 nd convertible corporate bonds	—	Financial assets at FVTPL — current	20 (Units)	2,200	-	2,200	
	Jentech Precision Industrial Co. Ltd. — 3 rd convertible corporate bonds	—	Financial assets at FVTPL — current	30 (Units)	3,178	-	3,178	
	Anli International Co. Ltd. — 1 st convertible corporate bonds	—	Financial assets at FVTPL — current	20 (Units)	2,052	-	2,052	
	Marketch International Corp. — 4 th convertible corporate bonds	—	Financial assets at FVTPL — current	10 (Units)	1,126	-	1,126	
	Chung-Hsin Electric & Machinery Mfg. Corp. — 2 nd convertible corporate bonds	—	Financial assets at FVTPL — current	10 (Units)	1,179	-	1,179	

(Continued)

Holding Company	Marketable Securities Type and Issuer's Name (Note 1)	Security Issuer's Relationship with the Holding Company	Financial Statement Account	D e c e m b e r 3 1 , 2 0 2 0				N o t e
				Shares/Units	Carrying Values	Percentage of Ownership (%)	Market Prices/ Net value of equities	
ZOTC	Barclays Bank Coupon Bond (USD)	—	Financial assets at amortized cost — non-current	5 (Units)	\$ 14,895	-	\$ 16,154	
	Prufin Coupon Bond (USD)	—	Financial assets at amortized cost — non-current	10 (Units)	29,166	-	29,169	
	Securities							
	Actron Technology Corp.	—	Financial assets at FVTPL — current	15,000	1,785	-	1,785	
	Cathay Financial Holdings Preferred Stock A	—	Financial assets at FVTPL — non- current	166,000	10,259	-	10,259	
	Union Bank of Taiwan Preferred Stock A	—	Financial assets at FVTPL — non- current	80,000	4,144	-	4,144	
	Kaway Information Corp.	Note 3	Financial assets at FVTOCI — non- current	490,000	16,243	1.60	16,243	
	China Electric Mfg. Corp.	—	Financial assets at FVTOCI — non- current	2,689,200	37,514	0.83	37,514	
	ASIX Electronics Corp.	—	Financial assets at FVTOCI — non- current	81,066	4,880	0.16	4,880	
	Promaster Technology Corp	—	Financial assets at FVTOCI — non- current	1,157,137	12,092	2.72	12,092	
	Unex Technology Corporation	—	Financial assets at FVTOCI — non- current	175,000	3,231	1.68	3,231	
	Da-Chang Start-Up Investment Co. Ltd.	—	Financial assets at FVTOCI — non- current	1,500,000	14,911	2.73	14,911	
	Cathay Financial Holdings Preferred Stock A	—	Financial assets at FVTOCI — non- current	134,000	8,281	-	8,281	
	Union Bank of Taiwan Preferred Stock A	—	Financial assets at FVTOCI — non- current	70,000	3,626	-	3,626	
	Fubon Financial Holding Co., Ltd. Preferred Shares B	—	Financial assets at FVTOCI — non- current	400,000	25,000	-	25,000	
	Taishin Financial Holding Co., Ltd. Preferred Stock E	—	Financial assets at FVTOCI — non- current	240,000	12,624	-	12,624	
	CTBC Financial Holding Co., Ltd. Preferred Shares B	—	Financial assets at FVTOCI — non- current	90,000	5,706	-	5,706	
	Cathay Financial Holding Co., Ltd. Preferred Stock B	—	Financial assets at FVTOCI — non- current	230,000	14,467	-	14,467	

(Continued)

Holding Company	Marketable Securities Type and Issuer's Name (Note 1)	Security Issuer's Relationship with the Holding Company	Financial Statement Account	D e c e m b e r 3 1 , 2 0 2 0				N o t e
				Shares/Units	Carrying Values	Percentage of Ownership (%)	Market Prices/ Net value of equities	
ZOTC	Kwong Lung Enterprise Co. Ltd. Preferred Stock A	—	Financial assets at FVTOCI—non-current	270,000	\$ 13,581	-	\$ 13,581	
	WPG Holdings Limited Preferred Stock A	—	Financial assets at FVTOCI—non-current	700,000	35,070	-	35,070	
	United Orthopedic Corporation Preferred Shares A.	—	Financial assets at FVTOCI—non-current	200,000	9,500	-	9,500	
	QST International Corporation Preferred Shares A.	—	Financial assets at FVTOCI—non-current	150,000	6,713	-	6,713	
	Chailease Holding Company Limited Class A Preferred Shares	—	Financial assets at FVTOCI—non-current	300,000	29,880	-	29,880	
	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	-	0.22	-	
	Jotangi Technology Co., Ltd.	—	Financial assets at FVTOCI—non-current	796,250	-	9.32	-	
Zerone Win Investment Co.	Securities							
	WPG Holdings Limited Preferred Stock A	—	Financial assets at FVTOCI—non-current	240,000	12,024	-	12,024	
	Shin Kong Financial Holding Co.,Ltd. Preferred Stock A	—	Financial assets at FVTOCI—non-current	50,000	2,188	-	2,188	
	Chailease Holding Company Limited Class A Preferred Shares	—	Financial assets at FVTOCI—non-current	89,000	8,864	-	8,864	
	Tatung System Technologies Inc.	—	Financial assets at FVTOCI—non-current	2,000,000	53,100	2.26	53,100	
PetaCom Technology Co. Ltd.	Beneficiary certificates							
	Taishin 1699 Money Market Fund	—	Financial assets at FVTPL—current	777,000	10,603	-	10,603	
Zotech Technology Co. Ltd.	Securities							
	WPG Holdings Limited Preferred Stock A	—	Financial assets at FVTOCI—non-current	200,000	10,020	-	10,020	

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

Note 2 : Relevant information about Investments in equity of subsidiaries, associates, see Table 3.

Note 3 : Effective June 10, 2020, the status of Kaway Information Corp. was changed from Supervisor to Director of the Company.

(Concluded)

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2020

Table 3

(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses	Investment Amount		As of December 31, 2020			Net Income (Loss) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2020	December 31, 2019	Number of Ownership	Percentage of Ownership	Carrying Values			
ZOTC	Zotech Technology Co., Ltd.	Taipei City	Services of telecommunication apparatus	\$ 35,000	\$ 35,000	3,500,000	85.37	\$ 43,132	\$ 426	\$ 364	Subsidiary
	Chi-Ta International Co., Ltd.	Taipei City	Services of telecommunication apparatus	-	10,000	-	-	-	-	-	Disposed in April, 2020
	ZeroneWin Investment Co., Ltd.	Taipei City	Investment	149,000	100,000	14,900,000	100.00	154,088	(712)	(712)	Subsidiary
	Asiaone Holdings Ltd.	Republic of Seychelles	Holding company	10,063	10,063	320,000	100.00	9,526	(93)	(93)	Subsidiary
ZeroneWin Investment Co., Ltd.	WingWill International Co., Ltd.	Taipei City	Services of cloud information software	25,500	7,000	25,500,000	87.93	5,981	(6,858)	(5,582)	Sub-subsubsidiary
	PetaCom Technology Co., Ltd.	Taipei City	Services of information product agent	50,000	50,000	50,000,000	100.00	47,551	4,057	4,057	Sub-subsubsidiary

Note: Please refer to Table 5 for Information on investment in Mainland China.

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2020

Table 4

(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 (Note 5)	Percentage of Consolidated Total Revenues or Total Assets (Note 3)
0	ZOTC	WingWill International Co., Ltd.	1	Sales revenue	\$ 22,141	Note 5	-
				Trade receivable	6,814	Note 5	-
		Techone (Shanghai) Co., Ltd.	1	Sales revenue	6,059	Note 5	-
		PetaCom Technology Co., Ltd.	1	Cost of goods sold	11,153	Note 5	-
Trade payable	8,204			Note 5	-		

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

Note 5 : The terms of transactions with intercompany partners are similar to non-related parties.

ZERO ONE TECHNOLOGY CO., LTD.AND SUBSIDIARIES
INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020

Table 5

(In Thousands)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of 31 December, 2020	Accumulated Repatriation of Investment Income as of 31 December, 2020	Note
					Outward	Inward							
Techone (Shanghai) Co., Ltd.	Services of Network Technology	\$ 13,131 (RMB 3,000)	(Note 1)	\$ -	\$ 9,118	\$ -	\$ 9,118	(\$ 39)	70%	(\$ 27)	\$ 9,164	\$ -	—

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2020	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA (Note 3)
\$ 8,673 (USD 305)	\$ 8,673 (USD 305)	\$ 1,594,362

Note 1 : The company directly holds 100% of a subsidiary-Asiaone Holdings Ltd., which reinvests the company in Mainland China.

Note 2 : Amount was recognized based on the financial statements which were not audited by CPAs on December 31, 2020.

Note 3 : Determined by sixty percent (60%) of the Company's consolidated net worth, audited by CPAs on December 31, 2020 (2,657,270×60%=1,594,362).

Note 4 : For foreign currency conversion, gain (loss) are converted by the average exchange rate in 2020. Other amounts are converted into New Taiwan Dollars by the exchange rate on 31 December, 2020.

ZERO ONE TECHNOLOGY CO., LTD.
INFORMATION ON MAJOR SHAREHOLDERS
DECEMBER 31, 2020

Table 6

Shareholders	Shares	
	Total Shares Owned (In Thousands)	Ownership Percentage
Ceres Investment Co., Ltd.	9,506,594	7.56%
Chia Hsin, Lin	9,338,292	7.43%

Note: This table presents information provided by the Taiwan Depository & Clearing Corporation on stockholders holding greater than 5% of the Company's ordinary and preference shares including treasury stock in dematerialized form that have completed the process of registration and delivery by book-entry transfer as of the last business day for the current quarter. The share capital recorded, and the actual registered non-physical shares in this consolidated financial statements may differ due to different basis of preparation.

ZERO ONE TECHNOLOGY CO., LTD.
PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE
YEARS ENDED DECEMBER 31, 2020 AND 2019 AND
INDEPENDENT AUDITORS' REPORT

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

§TABLE OF CONTENTS§

Contents	Page No.	Financial Report's Note No.
1、Cover	1	-
2、Table of Contents	2	-
3、Independent Auditors' Auditor Report	3~6	-
4、Parent company only Balance Sheets	7	-
5、Parent company only Statements of Comprehensive Income	8~9	-
6、Parent company only Statements of Changes in Equity	10	-
7、Parent company only Statements of Cash Flows	11~12	-
8、Notes to Parent company only Financial Statements		
(1) General	13	1
(2) The date and procedures of authorization of financial statements	13	2
(3) Application of new and revised standards and interpretations	13~14	3
(4) Summary of significant accounting policies	14~23	4
(5) Critical accounting judgements and key sources of estimation and uncertainty	23	5
(6) Explanation of significant accounts	24~43	6~25
(7) Related parties transactions	44~45	26
(8) Pledged assets	45	27
(9) Significant contingent liabilities and unrecognized commitments	45	28
(10) Foreign-currency-denominated assets and liabilities that have significant influence	45	29
(11) Separately disclosed items		
A. Information on significant transactions	46~50	30
B. Information on investees	46、51	30
C. Information on investment in Mainland China	46、52	30
D. Information on major shareholders	46、53	30
9、List of major account tiles	54~69	-

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Zero One Technology Co., Ltd.

Opinion

We have audited the accompanying parent company only financial statements of Zero One Technology Co., Ltd. (the "Company"), which comprise the parent company only balance sheets as of December 31, 2020 and 2019, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2020 and 2019, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's parent company only financial statements for the year ended December 31, 2020 are stated as follows:

Valuation of allowance for uncollectible accounts

Key Audit Matters

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

The following audit procedures

Our audit procedure includes evaluating the policy of recognizing loss allowance for expected credit losses, understanding and testing internal controls of allowance for uncollectible accounts by the management that are

in line with periodic reviews, design and implement of relevant controls. We also obtain an aging analysis report of accounts receivable for calculation the allowance for uncollectible accounts on the balance sheet date, and perform the procedure of sampling and auditing to evaluate the correctness of the aging analysis report, and examine the valuation of allowance for uncollectible accounts and related reasons so as to evaluate the appropriate nature of the expected credit losses.

Allowance for inventory valuation loss

Key Audit Matters

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

The following audit procedures

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chen Ming, Li and Pei Te, Chen.

Deloitte & Touche

Taipei, Taiwan
Republic of China

February 24, 2021

Notice to Readers

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

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

ZERO ONE TECHNOLOGY CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 567,436	10	\$ 298,352	6
Financial assets at fair value through profit or loss – current (Notes 4 and 7)	350,270	6	34,182	1
Financial assets at amortized cost – current (Notes 4 and 9)	232,010	4	683,552	13
Notes receivable (Notes 4, 5 and 10)	230,490	4	276,895	5
Trade receivables (Notes 4, 5, 10 and 26)	1,871,194	35	1,742,370	33
Inventories (Notes 4, 5 and 11)	1,223,050	23	1,306,416	25
Other current assets (Note 26)	26,599	-	43,281	1
Total current assets	<u>4,501,049</u>	<u>82</u>	<u>4,385,048</u>	<u>84</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	35,391	1	30,280	1
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	253,319	5	192,423	4
Financial assets at amortized cost - non-current (Notes 4, 9 and 27)	64,451	1	79,079	1
Investments accounted for using the equity method (Notes 4 and 12)	206,746	4	143,945	3
Property, plant and equipment (Notes 4,13 and 27)	307,276	6	313,991	6
Right-of-use assets (Notes 4 and 14)	6,762	-	7,332	-
Other intangible assets (Note 4)	765	-	1,358	-
Deferred tax assets (Notes 4 and 21)	35,976	1	41,852	1
Refundable deposits	4,281	-	2,754	-
Total non-current assets	<u>914,967</u>	<u>18</u>	<u>813,014</u>	<u>16</u>
TOTAL	<u>\$ 5,416,016</u>	<u>100</u>	<u>\$ 5,198,062</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 15)	\$ -	-	\$ 150,000	3
Trade payables (Note 26)	2,227,047	41	2,024,410	39
Other payables (Note 16)	232,528	5	374,041	7
Current tax liabilities (Notes 4 and 21)	59,660	1	56,927	1
Lease liabilities - current (Notes 4 and 14)	5,223	-	3,576	-
Other current liabilities	210,909	4	141,128	3
Total current liabilities	<u>2,735,367</u>	<u>51</u>	<u>2,750,082</u>	<u>53</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 21)	-	-	793	-
Lease liabilities - non-current (Notes 4 and 14)	1,597	-	3,803	-
Net defined benefit liabilities - non-current (Notes 4 and 18)	20,982	-	21,918	-
Other non-current liabilities	800	-	1,162	-
Total non-current liabilities	<u>23,379</u>	<u>-</u>	<u>27,676</u>	<u>-</u>
Total liabilities	<u>2,758,746</u>	<u>51</u>	<u>2,777,758</u>	<u>53</u>
EQUITY (Notes 4 and 19)				
Share capital				
Ordinary shares	1,256,402	23	1,246,352	24
Capital surplus	478,757	9	470,136	9
Retained earnings				
Legal reserve	219,863	4	184,732	4
Special reserve	-	-	16,844	-
Unappropriated earnings	667,898	12	494,764	10
Total retained earnings	887,761	16	696,340	14
Other equity	34,350	1	7,476	-
Total equity	<u>2,657,270</u>	<u>49</u>	<u>2,420,304</u>	<u>47</u>
TOTAL	<u>\$ 5,416,016</u>	<u>100</u>	<u>\$ 5,198,062</u>	<u>100</u>

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

ZERO ONE TECHNOLOGY CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 26)				
Net sales	\$ 9,658,778	100	\$ 8,826,659	100
OPERATING COSTS (Notes 11 and 26)				
Cost of goods sold	<u>8,661,534</u>	<u>90</u>	<u>7,960,716</u>	<u>90</u>
GROSS PROFIT	<u>997,244</u>	<u>10</u>	<u>865,943</u>	<u>10</u>
OPERATING EXPENSES (Notes 18 and 20)				
Selling and marketing expenses	365,426	4	336,544	4
General and administrative expenses	123,760	1	126,149	1
Reversal of expected credit losses (Note 10)	(<u>3,262</u>)	<u>-</u>	(<u>5,901</u>)	<u>-</u>
Total operating expenses	<u>485,924</u>	<u>5</u>	<u>456,792</u>	<u>5</u>
PROFIT FROM OPERATIONS	<u>511,320</u>	<u>5</u>	<u>409,151</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 20)				
Interest income (Note 26)	17,740	1	22,488	-
Other income (Note 26)	11,013	-	11,233	-
Other gains and losses (Note 12)	16,062	-	7,196	-
Net gain on derecognition of financial assets at amortized cost (Note 9)	1,260	-	3,745	-
Finance costs	(2,045)	-	(2,054)	-
Share of profit or loss of subsidiaries accounted for using the equity method (Note 12)	(<u>441</u>)	<u>-</u>	(<u>7,344</u>)	<u>-</u>
Total non-operating income and expenses	<u>43,589</u>	<u>1</u>	<u>35,264</u>	<u>-</u>

(Continued)

	<u>2020</u>		<u>2019</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
PROFIT BEFORE INCOME TAX	\$ 554,909	6	\$ 444,415	5
INCOME TAX EXPENSE (Notes 4 and 21)	<u>113,286</u>	<u>1</u>	<u>93,102</u>	<u>1</u>
NET PROFIT	<u>441,623</u>	<u>5</u>	<u>351,313</u>	<u>4</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 18 and 21)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(212)	-	(1,157)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	3,974	-	20,757	-
Share of other comprehensive income of subsidiaries accounted for using the equity method	17,997	-	6,847	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	43	-	231	-
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive income of subsidiaries accounted for using the equity method	<u>74</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>21,876</u>	<u>-</u>	<u>26,678</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 463,499</u>	<u>5</u>	<u>\$ 377,991</u>	<u>4</u>
EARNINGS PER SHARE (Note 22)				
From continuing operations				
Basic	<u>\$ 3.55</u>		<u>\$ 2.85</u>	
Diluted	<u>\$ 3.44</u>		<u>\$ 2.77</u>	

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

ZERO ONE TECHNOLOGY CO., LTD.
**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

	Share Capital		Retained Earnings					Other Equity			Total Equity	
	Shares (In Thousand)	Issued Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Comprehensive Income	Unearned Employee Benefits		Total
	BALANCE, JANUARY 1, 2019	122,896	\$ 1,228,965	\$ 446,515	\$ 159,438	\$ 15,501	\$ 362,722	\$ 537,661	\$ -	(\$ 16,844)		\$ -
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)
Net profit for the year ended December 31, 2019	-	-	-	-	-	351,313	351,313	-	-	-	-	351,313
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	(926)	(926)	-	27,604	-	27,604	26,678
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	350,387	350,387	-	27,604	-	27,604	377,991
Convertible bonds converted to capital stock	338	3,377	1,722	-	-	-	-	-	-	-	-	5,099
Share based payment transaction – restricted stock awards	-	-	-	-	-	-	-	-	-	4,767	4,767	4,767
Share based payment transaction - employee stock option	-	-	11,431	-	-	-	-	-	-	-	-	11,431
Issuance of restricted stock awards	700	7,000	8,156	-	-	-	-	-	-	(15,156)	(15,156)	-
Issuance of ordinary shares under employee share options	701	7,010	2,312	-	-	-	-	-	-	-	-	9,322
Disposals of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(7,105)	(7,105)	-	7,105	-	7,105	-
BALANCE, DECEMBER 31, 2019	124,635	1,246,352	470,136	184,732	16,844	494,764	696,340	-	17,865	(10,389)	7,476	2,420,304
Appropriation of the 2019 earnings												
Legal reserve	-	-	-	35,131	-	(35,131)	-	-	-	-	-	-
Special reserve	-	-	-	-	(16,844)	16,844	-	-	-	-	-	-
Cash dividends – NT \$2.0 per share	-	-	-	-	-	(249,574)	(249,574)	-	-	-	-	(249,574)
Net profit for the year ended December 31, 2020	-	-	-	-	-	441,623	441,623	-	-	-	-	441,623
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	(169)	(169)	74	21,971	-	22,045	21,876
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	441,454	441,454	74	21,971	-	22,045	463,499
Changes in percentage of ownership interests in subsidiaries	-	-	(2,481)	-	-	(718)	(718)	-	-	-	-	(3,199)
Share based payment transaction – restricted stock awards	-	-	-	-	-	-	-	-	-	5,088	5,088	5,088
Share based payment transaction - employee stock option	-	-	6,894	-	-	-	-	-	-	-	-	6,894
Recall of unissued shares of restricted stock awards	(12)	(120)	120	-	-	-	-	-	-	-	-	-
Issuance of ordinary shares under employee share options	1,017	10,170	4,088	-	-	-	-	-	-	-	-	14,258
Disposals of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	259	259	-	(259)	-	(259)	-
BALANCE, DECEMBER 31, 2020	125,640	\$ 1,256,402	\$ 478,757	\$ 219,863	\$ -	\$ 667,898	\$ 887,761	\$ 74	\$ 39,577	(\$ 5,301)	\$ 34,350	\$ 2,657,270

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

ZERO ONE TECHNOLOGY CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 554,909	\$ 444,415
Adjustments for:		
Depreciation expenses	20,255	18,058
Amortization expenses	778	776
Reversal of expected credit losses	(3,262)	(5,901)
Net gain on fair value change of financial assets at fair value through profit or loss	(5,050)	(7,359)
Finance costs	2,045	2,054
Net gain on derecognition of financial assets at amortized cost	(1,260)	(3,745)
Interest income	(17,740)	(22,488)
Dividend income	(8,535)	(4,366)
Compensation costs of employee share options	11,982	16,198
Share of loss of subsidiaries accounted for using the equity method	441	7,344
Loss on disposal of property, plant and equipment	40	-
Gain on disposal of investments accounted for using equity method	(275)	-
(Reversal of write-down) write-down of inventories	(7,898)	29,563
Net loss on foreign currency exchange	5,618	23,769
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(316,149)	5,215
Notes receivable	46,405	(116,322)
Trade receivables	(127,308)	(17,318)
Inventories	88,620	(410,213)
Other current assets	3,780	(3,678)
Trade payables	206,993	364,851
Other payables	(139,983)	131,321
Other current liabilities	69,781	35,226
Net defined benefit liabilities	(1,148)	(818)
Cash generated from operations	383,039	486,582
Income tax paid	(105,427)	(97,101)
Net cash generated from operating activities	<u>277,612</u>	<u>389,481</u>

(Continued)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(\$ 84,217)	(\$ 47,786)
Proceeds from sale of financial assets at fair value through other comprehensive income	24,217	17,803
Proceeds from the return of capital upon investees' capital reduction of financial assets at fair value through other comprehensive income	3,078	3,320
Purchase of financial assets at amortized cost	(236,229)	(191,975)
Disposal of financial assets at amortized cost	700,682	64,955
Acquisition of investments accounted for using the equity method	(49,000)	(10,063)
Proceeds from disposal of investments accounted for using equity method	275	-
Payments for property, plant and equipment	(6,359)	(7,033)
Proceeds from disposal of property, plant and equipment	500	-
Increase in refundable deposits	(1,527)	(1,077)
Decrease (increase) in other receivables-related parties	10,000	(10,000)
Payments for intangible assets	(185)	(670)
Interest received	20,642	20,178
Dividend received from subsidiaries	630	1,750
Other dividends received	<u>8,535</u>	<u>4,366</u>
Net cash generated from (used in) investing activities	<u>391,042</u>	<u>(156,232)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	-	50,000
Repayments of short-term borrowings	(150,000)	-
Proceeds from guarantee deposits received	-	362
Refund of guarantee deposits received	(362)	-
Repayment of principal portion of lease liabilities	(5,066)	(4,319)
Dividends paid	(249,574)	(184,603)
Exercise of employee share options	14,258	9,322
Interest paid	<u>(2,049)</u>	<u>(2,050)</u>
Net cash used in financing activities	<u>(392,793)</u>	<u>(131,288)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>(6,777)</u>	<u>(5,363)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	269,084	96,598
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>298,352</u>	<u>201,754</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 567,436</u>	<u>\$ 298,352</u>

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

ZERO ONE TECHNOLOGY CO., LTD.
 NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2021 and 2020

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

1. GENERAL

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

The parent company only financial statements are expressed by the functional currency (New Taiwan dollars) of the Company.

2. THE DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying parent company only financial statements were approved by the Board of Directors and issued on February 24, 2021.

3. APPLICATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

(1) Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

Application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Company’s accounting policies.

(2) The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2021

<u>New IFRSs</u>	<u>Effective Date Announced by IASB</u>
Amendments to IFRS 4, “Extension of the Temporary Exemption from Applying IFRS 9”	Effective as announced
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform – Phase II”	January 1, 2021 for annual reporting periods
Amendments to IFRS16 “Covid-19 leases – rent concessions”	June 1, 2020 for annual reporting period

As of the date the accompanying parent company only financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of aforementioned 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 in issued by IASB but not yet endorsed and issued into effect by the FSC

<u>New IFRSs</u>	<u>Effective Date Announced by the IASB (Note 1)</u>
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework:	January 1, 2022 (Note 3)
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, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Noncurrent”	January 1, 2023
Amendments to IAS 1 “Disclosure of accounting policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of accounting estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

Note 2 : The amendments to IFRS 9 are applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” are applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3 : The amendments are applicable 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, 2022.

Note 4 : The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5 : The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6 : The amendments are effective for annual periods beginning on or after 1 January, 2023.

Note 7 : The amendments are effective for annual periods beginning on or after 1 January, 2023, and changes in accounting policies and changes in accounting estimates that occur on or after the start of the period.

As of the date the parent company only financial statements were authorized for issue, the Company is continuously evaluating 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 evaluation is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

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

(2) Basis of preparation

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

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

(4) Foreign currencies

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

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

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

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

(5) Inventories

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

(6) Investment in subsidiaries

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

Subsidiaries are the entities controlled by the Company (including structural entities).

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

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

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

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

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

When the Company loses control of a subsidiary, any retained investment of the former subsidiary is measured at the fair value at that date. A gain or loss is recognized in profit or loss and calculated as the difference between the aggregate of the fair value of consideration received and the fair value of any retained interest at the date when control is lost; and the previous carrying amount of the investment in such subsidiary. In addition, the Company shall account for all amounts previously recognized in other comprehensive income in relation to the subsidiary on the same basis as would be required if the subsidiary had directly disposed of the related assets and liabilities.

When the Company transacts with its subsidiaries, profits and losses resulting from the transactions with the subsidiaries are recognized in the Company's parent only financial statements only to the extent of interests in the subsidiaries that are not owned by the Company.

(7) Investment in associates

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

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

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

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

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

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

Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

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

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

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

(8)Property, plant and equipment

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

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

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

(9)Intangible assets

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

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

(10)Impairment of property, plant and equipment, right-of-use assets, and intangible assets (excluding goodwill)

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

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

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

The inventory, property, plant and equipment and intangible assets recognized in the customer contract are first recognized as impairment in accordance with the inventory policies and the above regulations, and the book value of the relevant assets according to the contract cost exceeds the expected consideration for the provision of related goods or services. The amount after deducting the directly related costs is recognized as an impairment loss, and the book value of the contract cost-related assets is continuously included in the cash-generating unit in order to perform the impairment assessment of the cash-generating unit.

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

(11) Financial instruments

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

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

A. Financial assets

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

d. Measurement category

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

(a) Financial assets at FVTPL

For certain financial assets which include debt instrument that do not meet the criteria of amortized cost or FVTOCI, it is mandatorily required to measure them at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The dividends, interest earned and net gain or loss recognized in profit or loss on the financial asset. Fair value is determined in the manner described in Note 25.

(b) Financial assets at amortized cost

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

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

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

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

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

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

(c) Investments in equity instruments at FVTOCI

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

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

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

e. Impairment of financial assets

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

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

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

In order for the Company to fulfill the purpose of internal credit and risk management control, under the premise that does not take into account of the collaterals owned by the Company, the following will be deemed as a default of the financial assets:

C. Either internal or external information indicates that it is impossible for the debtors to clear the debts;

D. Any delay in payment – unless there is reasonable and supporting information that indicates the basis for delaying the payment is more appropriate.

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

f. De-recognition of financial assets

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

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

B. Financial liabilities

(a) Subsequent measurement

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

(b) De-recognition of financial liabilities

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

C. Convertible bonds

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

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

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

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

(12) Revenue recognition

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

Revenue from sale of goods

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

of obsolete goods. The Company recognizes revenues and trade receivable as goods after shipment.

(13)Leases

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

A. The Company as lessor

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

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

B. The Company as lessee

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

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

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

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

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

(14)Costs of loans

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

(15)Employee benefit

A. Short-term employee benefits.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for service rendered by employees.

B. Retirement benefits

For defined contribution retirement benefit plans, payments to the benefit plan are recognized as an expense when employees have rendered service entitling them to the contribution. For defined benefit retirement benefit plans, the cost of providing benefit is recognized based on actuarial calculations. Defined benefit costs (including service cost, net interest and rereasurement) under the defined benefit retirement benefit plans are determined using the Projected Unit Credit Method. Service cost (including current service cost as well as previous service cost, and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur, or when the plan amendment or curtailment occurs/when the settlement occurs. Rereasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Rereasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

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

(16) Share-based payment arrangements

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

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

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

(17) Taxation

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

D. Current tax

The Company recognizes current earnings (losses) in accordance with the Income Tax Act of the Republic of China, and calculate the amount for tax payable (recoverable).

Income tax on unappropriated earnings is expensed in the year the shareholders approved the appropriation of earnings which is the year subsequent to the year the earnings are generated according to Taiwan's Income Tax Act.

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

E. Deferred tax

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

F. Current and deferred tax for the year

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

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

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

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

(1) Estimated impairment of financial assets

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

(2) Write-down of inventory

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

6. CASH AND CASH EQUIVALENTS

	December 31, 2020	December 31, 2019
Cash on hand and revolving funds	\$ 207	\$ 183
Checking accounts and demand deposits in banks	538,749	84,112
Cash equivalents		
Time deposits in banks	-	214,057
Repurchase bond	<u>28,480</u>	<u>-</u>
	<u>\$ 567,436</u>	<u>\$ 298,352</u>

As the end of reporting period, the market rate intervals of deposits in banks and repurchase bond were as follows :

	December 31, 2020	December 31, 2019
Demand deposits in banks	0.005%~0.32%	0.01%~0.67%
Time deposits in banks	-	2.10%~2.27%
Repurchase bond	0.45%	-

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2020	December 31, 2019
<u>Financial assets – current</u>		
Mandatorily measured at FVTPL		
– Domestic convertible bonds	\$ 15,966	\$ 31,182
– Domestic listed ordinary shares	1,785	-
– Fund beneficiary certificates	<u>332,519</u>	<u>3,000</u>
	<u>\$ 350,270</u>	<u>\$ 34,182</u>
<u>Financial assets – non-current</u>		
Mandatorily measured at FVTPL		
– Domestic listed preference shares	\$ 14,403	\$ 15,041
– Fund beneficiary certificates	<u>20,988</u>	<u>15,239</u>
	<u>\$ 35,391</u>	<u>\$ 30,280</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31, 2020	December 31, 2019
<u>Investments in equity instruments</u>		
<u>Non-current</u>		
Domestic investment		
Listed ordinary shares and emerging market ordinary shares	\$ 70,729	\$ 64,173
Listed preference shares	164,448	124,507
Unlisted shares	<u>18,142</u>	<u>3,743</u>
	<u>\$ 253,319</u>	<u>\$ 192,423</u>

These long-term investments in ordinary and preferred shares are held for receiving profits, under medium to long-term business development strategic purposes. Accordingly, the Company's management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31, 2020	December 31, 2019
<u>Current</u>		
Domestic investment		
Time deposits with original maturities more than three months (1)	\$ 232,010	\$ 292,313
Repurchase bond (2)	-	391,239
	<u>\$ 232,010</u>	<u>\$ 683,552</u>
<u>Non-current</u>		
Domestic investment		
Pledged time deposit (3)	\$ 20,390	\$ 15,513
Barclays Bank Coupon Bond (USD) (4)	14,895	15,807
Prufin Perpetual Corp. Bond (USD) (5)	29,166	31,179
AT&T Corp. Bond (USD) (6)	-	16,580
Yuanta Securities Asia Financial Services Limited 2018 Non-secured USD-denominated Private Fixed Rate Notes (7)	-	-
	<u>\$ 64,451</u>	<u>\$ 79,079</u>

(8) As of December 31, 2020 and 2019, the market interest rate intervals of time deposit over 3 months portion were 0.77%~2.10% and 1.02%~2.33%, respectively.

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

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

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

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

(13) The Company purchased AT&T Corp (USD) by USD 553 thousand, with a coupon rate of 4.50%, in November, 2019. In November, 2020, the Company sold all the bonds at \$17,130 thousand in order to adjust the portion of the investment, \$1,260 thousand recognized as net gain on derecognition of financial assets at amortized cost.

(14) The Company purchased Yuanta Securities Asia Financial Services Limited issued 5-year Non-secured Fixed Rate Notes, with the face value of USD 2,000 thousand and a coupon rate of 4.10%, in August, 2018, and then sold all bonds by \$64,954 thousand, for adjustment for the portion of the investment in August, 2019, \$3,745 thousand recognized as net gain on derecognition of financial assets at amortized cost.

10. NOTES AND TRADE RECEIVABLE

	December 31, 2020	December 31, 2019
Measured at amortized cost		
Notes receivable	\$ 230,490	\$ 276,895
Trade receivable	1,882,626	1,757,064
Overdue receivables	1,474	20,816
Less: Allowances for impairment loss - trade receivable	(11,432)	(14,694)
Less: Allowances for impairment loss - overdue receivables	(1,474)	(20,816)
	<u>\$ 2,101,684</u>	<u>\$ 2,019,265</u>

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

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

The Company applies the approach to providing for expected credit losses which permits the use of lifetime expected loss provision for all trade receivable. The expected credit losses of trade receivable on durable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's past experience of receivable and current financial position, expectation of GDP and prospect of the industry, deciding the rate of the expected credit losses by the different levels of credit limits of customers and actual conditions, based on the degree of doubtful accounts triggered by customers of different industries.

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

The following table details the loss allowance of trade receivable:

December 31, 2020

	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	\$ 2,099,693	\$ 2,687	\$ 10,160	\$ 576	\$ 1,474	\$ 2,114,590
Loss allowance (Lifetime ECLs)	(5,895)	(899)	(4,344)	(294)	(1,474)	(12,906)
Amortized cost	<u>\$ 2,093,798</u>	<u>\$ 1,788</u>	<u>\$ 5,816</u>	<u>\$ 282</u>	<u>\$ -</u>	<u>\$ 2,101,684</u>

December 31, 2019

	Not Past Due	1-30 Days Past Due	31-60 Days Past Due	61-90 Days Past Due	More Than 90 Days Past Due	Total
Gross carrying amount	\$ 1,978,112	\$ 4,755	\$ 12,731	\$ 696	\$ 58,481	\$ 2,054,775
Loss allowance (Lifetime ECLs)	(3,903)	(1,879)	(5,400)	(347)	(23,981)	(35,510)
Amortized cost	<u>\$ 1,974,209</u>	<u>\$ 2,876</u>	<u>\$ 7,331</u>	<u>\$ 349</u>	<u>\$ 34,500</u>	<u>\$ 2,019,265</u>

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

	2020	2019
Balance at January 1	\$ 35,510	\$ 41,411
Less: Amounts written off	(19,342)	-
Less: Reversal of loss allowance	(3,262)	(5,901)
Balance at December 31	<u>\$ 12,906</u>	<u>\$ 35,510</u>

11. INVENTORIES

	December 31, 2020	December 31, 2019
Commodities	<u>\$ 1,223,050</u>	<u>\$ 1,306,416</u>

Cost of goods sold for inventories were \$8,661,534 thousand, and \$7,960,716 thousand, respectively, in 2020 and 2019. Cost of goods sold included reversals of inventory write-downs of \$7,898 thousand, and inventory write-downs of \$29,563 thousand, respectively, in 2020 and 2019. The reversals of previous write-downs resulted from disposal of the commodities that had been listed previously for loss in price.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31, 2020	December 31, 2019
Investments in subsidiaries	<u>\$ 206,746</u>	<u>\$ 143,945</u>

(1) Investments in subsidiaries

	December 31, 2020	December 31, 2019
Zotech Technology Co., Ltd.	\$ 43,132	\$ 43,671
Zerone Win Investment Co., Ltd.	154,088	90,729
Asiaone Holdings Ltd.	<u>9,526</u>	<u>9,545</u>
	<u>\$ 206,746</u>	<u>\$ 143,945</u>

Name of subsidiaries	Percentage of owners' equity and voting right	
	December 31, 2020	December 31, 2019
Zotech Technology Co., Ltd.	85.37%	85.37%
Zerone Win Investment Co., Ltd.	100.00%	100.00%
Asiaone Holdings Ltd.	100.00%	100.00%

The Company invested and established Asiaone Holdings Ltd., which engages in investments, in September, 2019, with investment amount to \$10,063 thousand and shareholding ratio of 100%.

The Company participated in the capital injection of Zerone Win Investment Co. Ltd. at \$49,000 thousand in May, 2020. The share-holding ratio remains unchanged after capital injection.

(2) Investments in associates

The Company invested and founded Chi-Ta International Co., Ltd., that engaged mainly in researching and manufacturing hardware of auto-used electronic equipment, with investment amount to \$10,000 thousand, and share-holding ratio of 30% in March, 2014, since it kept net losses, foresaw decrease in future cash flows, evaluated recognized \$7,243 thousand of impairment losses in 2015, and recognized book value of \$0 thousand after recognized deficits. In April, 2020, the Company disposed all shares and recognized \$275 thousand in gains.

13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and equipment	Office equipment	Delivery equipment	Other equipment	Total
<u>Cost</u>							
Balance at January 1, 2019	\$ 234,892	\$ 128,185	\$ 9,008	\$ 26,944	\$ 2,458	\$ 8,569	\$ 410,056
Additions	-	-	-	7,033	-	-	7,033
Disposals	-	-	(835)	(149)	-	-	(984)
Reclassification	-	-	-	758	-	6,966	7,724
Balance at December 31, 2019	<u>\$ 234,892</u>	<u>\$ 128,185</u>	<u>\$ 8,173</u>	<u>\$ 34,586</u>	<u>\$ 2,458</u>	<u>\$ 15,535</u>	<u>\$ 423,829</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2019	\$ -	\$ 69,850	\$ 9,008	\$ 16,075	\$ 492	\$ 1,705	\$ 97,130
Disposals	-	-	(835)	(149)	-	-	(984)
Depreciation	-	1,816	-	7,906	492	3,478	13,692
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 71,666</u>	<u>\$ 8,173</u>	<u>\$ 23,832</u>	<u>\$ 984</u>	<u>\$ 5,183</u>	<u>\$ 109,838</u>
Carrying amounts at December 31, 2019	<u>\$ 234,892</u>	<u>\$ 56,519</u>	<u>\$ -</u>	<u>\$ 10,754</u>	<u>\$ 1,474</u>	<u>\$ 10,352</u>	<u>\$ 313,991</u>

(Continued)

	Land	Buildings	Machinery and equipment	Office equipment	Delivery equipment	Other equipment	Total
<u>Cost</u>							
Balance at January 1, 2020	\$ 234,892	\$ 128,185	\$ 8,173	\$ 34,586	\$ 2,458	\$ 15,535	\$ 423,829
Additions	-	-	-	3,129	-	3,230	6,359
Disposals	-	-	(133)	(505)	-	(926)	(1,564)
Reclassification	-	-	-	1,753	-	891	2,644
Balance at December 31, 2020	<u>\$ 234,892</u>	<u>\$ 128,185</u>	<u>\$ 8,040</u>	<u>\$ 38,963</u>	<u>\$ 2,458</u>	<u>\$ 18,730</u>	<u>\$ 431,268</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2020	\$ -	\$ 71,666	\$ 8,173	\$ 23,832	\$ 984	\$ 5,183	\$ 109,838
Disposals	-	-	(133)	(505)	-	(386)	(1,024)
Depreciation	-	1,816	-	7,407	492	5,463	15,178
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 73,482</u>	<u>\$ 8,040</u>	<u>\$ 30,734</u>	<u>\$ 1,476</u>	<u>\$ 10,260</u>	<u>\$ 123,992</u>
Carrying amounts at December 31, 2020	<u>\$ 234,892</u>	<u>\$ 54,703</u>	<u>\$ -</u>	<u>\$ 8,229</u>	<u>\$ 982</u>	<u>\$ 8,470</u>	<u>\$ 307,276</u>

(Concluded)

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

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

Please refer to Note 27 for more details on property, plant and equipment under pledge.

14. LEASE ARRANGEMENTS

(4) Right-of-use assets

	December 31, 2020	December 31, 2019
Carrying amounts of right-of-use assets		
Buildings	\$ 6,418	\$ 6,787
Office equipment	344	545
	<u>\$ 6,762</u>	<u>\$ 7,332</u>
	2020	2019
Additions to right-of-use assets	<u>\$ 4,507</u>	<u>\$ 8,193</u>
Depreciation charge for right-of-use assets	\$ 4,876	\$ 4,165
Buildings	201	201
Office equipment	<u>\$ 5,077</u>	<u>\$ 4,366</u>

(5) Lease liabilities

	December 31, 2020	December 31, 2019
Carrying amounts of lease liabilities		
Current	<u>\$ 5,223</u>	<u>\$ 3,576</u>
Non-current	<u>\$ 1,597</u>	<u>\$ 3,803</u>

Range of discount rate for lease liabilities were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Buildings	1.20%	1.20%
Office equipment	1.20%	1.20%

(6) Other lease information

	<u>2020</u>	<u>2019</u>
Expenses relating to short-term leases	<u>\$ 168</u>	<u>\$ 353</u>
Expenses relating to low-value asset leases	<u>\$ 32</u>	<u>\$ 34</u>
Total cash (outflow) for leases	<u>(\$ 5,358)</u>	<u>(\$ 4,797)</u>

15. SHORT-TERM LOANS

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Unsecured loans</u>		
— Line of credit loans	<u>\$ -</u>	<u>\$ 150,000</u>

Interest rate of bank loans was 0.94% on December 31, 2019.

16. OTHER PAYABLE

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Salaries and bonuses payable	\$ 84,202	\$ 78,281
Employees', directors', and supervisors' compensation payable	35,420	28,367
Others	<u>112,906</u>	<u>267,393</u>
	<u>\$ 232,528</u>	<u>\$ 374,041</u>

17. BOND PAYABLE

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

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

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

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

Balance on January 1, 2019, liability components	\$ 5,085
Interest (2.0618%)	15
Convertible bonds changed into ordinary shares	(5,100)
Balance on December 31, 2019, liability components	<u>\$ -</u>

18. RETIREMENT BENEFIT PLANS

(1) Defined contribution plans

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

(2) Defined benefit plans

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

Amounts recognized in respect of these defined benefit plans in the parent company only balance sheets were as follows:

	December 31, 2020	December 31, 2019
Present value of defined benefit obligation	\$ 60,393	\$ 58,307
Fair value of plan assets	(39,411)	(36,389)
Contribution	20,982	21,918
Net defined benefit liability	<u>\$ 20,982</u>	<u>\$ 21,918</u>

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability/assets
Balance at January 1, 2019	<u>\$ 55,117</u>	<u>(\$ 33,538)</u>	<u>\$ 21,579</u>
Service cost			
Current service cost	311	-	311
Interest expense (income)	<u>551</u>	<u>(339)</u>	<u>212</u>
Recognized in profits or losses	<u>862</u>	<u>(339)</u>	<u>523</u>
Remeasurements			
Return on plan assets (excluding amounts included in interest, net)	-	(1,171)	(1,171)
Actuarial loss arising from changes in demographic assumptions	400	-	400
Actuarial loss arising from changes in financial assumptions	1,329	-	1,329
Actuarial loss arising from experience adjustments	<u>599</u>	<u>-</u>	<u>599</u>
Recognized in other comprehensive income	<u>2,328</u>	<u>(1,171)</u>	<u>1,157</u>
Contribution from employer	<u>-</u>	<u>(1,341)</u>	<u>(1,341)</u>
Balance at December 31, 2019	<u>\$ 58,307</u>	<u>(\$ 36,389)</u>	<u>\$ 21,918</u>

(Continued)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability/assets
Balance at January 1, 2020	<u>\$ 58,307</u>	<u>(\$ 36,389)</u>	<u>\$ 21,918</u>
Service cost			
Current service cost	256	-	256
Interest expense (income)	<u>437</u>	<u>(275)</u>	<u>162</u>
Recognized in profits or losses	<u>693</u>	<u>(275)</u>	<u>418</u>
Remeasurements			
Return on plan assets (excluding amounts included in interest, net)	-	(1,181)	(1,181)
Actuarial loss arising from changes in demographic assumptions	185	-	185
Actuarial loss arising from changes in financial assumptions	1,320	-	1,320
Actuarial gain arising from experience adjustments	<u>(112)</u>	<u>-</u>	<u>(112)</u>
Recognized in other comprehensive income	<u>1,393</u>	<u>(1,181)</u>	<u>212</u>
Contribution from employer	<u>-</u>	<u>(1,566)</u>	<u>(1,566)</u>
Balance at December 31, 2020	<u>\$ 60,393</u>	<u>(\$ 39,411)</u>	<u>\$ 20,982</u>

(Concluded)

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

	2020	2019
Selling and marketing expenses	\$ 181	\$ 237
General and administrative expenses	<u>237</u>	<u>286</u>
	<u>\$ 418</u>	<u>\$ 523</u>

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

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

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

	December 31, 2020	December 31, 2019
Discount rate	0.500%	0.750%
Future salary increase rate	2.750%	2.750%

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rate		
increases by 0.25%	(\$ <u>1,321</u>)	(\$ <u>1,333</u>)
decreases by 0.25%	<u>\$ 1,368</u>	<u>\$ 1,382</u>
Future salary increase rate		
increases by 0.25%	<u>\$ 1,317</u>	<u>\$ 1,335</u>
decreases by 0.25%	(\$ <u>1,280</u>)	(\$ <u>1,295</u>)

As actuarial assumptions may be correlative with one another, it is less likely that only one single assumption will be changed, the above sensitive analysis cannot indicate actual changes of the present value of defined benefit obligation.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Contribution amounts within 1 year	<u>\$ 1,609</u>	<u>\$ 657</u>
Average due period of the defined benefit obligation	8.8 Years	9.3 Years

19. EQUITY

(1) Ordinary Shares

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Authorized shares (in thousands)	<u>150,000</u>	<u>150,000</u>
Authorized capital	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>
Issued and paid shares (in thousands)	<u>125,640</u>	<u>124,635</u>
Issued capital	<u>\$ 1,256,402</u>	<u>\$ 1,246,352</u>

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

(2) Capital Surplus

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (A)</u>		
Premium on shares issued above par value	\$ 418,488	\$ 408,165
Treasury stock transactions	25,343	25,343
<u>Only be used to offset a deficit</u>		
From shares of changes in equities of subsidiaries (B)	-	2,481
Invalid employees stock options	300	300
<u>May not be used for any purpose</u>		
Restricted Stock Awards	8,276	8,156
Employees stock options	<u>26,350</u>	<u>25,691</u>
	<u>\$ 478,757</u>	<u>\$ 470,136</u>

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

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

(3) Retained earnings and dividend policy

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

distribution policy regulated by ZOTC's Articles of Incorporation of employees', directors' and supervisors' compensation for Note 20(7).

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

The appropriation for legal capital reserve shall be made until the reserve equals ZOTC's paid-in capital. The reserve may be used to offset a deficit, or be distributed as dividends in cash for the portion in excess of 25% of the paid-in capital if ZOTC 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", ZOTC shall appropriate or reverse to a special reserve.

The appropriations of 2019 and 2018 earnings have been approved by ZOTC's shareholder's meeting held on June 10, 2020 and June 13, 2019, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share(NT\$)	
	For Fiscal Year 2019	For Fiscal Year 2018	For Fiscal Year 2019	For Fiscal Year 2018
Legal capital reserve	\$ 35,131	\$ 25,294		
(Reversal of) Special reserve	(16,844)	1,343		
Cash dividends	249,574	184,603	\$ 2.0	\$ 1.5

The appropriations of earnings for 2020 had been proposed by ZOTC's board of directors on February 24, 2021. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 44,100	
Cash dividends	377,836	\$ 3.0

The appropriations of earnings for 2020 are subject to the resolution of the shareholders' meeting to be held on May 28, 2021.

(7) Other equity

D. Exchange differences on translation

	2020	2019
Balance at January 1	\$ -	\$ -
In respect of the current year		
Share of subsidiaries accounted for using the equity method	74	-
Balance at December 31	<u>\$ 74</u>	<u>\$ -</u>

E. Unrealized Gain (loss) from financial assets measured at FVTOCI

	2020	2019
Balance at January 1	\$ 17,865	(\$ 16,844)
In respect of the current year		
Unrealized gain (loss)—equity instruments	3,974	20,757
Share of subsidiaries accounted for using the equity method	17,997	6,847
Cumulative gain (loss) of equity instruments transferred to retained earnings due to disposal	(259)	7,105
Balance at December 31	<u>\$ 39,577</u>	<u>\$ 17,865</u>

C. Unearned employee benefit

In the shareholders' meetings held on June 11, 2018, the shareholders approved a restricted share plan for employees. Refer to Note 23 for the information of restricted shares issued.

	<u>2020</u>	<u>2019</u>
Balance at January 1	(\$ 10,389)	\$ -
Issued at the current period	-	(15,156)
Share-based payment expenses recognized	<u>5,088</u>	<u>4,767</u>
Balance at December 31	(<u>\$ 5,301</u>)	(<u>\$ 10,389</u>)
20. <u>NET INCOME</u>		
(1) Interest income		
	<u>2020</u>	<u>2019</u>
Bank deposits	\$ 2,618	\$ 3,491
Financial assets at amortized cost	14,912	18,891
Others	<u>210</u>	<u>106</u>
	<u>\$ 17,740</u>	<u>\$ 22,488</u>
(2) Other income		
	<u>2020</u>	<u>2019</u>
Dividend income	\$ 8,535	\$ 4,366
Others	<u>2,478</u>	<u>6,867</u>
	<u>\$ 11,013</u>	<u>\$ 11,233</u>
(3) Other gains and losses		
	<u>2020</u>	<u>2019</u>
Gain (loss) on financial assets/liabilities at FVTPL	\$ 5,050	\$ 7,359
Net foreign currency exchange gain (loss)	10,777	(163)
Loss on disposal of Property, plant and equipment	(40)	-
Gain on disposal of investment accounted for using the equity method	<u>275</u>	<u>-</u>
	<u>\$ 16,062</u>	<u>\$ 7,196</u>
(4) Finance costs		
	<u>2020</u>	<u>2019</u>
Interests on bank borrowings	\$ 1,953	\$ 1,949
Interest on lease liabilities	92	90
Interests on convertible bonds	-	15
	<u>\$ 2,045</u>	<u>\$ 2,054</u>
(5) Depreciation & amortization		
	<u>2020</u>	<u>2019</u>
Property, plant and equipment	\$ 15,178	\$ 13,692
Right-of-use assets	5,077	4,366
Intangible assets	<u>778</u>	<u>776</u>
	<u>\$ 21,033</u>	<u>\$ 18,834</u>
An analysis of depreciation by function		
Operating expenses	<u>\$ 20,255</u>	<u>\$ 18,058</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 778</u>	<u>\$ 776</u>

(6)Employee benefits expense

	<u>2020</u>	<u>2019</u>
Post-employment benefits		
Defined contribution plans	\$ 9,454	\$ 8,458
Defined benefit plans (Note 18)	<u>418</u>	<u>523</u>
	<u>9,872</u>	<u>8,981</u>
Share-based payment		
Equity-settled	<u>11,982</u>	<u>16,198</u>
Other employee benefits		
Salaries expense	290,705	259,051
Labor and health insurance expenses	19,701	17,287
Others	<u>18,156</u>	<u>18,857</u>
	<u>328,562</u>	<u>295,195</u>
Total employee benefits expense	<u>\$ 350,416</u>	<u>\$ 320,374</u>
Employee benefits expense summarized by function		
Operating expenses	<u>\$ 350,416</u>	<u>\$ 320,374</u>

(7)Compensation for employees and directors

ZOTC shall allocate compensation to employees and Directors of ZOTC not less than 1%~15% and not more than 3% of annual profits during the period, respectively, and the amount of employees' and Directors' compensation for the years ended December 31, 2020 and 2019, with resolution of the board of directors on Feb. 24, 2021 and Feb. 26, 2020, were as follows:

Estimate Rate

	<u>2020</u>	<u>2019</u>
Employee compensation	4.00%	4.00%
Directors' compensation	2.00%	2.00%

Amount

	<u>2020</u>		<u>2019</u>	
	<u>Cash</u>	<u>Stock</u>	<u>Cash</u>	<u>Stock</u>
Employee compensation	\$ 23,613	\$ -	\$ 18,911	\$ -
Director's compensation	11,807	-	9,456	-

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' and director's compensation in 2019, and 2018 has no difference compared to the recognized amount of the parent company only financial statements in 2019 and 2018.

Relevant information about employees' and director's compensation can be found on the website of "Market Observation Post System" of TWSE.

21. INCOME TAXES

(1)Income tax recognized in profit or loss

The major components of tax expenses were as follows:

	<u>2020</u>	<u>2019</u>
Current tax		
In respect of the current year	\$ 105,290	\$ 95,484
Surtax on undistributed retained earnings	3,771	2,269
Adjustments for previous years	(<u>901</u>)	(<u>408</u>)
	<u>108,160</u>	<u>97,345</u>
Deferred tax		
In respect of the current year	<u>5,126</u>	(<u>4,243</u>)
Income tax expense recognized in profit or loss	<u>\$ 113,286</u>	<u>\$ 93,102</u>

A reconciliation of accounting profit and income tax expense was as follows:

	<u>2020</u>	<u>2019</u>
Profit before income tax from continuing operations	<u>\$ 554,909</u>	<u>\$ 444,415</u>
Income tax expense calculated at the statutory rate	\$ 110,982	\$ 88,883
Tax-exempt income	(2,640)	(1,771)
Tax effect of expenses not deductible for tax	3,052	3,825
Surtax on undistributed retained earnings	3,771	2,269
The adjustment of current income tax expenses for previous years	(901)	(408)
Others	<u>(978)</u>	<u>304</u>
Total income tax expense recognized in profit or loss	<u>\$ 113,286</u>	<u>\$ 93,102</u>

(2) Income tax expense recognized in other comprehensive income

	<u>2020</u>	<u>2019</u>
<u>Deferred tax</u>		
In respect of the current year		
– Remeasurement of defined benefit plans	<u>\$ 43</u>	<u>\$ 231</u>

(3) Deferred tax balances

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

2020

	<u>Opening Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in Other Comprehensive Income</u>	<u>Closing Balance</u>
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for loss on decline in value of inventory	\$ 28,661	(\$ 1,580)	\$ -	\$ 27,081
Allowance for bad debts	2,993	(2,993)	-	-
Defined benefit plans	4,383	(229)	43	4,197
Others	<u>5,815</u>	<u>(1,117)</u>	<u>-</u>	<u>4,698</u>
	<u>\$ 41,852</u>	<u>(\$ 5,919)</u>	<u>\$ 43</u>	<u>\$ 35,976</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized foreign exchange gains	<u>\$ 793</u>	<u>(\$ 793)</u>	<u>\$ -</u>	<u>\$ -</u>

2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for loss on decline in value of inventory	\$ 22,748	\$ 5,913	\$ -	\$ 28,661
Allowance for bad debts	4,442	(1,449)	-	2,993
Defined benefit plans	4,316	(164)	231	4,383
Others	5,815	-	-	5,815
	<u>\$ 37,321</u>	<u>\$ 4,300</u>	<u>\$ 231</u>	<u>\$ 41,852</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized foreign exchange gains	\$ 736	\$ 57	-	\$ 793

(4) Income tax assessment

The Company's tax returns through 2018 had been assessed by the tax authorities.

22. EARNINGS PER SHARE

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

Net Profit for the Year

	2020	2019
Net profit for the year	\$ 441,623	\$ 351,313
Effect of potentially dilutive ordinary shares:		
Effect of convertible bonds after tax	-	15
Earnings in computation of diluted earnings per share	<u>\$ 441,623</u>	<u>\$ 351,328</u>

Shares

	Units: Thousand shares	
	2020	2019
Weighted average number of ordinary shares outstanding in computation of basic earnings per share	124,381	123,354
Effect of potentially dilutive ordinary shares :		
Convertible bonds	-	56
Employee compensation	702	839
Employee stock options	2,674	2,167
Restricted stock award	448	202
Weighted average number of ordinary shares outstanding in computation of diluted earnings per share	<u>128,205</u>	<u>126,618</u>

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

23. SHARE-BASED PAYMENT ARRANGEMENTS

(1) Employee Share Option Plan

In August 2015, September 2016, January 2018, and September 2018, 1,000, 1,860, 2000, and 2,000 options were granted to qualified employees of ZOTC, and each option entitles the holder to subscribe for 1,000 ordinary shares of the Company when exercisable. The options granted are valid for 6 years and shall be exercised a portion of them after two years from the date of grant. The options were granted at an exercise price equal to the fair value of ZOTC's ordinary shares on the grant date. For any subsequent changes in the Company's ordinary shares, the exercise price of options will be adjusted by the regulated formula, accordingly.

Information about employees' stock options was as follows:

Employee Stock options	2020		2019	
	Number of Options (In Thousands)	Weighted Average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted Average Exercise Price (NT\$)
Balance, beginning of period	5,653	\$ 17.18	6,468	\$ 17.68
Options exercised	(1,017)	14.02	(701)	13.30
Invalid options	(168)	17.51	(114)	15.91
Outstanding options at the end of the period	<u>4,468</u>	16.70	<u>5,653</u>	17.18
Options exercised at the end of the period	<u>1,820</u>		<u>1,049</u>	

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

December 31, 2020		December 31, 2019	
Range of Exercise Price (US\$)	Weighted-Over-Age Remaining Contractual Life (Years)	Range of Exercise Price (US\$)	Weighted-Over-Age Remaining Contractual Life (Years)
\$ 11.70 (Note)	0.67	\$ 12.40 (Note)	1.67
13.40 (Note)	1.68	14.20 (Note)	2.68
16.80 (Note)	3.01	17.80 (Note)	4.01
18.40 (Note)	3.67	19.50 (Note)	4.67

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

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

	September, 2018	January, 2018	September, 2016	August, 2015
Securities price of the vested date	20.65 Dollars	19.85 Dollars	16.95 Dollars	15.65 Dollars
Exercised price	20.65 Dollars	19.85 Dollars	16.95 Dollars	15.65 Dollars
Foreseeable volatility rate	32.96%	33.81%	38.26%	39.14%~40.47%
Duration	6 Years	6 Years	6 Years	4~5 Years
Foreseeable dividend rate	0%	0%	0%	0%
Risk-free interest rate	0.72%	0.74%	0.56%	0.77%~0.87%

The compensation cost recognized were \$6,894 thousand and \$11,431 thousand for the years ended December 31, 2020 and 2019, respectively.

(2) Restricted stock awards

The shareholders meeting of the company, on June 11, 2018, resolved to issue restricted stock awards amounting to \$7,000 thousand, consisting of 700 thousand shares, respectively, par value in \$10, the subscription price is \$0 (The issue price is \$ 0), and authorized the Board to decide the issue price at the issuance date. The Board resolved to issue \$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.

- E. 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.
- F. 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.
- G. 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.
- H. 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 \$5,088 thousand and \$4,767 thousand in 2020 and 2019 respectively. As of December 31, 2020 and 2019, unearned employee benefits totaled \$5,301 thousand and \$10,389 thousand respectively, accounted for as a decrease in other equity.

24. CAPITAL RISK MANAGEMENT

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

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

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

25. FINANCIAL INSTRUMENTS

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

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

	December 31, 2020		December 31, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial Assets</u>				
Measured at amortized cost				
– Foreign corporate bonds	\$ 44,061	\$ 45,323	\$ 63,566	\$ 64,992

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

A. Fair value hierarchy

December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Convertible bonds	\$ 15,966	\$ -	\$ -	\$ 15,966
Listed shares and emerging market shares	16,188	-	-	16,188
Fund beneficiary certificate	344,978	-	8,529	353,507
Total	<u>\$ 377,132</u>	<u>\$ -</u>	<u>\$ 8,529</u>	<u>\$ 385,661</u>

Financial assets at FVTOCI

Equity investments				
– Domestic listed shares and emerging market shares	\$ 223,085	\$ -	\$ 12,092	\$ 235,177
– Domestic unlisted shares	-	-	18,142	18,142
Total	<u>\$ 223,085</u>	<u>\$ -</u>	<u>\$ 30,234</u>	<u>\$ 253,319</u>

December 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Convertible bonds	\$ 31,182	\$ -	\$ -	\$ 31,182
Listed shares and emerging market shares	15,041	-	-	15,041
Fund beneficiary certificate	15,160	-	3,079	18,239
Total	<u>\$ 61,383</u>	<u>\$ -</u>	<u>\$ 3,079</u>	<u>\$ 64,462</u>

Financial assets at FVTOCI

Equity investments				
– Domestic listed shares and emerging market shares	\$ 178,242	\$ -	\$ 10,438	\$ 188,680
– Domestic unlisted shares	-	-	3,743	3,743
Total	<u>\$ 178,242</u>	<u>\$ -</u>	<u>\$ 14,181</u>	<u>\$ 192,423</u>

There were no transfers between Level 1 and Level 2 in 2020 and 2019, respectively.

C. Valuation techniques and inputs applied for Level 3 fair value measurement

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

(3) Categories of financial instruments

	December 31, 2020	December 31, 2019
<u>Financial assets</u>		
Financial assets measured at FVTPL		
Mandatorily measured at FVTPL	\$ 385,661	\$ 64,462
Financial assets measured at amortized cost (Note 1)	2,972,799	3,107,140
Financial assets measured at FVTOCI—		
Investments in equity instruments	253,319	192,423
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	2,460,375	2,549,613

Note 1: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, investments in debt instruments, notes receivable, trade receivable, other receivable, and refundable deposits.

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

(4) Financial risk management objectives and policies

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

B. Market risk

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

(a) Foreign currency risk

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

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities of non-functional currency calculated (including those eliminated on consolidation) at the end of the reporting period are set out in Note 29.

Sensitivity analysis

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

The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. If interest rates had been 5% higher/lower, the Company's net profit in 2020 and 2019 would increase/decrease by \$41,819 thousand and \$21,166 thousand, respectively.

(b) Interest rate risk

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

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

	December 31, 2020	December 31, 2019
Interest rate risks at fair value		
– Financial assets	\$ 197,519	\$ 854,095
– Financial liabilities	6,820	157,379
Interest rate risks at cash flows		
– Financial assets	666,171	206,706

Sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's pre-tax profit in 2020 and 2019 would increase/ decrease by \$3,331 thousand and \$1,034 thousand respectively. Exposure is triggered by risks of cash flows of the Company's variable interest rates of deposits.

(c) Other price risk

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

Sensitivity analysis

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

Assuming a hypothetical increase/decrease of 5% in prices of the equity investments, increased/decreased by \$19,283 thousand and \$3,223 thousand, because of the change in fair value of financial assets at FVTPL, respectively., at the end of the reporting period in 2020 and 2019, the other comprehensive income would have increased/decreased by \$12,666 thousand and \$9,621 thousand, because of the change in fair value of financial assets at FVTOCI, respectively, at the end of the reporting period in 2020 and 2019.

B. Credit risk

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

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

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

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

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

The credit risk of the Company concentrates on top 5 customers of the Company. As of December 31, 2020 and 2019, the Company's five largest customers accounted all for 33% of trade receivable, respectively.

D. Liquidity risk

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

Liquidity & interest rate risk table

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

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

December 31, 2020

	<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>5+ Years</u>
<u>Non-derivative financial liabilities</u>			
No Interest-bearing liabilities	\$ 2,459,575	\$ -	\$ -
Lease liabilities	<u>5,271</u>	<u>1,599</u>	<u>-</u>
	<u>\$ 2,464,846</u>	<u>\$ 1,599</u>	<u>\$ -</u>

December 31, 2019

	<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>5+ Years</u>
<u>Non-derivative financial liabilities</u>			
No Interest-bearing liabilities	\$ 2,398,448	\$ -	\$ -
Lease liabilities	3,639	3,831	-
Fixed rate instruments	<u>150,118</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,552,205</u>	<u>\$ 3,831</u>	<u>\$ -</u>

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

As of December 31, 2020 and 2019, the Company's unused short-term credit of limit of the bank were \$1,250,000 thousand and \$920,000 thousand, respectively.

26. RELATED PARTIES TRANSACTIONS

(1) The Names and Relationships of Related-parties

<u>Name of the related parties</u>	<u>Relationship with the Company</u>
Zotech Technology Co., Ltd.	Subsidiaries
Zerone Win Investment Co., Ltd.	Subsidiaries
PetaCom Technology Co., Ltd.	Subsidiaries
Wing Will International Co., Ltd.	Subsidiaries
AsiaOne Holdings Ltd.	Subsidiaries
Techone (Shanghai) Co., Ltd.	Subsidiaries
Kaway Information Corp.	Other related parties

(2) Operating revenue

<u>Line Items</u>	<u>Types of related parties</u>	<u>2020</u>	<u>2019</u>
Sales revenue	Subsidiaries	\$ 28,350	\$ 17,310
	Other related parties	244	123
		<u>\$ 28,594</u>	<u>\$ 17,433</u>
Services revenue	Subsidiaries	<u>\$ 2,838</u>	<u>\$ 2,476</u>

Prices and payment terms for transactions with related parties and non-related parties were similar.

(3) Purchases

<u>Types of related parties</u>	<u>2020</u>	<u>2019</u>
Subsidiaries	<u>\$ 12,505</u>	<u>\$ 6,472</u>

(4) Receivables from related parties(excluding loans and contract assets to related parties)

<u>Line Items</u>	<u>Types of related parties</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Trade receivable	Subsidiaries	\$ 8,236	\$ 6,090
	Other related parties	223	-
Other receivable	Subsidiaries	-	104
		<u>\$ 8,459</u>	<u>\$ 6,194</u>

For the year ended December 31, 2020 and 2019 no impairment loss was recognized for trade receivables from related parties.

(5) Payables to related parties

<u>Line Items</u>	<u>Types of related parties</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Trade payable	Subsidiaries	<u>\$ 8,413</u>	<u>\$ 6,300</u>

(6) Loans to related parties (Recognized as other current assets)

<u>Types of related parties / Name</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries	<u>\$ -</u>	<u>\$ 10,000</u>
<u>Interest income</u>		
<u>Types of related parties / Name</u>	<u>2020</u>	<u>2019</u>
Subsidiaries	<u>\$ 205</u>	<u>\$ 104</u>

(7) Non-operating income

<u>Line Items</u>	<u>Types of related parties</u>	<u>2020</u>	<u>2019</u>
Rental income	Subsidiaries	<u>\$ 743</u>	<u>\$ 743</u>

(8) Compensation of key management personnel

	<u>2020</u>	<u>2019</u>
Short-term employee benefits	<u>\$ 43,730</u>	<u>\$ 38,724</u>

Salaries of the members of the Board and other key management personnel are determined by personal performance and economic market trend by the Compensation Committee.

27. PLEDGED ASSETS

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

	December 31, 2020	December 31, 2019
Property, plant and equipment, Net	\$ 207,620	\$ 209,009
Pledged time deposits (Financial assets at amortized cost—non-current)	<u>20,390</u>	<u>15,513</u>
	<u>\$ 228,010</u>	<u>\$ 224,522</u>

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

(1) As of December 31, 2020, the Company issued \$87,000 thousand of cashier order for payment guaranteed for Microsoft Taiwan Corporation.

(2) As of December 31, 2020, the Company issued \$50,000 thousand of cashier order for payment guaranteed for Microsoft Regional Sales Corporation.

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

The significant financial assets and liabilities denominated in foreign currencies were as follows:

December 31, 2020

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 11,659	28.48 (USD:NTD)	\$ <u>332,048</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	41,026	28.48 (USD:NTD)	\$ <u>1,168,420</u>

December 31, 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 31,131	29.98 (USD:NTD)	\$ <u>933,307</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	45,251	29.98 (USD:NTD)	\$ <u>1,356,625</u>

The material foreign exchange gains (losses) (realized and unrealized) were as follows:

	2020		2019	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	29.549 (USD:NTD)	\$ <u>10,777</u>	30.912 (USD:NTD)	(\$ <u>163</u>)

30. SEPARATELY DISCLOSED ITEMS

(5) Significant Transactional Items

- 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: None.

(6) Information on investees: Table 3.

(7) Information on investment in Mainland China :

- C. The name of the investee in mainland China, the main business and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Table 4.
- D. Significant direct or indirect transactions with the investee, its price and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: None.
 - (vii) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - (viii) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - (ix) The amount of property transactions and the amount of the resultant gains or losses.
 - (x) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - (xi) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - (xii) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

(8) Information on major shareholder : List of all shareholders with ownership of 5 percent or greater showing the names and the number of shares and percentage of ownership held by each shareholder: Table 5.

ZERO ONE TECHNOLOGY CO., LTD.
FINANCING PROVIDED TO OTHERS
FOR THE YEARS ENDED DECEMBER 31, 2020

Table 1

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

No	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 2)	Ending Balance	Amount Actually Drawn	Interest Rate	Nature for Financing (Note 3)	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 4)	Financing Company's Total Financing Amount Limits (Note 5)	Note
													Name	Item			
0	ZOTC	Zerone Win Investment Co. Ltd.	Other receivables from related parties	Yes	\$ 40,000	\$ 40,000	\$ -	3%	2	\$ -	Operating Capital	\$ -	-	\$ -	\$ 265,727	\$ 531,454	
0	ZOTC	WingWill Co. Ltd.	Other receivables from related parties	Yes	20,000	20,000	-	3%	2	-	Operating Capital	-	-	-	265,727	531,454	

Note 1 : The number column is organized as follows :

(1)Number 0 represents the issuer.

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

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

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

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

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

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

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

ZERO ONE TECHNOLOGY CO., LTD.
MARKETABLE SECURITIES HELD
FOR THE YEAR ENDED DECEMBER 31, 2020

Table 2

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

Holding Company	Marketable Securities Type and Issuer's Name (Note 1)	Security Issuer's Relationship with the Holding Company	Financial Statement Account	D e c e m b e r 3 1 , 2 0 2 0				N o t e
				Shares/Units	Carrying Values	Percentage of Ownership (%)	Market Prices/ Net value of equities	
ZOTC	Beneficiary certificates							
	KGI Emerging Market Bond 1-5 ETF Fund	—	Financial assets at FVTPL — current	65,000	\$ 2,473	-	\$ 2,473	
	Taishin 1699 Money Market Fund	—	Financial assets at FVTPL — current	10,993,924	150,022	-	150,022	
	Jih Sun Money Market Fund	—	Financial assets at FVTPL — current	10,034,989	150,023	-	150,023	
	Prudential Financial Money Market Fund	—	Financial assets at FVTPL — current	1,880,394	30,001	-	30,001	
	KGI Kaefer Fund	—	Financial assets at FVTPL — non- current	170,199	3,354	-	3,354	
	KGI Taiwan Multi-Asset Income Fund	—	Financial assets at FVTPL — non- current	1,198,020	12,459	-	12,459	
	KGI Taiwan Select-Asset Income Fund	—	Financial assets at FVTPL — non- current	500,325	5,175	-	5,175	
	Corporate bond							
	Tong Ming Enterprise Co., Ltd. — 1 st domestic unsecured convertible corporate bonds	—	Financial assets at FVTPL — current	10 (Units)	1,000	-	1,000	
	Quang Viet Enterprise Co., Ltd. — 1 st convertible corporate bonds	—	Financial assets at FVTPL — current	30 (Units)	3,132	-	3,132	
	M.J. International Co. Ltd. — 1 st convertible corporate bonds	—	Financial assets at FVTPL — current	20 (Units)	2,099	-	2,099	
	Rossmax International Ltd. — 2 nd convertible corporate bonds	—	Financial assets at FVTPL — current	20 (Units)	2,200	-	2,200	
	Jentech Precision Industrial Co. Ltd. — 3 rd convertible corporate bonds	—	Financial assets at FVTPL — current	30 (Units)	3,178	-	3,178	
	Anli International Co. Ltd. — 1 st convertible corporate bonds	—	Financial assets at FVTPL — current	20 (Units)	2,052	-	2,052	
	Marketch International Corp. — 4 th convertible corporate bonds	—	Financial assets at FVTPL — current	10 (Units)	1,126	-	1,126	
	Chung-Hsin Electric & Machinery Mfg. Corp. — 2 nd convertible corporate bonds	—	Financial assets at FVTPL — current	10 (Units)	1,179	-	1,179	

(Continued)

Holding Company	Marketable Securities Type and Issuer's Name (Note 1)	Security Issuer's Relationship with the Holding Company	Financial Statement Account	D e c e m b e r 3 1 , 2 0 2 0				N o t e
				Shares/Units	Carrying Values	Percentage of Ownership (%)	Market Prices/ Net value of equities	
ZOTC	Barclays Bank Coupon Bond (USD)	—	Financial assets at amortized cost — non-current	5 (Units)	\$ 14,895	-	\$ 16,154	
	Prufin Coupon Bond (USD)	—	Financial assets at amortized cost — non-current	10 (Units)	29,166	-	29,169	
	Securities							
	Actron Technology Corp.	—	Financial assets at FVTPL — current	15,000	1,785	-	1,785	
	Cathay Financial Holdings Preferred Stock A	—	Financial assets at FVTPL — non- current	166,000	10,259	-	10,259	
	Union Bank of Taiwan Preferred Stock A	—	Financial assets at FVTPL — non- current	80,000	4,144	-	4,144	
	Kaway Information Corp.	Note 3	Financial assets at FVTOCI — non- current	490,000	16,243	1.60	16,243	
	China Electric Mfg. Corp.	—	Financial assets at FVTOCI — non- current	2,689,200	37,514	0.83	37,514	
	ASIX Electronics Corp.	—	Financial assets at FVTOCI — non- current	81,066	4,880	0.16	4,880	
	Promaster Technology Corp	—	Financial assets at FVTOCI — non- current	1,157,137	12,092	2.72	12,092	
	Unex Technology Corporation	—	Financial assets at FVTOCI — non- current	175,000	3,231	1.68	3,231	
	Da-Chang Start-Up Investment Co. Ltd.	—	Financial assets at FVTOCI — non- current	1,500,000	14,911	2.73	14,911	
	Cathay Financial Holdings Preferred Stock A	—	Financial assets at FVTOCI — non- current	134,000	8,281	-	8,281	
	Union Bank of Taiwan Preferred Stock A	—	Financial assets at FVTOCI — non- current	70,000	3,626	-	3,626	
	Fubon Financial Holding Co., Ltd. Preferred Shares B	—	Financial assets at FVTOCI — non- current	400,000	25,000	-	25,000	
	Taishin Financial Holding Co., Ltd. Preferred Stock E	—	Financial assets at FVTOCI — non- current	240,000	12,624	-	12,624	
	CTBC Financial Holding Co., Ltd. Preferred Shares B	—	Financial assets at FVTOCI — non- current	90,000	5,706	-	5,706	
	Cathay Financial Holding Co., Ltd. Preferred Stock B	—	Financial assets at FVTOCI — non- current	230,000	14,467	-	14,467	

(Continued)

Holding Company	Marketable Securities Type and Issuer's Name (Note 1)	Security Issuer's Relationship with the Holding Company	Financial Statement Account	D e c e m b e r 3 1 , 2 0 2 0				N o t e
				Shares/Units	Carrying Values	Percentage of Ownership (%)	Market Prices/ Net value of equities	
ZOTC	Kwong Lung Enterprise Co. Ltd. Preferred Stock A	—	Financial assets at FVTOCI—non-current	270,000	\$ 13,581	-	\$ 13,581	
	WPG Holdings Limited Preferred Stock A	—	Financial assets at FVTOCI—non-current	700,000	35,070	-	35,070	
	United Orthopedic Corporation Preferred Shares A.	—	Financial assets at FVTOCI—non-current	200,000	9,500	-	9,500	
	QST International Corporation Preferred Shares A.	—	Financial assets at FVTOCI—non-current	150,000	6,713	-	6,713	
	Chailease Holding Company Limited Class A Preferred Shares	—	Financial assets at FVTOCI—non-current	300,000	29,880	-	29,880	
	Miicasa 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	-	0.22	-	
	Jotangi Technology Co., Ltd.	—	Financial assets at FVTOCI—non-current	796,250	-	9.32	-	
Zerone Win Investment Co.	Securities							
	WPG Holdings Limited Preferred Stock A	—	Financial assets at FVTOCI—non-current	240,000	12,024	-	12,024	
	Shin Kong Financial Holding Co.,Ltd. Preferred Stock A	—	Financial assets at FVTOCI—non-current	50,000	2,188	-	2,188	
	Chailease Holding Company Limited Class A Preferred Shares	—	Financial assets at FVTOCI—non-current	89,000	8,864	-	8,864	
	Tatung System Technologies Inc.	—	Financial assets at FVTOCI—non-current	2,000,000	53,100	2.26	53,100	
PetaCom Technology Co. Ltd.	Beneficiary certificates							
	Taishin 1699 Money Market Fund	—	Financial assets at FVTPL—current	777,000	10,603	-	10,603	
Zotech Technology Co. Ltd.	Securities							
	WPG Holdings Limited Preferred Stock A	—	Financial assets at FVTOCI—non-current	200,000	10,020	-	10,020	

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

Note 2 : Relevant information about Investments in equity of subsidiaries, associates, see Table 3.

Note 3 : Effective June 10, 2020, the status of Kaway Information Corp. was changed from Supervisor to Director of the Company.

(Concluded)

ZERO ONE TECHNOLOGY CO., LTD.
 INFORMATION ON INVESTEES
 FOR THE YEAR ENDED DECEMBER 31, 2020

Table 3

(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses	Investment Amount		As of December 31, 2020			Net Income (Loss) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2020	December 31, 2019	Number of Ownership	Percentage of Ownership	Carrying Values			
ZOTC	Zotech Technology Co., Ltd.	Taipei City	Services of telecommunication apparatus	\$ 35,000	\$ 35,000	3,500,000	85.37	\$ 43,132	\$ 426	\$ 364	Subsidiary
	Chi-Ta International Co., Ltd.	Taipei City	Services of telecommunication apparatus	-	10,000	-	-	-	-	-	Disposed in April, 2020
	ZeroneWin Investment Co., Ltd.	Taipei City	Investment	149,000	100,000	14,900,000	100.00	154,088	(712)	(712)	Subsidiary
	Asiaone Holdings Ltd.	Republic of Seychelles	Holding company	10,063	10,063	320,000	100.00	9,526	(93)	(93)	Subsidiary
ZeroneWin Investment Co., Ltd.	WingWill International Co., Ltd.	Taipei City	Services of cloud information software	25,500	7,000	25,500,000	87.93	5,981	(6,858)	(5,582)	Sub-subsubsidiary
	PetaCom Technology Co., Ltd.	Taipei City	Services of information product agent	50,000	50,000	50,000,000	100.00	47,551	4,057	4,057	Sub-subsubsidiary

Note: Please refer to Table 4 for Information on investment in Mainland China.

ZERO ONE TECHNOLOGY CO., LTD.
 INFORMATION ON INVESTMENTS IN MAINLAND CHINA
 FOR THE YEAR ENDED DECEMBER 31, 2020

Table 4

(In Thousands of New Taiwan Dollars/Foreign Currency)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of 31 December, 2020	Accumulated Repatriation of Investment Income as of 31 December, 2020	Note
					Outward	Inward							
Techone (Shanghai) Co., Ltd.	Services of Network Technology	\$ 13,131 (RMB 3,000)	(Note 1)	\$ -	\$ 9,118	\$ -	\$ 9,118	(\$ 39)	70%	(\$ 27)	\$ 9,164	\$ -	—

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2020	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA (Note 3)
\$ 8,673 (USD 305)	\$ 8,673 (USD 305)	\$ 1,594,362

Note 1 : The company directly holds 100% of a subsidiary-Asiaone Holdings Ltd., which reinvests the company in Mainland China.

Note 2 : Amount was recognized based on the financial statements which were not audited by CPAs on December 31, 2020.

Note 3 : Determined by sixty percent (60%) of the Company's consolidated net worth, audited by CPAs on December 31, 2020 (2,657,270×60%=1,594,362).

Note 4 : For foreign currency conversion, gain (loss) are converted by the average exchange rate in 2020. Other amounts are converted into New Taiwan Dollars by the exchange rate on December 31, 2020.

ZERO ONE TECHNOLOGY CO., LTD.
 INFORMATION ON MAJOR SHAREHOLDERS
 December 31, 2020

Table 5

Shareholders	Shares	
	Total Shares Owned (In Thousands)	Ownership Percentage
Ceres Investment Co., Ltd.	9,506,594	7.56%
Chia Hsin, Lin	9,338,292	7.43%

Note : This table presents information provided by the Taiwan Depository & Clearing Corporation on stockholders holding greater than 5% of the Company's ordinary and preference shares including treasury stock in dematerialized form that have completed the process of registration and delivery by book-entry transfer as of the last business day for the current quarter. The share capital recorded, and the actual registered non-physical shares in this parent company only financial statements may differ due to different basis of preparation.

§THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS§

ITEMS	<u>NO. / INDEX</u>
MAJOR ACCOUNTING ITEMS IN ASSETS, LIABILITIES AND EQUITY	
STATEMENT OF CASH AND CASH EQUIVALENTS	Statement 1
STATEMENT OF FINANCIAL ASSETS AT FVTPL – CURRENT	Statement 2
STATEMENT OF FINANCIAL ASSETS AT AMORTIZED COST – CURRENT	Note 9
STATEMENT OF NOTES RECEIVABLE	Statement 3
STATEMENT OF TRADE RECEIVABLE	Statement 4
STATEMENT OF INVENTORIES	Statement 5
STATEMENT OF FINANCIAL ASSETS AT FVTPL – NON-CURRENT	Statement 6
STATEMENT OF FINANCIAL ASSETS AT FVTOCI – NON-CURRENT	Statement 7
STATEMENT OF FINANCIAL ASSETS AT AMORTIZED COST – NON-CURRENT	Note 9
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	Statement 8
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT	Note 13
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	Note 13
STATEMENT OF DEFERRED INCOME TAX ASSETS	Note 21
STATEMENT OF TRADE PAYABLES	Statement 9
STATEMENT OF OTHER PAYABLES	Note 16
STATEMENT OF OTHER CURRENT LIABILITIES	Statement 10
MAJOR ACCOUNTING ITEMS IN PROFIT OR LOSS	
STATEMENT OF OPERATING REVENUE	Statement 11
STATEMENT OF OPERATING COST	Statement 12
STATEMENT OF OPERATING EXPENSES	Statement 13
STATEMENT OF EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTIZATION BY FUNCTION	Note 20

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2020

STATEMENT 1 (In Thousands of New Taiwan Dollars)

Item	Description	Amount
Demand deposits	New Taiwan dollar	\$ 486,708
	USD 1,820 thousand@ 28.48;EUR 6 thousand@ 35.02	52,041
Repurchase bond	USD 1,000 thousand@ 28.48; annual interest rate at 0.45%; Expired by 2021.03.04	28,480
Cash on hand and revolving funds		<u>207</u>
		<u>\$ 567,436</u>

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF FINANCIAL ASSETS AT FVTPL – CURRENT
DECEMBER 31, 2020

Statement 2

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

Name of financial instruments	Description	Units	Par value (Dollars)	Total	Acquisition Cost	Fair value	
						Units (Dollars)	Total
KGI Emerging Market Bond 1-5 ETF Fund	Fund beneficiary certificates	65,000	10	\$ 650	\$ 2,600	38.0465	\$ 2,473
Taishin 1699 Money Market Fund	Fund beneficiary certificates	10,993,924	10	109,939	150,000	13.6459	150,022
Jih Sun Money Market Fund	Fund beneficiary certificates	10,034,989	10	100,350	150,000	14.95	150,023
Prudential Financial Money Market Fund	Fund beneficiary certificates	1,880,394	10	18,804	30,000	15.9549	30,001
Tong Ming Enterprise Co., Ltd. – 1 st domestic unsecured convertible corporate bonds	Convertible bond	10 (Units)	100,000	1,000	1,005	100	1,000
Quang Viet Enterprise Co., Ltd. – 1 st convertible corporate bonds	Convertible bond	30 (Units)	100,000	3,000	3,060	104.40	3,132
M.J. International Co. Ltd. – 1 st convertible corporate bonds	Convertible bond	20 (Units)	100,000	2,000	2,026	104.95	2,099
Rossmax International Ltd. – 2 nd convertible corporate bonds	Convertible bond	20 (Units)	100,000	2,000	2,024	110	2,200
Jentech Precision Industrial Co. Ltd. – 3 rd convertible corporate bonds	Convertible bond	30 (Units)	100,000	3,000	3,030	105.95	3,178
Anli International Co. Ltd. – 1 st convertible corporate bonds	Convertible bond	20 (Units)	100,000	2,000	2,014	102.60	2,052
Marketch International Corp. – 4 th convertible corporate bonds	Convertible bond	10 (Units)	100,000	1,000	1,002	112.55	1,126
Chung-Hsin Electric & Machinery Mfg. Corp. – 2 nd convertible corporate bonds	Convertible bond	10 (Units)	100,000	1,000	1,010	117.85	1,179
Actron Technology Corp.	Securities	15,000	10	150	1,256	119	1,785
					349,027		\$ 350,270
Add (Less) : Valuation adjustment					1,243		
					<u>\$ 350,270</u>		

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF NOTES RECEIVABLE
DECEMBER 31, 2020

Statement 3 (In Thousands of New Taiwan Dollars)

The firm name	Description	Amount
Non-related parties		
Genesis Technology Inc.	Payment for goods	\$ 70,471
NTT Taiwan Solutions Ltd.	Payment for goods	25,873
Stark Technology Inc.	Payment for goods	22,422
Apex Fong Yi Technology Co. Ltd.	Payment for goods	16,341
Rays Information & Technology Co. Ltd.	Payment for goods	11,800
Others (Note)	Payment for goods	<u>83,583</u>
		230,490
Less: Allowance for doubtful accounts		<u>-</u>
		<u>\$ 230,490</u>

Note : The amount of individual company included in others does not exceed 5% of the account balance.

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF TRADE RECEIVABLE
DECEMBER 31, 2020

Statement 4 (In Thousands of New Taiwan Dollars)

<u>The Company's name</u>	<u>Description</u>	<u>Amount</u>
Hwacom Systems Inc.	Payment for goods	\$ 168,522
IBM	Payment for goods	168,275
Syscom Computer Engineering Co.	Payment for goods	134,926
Stark Technology Inc.	Payment for goods	122,558
Kinmax Technology Inc.	Payment for goods	115,249
Others (Note)	Payment for goods	<u>1,173,096</u>
		1,882,626
Less: Allowance for doubtful accounts		<u>11,432</u>
Total		<u>\$ 1,871,194</u>

Note : The amount of individual company included in others does not exceed 5% of the account balance.

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF INVENTORIES
DECEMBER 31, 2020

Statement 5

(In Thousands of New Taiwan Dollars)

Items	Book value	Market value (Note)
Commodities	<u>\$ 1,223,050</u>	<u>\$ 1,234,437</u>

Note : Market value shall be net realizable value.

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF FINANCIAL ASSETS AT FVTPL – NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2020

Statement 6

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

Name	Beginning Balance		Addition		Decrease		Valuation for the current year	Balance, December 31, 2020		Remark
	Shares	Book value	Shares	Amount	Shares	Amount		Shares	Book value	
Cathay Financial Holding Co., Ltd. Preferred Stock A	166,000	\$ 10,657	-	\$ -	-	\$ -	(\$ 398)	166,000	\$ 10,259	
Union Bank of Taiwan Preferred Stock A	80,000	4,384	-	-	-	-	(240)	80,000	4,144	
KGI Kaefer Fund	170,437	3,079	170,199	3,079	170,437	3,079	275	170,199	3,354	
KGI Taiwan Multi-Asset Income Fund	1,198,020	12,160	-	-	-	-	299	1,198,020	12,459	
KGI Taiwan Select-Asset Income Fund	-	-	500,325	5,000	-	-	175	500,325	5,175	
		<u>\$ 30,280</u>		<u>\$ 8,079</u>		<u>\$ 3,079</u>	<u>\$ 111</u>		<u>\$ 35,391</u>	

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF FINANCIAL ASSETS AT FVTOCI— NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2020

Statement 7

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

Name	Beginning Balance		Addition		Decrease		Valuation for the current year	Balance, December 31, 2020		Remark
	Shares	Book value	Shares	Amount	Shares	Amount		Shares	Book value	
Kaway Information Corp.	490,000	\$ 17,150	-	\$ -	-	\$ -	(\$ 907)	490,000	\$ 16,243	
China Electric Mfg. Corp	2,988,000	33,167	-	-	298,800	2,988	7,335	2,689,200	37,514	
ASIX Electronics Corp.	90,074	3,418	-	-	9,008	90	1,552	81,066	4,880	
Promaster Technology Corp.	1,111,563	10,438	45,574	-	-	-	1,654	1,157,137	12,092	
Unex Technology Corp.	175,000	3,743	-	-	-	-	(512)	175,000	3,231	
Da-Chang Start-Up Investment Co. Ltd.	-	-	1,500,000	15,000	-	-	(89)	1,500,000	14,911	
Cathay Financial Holding Co., Ltd. Preferred Stock A	54,000	3,467	80,000	4,796	-	-	18	134,000	8,281	
Union Bank of Taiwan Preferred Stock A	70,000	3,836	-	-	-	-	(210)	70,000	3,626	
Fubon Financial Holding Co., Ltd. Preferred Shares B	400,000	25,720	-	-	-	-	(720)	400,000	25,000	
Taishin Financial Holding Co., Ltd. Preferred Stock E	240,000	13,296	-	-	-	-	(672)	240,000	12,624	
CTBC Financial Holding Co., Ltd. Preferred Shares B	90,000	5,958	-	-	-	-	(252)	90,000	5,706	
Cathay Financial Holding Co., Ltd. Preferred Stock B	230,000	14,720	-	-	-	-	(253)	230,000	14,467	
Kwong Lung Enterprise Co., Ltd. Preferred Stock A	200,000	10,760	70,000	3,337	-	-	(516)	270,000	13,581	
WPG Holdings Limited Preferred Stock A	700,000	36,190	80,000	3,584	80,000	4,002	(702)	700,000	35,070	
United Orthopedic Corporation Preferred Stock A	200,000	10,560	-	-	-	-	(1,060)	200,000	9,500	
QST International Corp. Preferred Stock A	-	-	150,000	7,500	-	-	(787)	150,000	6,713	
Chailease Holding Company Limited Class A Preferred Shares	-	-	500,000	50,000	200,000	20,128	8	300,000	29,880	
Miiicasa Holdings (Cayman) Inc.	2,500,000	-	-	-	-	-	-	2,500,000	-	
Ijoing Inc.	500,000	-	-	-	500,000	87	87	-	-	
DuoFu Co., Ltd	10,000	-	-	-	-	-	-	10,000	-	
Jotangi Technology Ltd.	796,250	-	-	-	-	-	-	796,250	-	
		<u>\$ 192,423</u>		<u>\$ 84,217</u>		<u>\$ 27,295</u>	<u>\$ 3,974</u>		<u>\$ 253,319</u>	

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2020

Statement 8

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

Name	Beginning Balance		Addition		Decrease		Increase (Decrease) in using the equity method (Note 1)	Balance, December 31, 2020			Collateral/Pledge	
	Shares	Amount	Shares	Amount	Shares	Amount		Shares	Percentage of ownership%	Amount		Net value of equity
ZeroneWin Investment Co., Ltd.	10,000,000	\$ 90,729	4,900,000	\$ 49,000	-	\$ -	\$ 14,359	14,900,000	100	\$154,088	\$154,088	None
Zotech Technology Co., Ltd.	3,500,000	43,671	-	-	-	-	(539)	3,500,000	85.37	43,132	43,132	None
Asiaone Holdings Ltd.	320,000	9,545	-	-	-	-	(19)	320,000	100	9,526	9,526	None
Chi-Ta International Co., Ltd. (Note 2)	597,960	-	-	-	597,960	-	-	-	-	-	-	-
		<u>\$ 143,945</u>		<u>\$ 49,000</u>		<u>\$ -</u>	<u>\$ 13,801</u>			<u>\$206,746</u>		

Note 1 : Including :

1. Share of profit (loss) of subsidiaries accounted for using equity method	(\$ 441)
2. Changes in ownership interest in subsidiaries	(3,199)
3. Share of other comprehensive income (loss) of subsidiaries accounted for using equity method.	17,997
4. Cash dividend from subsidiaries	(630)
5. Exchange differences on translation of the financial statements of foreign operations	74
	<u>\$ 13,801</u>

Note 2 : Disposed in April, 2020. °

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF TRADE PAYABLES
DECEMBER 31, 2020

Statement 9

(In Thousands of New Taiwan Dollars)

<u>The Company's name</u>	<u>Amount</u>
CISCO SYSTEMS INTERNATIONAL B.V.	\$ 950,875
Trend Micro Inc.	264,408
Net App, Inc.	119,603
Others (Note)	<u>892,161</u>
	<u>\$ 2,227,047</u>

Note : The amount of individual company included in others does not exceed 5% of the account balance.

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF OTHER CURRENT LIABILITIES
DECEMBER 31, 2020

Statement 10

(In Thousands of New Taiwan Dollars)

<u>Items</u>	<u>Amount</u>
Receipts under custody	\$ 180,289
Contract liability—current	17,423
Temporary receipts	<u>13,197</u>
	<u>\$ 210,909</u>

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020

Statement 11

(In Thousands of New Taiwan Dollars)

Items	Description	Amount
Sales revenue	Selling hardware and software suite	\$9,636,401
Other operating revenues		<u>63,982</u>
		9,700,383
Less: sales returns		35,069
sales discounts		<u>6,536</u>
		<u>\$ 9,658,778</u>

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF OPERATING COST
FOR THE YEAR ENDED DECEMBER 31, 2020

Statement 12

(In Thousands of New Taiwan Dollars)

Items	Amount
Costs of goods sold	
Initial inventory	\$ 1,449,719
Add : Purchases	8,633,706
Ending inventory	(1,358,455)
Others	(<u>61,759</u>)
Total costs of sales and purchases	8,663,211
Reversal of write-down of inventories	(7,898)
Losses on scrap of inventories	<u>6,221</u>
	<u>\$ 8,661,534</u>

Note : The above statement indicates that the amount of all items regarding inventories is recognized by original costs of inventories, with no deduction of allowance for inventory valuation losses.

ZERO ONE TECHNOLOGY CO., LTD.
STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

Statement 13

(In Thousands of New Taiwan Dollars)

Items	Selling and marketing expenses	General and administrativ e expenses	Reversal of expected credit losses	Total
Payroll Expenses	\$ 233,122	\$ 79,437	\$ -	\$ 312,559
Entertainment expense	37,212	1,453	-	38,665
Insurance expense	26,311	6,801	-	33,112
Reversal of expected credit losses	-	-	(3,262)	(3,262)
Depreciation expense	8,852	11,403	-	20,255
Others (Note)	<u>59,929</u>	<u>24,666</u>	<u>-</u>	<u>84,595</u>
	<u>\$ 365,426</u>	<u>\$ 123,760</u>	<u>(\$ 3,262)</u>	<u>\$ 485,924</u>

Note : The amount of each item in others does not exceed 5% of the account balance.

ZERO ONE TECHNOLOGY CO., LTD.

STATEMENT OF EMPLOYEE BENEFIT, DEPRECIATION AND AMORTIZATION BY FUNCTION

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Statement 14

(In Thousands of New Taiwan Dollars)

	2020			2019		
	Classified as Operating Cost	Classified as Operating Expenses	Total	Classified as Operating Cost	Classified as Operating Expenses	Total
Employee benefit expenses (Note)						
Salary and bonus	\$ -	\$ 291,972	\$ 291,972	\$ -	\$ 267,994	\$ 267,994
Labor and health insurance	-	19,701	19,701	-	17,287	17,287
Pension	-	9,872	9,872	-	8,981	8,981
Directors' compensation	-	10,715	10,715	-	7,255	7,255
Others	-	18,156	18,156	-	18,857	18,857
	<u>\$ -</u>	<u>\$ 350,416</u>	<u>\$ 350,416</u>	<u>\$ -</u>	<u>\$ 320,374</u>	<u>\$ 320,374</u>
Depreciation	<u>\$ -</u>	<u>\$ 20,255</u>	<u>\$ 20,255</u>	<u>\$ -</u>	<u>\$ 18,058</u>	<u>\$ 18,058</u>
Amortization	<u>\$ -</u>	<u>\$ 778</u>	<u>\$ 778</u>	<u>\$ -</u>	<u>\$ 776</u>	<u>\$ 776</u>

Note 1: As of December 31, 2020 and 2019, the Company had 267 and 235 employees, respectively. There were 6 and 5 non-employee directors, respectively, and the calculation basis is consistent to labor cost.

Note 2: (1) Average labor cost for 2020 and 2019 were \$1,302 thousand and \$1,361 thousand, respectively.

(2) Average salary and bonus for 2020 and 2019 were \$1,119 thousand and \$1,165 thousand, respectively.

(3) The average salary and bonus adjustment ratio is (3.95%).

Note 3: In accordance with Securities and Exchange Act, the Company set up the Audit Committee to replace supervisors on June 10, 2020. The compensation for supervisors in 2020 and 2019 were \$1,116 thousand and \$2,133 thousand, respectively.

Note 4: The Company's compensation policies (including directors, supervisors, managers and employees) are as follows:

(1) Directors and supervisors : Accordingly to Article 19 of the Company's Articles of Incorporation, the compensation for directors and supervisors shall be no more than 3% of annual profits. The Company allocates 2% of the current year's annual profits for the compensation to directors and supervisors,

and will provide reasonable reward by taking into account of the Company's operating results and the contribution they made. The procedures to determine the compensation is based on the Company's "Rules for Distribution of Compensation to Directors and Supervisors." Apart from referencing the company's overall operational efficiencies, future management risk and developing trend of the industry, the personal efficiency achievement rate, contribution to the overall performance, and devotion to company performance, achievement rate, profitability rate, operational efficiency and contribution are also collectively evaluated before calculating the compensation ratio. Relevant performance appraisals and the soundness of the compensation are reviewed and approved by the Compensation Committee and the Board in accordance with the charter of relevant laws and requirements, so as to achieve the balance of the Company's sustainability and risk management.

- (2) Managers: Based on the Company's compensation policy to managers, criteria such as industry standards and personal performance evaluation items, which include financial indicators (such as the Company's revenue, achievement rate for profit before tax and after tax) and non-financial related indicators (such as taking on the role as trainer and any gross misconduct of the department in terms of legal and compliance and operational risks incidents) are also included in the evaluation. The procedures to determine and distribute the compensation is based on the Company's performance appraisal evaluation guidelines. Relevant performance appraisals and the soundness of the compensation are reviewed and approved by the Compensation Committee and the Board in accordance with the charter of relevant laws and requirements, so as to achieve the balance of the Company's sustainability and risk management.
- (3) Employees: The Company conducts annual market survey regularly by analyzing salary, bonus and annual income statistics. Salary adjustment is processed based on Company's work rules and the results of individual performance appraisals so as to ensure the fairness of internal and external practices which meets the market standards.