

ZERO ONE TECHNOLOGY CO., LTD.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS FOR THE
NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019 AND
INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Zero One Technology Company Limited

Introduction

We have reviewed the accompanying consolidated financial statements of Zero One Technology Company Limited and its subsidiaries (the "Group") as of September 30, 2020 and 2019 and the consolidated statements of comprehensive income for the three months ended September 30, 2020 and 2019 and the nine months ended September 30, 2020 and 2019, changes in equity and cash flows for the nine-month periods then ended September 30, 2020 and 2019, and the notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting," endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the financial position of the Company as of September 30, 2020 and 2019, its consolidated financial performance for the three months ended September 30, 2020 and 2019 and the nine months ended September 30, 2020 and 2019 and its consolidated cash flows for the nine months ended September 30, 2020 and 2019, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 4, 2020

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
September 30, 2020, December 31, 2019, and September 30, 2019

(In Thousands of New Taiwan Dollars)

ASSETS	September 30, 2020 (Reviewed)		December 31, 2019 (Audited)		September 30, 2019 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 399,898	8	\$ 335,497	7	\$ 906,079	19
Financial assets at fair value through profit or loss - current (Note 7)	40,107	1	65,425	1	77,941	2
Financial assets at amortized cost-current (Note 9)	540,973	11	699,048	13	250,507	5
Notes receivable (Note 10)	185,379	4	279,128	5	207,836	4
Trade receivables (Note 10)	1,865,612	39	1,754,979	34	1,925,121	40
Current tax assets (Note 4)	829	-	1,314	-	-	-
Inventories (Note 11)	918,165	19	1,319,535	25	749,373	16
Other current assets	<u>31,150</u>	<u>1</u>	<u>34,794</u>	<u>1</u>	<u>14,518</u>	<u>-</u>
Total current assets	<u>3,982,113</u>	<u>83</u>	<u>4,489,720</u>	<u>86</u>	<u>4,131,375</u>	<u>86</u>
NON-CURRENT ASSETS						
Financial assets at fair value through profit or loss - non-current (Note 7)	34,977	1	30,280	1	29,990	1
Financial assets at fair value through other comprehensive income-non-current (Note 8)	316,499	7	251,768	5	200,757	4
Financial assets at amortized cost - non-current (Notes 9 and 28)	86,494	2	81,624	1	66,935	1
Property, plant and equipment (Notes 14 and 28)	308,094	6	314,412	6	312,262	7
Right-of-use assets (Notes 15)	14,852	-	8,303	-	10,038	-
Other intangible assets	973	-	1,395	-	1,263	-
Deferred tax assets (Note 4)	38,553	1	42,509	1	42,599	1
Refundable deposits	6,499	-	5,341	-	4,535	-
Prepayments for investments	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-current assets	<u>816,941</u>	<u>17</u>	<u>735,632</u>	<u>14</u>	<u>668,379</u>	<u>14</u>
TOTAL	<u>\$ 4,799,054</u>	<u>100</u>	<u>\$ 5,225,352</u>	<u>100</u>	<u>\$ 4,799,754</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 16)	\$ -	-	\$ 150,000	3	\$ 360,000	8
Financial liabilities at fair value through profit or loss - current (Note 7)	-	-	-	-	589	-
Trade payables	1,787,415	37	2,035,186	39	1,725,429	36
Other payables (Note 17)	184,459	4	381,418	7	167,063	4
Current tax liabilities (Note 4)	37,511	1	57,249	1	66,684	1
Lease liabilities - current (Notes 15)	7,444	-	4,553	-	5,098	-
Other current liabilities	<u>205,994</u>	<u>4</u>	<u>143,072</u>	<u>3</u>	<u>163,777</u>	<u>3</u>
Total current liabilities	<u>2,222,823</u>	<u>46</u>	<u>2,771,478</u>	<u>53</u>	<u>2,488,640</u>	<u>52</u>
NON-CURRENT LIABILITIES						
Deferred tax liabilities (Note 4)	57	-	793	-	-	-
Lease liabilities - non-current (Notes 15)	7,492	-	3,803	-	4,539	-
Net defined benefit liabilities - non-current (Notes 4 and 19)	20,863	1	21,918	1	20,827	-
Other non-current liabilities	<u>800</u>	<u>-</u>	<u>1,171</u>	<u>-</u>	<u>1,170</u>	<u>-</u>
Total non-current liabilities	<u>29,212</u>	<u>1</u>	<u>27,685</u>	<u>1</u>	<u>26,536</u>	<u>-</u>
Total liabilities	<u>2,252,035</u>	<u>47</u>	<u>2,799,163</u>	<u>54</u>	<u>2,515,176</u>	<u>52</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 20)						
Share capital						
Ordinary shares	<u>1,252,722</u>	<u>26</u>	<u>1,246,352</u>	<u>24</u>	<u>1,242,672</u>	<u>26</u>
Capital surplus	<u>476,039</u>	<u>10</u>	<u>470,136</u>	<u>9</u>	<u>466,269</u>	<u>10</u>
Retained earnings						
Legal reserve	219,863	5	184,732	4	184,732	4
Special reserve	-	-	16,844	-	16,844	-
Unappropriated earnings	<u>576,421</u>	<u>12</u>	<u>494,764</u>	<u>9</u>	<u>381,394</u>	<u>8</u>
Total retained earnings	<u>796,284</u>	<u>17</u>	<u>696,340</u>	<u>13</u>	<u>582,970</u>	<u>12</u>
Other equity	<u>10,388</u>	<u>-</u>	<u>7,476</u>	<u>-</u>	<u>(13,873)</u>	<u>-</u>
Total equity attributable to owners of the Company	<u>2,535,433</u>	<u>53</u>	<u>2,420,304</u>	<u>46</u>	<u>2,278,038</u>	<u>48</u>
NON-CONTROLLING INTERESTS	<u>11,586</u>	<u>-</u>	<u>5,885</u>	<u>-</u>	<u>6,540</u>	<u>-</u>
Total equity	<u>2,547,019</u>	<u>53</u>	<u>2,426,189</u>	<u>46</u>	<u>2,284,578</u>	<u>48</u>
TOTAL	<u>\$ 4,799,054</u>	<u>100</u>	<u>\$ 5,225,352</u>	<u>100</u>	<u>\$ 4,799,754</u>	<u>100</u>

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the nine months ended September 30, 2020 and 2019
(Reviewed, Not Audited)

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUES								
Net sales	\$ 2,467,016	100	\$ 2,382,849	100	\$ 7,598,541	100	\$ 6,480,591	100
OPERATING COSTS (Note 11 and 21)								
Cost of goods sold	<u>2,206,966</u>	<u>89</u>	<u>2,175,566</u>	<u>91</u>	<u>6,800,124</u>	<u>90</u>	<u>5,845,444</u>	<u>90</u>
GROSS PROFIT	<u>260,050</u>	<u>11</u>	<u>207,283</u>	<u>9</u>	<u>798,417</u>	<u>10</u>	<u>635,147</u>	<u>10</u>
OPERATING EXPENSES (Note 21)								
Selling and marketing expenses	98,387	4	88,018	4	275,558	4	245,721	4
General and administrative expenses	34,752	2	34,982	2	107,562	1	99,394	2
Research and development expenses	2,056	-	1,526	-	4,789	-	4,509	-
Expected credit loss (reversed) recognized on trade receivables (Note 10)	<u>942</u>	<u>-</u>	<u>30,832</u>	<u>1</u>	<u>1,794</u>	<u>-</u>	<u>21,311</u>	<u>-</u>
Total operating expenses	<u>136,137</u>	<u>6</u>	<u>155,358</u>	<u>7</u>	<u>389,703</u>	<u>5</u>	<u>370,935</u>	<u>6</u>
PROFIT FROM OPERATIONS	<u>123,913</u>	<u>5</u>	<u>51,925</u>	<u>2</u>	<u>408,714</u>	<u>5</u>	<u>264,212</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES (Note 21)								
Interest income	3,193	-	7,091	1	15,368	1	17,463	1
Other income	7,290	-	4,624	-	13,353	-	7,796	-
Other gains and losses (Note 13)	7,472	1	(1,750)	-	2,944	-	6,473	-
Net gain/(loss) on derecognition of financial assets at amortized cost(Note 9)	-	-	3,745	-	-	-	3,745	-
Finance costs	(471)	-	(965)	-	(2,068)	-	(1,553)	-
Total non-operating income and expenses	<u>17,484</u>	<u>1</u>	<u>12,745</u>	<u>1</u>	<u>29,597</u>	<u>1</u>	<u>33,924</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	141,397	6	64,670	3	438,311	6	298,136	5
INCOME TAX EXPENSE (Note 4& 22)	<u>26,765</u>	<u>1</u>	<u>12,902</u>	<u>1</u>	<u>90,014</u>	<u>1</u>	<u>62,522</u>	<u>1</u>
NET PROFIT	<u>114,632</u>	<u>5</u>	<u>51,768</u>	<u>2</u>	<u>348,297</u>	<u>5</u>	<u>235,614</u>	<u>4</u>
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized gain (loss) on investments in equity instruments designated as at fair value through other comprehensive income	(11,565)	(1)	2,265	-	(1,092)	-	8,248	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statements of foreign operations	207	-	-	-	(221)	-	-	-
Income tax relating to items that may be reclassified subsequently to profit or loss	(60)	-	-	-	-	-	-	-
Other comprehensive income (loss) for the period, net of income tax	(11,418)	(1)	2,265	-	(1,313)	-	8,248	-
TOTAL COMPREHENSIVE INCOME(LOSS) FOR THE PERIOD	<u>\$ 103,214</u>	<u>4</u>	<u>\$ 54,033</u>	<u>2</u>	<u>\$ 346,984</u>	<u>5</u>	<u>\$ 243,862</u>	<u>4</u>
NET PROFIT (LOSS) ATTRIBUTED TO:								
Owners of the Company	\$ 115,138	5	\$ 52,323	2	\$ 349,978	5	\$ 237,067	4
Non-controlling interests	(506)	-	(555)	-	(1,681)	-	(1,453)	-
	<u>\$ 114,632</u>	<u>5</u>	<u>\$ 51,768</u>	<u>2</u>	<u>\$ 348,297</u>	<u>5</u>	<u>\$ 235,614</u>	<u>4</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTED TO:								
Owners of the Company	\$ 103,661	4	\$ 54,588	2	\$ 348,781	5	\$ 245,315	4
Non-controlling interests	(447)	-	(555)	-	(1,797)	-	(1,453)	-
	<u>\$ 103,214</u>	<u>4</u>	<u>\$ 54,033</u>	<u>2</u>	<u>\$ 346,984</u>	<u>5</u>	<u>\$ 243,862</u>	<u>4</u>
EARNINGS PER SHARE (Note 23)								
Basic	<u>\$ 0.92</u>		<u>\$ 0.42</u>		<u>\$ 2.82</u>		<u>\$ 1.92</u>	
Diluted	<u>\$ 0.90</u>		<u>\$ 0.41</u>		<u>\$ 2.73</u>		<u>\$ 1.88</u>	

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the nine months ended September 30, 2020 and 2019
(Reviewed, Not Audited)

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

	Equity Attributable to Owners of the Company													
	Share Capital							Other Equity						
	Shares (In Thousand)	Issued Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange differences on translating the financial statements of foreign operations	Unrealized gain (loss) on Financial Assets at FVTOCI	Unearned Employee benefits	Total	Total	Non- controlling Interests	Total Equity
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 nine months ended September 30, 2019	-	-	-	-	-	237,067	237,067	-	-	-	-	237,067	(1,453)	235,614
Other comprehensive income (loss) for the nine months ended September 30, 2019, net of income tax	-	-	-	-	-	-	-	-	8,248	-	8,248	8,248	-	8,248
Total comprehensive income (loss) for the nine months ended September 30, 2019, net of income tax	-	-	-	-	-	237,067	237,067	-	8,248	-	8,248	245,315	(1,453)	243,862
Convertible bonds converted to capital stock	338	3,377	1,722	-	-	-	-	-	-	-	-	5,099	-	5,099
Share based payment transaction - employee stock option	-	-	8,715	-	-	-	-	-	-	-	-	8,715	-	8,715
Issuance of ordinary shares under employee share options	333	3,330	1,161	-	-	-	-	-	-	-	-	4,491	-	4,491
Issuance of restricted stock awards	700	7,000	8,156	-	-	-	-	-	-	(15,156)	(15,156)	-	-	-
Share based payment transaction - restricted stock awards	-	-	-	-	-	-	-	-	-	2,724	2,724	2,724	-	2,724
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(300)	(300)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	(7,155)	(7,155)	-	7,155	-	7,155	-	-	-
BALANCE, September 30, 2019	<u>124,267</u>	<u>\$ 1,242,672</u>	<u>\$ 466,269</u>	<u>\$ 184,732</u>	<u>\$ 16,844</u>	<u>\$ 381,394</u>	<u>\$ 582,970</u>	<u>\$ -</u>	<u>(\$ 1,441)</u>	<u>(\$ 12,432)</u>	<u>(\$ 13,873)</u>	<u>\$ 2,278,038</u>	<u>\$ 6,540</u>	<u>\$ 2,284,578</u>
BALANCE, JANUARY 1, 2020	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 nine months ended September 30, 2020	-	-	-	-	-	349,978	349,978	-	-	-	-	349,978	(1,681)	348,297
Other comprehensive income (loss) for the nine months ended September 30, 2020, net of income tax	-	-	-	-	-	-	-	(155)	(1,042)	-	(1,197)	(1,197)	(116)	(1,313)
Total comprehensive income (loss) for the nine months ended September 30, 2020, net of income tax	-	-	-	-	-	349,978	349,978	(155)	(1,042)	-	(1,197)	348,781	(1,797)	346,984
Changes in percentage of ownership interests in subsidiaries	-	-	(2,481)	-	-	(718)	(718)	-	-	-	-	(3,199)	3,199	-
Share based payment transaction - restricted stock awards	-	-	-	-	-	-	-	-	-	4,367	4,367	4,367	-	4,367
Share based payment transaction - employee stock option	-	-	5,413	-	-	-	-	-	-	-	-	5,413	-	5,413
Recall of unissued shares of restricted stock awards	(12)	(120)	120	-	-	-	-	-	-	-	-	-	-	-
Issuance of ordinary shares under employee share options	649	6,490	2,851	-	-	-	-	-	-	-	-	9,341	-	9,341
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(108)	(108)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	258	258	-	(258)	-	(258)	-	-	-
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	4,407	4,407
BALANCE, September 30, 2020	<u>125,272</u>	<u>\$ 1,252,722</u>	<u>\$ 476,039</u>	<u>\$ 219,863</u>	<u>\$ -</u>	<u>\$ 576,421</u>	<u>\$ 796,284</u>	<u>(\$ 155)</u>	<u>\$ 16,565</u>	<u>(\$ 6,022)</u>	<u>\$ 10,388</u>	<u>\$ 2,535,433</u>	<u>\$ 11,586</u>	<u>\$ 2,547,019</u>

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the nine months ended September 30, 2020 and 2019
(Reviewed, Not Audited)

(In Thousands of New Taiwan Dollars)

	For the Nine Months Ended	
	September 30	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 438,311	\$ 298,136
Adjustments for:		
Depreciation expenses	17,268	15,013
Amortization expenses	606	579
Expected credit loss recognized on trade receivables	1,794	21,311
Net gain on fair value change of financial assets and liabilities at fair value through profit or loss	(2,008)	(5,024)
Finance costs	2,068	1,553
Net gain on derecognition of financial assets at amortized cost	-	(3,745)
Interest income	(15,368)	(17,463)
Dividend income	(10,911)	(4,406)
Costs of share-based payment	9,780	11,439
Gain on disposal of investments accounted for using equity method	(275)	-
Write-downs of inventories	2,933	3,643
Net loss(gain) on foreign currency exchange	885	(1,090)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	22,629	24,646
Notes receivable	93,749	(46,706)
Trade receivables	(113,347)	(218,211)
Inventories	396,752	186,541
Other current assets	3,637	13,194
Trade payables	(242,470)	68,579
Other payables	(195,560)	(78,070)
Other current liabilities	62,922	56,706
Net defined benefit liabilities	(1,055)	(752)
Cash generated from operations	472,340	325,873
Income tax paid	(106,047)	(57,087)
Net cash generated from operating activities	<u>366,293</u>	<u>268,786</u>

(Continued)

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the nine months ended September 30, 2020 and 2019
(Reviewed, Not Audited)

(In Thousands of New Taiwan Dollars)

	For the Nine Months Ended September 30	
	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(\$ 93,118)	(\$ 65,460)
Proceeds from sale of financial assets at fair value through other comprehensive income	24,217	21,594
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	3,078	-
Purchase of financial assets at amortized cost	(190,696)	(49,558)
Proceeds from sale of financial assets at amortized cost	342,035	406,861
Proceeds from disposal of investments accounted for using equity method	275	-
Increase in prepayments for investments	(10,000)	-
Payments for property, plant and equipment	(4,488)	(6,693)
Proceeds from disposal of property, plant and equipment	540	-
Increase in refundable deposits	(1,158)	(1,378)
Payment for intangible assets	(184)	(670)
Interest received	15,375	13,787
Dividends received	<u>10,911</u>	<u>4,406</u>
Net cash generated from investing activities	<u>96,787</u>	<u>322,889</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	-	260,000
Repayments of short-term borrowings	(150,000)	-
Proceeds from guarantee deposits received	-	370
Refund of guarantee deposits received	(371)	-
Repayment of the principal portion of lease liabilities	(5,286)	(5,058)
Dividends paid to owners of the Company	(249,574)	(184,603)
Exercise of employee share options	9,341	4,491
Interest paid	(2,072)	(1,553)
Dividends paid to non-controlling interests	(108)	-
Increase in non-controlling interests	<u>4,407</u>	<u>-</u>
Net cash generated from (used in) financing activities	(<u>393,663</u>)	<u>73,647</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	(<u>5,016</u>)	<u>2,131</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	64,401	667,453
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>335,497</u>	<u>238,626</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 399,898</u>	<u>\$ 906,079</u>

(Concluded)

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 and 2019
 (Reviewed, Not Audited)

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

1. GENERAL

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

The consolidated financial statements are expressed by the functional currency (New Taiwan Dollars) of the 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 November 4, 2020.

3. APPLICATION OF NEW, AMENDED 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, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC).

Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group's accounting policies:

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

<u>New, Revised, Amended Standards and Interpretations</u>	<u>Effective Date Issued 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 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"	January 1, 2021
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 Non-current"	January 1, 2023
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 IFRSs are effective for annual reporting 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 1, 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.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. Disclosure information included in these consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

(2) Basis of preparation

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

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;
- B. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- C. Level 3 inputs are unobservable inputs for an asset or liability.

(3) 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 Company. 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.

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

(4) Other Significant Accounting Policies

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2019.

A. Defined retirement benefits

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

B. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

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

Key sources of the same critical accounting judgments, estimates and uncertainty assumption have been followed in these consolidated financial statements for the year ended December 31, 2019.

6. CASH AND CASH EQUIVALENTS

	September 30, 2020	December 31, 2019	September 30, 2019
Cash on hand	\$ 440	\$ 183	\$ 151
Checking accounts and demand deposits	370,358	118,757	320,156
Cash equivalents			
Time Deposits in banks	-	216,557	53,436
Repurchase Agreements			
Collateralized by Bonds	29,100	-	532,336
	<u>\$ 399,898</u>	<u>\$ 335,497</u>	<u>\$ 906,079</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Financial assets – current</u>			
Mandatorily measured at FVTPL			
Domestic convertible bond	\$ 22,718	\$ 31,182	\$ 40,343
Domestic listed ordinary shares	1,241	-	-
Fund beneficiary certification	16,148	34,243	37,598
	<u>\$ 40,107</u>	<u>\$ 65,425</u>	<u>\$ 77,941</u>
<u>Financial assets – non-current</u>			
Mandatorily measured at FVTPL			
Domestic listed preference shares	\$ 14,493	\$ 15,041	\$ 14,950
Fund beneficiary certification	20,484	15,239	15,040
	<u>\$ 34,977</u>	<u>\$ 30,280</u>	<u>\$ 29,990</u>

(Continued)

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Financial liabilities – current</u>			
Financial liabilities held for trading			
Foreign exchange forward contracts (1)	\$ -	\$ -	\$ 589
			(Concluded)

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

September 30, 2019

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

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

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in equity instruments

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Non-current</u>			
Domestic investment			
Listed and emerging market ordinary shares	\$ 100,956	\$ 98,473	\$ 55,992
Listed preference shares	196,800	149,552	140,500
Unlisted shares	18,743	3,743	4,265
	<u>\$ 316,499</u>	<u>\$ 251,768</u>	<u>\$ 200,757</u>

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

9. FINANCIAL ASSETS AT AMORTIZED COST

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Current</u>			
Domestic investment			
Time deposits with original maturities more than three months(1)	\$ 482,773	\$ 307,809	\$ 250,507
Repurchase agreements collateralized by bonds (2)	58,200	391,239	-
	<u>\$ 540,973</u>	<u>\$ 699,048</u>	<u>\$ 250,507</u>
			(Continued)

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Non-current</u>			
Domestic investment			
Pledged Time Deposit (3)	\$ 25,345	\$ 18,058	\$ 18,287
Barclays Bank Corporate Bond (USD) (4)	15,239	15,807	16,366
PCA Life Assurance Co., Ltd. Corporate Bond (USD) (5)	29,883	31,179	32,282
AT&T Corporate Bond (USD) (6)	16,027	16,580	-
Yuanta Securities Asia Financial Services Limited 2018 Non-secured USD-denominated Private Fixed Rate Notes (7)	-	-	-
	<u>\$ 86,494</u>	<u>\$ 81,624</u>	<u>\$ 66,935</u>
			(Concluded)

- (1) As of September 30, 2020, December 31 and September 30, 2019, the annual interest rate of time deposit over 3 months portion is 0.63%~2.10%, 0.88%~2.33% and 0.88%~2.86%, respectively.
- (2) As of September 30, 2020 and December 31, 2019, the market interest rate of repurchase agreements collateralized by bonds with original maturities more than three months is 0.6% and 2.70%~2.90%, respectively.
- (3) Please refer to Note 28 for more details on financial assets at amortized cost under pledge.
- (4) The group purchased Barclays Bank Corporate Bond (USD) by USD 527 thousand, with a coupon rate of 4.836%, in August, 2019.
- (5) The group purchased PCA Life Assurance Co., Ltd. Corporate Bond (USD) by USD 1,040 thousand, with a coupon rate of 4.875%, in August, 2019.
- (6) The group purchased AT&T Corporate Bond (USD) by USD 553 thousand, with a coupon rate of 4.50%, in November, 2019.
- (7) The group purchased Yuanta Securities Asia Financial Services Limited issued 5-year corporate bonds, with the face value of USD 2,000 thousand and a coupon rate of 4.10%, in August, 2018. As for adjustment portion of investments, the Group sold all bonds by NTD\$ 64,954 thousand, and recognized NT\$ 3,745 thousand of gain from sale of financial assets at amortized cost, in August, 2019.

10. NOTES, TRADE RECEIVABLE AND OVERDUE RECEIVABLES

	September 30, 2020	December 31, 2019	September 30, 2019
Measured at amortized cost			
Notes receivable	\$ 185,379	\$ 279,128	\$ 207,836
Trade receivable	1,882,100	1,769,673	1,967,438
Overdue receivables	4,401	20,816	20,405
Deduct: Allowance for bad debts	(20,889)	(35,510)	(62,722)
	<u>\$ 2,050,991</u>	<u>\$ 2,034,107</u>	<u>\$ 2,132,957</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 measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses of trade receivable on durable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position and past experience of receivable, and the change in global and regional economic conditions of uncollectible accounts, deciding the rate of the expected credit losses by the level of credit limits of customers and actual conditions, based on the degree of doubtful accounts triggered by customers of different industries.

The Group writes off 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 profits or losses.

The following table details the loss allowance of trade receivable:

September 30, 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	\$2,045,592	\$ 5,604	\$ 3,348	\$ 12,876	\$ 4,460	\$2,071,880
Loss allowance (Lifetime ECLs)	(<u>5,979</u>)	(<u>1,823</u>)	(<u>1,437</u>)	(<u>7,190</u>)	(<u>4,460</u>)	(<u>20,889</u>)
Amortized cost	<u>\$2,039,613</u>	<u>\$ 3,781</u>	<u>\$ 1,911</u>	<u>\$ 5,686</u>	<u>\$ -</u>	<u>\$2,050,991</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)	(<u>3,903</u>)	(<u>1,879</u>)	(<u>5,400</u>)	(<u>347</u>)	(<u>23,981</u>)	(<u>35,510</u>)
Amortized cost	<u>\$1,989,049</u>	<u>\$ 2,878</u>	<u>\$ 7,331</u>	<u>\$ 349</u>	<u>\$ 34,500</u>	<u>\$2,034,107</u>

September 30, 2019

	Not Past Due	1-30 Days Past Due	31-60 Days Past Due	61-90 Days Past Due	More Than 90 Days Past Due	Total
Gross carrying amount	\$2,058,559	\$ 71,821	\$ 25,699	\$ 12,694	\$ 26,906	\$2,195,679
Loss allowance (Lifetime ECLs)	(<u>2,857</u>)	(<u>18,885</u>)	(<u>8,530</u>)	(<u>5,544</u>)	(<u>26,906</u>)	(<u>62,722</u>)
Amortized cost	<u>\$2,055,702</u>	<u>\$ 52,936</u>	<u>\$ 17,169</u>	<u>\$ 7,150</u>	<u>\$ -</u>	<u>\$2,132,957</u>

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

	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Balance at January 1	\$ 35,510	\$ 41,411
Add: Net remeasurement of loss allowance	1,794	21,311
Less: Amounts written off	(<u>16,415</u>)	-
Balance at September 30	<u>\$ 20,889</u>	<u>\$ 62,722</u>

11. INVENTORIES

	September 30, 2020	December 31, 2019	September 30, 2019
Raw materials	\$ 5,703	\$ 3,314	\$ 3,399
Work in process	3,675	1,289	3,817
Finished goods	484	3,091	4,040
Commodities	908,065	1,311,841	738,117
Inventory in transit	238	-	-
	<u>\$ 918,165</u>	<u>\$ 1,319,535</u>	<u>\$ 749,373</u>

Cost of goods sold for inventories were NT\$2,206,966 thousand, NT\$2,175,566 thousand, NT\$6,800,124 thousand and NT\$5,845,444 thousand, respectively, for the three and nine months ended September 30, 2020 and 2019. The increase in net realizable value in the amount of NT\$9,801 thousand, respectively, and allowance for inventory valuation and obsolescence loss in the amount of NT\$15,505 thousand, NT\$2,933 thousand and NT\$3,643 thousand, respectively, were included in the cost of revenue for the three and nine months ended September 30, 2020 and 2019. The increase in net realizable value of inventories is recognized by disposal of the commodities, which had been allowed for inventory valuation loss.

12. SUBSIDIARIES

(1) Subsidiaries included in the consolidated financial statements

The consolidated entities were as follows:

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Re-mark
			September 30, 2020	December 31, 2019	September 30, 2019	
The Company	Zotech technology Co., Ltd.	Manufacturing for computer equipment	85.37%	85.37%	85.37%	A
	Zerone Win Investment Co., Ltd.	Investment	100.00%	100.00%	100.00%	A
	Asiaone Holdings Ltd.	Holding company	100.00%	100.00%	100.00%	A, B
Zerone Win Investment Co., Ltd.	WingWill International Co., Ltd.	Services of Cloud & information software	87.93%	70.00%	70.00%	A, D
	PetaCom technology Co., Ltd.	Services of distribution of information product	100.00%	100.00%	100.00%	A
Asiaone Holdings Ltd.	Techone (Shanghai) Co., Ltd.	Services of Network Technology	70.00%	-	-	A, C

A. It's not a major subsidiary. Its financial statements haven't been reviewed by CPAs, beside the management personnel of the Group considers no material influence as the financial statements of the above subsidiaries haven't been reviewed by CPAs.

B. It was established in September, 2019.

C. It was established in January, 2020.

D. The equity interest increased to 87.93%, due to the investee company's capital increase in July, 2020.

(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, recognized NT 7,243 thousand of impairment losses thousand after evaluation in 2015, recognized book value of 0 thousand after recognized deficits, and the group disposed of all shares and recognized NT 275 thousand in profits in April, 2020.

14. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2020	December 31, 2019	September 30, 2019
Land	\$ 234,892	\$ 234,892	\$ 234,892
Buildings	55,156	56,519	56,972
Machinery equipment	-	-	4
Office equipment	10,199	11,021	12,512
Delivery equipment	1,106	1,474	1,598
Other equipment	<u>6,741</u>	<u>10,506</u>	<u>6,284</u>
	<u>\$ 308,094</u>	<u>\$ 314,412</u>	<u>\$ 312,262</u>

Except for depreciation recognized, property, plant and equipment haven't been increased, disposed and impaired for the nine months ended September 30, 2020 and 2019.

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

Property, plant and equipment used by the Group and pledged as collateral for bank borrowings are set out in Note 28.

15. LEASE ARRANGEMENTS

(1) Right-of-use assets

	September 30, 2020	December 31, 2019	September 30, 2019
Carrying amounts of right-of-use assets			
Buildings	\$ 14,458	\$ 7,758	\$ 9,443
Office equipment	<u>394</u>	<u>545</u>	<u>595</u>
	<u>\$ 14,852</u>	<u>\$ 8,303</u>	<u>\$ 10,038</u>

	For the Three Months Ended September 30, 2020	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Additions to right-of-use assets			<u>\$ 11,914</u>	<u>\$ 8,194</u>
Depreciation charge for right-of-use assets				
Buildings	\$ 1,864	\$ 1,702	\$ 5,166	\$ 4,422
Office equipment	<u>50</u>	<u>50</u>	<u>151</u>	<u>151</u>
	<u>\$ 1,914</u>	<u>\$ 1,752</u>	<u>\$ 5,317</u>	<u>\$ 4,573</u>

(2) Lease liabilities

	September 30, 2020	December 31, 2019	September 30, 2019
Carrying amounts of lease liabilities			
Current	<u>\$ 7,444</u>	<u>\$ 4,553</u>	<u>\$ 5,098</u>
Non-current	<u>\$ 7,492</u>	<u>\$ 3,803</u>	<u>\$ 4,539</u>

Range of discount rate for lease liabilities was as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Buildings	0.95%~4.75%	1.20%	1.20%
Office equipment	1.20%	1.20%	1.20%

(3) Other lease information

	For the Three Months Ended September 30, 2020	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Expenses relating to short-term leases	<u>\$ 548</u>	<u>\$ 63</u>	<u>\$ 650</u>	<u>\$ 312</u>
Expenses relating to low-value asset leases	<u>\$ 12</u>	<u>\$ 19</u>	<u>\$ 38</u>	<u>\$ 37</u>
Total cash (outflow) for leases			<u>(\$ 6,088)</u>	<u>(\$ 5,368)</u>

16. SHORT-TERM BORROWINGS

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Secured borrowings</u>			
– Secured borrowings (Note 28)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 180,000</u>
<u>Unsecured borrowings</u>			
– Line of credit borrowings	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ 180,000</u>

Interest rate of bank revolving loans is 0.94% on December 31 and September 30, 2019.

17. OTHER PAYABLES

	September 30, 2020	December 31, 2019	September 30, 2019
Payables for salaries & bonuses	\$ 61,484	\$ 83,057	\$ 54,317
Compensation of employees, remuneration of directors and supervisors payable	27,998	28,379	19,084
Others	<u>94,977</u>	<u>269,982</u>	<u>93,662</u>
	<u>\$ 184,459</u>	<u>\$ 381,418</u>	<u>\$ 167,063</u>

18. BOND PAYABLE

On May 19, 2014, the Group issued no any interest unsecured bonds (the second tranche), which were listed on Taipei Exchange (TPEX). 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 the issuance date.

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

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

The convertible bonds contain two components: The host liability instrument and the conversion option derivative instrument, and the conversion option derivative instrument was accounted as paid-in capital -option. The effective interest rate of the host liability instrument on initial recognition was 2.0618% per annum.

Balance on January 1, 2019, liability components	\$	5,085
Interest (2.0618%)		15
Convertible bonds changed into ordinary shares	(<u>5,100</u>)
Balance on September 30, 2019, liability components	\$	<u>-</u>

19. RETIREMENT BENEFIT PLANS

For the three and nine months ended September 30, 2020 and 2019, the Group's pension costs under the defined benefit plan were made payment NT\$105 thousand, NT\$131 thousand, NT\$314 thousand and NT\$393 thousand, respectively, decided by actuarial pension costs rate on December 31, 2019 and 2018.

20. EQUITY

(1) Ordinary Shares

	September 30, 2020	December 31, 2019	September 30, 2019
Shares authorized (in thousands of shares)	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>
Authorized capital	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>
Shares issued and fully paid (in thousands of shares)	<u>125,272</u>	<u>124,635</u>	<u>124,267</u>
Issued capital	<u>\$ 1,252,722</u>	<u>\$ 1,246,352</u>	<u>\$ 1,242,672</u>

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

(2) Capital Surplus

	September 30, 2020	December 31, 2019	September 30, 2019
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u> (A)			
Premium on shares issued above par value	\$ 414,997	\$ 408,165	\$ 404,907
Treasury stock transactions	25,343	25,343	25,343
<u>Only be used to offset a deficit</u> From shares of changes in equities of subsidiaries(B)	-	2,481	2,481
Invalid employees stock options	300	300	300
<u>May not be used for any purpose</u>			
Restricted stock awards	8,276	8,156	8,156
Employees stock options	27,123	25,691	25,082
	<u>\$ 476,039</u>	<u>\$ 470,136</u>	<u>\$ 466,269</u>

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

B. Such capital surplus arises from the effects of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions or from changes in capital surplus of subsidiaries accounted for using the equity method.

(3) Retained earnings and dividend policy

Under the dividends policy as set forth in the Articles of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors in 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. The Group considers its influences on diluted earning per shares and return on equity, and the ratio for cash dividend shall not below 10% of the total distribution.

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

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

The appropriations of 2019 and 2018 earnings have been approved by ZOTC's shareholders' meeting 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		
Special reserve				
recognized(reversed)	(16,844)	1,343		
Cash dividends	249,574	184,603	\$ 2.0	\$ 1.5

(4)Other equity

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

	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Balance at January 1	\$ -	\$ -
In respect of the current period		
Exchange differences on translating the financial statements of foreign operations	(155)	-
Balance at September 30	<u>(\$ 155)</u>	<u>\$ -</u>

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

	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Balance at January 1	\$ 17,865	(\$ 16,844)
In respect of the current period		
Unrealized profits and losses – equity instruments	(1,042)	8,248
Cumulative gain (loss) of equity instruments transferred to retained earnings due to disposal	(258)	7,155
Balance at September 30	<u>\$ 16,565</u>	<u>(\$ 1,441)</u>

C. Unearned employee benefit

In the shareholders' meetings held on June 11, 2018, the shareholders approved the issuance of restricted stock awards. Refer to Note 24 for the information of relevant explanation.

	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Balance, beginning of period	(\$ 10,389)	\$ -
Issued at the current period	-	(15,156)
Share-based payment expenses recognized	4,367	2,724
Balance, end of period	<u>(\$ 6,022)</u>	<u>(\$ 12,432)</u>

21. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

(1) Interest income

	For the Three Months Ended September 30, 2020	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Bank deposits	\$ 36	\$ 474	\$ 1,961	\$ 2,900
Financial assets at amortized cost	3,156	6,617	13,402	14,562
Others	<u>1</u>	<u>-</u>	<u>5</u>	<u>1</u>
	<u>\$ 3,193</u>	<u>\$ 7,091</u>	<u>\$ 15,368</u>	<u>\$ 17,463</u>

(2) Other income

	For the Three Months Ended September 30, 2020	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Dividend income	\$ 6,810	\$ 4,390	\$ 10,911	\$ 4,406
Others	<u>480</u>	<u>234</u>	<u>2,442</u>	<u>3,390</u>
	<u>\$ 7,290</u>	<u>\$ 4,624</u>	<u>\$ 13,353</u>	<u>\$ 7,796</u>

(3) Other gains and losses

	For the Three Months Ended September 30, 2020	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Net gain arising on financial assets measured at FVTPL	\$ 1,209	\$ 627	\$ 2,008	\$ 5,024
Net foreign exchange Profit(loss)	6,303	(2,377)	661	1,449
Gain on disposal of investments accounted for using equity method	-	-	275	-
Loss on disposal of property, plant and equipment	(<u>40</u>)	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 7,472</u>	<u>(\$ 1,750)</u>	<u>\$ 2,944</u>	<u>\$ 6,473</u>

(4) Financial costs

	For the Three Months Ended September 30, 2020	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Interests on bank borrowings	\$ 403	\$ 937	\$ 1,954	\$ 1,471
Interests on lease liabilities	68	28	114	67
Interests on convertible bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>15</u>
	<u>\$ 471</u>	<u>\$ 965</u>	<u>\$ 2,068</u>	<u>\$ 1,553</u>

(5) Depreciation & amortization

	For the Three Months Ended September 30, 2020	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Property, plant and equipment	\$ 3,861	\$ 3,611	\$ 11,951	\$ 10,440
Right-of-use assets	1,914	1,752	5,317	4,573
Intangible assets	<u>177</u>	<u>199</u>	<u>606</u>	<u>579</u>
	<u>\$ 5,952</u>	<u>\$ 5,562</u>	<u>\$ 17,874</u>	<u>\$ 15,592</u>
An analysis of depreciation by function				
Operating costs	\$ -	\$ 5	\$ -	\$ 153
Operating expenses	<u>5,775</u>	<u>5,358</u>	<u>17,268</u>	<u>14,860</u>
	<u>\$ 5,775</u>	<u>\$ 5,363</u>	<u>\$ 17,268</u>	<u>\$ 15,013</u>

An analysis of
amortization by
function

Operating expenses	<u>\$ 177</u>	<u>\$ 199</u>	<u>\$ 606</u>	<u>\$ 579</u>
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(6) Employee benefits expense

	For the Three Months Ended September 30, 2020	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Post-employment benefits				
Defined contribution plans	\$ 2,854	\$ 2,599	\$ 8,023	\$ 7,235
Defined benefit plans (Note 19)	<u>105</u>	<u>131</u>	<u>314</u>	<u>393</u>
	<u>2,959</u>	<u>2,730</u>	<u>8,337</u>	<u>7,628</u>
Share-Based Payment				
Equity Swap	<u>2,201</u>	<u>4,898</u>	<u>9,780</u>	<u>11,439</u>
Other employee benefits	<u>92,481</u>	<u>80,185</u>	<u>265,507</u>	<u>231,609</u>
Total employee benefits expense	<u>\$ 97,641</u>	<u>\$ 87,813</u>	<u>\$ 283,624</u>	<u>\$ 250,676</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 905	\$ 1,015	\$ 2,689	\$ 3,224
Operating expenses	<u>96,736</u>	<u>86,798</u>	<u>280,935</u>	<u>247,452</u>
	<u>\$ 97,641</u>	<u>\$ 87,813</u>	<u>\$ 283,624</u>	<u>\$ 250,676</u>

(7) Employees' compensation and remuneration of directors

The Group shall allocate compensation to the employees and directors of the Group not less than 1%~15% and not more than 3% of annual profits during the period, respectively, and the estimate of employees' compensation and remuneration of directors for the three and nine months ended September 30, 2020 and 2019 is as follows:

Estimate Rate

	For the Three Months Ended September 30, 2020	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Employees' compensation	4.00%	4.00%	4.00%	4.00%
Remuneration of directors	2.00%	2.00%	2.00%	2.00%

Amount

	For the Three Months Ended September 30, 2020	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Employees' compensation	\$ 6,038	\$ 2,735	\$ 18,665	\$ 12,723
Remuneration of directors	3,020	1,367	9,333	6,361

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 employees' compensation and the remuneration of directors for the years ended December 31, 2019 and 2018, which were approved by the Company's board of directors on February 26, 2020 and February 27, 2019, respectively, are as follows:

	2019		2018	
	Cash	Stock	Cash	Stock
Employees' compensation	\$ 18,911	\$ -	\$ 13,425	\$ -
Remuneration of directors	9,456	-	6,712	-

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018.

Information on the employees' compensation and remuneration of directors resolved by the Group's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

22. INCOME TAXES RELATING TO CONTINUING OPERATIONS

(1) Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Three Months Ended September 30, 2020	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Current tax				
In respect of the current period	\$ 24,531	\$ 23,613	\$ 86,464	\$ 67,919
Adjustments for prior year	-	-	330	-
Deferred tax				
In respect of the current period	2,234	(10,711)	3,220	(5,397)
Income tax expense recognized in profit or loss	<u>\$ 26,765</u>	<u>\$ 12,902</u>	<u>\$ 90,014</u>	<u>\$ 62,522</u>

(2) Income tax assessment

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

Co. Name	Year of Assessment
The company	2018
Zotech technology Co., Ltd.	2018
Zerone Win Investment Co., Ltd.	2018
WingWill International Co., Ltd.	2018
PetaCom technology Co., Ltd.	2018

23. EARNINGS PER SHARE

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

Net Profit for the Period

	For the Three Months Ended September 30, 2020	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Net Profit for the Period	\$ 115,138	\$ 52,323	\$ 349,978	\$ 237,067
Effect of potentially dilutive ordinary shares:				
Convertible bonds	-	-	-	15
Earnings in computation of diluted earnings per share	<u>\$ 115,138</u>	<u>\$ 52,323</u>	<u>\$ 349,978</u>	<u>\$ 237,082</u>

Shares

	For the Three Months Ended September 30, 2020	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Weighted average number of ordinary shares outstanding for basic earnings per share	124,524	123,388	124,245	123,236
Effect of potentially dilutive ordinary shares:				
Convertible bonds	-	-	-	74
Employees' Compensation	477	387	607	672
Employee stock options	3,027	2,530	2,734	1,982
Restricted stock awards	<u>371</u>	<u>312</u>	<u>450</u>	<u>119</u>
Weighted average number of ordinary shares outstanding for diluted earnings per share	<u>128,399</u>	<u>126,617</u>	<u>128,036</u>	<u>126,083</u>

If the Group offered to settle the compensation or bonuses paid to employees in shares or cash, the Group assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

24. SHARE-BASED PAYMENT ARRANGEMENTS

(1) Employee Share Option Plan

Qualified employees of the Company and its subsidiaries were granted 1,000, 1,860, 2,000 and 2,000 options in August 2015, September 2016, January 2018 and September 2018. Each option entitles the holder with the right to subscribe for one thousand ordinary shares of the Company. The options granted are valid for 6 years and exercisable at certain percentages after the second anniversary from the grant date. The options were granted at an exercise price equal to the closing price of the Company's ordinary shares at the grant date. For any subsequent changes in the Company's ordinary shares, the exercise price is adjusted accordingly.

Information on employee share options is as follows:

	For the Nine Months Ended September 30, 2020		For the Nine Months Ended September 30, 2019	
	Number of Options (In Thousands of Units)	Weighted Average Exercise Price (NT\$)	Number of Options (In Thousands of Units)	Weighted Average Exercise Price (NT\$)
Employee Stock options				
Balance at January 1	5,653	\$ 17.18	6,468	\$ 17.68
Options exercised	(649)	14.39	(333)	13.48
Options forfeited	-	-	(33)	13.55
Outstanding options, at September 30	<u>5,004</u>	16.48	<u>6,102</u>	16.93
Options exercisable, at September 30	<u>2,246</u>		<u>1,422</u>	

Information on outstanding options at the end of reporting period is as follows:

	September 30, 2020		December 31, 2019		September 30, 2019	
	Range of Exercise Price (NT\$)	Weighted- Over-Age Remaining Contractual Life (Years)	Range of Exercise Price (NT\$)	Weighted- Over-Age Remaining Contractual Life (Years)	Range of Exercise Price (NT\$)	Weighted- Over-Age Remaining Contractual Life (Years)
\$ 11.70 (Note)	0.92	\$ 12.40 (Note)	1.67	\$ 12.40 (Note)	1.92	
13.40 (Note)	1.93	14.20 (Note)	2.68	14.20 (Note)	2.93	
16.80 (Note)	3.26	17.80 (Note)	4.01	17.80 (Note)	4.26	
18.40 (Note)	3.92	19.50 (Note)	4.67	19.50 (Note)	4.92	

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

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

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

The compensation cost recognized were \$1,480 thousand, \$2,855 thousand, \$5,413 thousand and \$8,715 thousand for the three and nine months ended September 30, 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 NT\$7,000 thousand, consisting of 700 thousand shares, respectively, par value in NT\$10, the subscription price is NT\$0 (The issue price is NT\$ 0), and authorized the Board to decide the issue price at the issuance date. The Board resolved to issue NT\$7,000 thousand, with total share number of 700 thousand shares, on April 30, 2019 and the record date of issuance is June 13, 2019.

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

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

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

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

Compensation costs by issuance of restricted stock awards recognized were NT\$721 thousand, NT\$2,043 thousand, NT\$4,367 thousand and NT\$2,724 thousand for the three and nine months ended September 30, 2020 and 2019. As of September 30, 2020 and 2019, unearned employee benefit totaled NT\$6,022 thousand and NT\$12,432 thousand, accounted for as the decrease in other equity.

25. CAPITAL RISK MANAGEMENT

The Group engages as a distributor of software, without any plans of imposed capital requirements at present or 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 the purpose of seeking a steady and conservative policy.

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

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

26. FINANCIAL INSTRUMENTS

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

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

	September 30, 2020		December 31, 2019		September 30, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial Assets</u>						
Financial assets at amortized cost						
– Foreign corporate bonds	\$61,149	\$62,464	\$63,566	\$64,992	\$48,648	\$49,113

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

A. Fair value hierarchy

September 30, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at FVTPL</u>				
Convertible bonds	\$ 22,718	\$ -	\$ -	\$ 22,718
Fund beneficiary certification	28,392	-	8,240	36,632
Domestic listed shares	15,734	-	-	15,734
Total	<u>\$ 66,844</u>	<u>\$ -</u>	<u>\$ 8,240</u>	<u>\$ 75,084</u>

Financial assets measured at
FVTOCI

Equity investments				
– Domestic listed shares and emerging market shares	\$ 287,319	\$ -	\$ 10,437	\$ 297,756
– Domestic Unlisted shares	-	-	18,743	18,743
Total	<u>\$ 287,319</u>	<u>\$ -</u>	<u>\$ 29,180</u>	<u>\$ 316,499</u>

December 31, 2019

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

Financial assets measured at
FVTOCI

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

September 30, 2019

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

Financial assets measured at

FVTOCI

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

There were no transfers between Level 1 and Level 2 for nine months ended September 30, 2020 and 2019, respectively.

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

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Derivatives - foreign exchange forward contracts	Discounted cash flow: Future cash flows are estimated based on observable forward exchange rates at the end of the year and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

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, in consideration of liquidity discount, with reference to the listed and emerging market companies and similar companies.

(3) Categories of financial instruments

	<u>September 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>September 30,</u> <u>2019</u>
<u>Financial assets</u>			
<u>Measured at FVTPL</u>			
Mandatorily measured at FVTPL	\$ 75,084	\$ 95,705	\$ 107,931
Financial assets measured at amortized cost (Note 1)	3,091,277	3,170,472	3,367,657
Financial assets measured at FVTOCI – Investments in equity instruments	316,499	251,768	200,757
<u>Financial liabilities</u>			
Financial liabilities designated as at FVTPL – Held for trading	-	-	589
Measured at amortized cost (Note 2)	1,972,674	2,567,775	2,253,662

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 relating to the operations, based on related protocols and internal control procedures. The Group's financial department measures the aforementioned risks based on the Group's risk appetite, and reports to the board of directors for carrying out relevant policies.

A. Market risk

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

(A) Foreign currency risk

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

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

Sensitivity analysis

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

The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. If interest rates had been 5 % higher/lower, the Group's net profit for the nine months ended September 30, 2020 and 2019 would increase/decrease by \$6,684 thousand and \$1,161 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 is as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Interest rate risks at fair value			
– Financial assets	\$ 526,686	\$ 874,635	\$ 780,845
– Financial liabilities	14,936	158,356	269,637
Interest rate risks at cash flows			
– Financial assets	\$ 500,239	\$ 231,807	\$ 442,990
– Financial liabilities	-	-	100,000

Sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the nine months ended September 30, 2020 and 2019 would increase/ decrease by \$1,876 thousand and \$1,286 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.

If equity prices had been 5% higher/lower, pre-tax profit for the nine months ended September 30, 2020 and 2019 would have increased/decreased by NT\$3,754 thousand and NT\$5,397 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the other comprehensive income for the nine months ended September 30, 2020 and 2019 would have increased/decreased by NT\$15,825 thousand and NT\$10,038 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

B. Credit risk

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

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

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

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

Trade receivable consisted of many 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 Group's concentration of credit risk was mainly in the Group's five largest customers, which accounted for 36%, 33% and 32% of trade receivable, respectively, as of September 30, 2020, December 31, 2019 and September 30, 2019.

C. Liquidity risk

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

Liquidity & interest rate risk table

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

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

September 30, 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	\$ 1,971,874	\$ -	\$ -
Lease liabilities	<u>7,620</u>	<u>7,608</u>	<u>-</u>
	<u>\$ 1,979,494</u>	<u>\$ 7,608</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 liabilities	4,617	3,831	-
Fixed interest rate liabilities	<u>150,118</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,571,339</u>	<u>\$ 3,831</u>	<u>\$ -</u>

September 30, 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	\$ 1,892,492	\$ -	\$ -
Lease liabilities	5,176	4,579	-
Fixed interest rate liabilities	<u>360,282</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,257,950</u>	<u>\$ 4,579</u>	<u>\$ -</u>

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

As of September 30, 2020, December 31, 2019 and September 30, 2019, the Group's unused short-term credit of limit of the bank were 1,250,000 thousand, 920,000 thousand and 710,000 thousand, respectively.

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

27. TRANSACTIONS WITH RELATED PARTIES

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

Compensation of key management personnel

	For the Three Months Ended September 30, 2020	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Short-term employee benefits	<u>\$ 3,287</u>	<u>\$ 4,610</u>	<u>\$ 41,558</u>	<u>\$ 35,876</u>

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

28. ASSETS PLEDGED AS COLLATERAL

The following assets were provided as collateral for bank borrowings, tariff guarantee for imported commodities:

	September 30, 2020	December 31, 2019	September 30, 2019
Property, plant and equipment, Net Pledged Time Deposits(Financial assets at amortized cost – non-current)	<u>\$ 207,967</u>	<u>\$ 209,009</u>	<u>\$ 209,356</u>
	<u>25,345</u>	<u>18,058</u>	<u>18,287</u>
	<u>\$ 233,312</u>	<u>\$ 227,067</u>	<u>\$ 227,643</u>

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. As of September 30, 2020, the group opens NT 87,000 thousand of cashier order for payment guaranteed for Microsoft Taiwan Corporation.

b. As of September 30, 2020, the group opens NT 50,000 thousand of cashier order for payment guaranteed for Microsoft Regional Sales Corporation.

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Group and the related exchange rates between foreign currencies and respective functional currencies were as follows:

September 30, 2020

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 24,018	29.10 (USD:NTD)	\$ <u>698,924</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	28,612	29.10 (USD:NTD)	\$ <u>832,609</u>

December 31, 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 31,858	29.980 (USD:NTD)	\$ <u>955,103</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	45,703	29.980 (USD:NTD)	\$ <u>1,370,176</u>

September 30, 2019

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

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

	<u>For the Nine Months Ended September 30, 2020</u>		<u>For the Nine Months Ended September 30, 2019</u>	
	<u>Exchange Rate</u>	<u>Net Foreign exchange profit(loss)</u>	<u>Exchange Rate</u>	<u>Net Foreign exchange profit(loss)</u>
USD	(USD:NTD) 29.817	\$ <u>661</u>	(USD:NTD) 31.054	\$ <u>1,449</u>
	<u>For the Three Months Ended September 30, 2020</u>		<u>For the Three Months Ended September 30, 2019</u>	
	<u>Exchange Rate</u>	<u>Net Foreign exchange profit(loss)</u>	<u>Exchange Rate</u>	<u>Net Foreign exchange profit(loss)</u>
USD	(USD:NTD) 29.450	\$ <u>6,303</u>	(USD:NTD) 31.197	(\$ <u>2,377</u>)

31. SEPARATELY DISCLOSED ITEMS

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

- A. Financing provided to others (Table 1)
- B. Endorsements/guarantees provided (None)
- C. Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 2)
- D. Marketable securities acquired or disposed of at costs or prices of 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. Receivables 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. Other: Intercompany relationships and significant intercompany transactions (Table 4)
- K. Information on investees (Table 3)

(3) Information on investment in Mainland China :

- A. Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 5)
- B. Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None.

(4) Information of 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 business division of brands distribution or others shall be reported.

(1) Segments revenue & operating results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segments:

	The business division of brands distribution	Other	Eliminations	Total
<u>January 1, 2020 to September 30, 2020</u>				
Revenues from external customers	\$ 7,485,310	\$ 113,231	\$ -	\$ 7,598,541
Inter-segment revenues	-	<u>26,951</u>	<u>(26,951)</u>	-
Segment revenues	<u>\$ 7,485,310</u>	<u>\$ 140,182</u>	<u>(\$ 26,951)</u>	<u>7,598,541</u>
Consolidated revenues				<u>\$ 7,598,541</u>
Segment profit (loss)	<u>\$ 518,039</u>	<u>(\$ 1,763)</u>	<u>\$ -</u>	\$ 516,276
General administration division costs and remuneration of directors				(107,562)
Interest income				15,368
Other income				13,353
Other profit (loss)				2,944
Financial costs				<u>(2,068)</u>
Net income before tax				<u>\$ 438,311</u>
<u>January 1, 2019 to September 30, 2019</u>				
Revenues from external customers	\$ 6,418,375	\$ 62,216	\$ -	\$ 6,480,591
Inter-segment revenues	<u>11,823</u>	<u>2,247</u>	<u>(14,070)</u>	-
Segment revenues	<u>\$ 6,430,198</u>	<u>\$ 64,463</u>	<u>(\$ 14,070)</u>	<u>6,480,591</u>
Consolidated revenues				<u>\$ 6,480,591</u>
Segment profit (loss)	<u>\$ 394,185</u>	<u>(\$ 9,308)</u>	<u>\$ -</u>	\$ 384,877
General administration division costs and remuneration of directors				(120,665)
Interest income				17,463
Other income				7,796
Other profit (loss)				6,473
Net gain/(loss) on derecognition of financial assets at amortized cost				3,745
Financial costs				<u>(1,553)</u>
Net income before tax				<u>\$ 298,136</u>

Segment profit represents the profit before tax earned by each segment without allocation of central administration costs and directors' salaries, dividend income, interest income, gains or losses on disposal of property, plant and equipment, gains or losses on disposal of financial instruments, exchange gains or losses, valuation gains or losses on financial instruments, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

(2) Total segment assets and liabilities

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

(3) Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services:

	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
IT Infrastructure	\$ 2,216,140	\$ 1,683,660
Network & Information Security	3,578,137	3,233,463
Cloud Platform & Application	1,434,828	1,136,587
Big Data & Application	366,445	421,418
Other	2,991	5,463
	<u>\$ 7,598,541</u>	<u>\$ 6,480,591</u>

ZERO ONE TECHNOLOGY CO., LTD.AND SUBSIDIARIES
FINANCING PROVIDED TO OTHERS
FOR NINE MONTHS ENDED SEPTEMBER 30, 2020

Table 1

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

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period (Note 2)	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing (Note 3)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairme nt Loss	Collateral		Financing Limit for Each Borrower (Note 4)	Aggregate Financing Limit (Note 5)	Note
													Item	Value			
0	The company	Zerone Win Investment Co., Ltd.	Other receivables from related parties	Yes	\$40,000	\$40,000	\$ -	3%	2	\$ -	Operating Capital	\$ -	—	\$—	\$ 253,543	\$ 507,087	
0	The company	WingWill international Co., Ltd.	Other receivables from related parties	Yes	20,000	20,000	-	3%	2	-	Operating Capital	\$ -	—	\$—	253,543	507,087	

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 audited or reviewed by CPAs during the period.

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

ZERO ONE TECHNOLOGY CO., LTD.AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
SEPTEMBER 30, 2020

Table 2

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

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company	Financial Statement Account	September 30, 2020				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The company	Beneficiary certifications							
	KGI Emerging Market Bond 1-5 ETF Fund	—	Financial assets at FVTPL – current	65,000	\$ 2,514	-	\$ 2,514	
	KGI Kaefer Fund	—	Financial assets at FVTPL – non-current	170,199	3,208	-	3,208	
	KGI Taiwan Multi-Asset Income Fund	—	Financial assets at FVTPL – non-current	1,198,020	12,244	-	12,244	
	KGI Asset-selection Taiwan Fund	—	Financial assets at FVTPL – non-current	500,325	5,032	-	5,032	
	Corporate bond							
	China Airlines Ltd. – 6 Convertible Corporate Bonds	—	Financial assets at FVTPL – current	30 (Units)	2,986	-	2,986	
	Tong Ming Enterprise Co., Ltd – 1 Convertible Corporate Bonds	—	Financial assets at FVTPL – current	10 (Units)	999	-	999	
	Quang Viet Enterprise Co.,Ltd. – 1 Convertible Corporate Bonds	—	Financial assets at FVTPL – current	30 (Units)	3,079	-	3,079	
	Interactive Digital Technologies Inc. – 1 Convertible Corporate Bonds	—	Financial assets at FVTPL – current	10 (Units)	1,085	-	1,085	
	CSBC Corporation, Taiwan – 1 Convertible Corporate Bonds	—	Financial assets at FVTPL – current	25 (Units)	2,738	-	2,738	
	QST International Corp. – 4 Convertible Corporate Bonds	—	Financial assets at FVTPL – current	41 (Units)	4,059	-	4,059	
	Taiwan Union Technology Corporation – 3 Convertible Corporate Bonds	—	Financial assets at FVTPL – current	30 (Units)	3,195	-	3,195	
	Lion Travel Service Co., Ltd – 1 Convertible Corporate Bonds	—	Financial assets at FVTPL – current	10 (Units)	973	-	973	
	Bonny Worldwide Limited – 1 Convertible Corporate Bonds	—	Financial assets at FVTPL – current	5 (Units)	530	-	530	
	M.J. International Co., Ltd. – 1 Convertible Corporate Bonds	—	Financial assets at FVTPL – current	20 (Units)	2,074	-	2,074	
	Browave Corporation – 2 Convertible Corporate Bonds	—	Financial assets at FVTPL – current	10 (Units)	1,000	-	1,000	

(Continued)

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company	Financial Statement Account	September 30, 2020				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The company	Barclays Bank Corporate Bond (USD)	—	Financial assets at amortized cost—non-current	5 (Units)	\$ 15,239	-	\$ 15,925	
	PCA Life Assurance Co., Ltd. Corporate Bond (USD)	—	Financial assets at amortized cost—non-current	10 (Units)	29,883	-	29,478	
	AT&T Corporate Bond (USD)	—	Financial assets at amortized cost—non-current	5 (Units)	16,027	-	17,061	
	Securities							
	Actron Technology Corporation	—	Financial assets at FVTPL—current	15,000	1,241	-	1,241	
	Cathay Financial Holding Co., Ltd.—Preferred Share A	—	Financial assets at FVTPL—non-current	166,000	10,325	-	10,325	
	Union Bank of Taiwan—Preferred Share A	—	Financial assets at FVTPL—non-current	80,000	4,168	-	4,168	
	K Way Information Corporation	Note 3	Financial assets at FVTOCI—non-current	490,000	16,660	1.60	16,660	
	China Electric Mfg. Corporation	—	Financial assets at FVTOCI—non-current	2,689,200	29,985	0.83	29,985	
	Asix Electronics Corporation	—	Financial assets at FVTOCI—non-current	81,066	2,874	0.16	2,874	
	Promaster Technology Corp.	—	Financial assets at FVTOCI—non-current	1,111,563	10,437	2.72	10,437	
	Unex Technology Corporation	—	Financial assets at FVTOCI—non-current	175,000	3,743	1.68	3,743	
	Ta Chang Financial Holding Co.,Ltd.	—	Financial assets at FVTOCI—non-current	1,500,000	15,000	3.75	15,000	
	Cathay Financial Holding Co., Ltd.—Preferred Share A	—	Financial assets at FVTOCI—non-current	134,000	8,335	-	8,335	
	Union Bank of Taiwan—Preferred Share A	—	Financial assets at FVTOCI—non-current	70,000	3,647	-	3,647	
	Fubon Financial Holding Co., Ltd.—Preferred Share B	—	Financial assets at FVTOCI—non-current	400,000	25,000	-	25,000	
	Taishin Financial Holding Co., Ltd.—Preferred Share E	—	Financial assets at FVTOCI—non-current	240,000	12,744	-	12,744	
	CTBC Financial Holding Co., Ltd.—Preferred Share B	—	Financial assets at FVTOCI—non-current	90,000	5,841	-	5,841	
	Cathay Financial Holding Co., Ltd.—Preferred Share B	—	Financial assets at FVTOCI—non-current	230,000	14,398	-	14,398	

(Continued)

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company	Financial Statement Account	September 30, 2020				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The company	Kwong Lung Enterprise Co., Ltd. – Preferred Share A	–	Financial assets at FVTOCI – non-current	270,000	\$ 13,486	-	\$ 13,486	
	WPG Holdings Limited. – Preferred Share A	–	Financial assets at FVTOCI – non-current	700,000	35,000	-	35,000	
	United Orthopedic Corporation – Preferred Share A	–	Financial assets at FVTOCI – non-current	200,000	9,200	-	9,200	
	QST International Corp. – Preferred Share A	–	Financial assets at FVTOCI – non-current	150,000	6,075	-	6,075	
	Chailease Holding Company Limited – Preferred Share A	–	Financial assets at FVTOCI – non-current	300,000	29,970	-	29,970	
	Miiicasa Holdings (Cayman) Inc.	–	Financial assets at FVTOCI – non-current	2,500,000	-	3.45	-	
	Duofu Co., Ltd.	–	Financial assets at FVTOCI – non-current	10,000	-	0.27	-	
	Jotangi Technology Co., Ltd.	–	Financial assets at FVTOCI – non-current	796,250	-	9.32	-	
Zerone Win Investment Co., Ltd.	Securities							
	WPG Holdings Limited. – Preferred Share A	–	Financial assets at FVTOCI – non-current	240,000	12,000	-	12,000	
	Shin Kong Financial Holding Co., Ltd. – Preferred Share A	–	Financial assets at FVTOCI – non-current	50,000	2,213	-	2,213	
	Chailease Holding Company Limited – Preferred Share A	–	Financial assets at FVTOCI – non-current	89,000	8,891	-	8,891	
Petacom Technology Co., Ltd.	Tatung System Technologies Inc.	–	Financial assets at FVTOCI – non-current	2,000,000	41,000	2.26	41,000	
	Beneficiary certifications							
Zotech Co., Ltd.	Taishin 1699 Money Market Fund	–	Financial assets at FVTPL – current	1,000,000	13,634	-	13,634	
	Securities							
	WPG Holdings Limited. – Preferred Share A	–	Financial assets at FVTOCI – non-current	200,000	10,000	-	10,000	

(Concluded)

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

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

Note 3 : Elected as the director of the company on June 10, 2020, and used to be the supervisor of the company.

ZERO ONE TECHNOLOGY CO., LTD.AND SUBSIDIARIES
INFORMATION ON INVESTEEES
FOR NINE MONTHS ENDED SEPTEMBER 30, 2020

Table 3

(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of 30 September 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				30 September 2020	31 December 2019	Number of Shares	%	Carrying Amount			
The Company	Zotech Technology Co., Ltd.	Taipei City	Services of telecommunication apparatus	\$ 35,000	\$ 35,000	3,500,000	85.37	\$ 40,527	(\$ 2,606)	(\$ 2,225)	Subsidiary
	Navizot Inc.	Taipei City	Services of telecommunication apparatus	-	10,000	-	-	-	-	-	Disposed by the Company in April, 2020
	Zerone Win Investment Co., Ltd.	Taipei City	Investment	149,000	100,000	14,900,000	100.00	138,754	(3,973)	(3,973)	Subsidiary
	Asiaone Holdings Ltd.	Republic of Seychelles	Holding company	10,063	10,063	320,000	100.00	8,512	(879)	(879)	Subsidiary
Zerone Win Investment Co., Ltd.	WingWill International Co., Ltd.	Taipei City	Services of cloud information software	25,500	7,000	25,500,000	87.93	8,374	(4,137)	(3,189)	Sub-subsubsidiary
	PetaCom technology Co., Ltd.	Taipei City	Services of distribution of information product	50,000	50,000	50,000,000	100.00	41,759	(1,736)	(1,736)	Sub-subsubsidiary

Note: Please reference table 5 for Information on investment in Mainland China.

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR NINE MONTHS ENDED SEPTEMBER 30, 2020

Table 4

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount (Note 4)	Payment Terms (Note 5)	% of Total Sales or Assets (Note 3)
0	The company	WingWill International Co., Ltd.	1	Sales revenue	\$15,769	Note 5	-
		Techone (Shanghai) Co., Ltd.	1	Sales revenue	5,028	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 : Only the related parties' transactions over 5,000 thousand are disclosed.

Note 5 : Transaction conditions of the related parties are similar to those of customers.

ZERO ONE TECHNOLOGY CO., LTD.AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR NINE MONTHS ENDED SEPTEMBER 30, 2020

Table 5

(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 September 30, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of September 30, 2020	Accumulated Repatriation of Investment Income as of September 30, 2020	Note
					Outward	Inward							
Techone (Shanghai) Co., Ltd.	Services of Network Technology	\$ 12,807 (RMB 3,000)	(Note 1)	\$ -	\$ 9,118	\$ -	\$ 9,118	(\$1,172)	70%	(\$ 821)	\$ 8,142	\$ -	—

Accumulated Outward Remittance for Investments in Mainland China as of September 30, 2020	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA(Note 3)
\$ 8,862 (USD 305)	\$ 8,862 (USD 305)	\$ 1,521,260

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 reviewed by CPAs on September 30, 2020.

Note 3 : Determined by sixty percent (60%) of the Company's consolidated net worth, reviewed by CPAs on September 30, 2020(2,535,433×60% = 1,521,260)。

Note 4 : For foreign currency conversion, income (loss) are converted by the average exchange rate in 2020 Q3. Other amounts are converted into New Taiwan Dollars by the exchange rate on September 30, 2020.

ZERO ONE TECHNOLOGY CO., LTD.AND SUBSIDIARIES
 INFORMATION ON MAJOR SHAREHOLDERS

September 30, 2020

Table 6

Shareholders	Shares	
	Total Shares Owned (In Thousands)	Ownership Percentage
Ceres Investment Co., Ltd.	9,506,594	7.58%
Chia Hsin Lin	9,373,292	7.48%

Note : This table presents information provided by the Taiwan Depository & Clearing Corporation on stockholders holding greater than 5% of the Group'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 may differ due to different basis of preparation.