

ZERO ONE TECHNOLOGY CO., LTD.  
AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
THREE MONTHS ENDED MARCH 31, 2021 AND 2020 AND  
INDEPENDENT AUDITORS' REVIEW REPORT

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## **INDEPENDENT AUDITORS' REVIEW REPORT**

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

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of Zero One Technology Co., Ltd and its subsidiaries (the "Group") as of March 31, 2021 and 2020, the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months then ended March 31, 2021 and 2020, 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 consolidated financial position of the Group as of March 31, 2021 and 2020, and of its consolidated financial performance and its consolidated cash flows for the three months then ended March 31, 2021 and 2020 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 reviews resulting in this independent auditors' review report are Chien-Liang Liu and Pei-Te Chen.

Deloitte & Touche

Taipei, Taiwan  
Republic of China

April 28, 2021

Notice to Readers

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

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

# ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

March 31, 2021, December 31, 2020, and March 31, 2020

(In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2021 (Reviewed)		December 31, 2020 (Audited)		March 31, 2020 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Note 6)	\$ 779,982	13	\$ 637,890	12	\$ 514,883	10
Financial assets at fair value through profit or loss (Note 7)	482,943	8	360,873	7	66,897	1
Financial assets at fair value through other comprehensive income (Note 8)	-	-	-	-	6,300	-
Financial assets at amortized cost (Note 9)	153,070	3	238,510	4	884,502	16
Notes receivable (Note 11)	363,980	6	230,490	4	279,764	5
Trade receivables (Note 11)	2,097,294	36	1,909,941	35	1,818,321	34
Current tax assets (Note 4)	831	-	831	-	-	-
Inventories (Note 12)	1,040,624	18	1,242,141	23	1,131,859	21
Other current assets	29,414	1	28,402	-	10,381	-
Total current assets	4,948,138	85	4,649,078	85	4,712,907	87
<b>NON-CURRENT ASSETS</b>						
Financial assets at fair value through profit or loss (Note 7)	36,052	1	35,391	1	28,447	-
Financial assets at fair value through other comprehensive income (Note 8)	379,119	7	339,515	6	242,616	4
Financial assets at amortized cost (Notes 9, 10 and 28)	82,734	1	69,526	1	89,431	2
Investment accounted for using equity method (Note 14)	3,700	-	-	-	-	-
Property, plant and equipment (Notes 15 and 28)	306,276	5	308,367	6	311,774	6
Right-of-use assets (Note 16)	16,927	-	13,027	-	6,564	-
Other intangible assets	1,347	-	1,238	-	1,167	-
Deferred tax assets (Note 4)	36,946	1	37,594	1	45,515	1
Refundable deposits	8,328	-	7,940	-	6,362	-
Prepayments for investments	28,072	-	10,000	-	-	-
Total non-current assets	899,501	15	822,598	15	731,876	13
<b>TOTAL</b>	<b>\$ 5,847,639</b>	<b>100</b>	<b>\$ 5,471,676</b>	<b>100</b>	<b>\$ 5,444,783</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Note 17)	\$ -	-	\$ -	-	\$ 251,000	5
Trade payables	2,338,591	40	2,245,464	41	1,921,645	35
Other payables (Note 18)	658,529	11	246,382	5	477,565	9
Current tax liabilities (Note 4)	89,028	2	59,661	1	85,023	2
Lease liabilities (Note 16)	9,510	-	7,484	-	3,550	-
Other current liabilities	241,097	4	215,864	4	174,433	3
Total current liabilities	3,336,755	57	2,774,855	51	2,913,216	54
<b>NON-CURRENT LIABILITIES</b>						
Deferred tax liabilities (Note 4)	20	-	20	-	-	-
Lease liabilities (Note 16)	7,799	-	5,607	-	3,065	-
Net defined benefit liabilities (Notes 4 and 19)	20,288	1	20,982	-	21,347	-
Other non-current liabilities	800	-	800	-	1,171	-
Total non-current liabilities	28,907	1	27,409	-	25,583	-
Total liabilities	3,365,662	58	2,802,264	51	2,938,799	54
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 20)</b>						
Ordinary shares	1,263,292	22	1,256,402	23	1,248,462	23
Capital surplus	481,206	8	478,757	9	473,245	9
Retained earnings						
Legal reserve	219,863	4	219,863	4	184,732	3
Special reserve	-	-	-	-	16,844	-
Unappropriated earnings	425,288	7	667,898	12	587,633	11
Total retained earnings	645,151	11	887,761	16	789,209	14
Other equity	80,697	1	34,350	1	(13,352)	-
Total equity attributable to owners of the Company	2,470,346	42	2,657,270	49	2,497,564	46
<b>NON-CONTROLLING INTERESTS</b>	11,631	-	12,142	-	8,420	-
Total equity	2,481,977	42	2,669,412	49	2,505,984	46
<b>TOTAL</b>	<b>\$ 5,847,639</b>	<b>100</b>	<b>\$ 5,471,676</b>	<b>100</b>	<b>\$ 5,444,783</b>	<b>100</b>

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

# ZERO ONE TECHNOLOGY CO., AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three months ended March 31, 2021 and 2020

(Reviewed, Not Audited)

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

	For the Three Months Ended March 31			
	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE	\$ 2,895,489	100	\$ 2,531,807	100
OPERATING COSTS (Notes 12 and 21)	<u>2,615,755</u>	<u>90</u>	<u>2,295,936</u>	<u>90</u>
GROSS PROFIT	<u>279,734</u>	<u>10</u>	<u>235,871</u>	<u>10</u>
OPERATING EXPENSES (Note 21)				
Selling and marketing expenses	112,263	4	82,396	3
General and administrative expenses	37,716	1	34,491	2
Research and development expenses	1,584	-	1,452	-
Expected credit loss (reversed) recognized on trade receivables (Note 11)	( <u>3,828</u> )	<u>-</u>	<u>516</u>	<u>-</u>
Total operating expenses	<u>147,735</u>	<u>5</u>	<u>118,855</u>	<u>5</u>
PROFIT FROM OPERATIONS	<u>131,999</u>	<u>5</u>	<u>117,016</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES (Note 21)				
Interest income	1,024	-	6,927	-
Other income	378	-	58	-
Other gains and losses	12,493	-	( 6,524 )	-
Finance costs	( 53 )	-	( 1,070 )	-
Share of loss of associates accounted for using equity method	( <u>300</u> )	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating income and expenses	<u>13,542</u>	<u>-</u>	( <u>609</u> )	<u>-</u>
PROFIT BEFORE INCOME TAX	145,541	5	116,407	5
INCOME TAX EXPENSE (Note 22)	<u>30,210</u>	<u>1</u>	<u>24,698</u>	<u>1</u>
NET PROFIT	<u>115,331</u>	<u>4</u>	<u>91,709</u>	<u>4</u>

(Continued)

# ZERO ONE TECHNOLOGY CO., AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three months ended March 31, 2021 and 2020

(Reviewed, Not Audited)

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

	For the Three Months Ended March 31			
	2021		2020	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	\$ 64,414	2	(\$ 22,069)	( 1)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	( 96)	-	( 243)	-
Other comprehensive income (loss) for the period, net of income tax	<u>64,318</u>	<u>2</u>	<u>( 22,312)</u>	<u>( 1)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	<u>\$ 179,649</u>	<u>6</u>	<u>\$ 69,397</u>	<u>3</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 115,828	4	\$ 92,869	4
Non-controlling interests	( 497)	-	( 1,160)	-
	<u>\$ 115,331</u>	<u>4</u>	<u>\$ 91,709</u>	<u>4</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 180,160	6	\$ 70,769	3
Non-controlling interests	( 511)	-	( 1,372)	-
	<u>\$ 179,649</u>	<u>6</u>	<u>\$ 69,397</u>	<u>3</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 0.92</u>		<u>\$ 0.75</u>	
Diluted	<u>\$ 0.90</u>		<u>\$ 0.73</u>	

(Concluded)

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

## ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three months ended March 31, 2021 and 2020

(Reviewed, Not Audited)

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

	Equity Attributable to Owners of the Company							Other Equity						
	Share Capital			Retained Earnings				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
	Shares (In Thousand)	Issued Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total							
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
Net profit (loss) for the three months ended March 31, 2020	-	-	-	-	-	92,869	92,869	-	-	-	-	92,869	( 1,160 )	91,709
Other comprehensive income (loss) for the three months ended March 31, 2020, net of income tax	-	-	-	-	-	-	-	( 170 )	( 21,930 )	-	( 22,100 )	( 22,100 )	( 212 )	( 22,312 )
Total comprehensive income (loss) for the three months ended March 31, 2020, net of income tax	-	-	-	-	-	92,869	92,869	( 170 )	( 21,930 )	-	( 22,100 )	70,769	( 1,372 )	69,397
Share based payment transaction-restricted stock awards	-	-	-	-	-	-	-	-	-	1,272	1,272	1,272	-	1,272
Share based payment transaction - employee share options	-	-	1,966	-	-	-	-	-	-	-	-	1,966	-	1,966
Recall of unissued shares of restricted stock awards	( 12 )	( 120 )	120	-	-	-	-	-	-	-	-	-	-	-
Issuance of ordinary shares under employee share options	223	2,230	1,023	-	-	-	-	-	-	-	-	3,253	-	3,253
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	3,907	3,907
BALANCE, MARCH 31, 2020	124,846	\$ 1,248,462	\$ 473,245	\$ 184,732	\$ 16,844	\$ 587,633	\$ 789,209	( \$ 170 )	( \$ 4,065 )	( \$ 9,117 )	( \$ 13,352 )	\$ 2,497,564	\$ 8,420	\$ 2,505,984
BALANCE, JANUARY 1, 2021	125,640	\$ 1,256,402	\$ 478,757	\$ 219,863	\$ -	\$ 667,898	\$ 887,761	\$ 74	\$ 39,577	( \$ 5,301 )	\$ 34,350	\$ 2,657,270	\$ 12,142	\$ 2,669,412
Appropriation of the 2020 earnings : Cash dividends – NT \$3.0 per share	-	-	-	-	-	( 377,836 )	( 377,836 )	-	-	-	-	( 377,836 )	-	( 377,836 )
Net profit (loss) for the three months ended March 31, 2021	-	-	-	-	-	115,828	115,828	-	-	-	-	115,828	( 497 )	115,331
Other comprehensive income (loss) for the three months ended March 31, 2021, net of income tax	-	-	-	-	-	-	-	( 67 )	64,399	-	64,332	64,332	( 14 )	64,318
Total comprehensive income (loss) for the three months ended March 31, 2021, net of income tax	-	-	-	-	-	115,828	115,828	( 67 )	64,399	-	64,332	180,160	( 511 )	179,649
Share based payment transaction – restricted stock awards	-	-	-	-	-	-	-	-	-	1,413	1,413	1,413	-	1,413
Share based payment transaction - employee share options	-	-	( 871 )	-	-	-	-	-	-	-	-	( 871 )	-	( 871 )
Recall of unissued shares of restricted stock awards	( 15 )	( 150 )	150	-	-	-	-	-	-	-	-	-	-	-
Issuance of ordinary shares under employee share options	704	7,040	3,170	-	-	-	-	-	-	-	-	10,210	-	10,210
Disposals of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	19,398	19,398	-	( 19,398 )	-	( 19,398 )	-	-	-
BALANCE, MARCH 31, 2021	126,329	\$ 1,263,292	\$ 481,206	\$ 219,863	\$ -	\$ 425,288	\$ 645,151	\$ 7	\$ 84,578	( \$ 3,888 )	\$ 80,697	\$ 2,470,346	\$ 11,631	\$ 2,481,977

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

# ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended March 31, 2021 and 2020

(Reviewed, Not Audited)

(In Thousands of New Taiwan Dollars)

	For the Three Months Ended March 31	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 145,541	\$ 116,407
Adjustments for:		
Depreciation expenses	6,034	5,718
Amortization expenses	235	228
Expected credit loss (reversed) recognized on trade receivables	( 3,828)	516
Net (gain) loss on fair value changes of financial assets and liabilities at fair value through profit or loss	( 2,296)	3,604
Finance costs	53	1,070
Interest income	( 1,024)	( 6,927)
Compensation costs of employee share options	542	3,238
Share of loss of associates accounted for using equity method	300	-
Gain on disposal of property, plant and equipment	-	( 40)
(Reversal of) write-downs of inventories	( 9,079)	7,997
Net loss on foreign currency exchange	6,016	481
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	( 120,435)	( 3,243)
Notes receivable	( 133,490)	( 636)
Trade receivables	( 180,756)	( 63,624)
Inventories	209,907	179,679
Other current assets	7,616	23,228
Trade payables	82,850	( 118,141)
Other payables	34,846	95,638
Other current liabilities	25,233	31,361
Net defined benefit liabilities	( 694)	( 571)
Cash generated from operations	67,571	275,983
Income tax (paid) returned	( 195)	591
Net cash generated from operating activities	<u>67,376</u>	<u>276,574</u>

(Continued)

# ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended March 31, 2021 and 2020

(Reviewed, Not Audited)

(In Thousands of New Taiwan Dollars)

	For the Three Months Ended March 31	
	2021	2020
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	(\$ 2,428)	(\$ 19,217)
Proceeds from sale of financial assets at fair value through other comprehensive income	17,284	-
Purchase of financial assets at amortized cost	( 178,829)	( 446,063)
Proceeds from sale of financial assets at amortized cost	251,151	253,944
Acquisition of investments accounted for using equity method	( 4,000)	-
Increase in prepayments for investments	( 18,072)	-
Payments for property, plant and equipment	( 1,290)	( 1,393)
Proceeds from disposal of property, plant and equipment	-	40
Increase in refundable deposits	( 388)	( 1,021)
Interest received	<u>2,449</u>	<u>8,110</u>
Net cash generated from (used in) investing activities	<u>65,877</u>	<u>( 205,600)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	-	101,000
Repayment of the principal portion of lease liabilities	( 1,995)	( 1,689)
Exercise of employee share options	10,210	3,253
Interest paid	( 53)	( 1,068)
Increase in non-controlling interests	<u>-</u>	<u>3,907</u>
Net cash generated from financing activities	<u>8,162</u>	<u>105,403</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES</b>		
	<u>677</u>	<u>3,009</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	142,092	179,386
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<u>637,890</u>	<u>335,497</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>\$ 779,982</u>	<u>\$ 514,883</u>

(Concluded)

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

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31, 2021 and 2020

(Reviewed, Not Audited)

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

**1. GENERAL**

Zero One Technology Co., Ltd. (the “Company” or “ZOTC”) was incorporated as a company limited by shares under the Company Act of the Republic of China on June 27, 1980. On January 21, 2000, ZOTC’s shares were listed on the 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 ZOTC.

**2. THE DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS**

The accompanying consolidated financial statements were reported by the Board of Directors and issued on April 28, 2021.

**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, “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have a significant effect on the Group’s accounting policies.

(2) IFRSs issued 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 Announced by the IASB (Note 1)</u>
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 16 “Covid-19 Related Rent Concessions beyond 30 June 2021”	April 1, 2021 (Note 8)
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 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, plant and equipment – Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

Note 2: The amendments to IFRS 9 will be 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” will be 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” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022.

- Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.
- Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.
- Note 6: The amendments are effective for annual periods beginning on or after January 1, 2023.
- Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.
- Note 8: The amendments are effective for annual periods beginning on or after April 1, 2021 for lessees, the accumulated amounts are recognized at the beginning of the annual reporting period.

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### (1) Statement of compliance

These 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" endorsed and issued into effect by the FSC. The consolidated financial statements do not present all the disclosures required for a complete set of annual consolidated financial statements prepared under the IFRSs endorsed and issued into effect by the FSC.

##### (2) Basis of preparation

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

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

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

##### (3) Basis of consolidation

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

See Note 13, Tables 4&5 for the detailed information of subsidiaries, the percentage of ownership and main business.

##### (4) Other Significant Accounting Policies

Except for the following, please refer to the consolidated financial statements for the year ended 2020.

##### A. Defined benefits of retirement

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

B. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

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

Please refer to the consolidated financial statements for the year ended December 31, 2020 for main sources of critical accounting judgments, estimates and uncertainty assumptions explanations.

6. CASH AND CASH EQUIVALENTS

	March 31, 2021	December 31, 2020	March 31, 2020
Cash on hand	\$ 268	\$ 213	\$ 72
Checking accounts and demand deposits	751,150	609,197	86,506
Cash equivalents			
Time deposits in banks	-	-	105,697
Repurchase agreements collateralized by bonds	28,564	28,480	322,608
	<u>\$ 779,982</u>	<u>\$ 637,890</u>	<u>\$ 514,883</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Financial assets – current</u>			
Mandatorily measured at FVTPL			
Domestic convertible bond	\$ 14,721	\$ 15,966	\$ 39,557
Domestic listed ordinary shares	1,740	1,785	-
Fund beneficiary certificates	466,482	343,122	27,340
	<u>\$ 482,943</u>	<u>\$ 360,873</u>	<u>\$ 66,897</u>
<u>Financial assets – non-current</u>			
Mandatorily measured at FVTPL			
Domestic listed preference shares	\$ 14,515	\$ 14,403	\$ 14,133
Fund beneficiary certificates	21,537	20,988	14,314
	<u>\$ 36,052</u>	<u>\$ 35,391</u>	<u>\$ 28,447</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in equity instruments

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Current</u>			
Domestic investment			
Listed preference shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,300</u>
<u>Non-current</u>			
Domestic investment			
Listed and emerging market ordinary shares	\$ 163,701	\$ 123,829	\$ 88,756
Listed preference shares	197,276	197,544	150,117
Unlisted shares	18,142	18,142	3,743
	<u>\$ 379,119</u>	<u>\$ 339,515</u>	<u>\$ 242,616</u>

The investments in those ordinary and preferred shares are in line with the Group's medium- to long-term strategies and the investment profits are expected to be gained in the long run. The management of the Group 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

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Current</u>			
Domestic investment			
Time deposits with original maturities of more than three months (1)	\$ 153,070	\$ 238,510	\$ 753,930
Repurchase agreements collateralized by bonds (2)	-	-	130,572
	<u>\$ 153,070</u>	<u>\$ 238,510</u>	<u>\$ 884,502</u>
<u>Non-current</u>			
Domestic investment			
Pledged time deposit (3)	\$ 25,561	\$ 25,465	\$ 25,346
Barclays Bank corporate bond (USD) (4)	14,904	14,895	15,936
Prudential plc. corporate bond (USD) (5)	29,142	29,166	31,434
AT&T corporate bond (USD) (6)	13,127	-	16,715
	<u>\$ 82,734</u>	<u>\$ 69,526</u>	<u>\$ 89,431</u>

- (1) As of March 31, 2021, December 31 and March 31, 2020, the market interest rate intervals of time deposit with original maturities of more than three months were 0.63%~0.815%, 0.63%~2.10% and 0.77%~2.10%, respectively.
- (2) As of March 31, 2020, the market interest rate intervals of repurchase agreements collateralized by bonds with original maturities of more than three months was 2.00%~2.10%.
- (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 Prudential plc. 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 460 thousand with a coupon rate of 3.65% and USD 553 thousand with a coupon rate of 4.50%, in March 2021 and November 2019, respectively. The purchased bonds of USD 553 thousand in November 2019 were sold in November 2020.
- (7) Please refer to Note 10 for relevant credit risk management and impairment assessment information for financial assets at amortized cost.

## 10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

The investments in debt instruments of the Group are mainly financial assets at amortized cost. The strategy that the Group adopts is to invest in debt instruments that are rated as investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is provided by external independent agencies.

The Group consistently monitors changes in the credit risks of the invested debt instruments by tracking ratings and relevant information, and reviews the yield curve of bonds, material information of the bond-issuers, etc., so as to evaluate if there is a significant increase in the debt instruments since initial recognition.

The Group assesses the information of investment risk provided by external rating agencies and evaluates the 12-month expected credit loss or lifetime expected credit loss. The bonds that the Group invested are all of investment grade, and the credit risk of the bond-issuers is low and is capable to settle the contractual cash flows. The Group does not anticipate that the corporate bonds invested will have any material expected credit loss resulted from default within the 12 months after the date of the financial statements, and thus did not recognize allowance for loss as of March 31, 2021, December 31 and March 31, 2020.

## 11. NOTES, TRADE RECEIVABLE AND OVERDUE RECEIVABLES

	March 31, 2021	December 31, 2020	March 31, 2020
Measured at amortized cost			
Notes receivable	\$ 363,980	\$ 230,490	\$ 279,764
Trade receivable	2,104,898	1,921,373	1,833,531
Overdue receivables	1,474	1,474	20,816
Deduct: Allowance for impairment loss	( 9,078 )	( 12,906 )	( 36,026 )
	<u>\$ 2,461,274</u>	<u>\$ 2,140,431</u>	<u>\$ 2,098,085</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 on trade receivable are estimated using a provision matrix by reference to past default experience of the customer, the customer's current financial position, and economic conditions of the industry, as well as forecasts of GDP and prospects of the industry. As the Group's historical data of credit loss indicates that there is no significant difference in terms of the types of loss resulted from different customer groups, therefore, the segregation of customers was not further differentiated in the matrix, and the number of days of trade receivables overdue was used to determine the ratio of the expected credit loss.

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:

### March 31, 2021

	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	\$ 2,464,817	\$ 3,116	\$ 945	\$ -	\$ 1,474	\$ 2,470,352
Loss allowance (Lifetime ECLs)	( 6,266 )	( 934 )	( 404 )	-	( 1,474 )	( 9,078 )
Amortized cost	<u>\$ 2,458,551</u>	<u>\$ 2,182</u>	<u>\$ 541</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,461,274</u>

### December 31, 2020

	Not Past Due	1-30 Days Past Due	31-60 Days Past Due	61-90 Days Past Due	More Than 90 Days Past Due	Total
Gross carrying amount	\$2,138,258	\$ 2,869	\$ 10,160	\$ 576	\$ 1,474	\$2,153,337
Loss allowance (Lifetime ECLs)	( 5,895 )	( 899 )	( 4,344 )	( 294 )	( 1,474 )	( 12,906 )
Amortized cost	<u>\$2,132,363</u>	<u>\$ 1,970</u>	<u>\$ 5,816</u>	<u>\$ 282</u>	<u>\$ -</u>	<u>\$2,140,431</u>

### March 31, 2020

	Not Past Due	1-30 Days Past Due	31-60 Days Past Due	61-90 Days Past Due	More Than 90 Days Past Due	Total
Gross carrying amount	\$ 2,096,480	\$ 4,394	\$ 2,509	\$ 7,205	\$ 23,523	\$ 2,134,111
Loss allowance (Lifetime ECLs)	( 5,632 )	( 1,823 )	( 1,143 )	( 3,905 )	( 23,523 )	( 36,026 )
Amortized cost	<u>\$ 2,090,848</u>	<u>\$ 2,571</u>	<u>\$ 1,366</u>	<u>\$ 3,300</u>	<u>\$ -</u>	<u>\$ 2,098,085</u>

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

	For the Three Months Ended March 31, 2021	For the Three Months Ended March 31, 2020
Balance at January 1	\$ 12,906	\$ 35,510
Add: Net remeasurement of loss allowance	-	516
Deduct: Reversal of loss allowance	( 3,828 )	-
Balance at March 31	<u>\$ 9,078</u>	<u>\$ 36,026</u>

## 12. INVENTORIES

	March 31, 2021	December 31, 2020	March 31, 2020
Raw materials	\$ 3,577	\$ 3,555	\$ 3,446
Work in process	3,700	2,626	2,423
Finished goods	243	336	239
Commodities	<u>1,033,104</u>	<u>1,235,624</u>	<u>1,125,751</u>
	<u>\$ 1,040,624</u>	<u>\$ 1,242,141</u>	<u>\$ 1,131,859</u>

Cost of goods sold for inventories amounted to \$2,615,755 thousand and \$2,295,936 thousand, respectively, for the three months ended March 31, 2021 and 2020. The cost of goods sold included reversals of inventory write-downs of \$9,079 thousand and inventory write-downs of \$7,997 thousand for the three months ended March 31, 2021 and 2020. The reversals of inventory write-downs were recognized by disposal of commodities which had been written down.

## 13. 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
			March 31, 2021	December 31, 2020	March 31, 2020	
The Company	Zotech 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
Zerone Win Investment Co., Ltd.	WingWill International Co., Ltd.	Services of cloud & information software	87.93%	87.93%	70.00%	A, B
	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%	70.00%	70.00%	A

A. These are not major subsidiaries. The financial statements have not been reviewed by CPAs. The management of the Group holds the view that there is not been any material impact given the fact that the financial statements of the above subsidiaries have not been reviewed by CPAs.

B. The shareholding ratio went up to 87.93% as a result of the Group's participation in the cash capital increase in July 2020.

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

## 14. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

	March 31, 2021	December 31, 2020	March 31, 2020
Investments in Associates			
Individual Insignificant Associate			
TrustONE Security Inc.	<u>\$ 3,700</u>	<u>\$ -</u>	<u>\$ -</u>

Name of Associates	Percentage of Equity Holding and Voting Rights		
	March 31, 2021	December 31, 2020	March 31, 2020
TrustONE Security Inc.	32%	-	-

The Group invested in TrustONE Security Inc. in February 2021, which engages mainly in the R&D, sale and service of information software, with the investment amount of \$4,000 thousand, and share-holding ratio of 32%.

The investment was accounted for using the equity method and the share of profit or loss and other comprehensive income of the invested company was calculated on the basis of the financial statements that have not been reviewed by CPAs. The management of the Group holds the view that the calculations of the financial statements that were not reviewed by the CPAs have not resulted in any material impacts.

#### 15. PROPERTY, PLANT AND EQUIPMENT

	March 31, 2021	December 31, 2020	March 31, 2020
Land	\$ 234,892	\$ 234,892	\$ 234,892
Buildings	54,248	54,703	56,064
Machinery equipment	194	-	-
Office equipment	8,947	9,246	9,468
Delivery equipment	860	982	1,352
Other equipment	7,135	8,544	9,998
	<u>\$ 306,276</u>	<u>\$ 308,367</u>	<u>\$ 311,774</u>

Except for depreciation recognized, property, plant and equipment of the Group were not significantly increased, disposed nor impaired for the three months ended March 31, 2021 and 2020.

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.

#### 16. LEASE ARRANGEMENTS

##### (1) Right-of-use assets

	March 31, 2021	December 31, 2020	March 31, 2020
Carrying amounts of right-of-use assets			
Buildings	\$ 16,634	\$ 12,683	\$ 6,070
Office equipment	293	344	494
	<u>\$ 16,927</u>	<u>\$ 13,027</u>	<u>\$ 6,564</u>
		For the Three Months Ended March 31, 2021	For the Three Months Ended March 31, 2020
Additions to right-of-use assets		<u>\$ 6,226</u>	<u>\$ -</u>
Depreciation charge for right-of-use assets			
Buildings		\$ 2,262	\$ 1,637
Office equipment		51	50
		<u>\$ 2,313</u>	<u>\$ 1,687</u>

(2) Lease liabilities

	March 31, 2021	December 31, 2020	March 31, 2020
Carrying amounts of lease liabilities			
Current	<u>\$ 9,510</u>	<u>\$ 7,484</u>	<u>\$ 3,550</u>
Non-current	<u>\$ 7,799</u>	<u>\$ 5,607</u>	<u>\$ 3,065</u>

Range of discount rate for lease liabilities was as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
Buildings	0.94%~4.75%	0.95%~4.75%	1.20%
Office equipment	1.20%	1.20%	1.20%

(3) Other lease information

	For the Three Months Ended March 31, 2021	For the Three Months Ended March 31, 2020
Expenses relating to short-term leases	<u>\$ 111</u>	<u>\$ 61</u>
Expenses relating to low-value asset leases	<u>\$ 12</u>	<u>\$ 16</u>
Total cash (outflow) for leases	<u>( \$ 2,171 )</u>	<u>( \$ 1,787 )</u>

17. SHORT-TERM LOANS

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Guaranteed Loan</u>			
—Line of credit loans	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 251,000</u>

Interest rate of bank revolving loans was 0.85%~1.00% on March 31, 2020.

18. OTHER PAYABLE

	March 31, 2021	December 31, 2020	March 31, 2020
Dividends Payable	\$ 377,836	\$ -	\$ -
Salaries and bonuses payable	45,164	91,256	38,186
Compensation of employees, remuneration of directors and supervisors payable	44,634	35,420	35,910
Others	<u>190,895</u>	<u>119,706</u>	<u>403,469</u>
	<u>\$ 658,529</u>	<u>\$ 246,382</u>	<u>\$ 477,565</u>

19. RETIREMENT BENEFIT PLANS

For the three months ended March 31, 2021 and 2020, the pension expenses of defined benefit plans were \$66 thousand and \$104 thousand, respectively, and these were calculated based on the pension cost rate determined by the actuarial calculation on December 31, 2020 and 2019, respectively.

20. EQUITY

(1) Ordinary Shares

	March 31, 2021	December 31, 2020	March 31, 2020
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>126,329</u>	<u>125,640</u>	<u>124,846</u>
Issued capital	<u>\$ 1,263,292</u>	<u>\$ 1,256,402</u>	<u>\$ 1,248,462</u>

The change in share capital is mainly due to the exercise of employee share options, and the issuance (recall) of employee restricted stock awards.

(2) Capital Surplus

	March 31, 2021	December 31, 2020	March 31, 2020
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (A)</u>			
Premium on shares issued above par value	\$ 426,111	\$ 418,488	\$ 410,544
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
Invalid employees share options	300	300	300
<u>May not be used for any purpose</u>			
Restricted stock awards	8,426	8,276	8,276
Employees share options	21,026	26,350	26,301
	<u>\$ 481,206</u>	<u>\$ 478,757</u>	<u>\$ 473,245</u>

- A. Such capital surplus may be used to offset a deficit; in addition, when ZOTC has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of ZOTC's 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 ZOTC earns profits in a fiscal year, such profit shall first be set aside to pay applicable taxes, offset losses of previous years, then set aside 10% for legal reserve, and also set aside or reverse a special reserve in accordance with the laws and regulations. Should there be any remaining profits, those profits, plus the accumulated undistributed retained earnings from the previous year shall be used first by ZOTC's board of directors as the basis for proposing a distribution plan of dividends for preferred shares for the same year, any further remaining unappropriated earnings after the distribution of dividends of preferred shares shall be distributed in accordance with the proposal submitted by the board of directors, for approval at the shareholders' meeting. The distributable dividends and bonuses may be paid in cash after a supermajority resolution of the board of directors, which shall be submitted to the shareholders' meeting. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors, refer to employees' compensation and remuneration of directors in Note 21 (6).

ZOTC adopts a dividend distribution policy whereby only surplus profits of ZOTC shall be distributed to shareholders. Based on the Company's future capital budget planning and the needs for working capital requirements, as well as taking account into the impact to the extent of the diluted earnings per share and return on equity, the ratio for cash dividends shall not be lower than 10% of the total shareholders' dividends distributed for the same year.

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

The appropriations of earnings for 2020 and 2019 are as follows:

	For Fiscal Year 2020	For Fiscal Year 2019
Legal reserve	\$ 44,100	\$ 35,131
Reversal of special reserve	\$ -	(\$ 16,844)
Cash dividends	\$ 377,836	\$ 349,574
Cash dividends per share (NT\$)	\$ 3	\$ 2

The cash dividends listed above were approved by the board of directors on February 24, 2021 and February 26, 2020, respectively. The remaining appropriations of earnings for 2019 were approved by the shareholders' meeting on June 10, 2020. The appropriations of earnings for 2020 are to be presented for approval in the shareholders' meeting to be held on May 28, 2021 (expected).

(4) Other equity

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

	For the Three Months Ended March 31, 2021	For the Three Months Ended March 31, 2020
Balance at January 1	\$ 74	\$ -
In respect of the current period		
Exchange differences on translating the financial statements of foreign operations	( <u>67</u> )	( <u>170</u> )
Balance at March 31	<u>\$ 7</u>	<u>( \$ 170 )</u>

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

	For the Three Months Ended March 31, 2021	For the Three Months Ended March 31, 2020
Balance at January 1	\$ 39,577	\$ 17,865
In respect of the current period		
Unrealized gain (loss) – equity instruments	64,399	( 21,930 )
Cumulative gain (loss) of equity instruments transferred to retained earnings due to disposal	( <u>19,398</u> )	<u>-</u>
Balance at March 31	<u>\$ 84,578</u>	<u>( \$ 4,065 )</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 Three Months Ended March 31, 2021	For the Three Months Ended March 31, 2020
Balance at January 1	( \$ 5,301 )	( \$ 10,389 )
Share-based payment expenses recognized	<u>1,413</u>	<u>1,272</u>
Balance at March 31	<u>( \$ 3,888 )</u>	<u>( \$ 9,117 )</u>

21. NET INCOME

(1) Interest Income

	For the Three Months Ended March 31, 2021	For the Three Months Ended March 31, 2020
Bank deposits	\$ 43	\$ 618
Financial assets at amortized cost	978	6,308
Others	<u>3</u>	<u>1</u>
	<u>\$ 1,024</u>	<u>\$ 6,927</u>

(2) Other gains and losses

	For the Three Months Ended March 31, 2021	For the Three Months Ended March 31, 2020
Net foreign exchange profit (loss)	\$ 10,197	( \$ 2,960 )
Net gain (loss) arising on financial assets measured at FVTPL	2,296	( 3,604 )
Gain on disposal of property, plant and equipment	<u>-</u>	<u>40</u>
	<u>\$ 12,493</u>	<u>( \$ 6,524 )</u>

(3) Finance costs

	For the Three Months Ended March 31, 2021	For the Three Months Ended March 31, 2020
Interests on bank borrowings	\$ -	\$ 1,049
Interests on lease liabilities	<u>53</u>	<u>21</u>
	<u>\$ 53</u>	<u>\$ 1,070</u>

(4) Depreciation & amortization

	For the Three Months Ended March 31, 2021	For the Three Months Ended March 31, 2020
Property, plant and equipment	\$ 3,721	\$ 4,031
Right-of-use assets	2,313	1,687
Intangible assets	<u>235</u>	<u>228</u>
	<u>\$ 6,269</u>	<u>\$ 5,946</u>
An analysis of depreciation by function		
Operating expenses	<u>\$ 6,034</u>	<u>\$ 5,718</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 235</u>	<u>\$ 228</u>

(5) Employee benefits expense

	For the Three Months Ended March 31, 2021	For the Three Months Ended March 31, 2020
Post-employment benefits		
Defined contribution plans	\$ 2,901	\$ 2,500
Defined benefit plans (Note 19)	<u>66</u>	<u>104</u>
	<u>2,967</u>	<u>2,604</u>
Share-based payment		
Equity-settled	<u>542</u>	<u>3,238</u>
Other employee benefits	<u>103,140</u>	<u>80,780</u>
Total employee benefits expense	<u>\$ 106,649</u>	<u>\$ 86,622</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 892	\$ 931
Operating expenses	<u>105,757</u>	<u>85,691</u>
	<u>\$ 106,649</u>	<u>\$ 86,622</u>

(6) Compensation of employees and remuneration of directors

The Company shall allocate compensation of employees and remuneration of directors and supervisors at the range between 1%~15% and no more than 3% of annual profits during the period, respectively. The estimate of compensation of employees and remuneration of directors for the three months ended March 31, 2021 and 2020 is as follows:

Estimate Rate

	For the Three Months Ended March 31, 2021	For the Three Months Ended March 31, 2020
Compensation of employees	4.00%	4.00%
Remuneration of directors	2.00%	2.00%

Amount

	For the Three Months Ended March 31, 2021	For the Three Months Ended March 31, 2020
Compensation of employees	<u>\$ 6,143</u>	<u>\$ 5,021</u>
Remuneration of directors	<u>\$ 3,071</u>	<u>\$ 2,510</u>

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

The compensation of employees and the remuneration of directors for the years ended December 31, 2020 and 2019, which were approved by the Company's board of directors on February 24, 2021 and February 26, 2020, respectively, are as follows:

	2020		2019	
	Cash	Stock	Cash	Stock
Compensation of employees	\$ 23,613	\$ -	\$ 18,911	\$ -
Remuneration of directors	11,807	-	9,456	-

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, 2020 and 2019.

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

## 22. INCOME TAXES

### (1) Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Three Months Ended March 31, 2021	For the Three Months Ended March 31, 2020
Current tax		
In respect of the current period	\$ 29,562	\$ 28,497
Deferred tax		
In respect of the current period	<u>648</u>	( <u>3,799</u> )
Income tax expense recognized in profit or loss	<u>\$ 30,210</u>	<u>\$ 24,698</u>

### (2) Income tax assessment

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

Company	Year of Assessment
The Company	2018
Zotech Co., Ltd.	2019
Zerone Win Investment Co., Ltd.	2019
WingWill International Co., Ltd.	2019
Petacom Technology Co., Ltd	2019

## 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:

<u>Net Profit for the Period</u>	For the Three Months Ended March 31, 2021	For the Three Months Ended March 31, 2020
Earnings used in the computation of basic and diluted earnings per share	<u>\$ 115,828</u>	<u>\$ 92,869</u>
 <u>Shares</u>		
	For the Three Months Ended March 31, 2021	For the Three Months Ended March 31, 2020
Weighted average number of ordinary shares used in the computation of basic earnings per share	125,420	124,025
Effect of potentially dilutive ordinary shares:		
Compensation of employees	486	572
Employee share options	2,344	1,973
Restricted stock awards	<u>424</u>	<u>378</u>
Weighted average number of ordinary shares outstanding used in the computation of diluted earnings per share	<u>128,674</u>	<u>126,948</u>

If the Group offered to settle the compensation paid to employees in cash or shares, the Group assumed that the entire amount of the compensation 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 capital surplus, the exercise price is adjusted accordingly.

Information on employee share options is as follows:

	For the Three Months Ended March 31, 2021		For the Three Months Ended March 31, 2020	
	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 share options				
Balance at January 1	4,468	\$ 16.70	5,653	\$ 17.18
Options exercised	( 704 )	14.50	( 223 )	14.59
Options forfeited	( 88 )	17.82	-	-
Outstanding options, at March 31	<u>3,676</u>	17.10	<u>5,430</u>	17.28
Options exercisable, at March 31	<u>1,818</u>		<u>1,443</u>	

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

March 31, 2021		December 31, 2020		March 31, 2020	
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)	0.42	\$ 11.70 (Note)	0.67	\$ 12.40 (Note)	1.42
13.40 (Note)	1.43	13.40 (Note)	1.68	14.20 (Note)	2.43
16.80 (Note)	2.76	16.80 (Note)	3.01	17.80 (Note)	3.76
18.40 (Note)	3.42	18.40 (Note)	3.67	19.50 (Note)	4.42

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

The Company adopted 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 (reversed) recognized were (\$871) thousand and \$1,966 thousand for the three months ended March 31, 2021 and 2020, 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 \$1,413 thousand and \$1,272 thousand for the three months ended March 31, 2021 and 2020, respectively. As of March 31, 2021 and for the same period in 2020, the unearned employee benefit totaled \$3,888 thousand and \$9,117 thousand, accounted for as the decrease in other equity.

## 25. CAPITAL RISK MANAGEMENT

The Group operates as a distributor of software, and has no plans to impose any large capital expenditures presently or in the future. The Group manages its capital to meet requirements of operating funds and dividend expenses, based on scale of the enterprise, and the growth and development of industry perspectives. The Group periodically reviews the policy of capital risk management which is in line with the principle of adopting 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:

	March 31, 2021		December 31, 2020		March 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial Assets</u>						
Financial assets at amortized cost						
– Foreign corporate bonds	\$ 57,173	\$ 59,632	\$ 44,061	\$ 45,323	\$ 64,085	\$ 61,010

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

#### A. Fair value hierarchy

##### March 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at FVTPL</u>				
Convertible bonds	\$ 14,721	\$ -	\$ -	\$ 14,721
Domestic listed shares	16,255	-	-	16,255
Fund beneficiary certificates	<u>479,097</u>	<u>-</u>	<u>8,922</u>	<u>488,019</u>
Total	<u>\$ 510,073</u>	<u>\$ -</u>	<u>\$ 8,922</u>	<u>\$ 518,995</u>
<u>Financial assets measured at FVTOCI</u>				
Equity investments				
– Domestic listed shares and emerging market shares	\$ 348,885	\$ -	\$ 12,092	\$ 360,977
– Domestic Unlisted shares	<u>-</u>	<u>-</u>	<u>18,142</u>	<u>18,142</u>
Total	<u>\$ 348,885</u>	<u>\$ -</u>	<u>\$ 30,234</u>	<u>\$ 379,119</u>

December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets measured at FVTPL</u>				
Convertible bonds	\$ 15,966	\$ -	\$ -	\$ 15,966
Domestic listed shares	16,188	-	-	16,188
Fund beneficiary certificates	<u>355,581</u>	<u>-</u>	<u>8,529</u>	<u>364,110</u>
Total	<u>\$ 387,735</u>	<u>\$ -</u>	<u>\$ 8,529</u>	<u>\$ 396,264</u>

Financial assets measured at  
FVTOCI

Equity investments				
– Domestic listed shares and emerging market shares	\$ 309,281	\$ -	\$ 12,092	\$ 321,373
– Domestic Unlisted shares	<u>-</u>	<u>-</u>	<u>18,142</u>	<u>18,142</u>
Total	<u>\$ 309,281</u>	<u>\$ -</u>	<u>\$ 30,234</u>	<u>\$ 339,515</u>

March 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets measured at FVTPL</u>				
Convertible bonds	\$ 39,557	\$ -	\$ -	\$ 39,557
Domestic listed shares	14,133	-	-	14,133
Fund beneficiary certificates	<u>38,745</u>	<u>-</u>	<u>2,909</u>	<u>41,654</u>
Total	<u>\$ 92,435</u>	<u>\$ -</u>	<u>\$ 2,909</u>	<u>\$ 95,344</u>

Financial assets measured at  
FVTOCI

Equity investments				
– Domestic listed shares and emerging market shares	\$ 234,735	\$ -	\$ 10,438	\$ 245,173
– Domestic Unlisted shares	<u>-</u>	<u>-</u>	<u>3,743</u>	<u>3,743</u>
Total	<u>\$ 234,735</u>	<u>\$ -</u>	<u>\$ 14,181</u>	<u>\$ 248,916</u>

There were no transfers between Level 1 and Level 2 for three months ended March 31, 2021 and 2020, respectively.

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

The market approach is used to arrive at their fair value, for which, the estimate and assumption regarding relevant information of expected present value of profits and losses calculated by held investments, in consideration of liquidity discount, with reference to the listed and emerging market companies and companies in the same industry.

(3) Categories of financial instruments

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
<u>Financial assets</u>			
Measured at FVTPL			
Mandatorily measured at FVTPL	\$ 518,995	\$ 396,264	\$ 95,344
Financial assets measured at amortized cost (Note 1)	3,498,554	3,098,473	3,598,252
Financial assets measured at FVTOCI			
– Investments in equity instruments	379,119	339,515	248,916
<u>Financial liabilities</u>			
Measured at amortized cost (Note 2)	2,997,920	2,492,646	2,651,381

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

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

(4) Financial risk management objectives and policies

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

A. Market risk

The financial risk which the Group needs to manage as a result of operating activities is 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 three months ended March 31, 2021 and 2020 would increase/decrease by \$34,194 thousand and \$2,054 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:

	March 31, 2021	December 31, 2020	March 31, 2020
Interest rate risks at fair value			
– Financial assets	\$ 134,330	\$ 206,574	\$ 1,274,857
– Financial liabilities	17,309	13,091	257,615
Interest rate risks at cash flows			
– Financial assets	881,188	739,139	213,887

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 three months ended March 31, 2021 and 2020 would increase/decrease by \$1,101 thousand and \$267 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 three months ended March 31, 2021 and 2020 would have increased/decreased by \$25,950 thousand and \$4,767 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the other comprehensive income for the three months ended March 31, 2021 and 2020 would have increased/decreased by \$18,956 thousand and \$12,446 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 and financial guarantees 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 42%, 33% and 43% of trade receivable, respectively, as of March 31, 2021, December 31, 2020 and March 31, 2020.

### C. Liquidity risk

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

### Liquidity & interest rate risk table

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

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

March 31, 2021

	<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	\$ 2,997,120	\$ -	\$ -
Lease liabilities	<u>9,684</u>	<u>7,899</u>	<u>-</u>
	<u>\$ 3,006,804</u>	<u>\$ 7,899</u>	<u>\$ -</u>

December 31, 2020

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

March 31, 2020

	<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>5+ Years</u>
<u>Non-derivative financial liabilities</u>			
No Interest-bearing liabilities	\$ 2,399,210	\$ -	\$ -
Lease liabilities	3,603	3,083	-
Fixed rate instrument	<u>251,194</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,654,007</u>	<u>\$ 3,083</u>	<u>\$ -</u>

The operating funds of the Group are sufficient to meet the cash flow demand; if the demand exists, it shall be short-term. Therefore, 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 March 31, 2021, December 31, 2020 and March 31, 2020, the Group's unused short-term credit of limit of the bank were \$1,250,000 thousand, \$1,250,000 thousand and \$969,000 thousand, respectively.

**27. RELATED PARTIES TRANSACTIONS**

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

Compensation of key management personnel

	<u>For the Three Months Ended March 31, 2021</u>	<u>For the Three Months Ended March 31, 2020</u>
Short-term employee benefits	<u>\$ 32,465</u>	<u>\$ 28,915</u>

Salaries of the board members and other key management personnel are determined by personal performance and economic market trend through the remuneration committee.

**28. PLEDGED ASSETS**

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Property, plant and equipment, Net	\$ 207,273	\$ 207,620	\$ 208,662
Pledged Time Deposits(Financial assets at amortized cost – non-current)	<u>25,561</u>	<u>25,465</u>	<u>25,346</u>
	<u>\$ 232,834</u>	<u>\$ 233,085</u>	<u>\$ 234,008</u>

## 29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- (1) As of March 31, 2021, the group opens NT\$ 87,000 thousand of cashier order for payment guaranteed for Microsoft Taiwan Corporation.
- (2) As of March 31, 2021, the group opens NT\$ 50,000 thousand of cashier order for payment guaranteed for Microsoft Regional Sales Corporation.

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

The 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:

### March 31, 2021

	Foreign Currencies	Exchange Rate		Carrying Amount
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$ 21,139	28.535	(USD:NTD)	\$ <u>603,201</u>
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD	45,105	28.535	(USD:NTD)	\$ <u>1,287,071</u>

### December 31, 2020

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

### March 31, 2020

	Foreign Currencies	Exchange Rate		Carrying Amount
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$ 43,075	30.225	(USD:NTD)	\$ <u>1,301,942</u>
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD	44,434	30.225	(USD:NTD)	\$ <u>1,343,018</u>

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

	For the three months ended March 31, 2021		For the three months ended March 31, 2020	
	Exchange rate	Net Foreign exchange gain (loss)	Exchange rate	Net Foreign exchange gain (loss)
Foreign currencies				
USD	28.366 (USD:NTD)	\$ <u>10,197</u>	30.106 (USD:NTD)	(\$ <u>2,960</u> )

### 31. ADDITIONAL DISCLOSURES

(1) Information about significant transactions:

- 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 3)

(2) Information on investees: (Table 4)

(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 period, 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.
  - (i) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
  - (ii) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
  - (iii) The amount of property transactions and the amount of the resultant gains or losses.
  - (iv) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
  - (v) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
  - (vi) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

(4) Information on major shareholder: List of all shareholders with ownership of 5 percent or greater showing the name, 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 assessments. The department of the Group's business division of brands distribution and 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	Internal write- off	Total
<u>For the three months ended</u>				
<u>March 31, 2021</u>				
Revenues from external customers	\$ 2,847,769	\$ 47,720	\$ -	\$ 2,895,489
Inter-segment revenues	-	<u>9,882</u>	<u>(9,882)</u>	-
Segment revenues	<u>\$ 2,847,769</u>	<u>\$ 57,602</u>	<u>(\$ 9,882)</u>	<u>2,895,489</u>
Consolidated revenues				<u>\$ 2,895,489</u>
Segment profit (loss)	<u>\$ 168,001</u>	<u>\$ 1,714</u>	<u>\$ -</u>	\$ 169,715
General administration division costs and remuneration of directors				( 37,716)
Interest income				1,024
Other income				378
Other gains and losses				12,493
Finance costs				( 53)
Share of loss of associates accounted for using equity method				( 300)
Net income before tax				<u>\$ 145,541</u>
<u>For the three months ended</u>				
<u>March 31, 2020</u>				
Revenues from external customers	\$ 2,505,956	\$ 25,851	\$ -	\$ 2,531,807
Inter-segment revenues	-	<u>5,525</u>	<u>(5,525)</u>	-
Segment revenues	<u>\$ 2,505,956</u>	<u>\$ 31,376</u>	<u>(\$ 5,525)</u>	<u>2,531,807</u>
Consolidated revenues				<u>\$ 2,531,807</u>
Segment profit (loss)	<u>\$ 156,602</u>	<u>(\$ 5,095)</u>	<u>\$ -</u>	\$ 151,507
General administration division costs and remuneration of directors				( 34,491)
Interest income				6,927
Other income				58
Other gains and losses				( 6,524)
Finance costs				( 1,070)
Net income before tax				<u>\$ 116,407</u>

Segment profit represents the profit before tax earned by each segment without allocation of central administration costs and directors' salaries, share of profit or loss of associates, lease 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 decision maker, hence valuation number of assets and liabilities shall not be disclosed.

(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 three months ended March 31, 2021	For the three months ended March 31, 2020
IT Infrastructure	\$ 1,034,650	\$ 745,404
Network & Information Security	1,258,842	1,181,875
Cloud Platform & Application	450,738	503,506
Big Data & Application	150,769	100,601
Other	490	421
	<u>\$ 2,895,489</u>	<u>\$ 2,531,807</u>

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
FOR THE THREE MONTHS ENDED MARCH 31, 2021

Table 1

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

No.	Lender	Borrower	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 2)	Ending Balance	Amount Actually Drawn	Interest Rate	Nature for Financing (Note 3)	Transaction Amounts	Reason for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrower (Note 4)	Aggregate Financing Limit (Note 5)	Note
													Item	Value			
0	ZOTC	Zerone Win Investment Co., Ltd.	Other receivables from related parties	Yes	\$ 40,000	\$ 40,000	\$ -	3%	2	\$ -	Operating capital	\$ -	—	\$ -	\$ 247,035	\$ 494,069	
0	ZOTC	WinWill International Co., Ltd.	Other receivables from related parties	Yes	20,000	20,000	-	3%	2	-	Operating capital	-	—	-	247,035	494,069	

Note 1 : The number column is organized as follows :

(1)Number 0 represents the issuer.

(2)The investee companies are 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 financing limit for each borrower shall not exceed 10% of the lender's net worth as stated in its latest financial statement audited or reviewed by CPAs.

Note 5 : Aggregate financing limit shall not exceed 20% of the lender's net worth as stated in its latest financial statement audited or reviewed by CPAs.

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

MARCH 31, 2021

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	March 31, 2021				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
ZOTC	Beneficiary certificates							
	Taishin 1699 Money Market Fund	—	Financial assets at FVTPL — current	10,993,924	\$ 150,126	-	\$ 150,126	
	Jih Sun Money Market Fund	—	Financial assets at FVTPL — current	10,034,989	150,141	-	150,141	
	FSITC Money Market	—	Financial assets at FVTPL — current	166,708	30,002	-	30,002	
	FSITC Taiwan Money Market	—	Financial assets at FVTPL — current	6,474,839	100,004	-	100,004	
	Prudential Financial Money Market Fund	—	Financial assets at FVTPL — current	1,880,394	30,023	-	30,023	
	KGI Kaefer Fund	—	Financial assets at FVTPL — non-current	170,199	3,556	-	3,556	
	KGI Taiwan Multi-Asset Income Fund	—	Financial assets at FVTPL — non-current	1,198,020	12,615	-	12,615	
	KGI Taiwan Select-Asset Income Fund	—	Financial assets at FVTPL — non-current	500,325	5,366	-	5,366	
	Corporate bond							
	Tong Ming Enterprise Co., Ltd. — 1 <sup>st</sup> domestic unsecured convertible corporate bonds	—	Financial assets at FVTPL — current	10 (Units)	1,022	-	1,022	
	Quang Viet Enterprise Co., Ltd. — 1 <sup>st</sup> convertible corporate bonds	—	Financial assets at FVTPL — current	30 (Units)	3,207	-	3,207	
	M.J. International Co. Ltd. — 1 <sup>st</sup> convertible corporate bonds	—	Financial assets at FVTPL — current	20 (Units)	2,084	-	2,084	
	Rossmax International Ltd. — 2 <sup>nd</sup> convertible corporate bonds	—	Financial assets at FVTPL — current	20 (Units)	2,230	-	2,230	
	Jentech Precision Industrial Co. Ltd. — 3 <sup>rd</sup> convertible corporate bonds	—	Financial assets at FVTPL — current	25 (Units)	2,863	-	2,863	
	Mercuries & Associates Holding, Ltd. — 1 <sup>st</sup> convertible corporate bonds	—	Financial assets at FVTPL — current	30 (Units)	3,315	-	3,315	

(Continued)

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company	Financial Statement Account	March 31, 2021				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
ZOTC	Barclays Bank Corporate Bond (USD)	—	Financial assets at amortized cost — non-current	5 (Units)	\$ 14,904	-	\$ 16,346	
	Prudential plc. Corporate Bond (USD)	—	Financial assets at amortized cost — non-current	10 (Units)	29,142	-	30,307	
	AT&T Corporate Bond (USD)	—	Financial assets at amortized cost — non-current	5 (Units)	13,127	-	12,979	
	Securities							
	Actron Technology Corp.	—	Financial assets at FVTPL — current	15,000	1,740	-	1,740	
	Cathay Financial Holdings Preferred Shares A	—	Financial assets at FVTPL — non-current	166,000	10,259	-	10,259	
	Union Bank of Taiwan Preferred Shares A	—	Financial assets at FVTPL — non-current	80,000	4,256	-	4,256	
	K Way Information Corp.	Director of ZOTC	Financial assets at FVTOCI — non-current	525,000	19,714	1.71	19,714	
	China Electric Mfg. Corp.	—	Financial assets at FVTOCI — non-current	2,689,200	34,421	0.83	34,421	
	Asix Electronics Corp.	—	Financial assets at FVTOCI — non-current	15,066	3,028	0.02	3,028	
	Promaster Technology Corp.	—	Financial assets at FVTOCI — non-current	1,157,137	12,092	2.72	12,092	
	Unex Technology Corp.	—	Financial assets at FVTOCI — non-current	175,000	3,231	1.68	3,231	
	Da-Chang Start-Up Investment Co. Ltd.	—	Financial assets at FVTOCI — non-current	1,500,000	14,911	2.73	14,911	
	Cathay Financial Holding Co., Ltd. Preferred Shares A	—	Financial assets at FVTOCI — non-current	134,000	8,281	-	8,281	
	Union Bank of Taiwan Preferred Shares A	—	Financial assets at FVTOCI — non-current	70,000	3,724	-	3,724	
	Fubon Financial Holding Co., Ltd. Preferred Shares B	—	Financial assets at FVTOCI — non-current	400,000	24,880	-	24,880	
	Taishin Financial Holding Co., Ltd. Preferred Shares E	—	Financial assets at FVTOCI — non-current	240,000	12,744	-	12,744	
	CTBC Financial Holding Co., Ltd. Preferred Shares B	—	Financial assets at FVTOCI — non-current	90,000	5,715	-	5,715	
	Cathay Financial Holding Co., Ltd. Preferred Shares B	—	Financial assets at FVTOCI — non-current	230,000	14,329	-	14,329	

(Continued)

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company	Financial Statement Account	March 31, 2021				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
ZOTC	Kwong Lung Enterprise Co., Ltd. Preferred Shares A	—	Financial assets at FVTOCI – non-current	270,000	\$ 13,851	-	\$ 13,851	
	WPG Holdings Limited Preferred Shares A	—	Financial assets at FVTOCI – non-current	700,000	35,420	-	35,420	
	United Orthopedic Corporation Preferred Shares A	—	Financial assets at FVTOCI – non-current	200,000	9,980	-	9,980	
	QST International Corporation Preferred Shares A	—	Financial assets at FVTOCI – non-current	150,000	6,915	-	6,915	
	Chailease Holding Company Limited Class A Preferred Shares	—	Financial assets at FVTOCI – non-current	300,000	30,000	-	30,000	
	Miiicasa Holdings (Cayman) Inc.	—	Financial assets at FVTOCI – non-current	2,500,000	-	3.45	-	
	Duofu Co., Ltd.	—	Financial assets at FVTOCI – non-current	10,000	-	0.22	-	
	Jotangi Technology Co., Ltd.	—	Financial assets at FVTOCI – non-current	796,250	-	9.32	-	
Zerone Win Investment Co., Ltd.	Securities							
	WPG Holdings Limited Preferred Shares A	—	Financial assets at FVTOCI – non-current	240,000	12,144	-	12,144	
	Shin Kong Financial Holding Co., Ltd. Preferred Shares A	—	Financial assets at FVTOCI – non-current	50,000	2,173	-	2,173	
	Chailease Holding Company Limited Class A Preferred Shares	—	Financial assets at FVTOCI – non-current	70,000	7,000	-	7,000	
	Tatung System Technologies Inc.	—	Financial assets at FVTOCI – non-current	1,700,000	93,160	1.92	93,160	
	LEO Systems, Inc.	—	Financial assets at FVTOCI – non-current	20,000	481	0.02	481	
	GrandTech C.G. Systems Inc.	—	Financial assets at FVTOCI – non-current	15,000	805	0.03	805	
Petacom Technology Co., Ltd.	Beneficiary certificates							
	Taishin 1699 Money Market Fund	—	Financial assets at FVTPL – current	453,000	6,186	-	6,186	
Zotech Co., Ltd.	Securities							
	WPG Holdings Limited Preferred Shares A	—	Financial assets at FVTOCI – non-current	200,000	10,120	-	10,120	

(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 4.

ZERO ONE TECHNOLOGY CO., LTD.AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE THREE MONTHS ENDED MARCH 31, 2021

Table 3

(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	% of Total Sales or Assets (Note 3)
0	ZOTC	WingWill International Co., Ltd.	1	Sales revenue	\$ 6,699	Note 5	-
				Trade receivables	5,268	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 : Three types of relationship between parties are 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 cumulative balance into consolidated operating revenues.

Note 4 : Only the related parties' transactions over 5,000 thousand are disclosed.

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

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES  
FOR THE THREE MONTHS ENDED MARCH 31, 2021

Table 4

(In Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Businesses	Original Investment Amount		As of March 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				March 31, 2021	December 31, 2020	Number of Shares	%	Carrying Amount			
ZOTC	Zotech Co., Ltd.	Taipei City	Services of telecommunication apparatus	\$ 35,000	\$ 35,000	3,500,000	85.37	\$ 42,527	(\$ 810)	(\$ 691)	Subsidiary
	ZeroneWin Investment Co., Ltd.	Taipei City	Investment	149,000	149,000	14,900,000	100.00	201,232	( 8,018)	( 8,018)	Subsidiary
	Asiaone Holdings Ltd.	Republic of Seychelles	Holding company	10,063	10,063	320,000	100.00	9,252	( 206)	( 206)	Subsidiary
ZeroneWin Investment Co., Ltd.	WingWill International Co., Ltd.	Taipei City	Services of cloud information software	25,500	25,500	25,500,000	87.93	3,869	( 2,402)	( 2,112)	Sub-subsidiary
	Petacom Technology Co., Ltd.	Taipei City	Services of distribution of information product	50,000	50,000	50,000,000	100.00	41,961	( 5,590)	( 5,590)	Sub-subsidiary
	TrustOne Security Inc.	Taipei City	R&D, sale and service of information software	4,000	-	4,000,000	32.00	3,700	( 938)	( 300)	Associate

Note: Please refer to Table 5 for information on investment in mainland China.

ZERO ONE TECHNOLOGY CO., LTD.

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE THREE MONTHS ENDED MARCH 31, 2021

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, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of March 31, 2021	Accumulated Repatriation of Investment Income as of March 31, 2021	Note
					Outward	Inward							
Techone (Shanghai) Co., Ltd.	Services of Network Technology	\$ 13,032 (RMB 3,000)	(Note 1)	\$ 9,118	\$ -	\$ -	\$ 9,118	(\$ 295)	70%	(\$ 206)	\$ 8,890	\$ -	—

Accumulated Outward Remittance for Investments in Mainland China as of March 31, 2021	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA (Note 3)
\$ 9,118	\$ 9,118	\$ 1,482,208

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 March 31, 2021.

Note 3 : Determined by sixty percent (60%) of the Company's net worth, reviewed by CPAs on March 31, 2021 ( $2,470,346 \times 60\% = 1,482,208$ ).

Note 4 : For foreign currency conversion, gain (loss) are converted by the average exchange rate in 2021 Q1. Other amounts are converted into New Taiwan Dollars by the exchange rate on March 31, 2021.

ZERO ONE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON MAJOR SHAREHOLDERS  
MARCH 31, 2021

Table 6

Shareholders	Shares	
	Number of Shares	Ownership Percentage
Chia Hsin Lin	9,506,594	7.52%
Ceres Investment Co., Ltd.	9,338,292	7.39%

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