

Unizyx Holding Corporation

Annual Report 2021



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Taiwan Stock
Exchange Market
Observation Post
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Unizyx
annual report
is available at

<http://www.unizyx.com.tw>

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II. Headquarters, Branch and Plant

Headquarters: 3F, No. 363, Sec. 2, Gongdaowu Rd., Hsinchu City

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Branch: none

Plant: none

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Zyxel Communications Corporation Science Park Branch Office

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Channel: Zyxel Networks Corporation

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OEM: MitraStar Technology Corporation

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Tel: (02) 3393-0898

IV. Independent Auditors:

Auditors: Ah-Chih Cheng / Ji-Long Yu

Firm Name: KPMG Taiwan

Address: No. 11, Prosperity Road I, Hsinchu Science Park, Hsinchu City

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V. Overseas Securities Exchange : none

VI. Unizyx Website: <http://www.unizyx.com.tw>

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I. Letter to Shareholders

Dear Shareholders,

Unizyx Holding Corporation (hereinafter referred to as “Unizyx”) was established through a share swap with Zyxel Communications Corporation (hereinafter referred to as “Zyxel”) on August 16, 2010. Since then, the Group has carried out the reorganization subject to the Group Member’ industrial characteristics in order to upgrade the performance and competitiveness in the industry, as well as its industrial focus and profitability.

1. Business results in 2021:

The operating revenue in Unizyx’s 2021 consolidated statement of comprehensive income is NTD25.68 billion, the gross profit NTD6.06 billion, the gross margin 23.60%, operating expenses are NTD4.64 billion, net income is NTD1.1 billion, and EPS NTD2.49.

(1) Outcome of performance:

Unit: NTD thousand

Item	2021	2020
Operating revenue	25,681,970	22,250,630
Gross profit	6,060,518	5,780,099
Operating income	1,425,434	1,292,694
Income (loss) before income taxes	1,438,064	1,175,888
Net income	1,095,459	831,001

(2) Analysis on profitability:

Item	2021	2020	
Return on total assets %	5.46	4.84	
Return on attributable to shareholders of the parent %	12.50	10.69	
As a percentage of paid-in capital %	Operating Income	31.42	28.88
	Income (Loss) before income taxes	31.70	26.27
Net income %	4.27	3.73	
Basic earnings per share/NTD	2.49	1.91	

2. Business Outlook:

Unizyx is dedicated to the networking industry to have deeply set its roots in various areas about the network technology and market. Unizyx plans the Group’s business strategies and goals, uses the best effort to plan and utilize its resources effectively and provides the affiliated companies with a better development platform to upgrade its competitiveness and shareholders’ equity. The three subsidiaries, namely Zyxel, MitraStar Technology Corporation (hereinafter referred to as

“MitraStar”), and Zyxel Networks Corporation (hereinafter referred to as “ZNet”), are in charge of telecommunication, OEM, and channel business, respectively, and strive in the technologies and markets in the network industry.

Zyxel’ brand promise is “Empowering worldwide service providers to unlock the broadband potential.” It dedicates to developing comprehensive, reliable solutions that accelerate and satisfy the advent of next-generation fixed and mobile broadband technology to help operators in 150 markets around the world to open up more opportunities with truly converged services. MitraStar specializes in R&D and OEM of network communication technologies and products; by working with the brand clients around the world, it provides value from the customers’ point of view and improves the performance of mass production by virtue of innovative design and control over costs, and satisfy customers’ needs with excellent production management, logistic management, technical support and customer services. To respond to the effects of the COVID-19 pandemic and the uncertainty resulted from US-Sino trade war, the Company has the deployment for optimal capacity to enhance the partnership with our clients and supply chain. ZNet is committed to the operation of channels businesses, by providing localized sales and services to customers, and actively expanding the scope of brand services, to plan the products and solutions to meet customers’ needs.

Zyxel provides solutions instead of products to meet the needs of service providers, while MitraStar seeks more clients for one technology to expand quantity and scale. Zyxel and MitraStar expand their business respectively while supporting each other; collectively, they continue to contribute to the R&D of broadband access equipment, pursue the operational optimization and technological interoperability, increase the return of investment of technologies, and enhance the operating efficiency. In terms of product R&D, Zyxel uses the best effort to position itself in the areas of new generation high-performance fixed and mobile broadband technology and digital home multimedia, and provide telecom operators with products and technologies with higher speed performance. ZNet has been actively positioning the cloud networking management, internet communication security, and smart home areas, to provide complete solutions for businesses and home users. For the operating strategies, it focuses on the management of managed service providers (MSP) with continuous license services to enhance user loyalty.

For products and technologies, Zyxel develops 10G active fiber and passive fiber broadband access solutions aggressively while continuing to provide solutions for operators upgrading their existing copper infrastructure, such as Vectoring, Bonding, and G.fast. As 5G is formally operated commercially, Zyxel has launched the complete 5G NR Fixed Wireless Access (FWA) product portfolio, including outdoor, indoor, portable products, which has been chosen by many European leading mobile telecom operators. By applying the excellent R&D capability of software, MPro Mesh® solution was launched. In addition, for the development of the networking solutions for business applications, to combine the popularity of cloud services, it provides the products and

services that may satisfy the networking needs of businesses and home users. With the successful development of the No. 1 Nebula Smart Cloud Management Solution in Taiwan, the best-selling ATP smart firewalls and USG FLEX firewalls are officially supported by the Nebula Cloud Management Platform to assist the SMB and MSP to have more comprehensive information security protection. Meanwhile, the Wi-Fi 6 business wireless access points have been launched, to satisfy the deployment needs in every environment for SMB or SOHO.

As a networking company, Unizyx's expertise in networking technologies is also applied to the areas of national defense communications and information security. Unizyx is one of the few Taiwan-based suppliers capable of researching and developing the information security hardware products, such as radar, military wireless communications and firewalls.

By virtue of professional management and market deployment, Unizyx will increase rewards to employees to encourage employees and increase the incentives to solicit talents. Externally, it will improve profitability and long-term competitiveness. The entire management team will use its best effort to combine the sound technical energy, create more infinite possibilities for network communications, and upgrade the shareholders' equity and create a win-win-win situation for Unizyx Holding Corporation and its employees and shareholders."

At last, we wish all of you good health and everything goes well!

Chairman of Board: Shun-I Chu

II. Company Profile

1. Date of Incorporation: August 16, 2010

2. Company History

<u>Year/Month</u>	<u>Key Milestones</u>
2010.08	The Company was incorporated at the share conversion by Zyxel Communications Corporation ("Zyxel" hereafter). Its headquarters is in Taipei City. On the same day, the Financial Supervisory Commission, Executive Yuan approved the listing of the Company's shares (stock code 3704). After the conversion, Zyxel became the wholly-owned subsidiary.
2010.09	Zyxel won the 2010 Industrial Innovation Award
2010.10	Zyxel became the world's first certified with carbon foot print for household equipment in the world with VDSL2.
2010.11	The 100% reinvested enterprises, MitraStar Technology Corporation ("MitraStar" hereafter), was incorporated in Hsinchu Science Park.
2010.12	Zyxel won the "2010 Industrial Sustainable Excellence Award"
2010.12	Zyxel completed the first product category rules for "home gateway" and "home network infrastructure" in the world.
2011.01	Zyxel spun off certain business under the product business group to MitraStar.
2011.07	Zyxel was elected as one of the top 100 Taiwanese brands.
2011.09	Zyxel was recognized as "Taiwan's Top 20 Global Brand 2011" by Interbrand.
2011.10	MitraStar won the Green Model Award.
2012.03	Zyxel was ranked No. 24 in Asia and No. 3 in Taiwan for the Asia Competitiveness Report, "Boao Forum for Asia."
2012.06	Unizyx Holding Corporation was elected as one of the top 100 Taiwanese technology company. Moved to Hsinchu City.
2012.09	Zyxel was recognized as "Taiwan's Top 20 Global Brands 2012" by Interbrand.
2012.12	Unizyx Holding Corporation won the National Sustainable Development Award.
2013.01	Zyxel's products were recognized with the Taiwan Excellence Award.
2013.11	Zyxel was recognized as "Taiwan's Top 20 Global Brands 2013" by Interbrand.
2014.01	Zyxel was certified with ISO50001 and ISO 14006
2014.02	In 2014 Mobile World Congress (MWC), Zyxel exhibited the first UMTS 802.11ac integrated compact base station in the world.
2014.12	Zyxel was recognized as "Taiwan's Top 20 Global Brands 2014" by Interbrand.
2015.02	Zyxel won the Taiwan Excellence Award, with six product awarded.
2015.03	The digital set top box of MitraStar won 2015 iF and Red Dot Award in Germany and Good Design Award in Japan.
2015.10	Zyxel was recognized as "Taiwan's Top 20 Global Brands 2015" by Interbrand.
2015.10	MitraStar was selected as Red Herring Asia and Global 2015 Top Ten Enterprises.
2015.12	The products of MitraStar, EPON, GPON, and VDSL were certified for carbon footprints
2016.05	MitraStar's smart gateway won the iF Award in Germany and Innovation Design Award in Computex Taipei

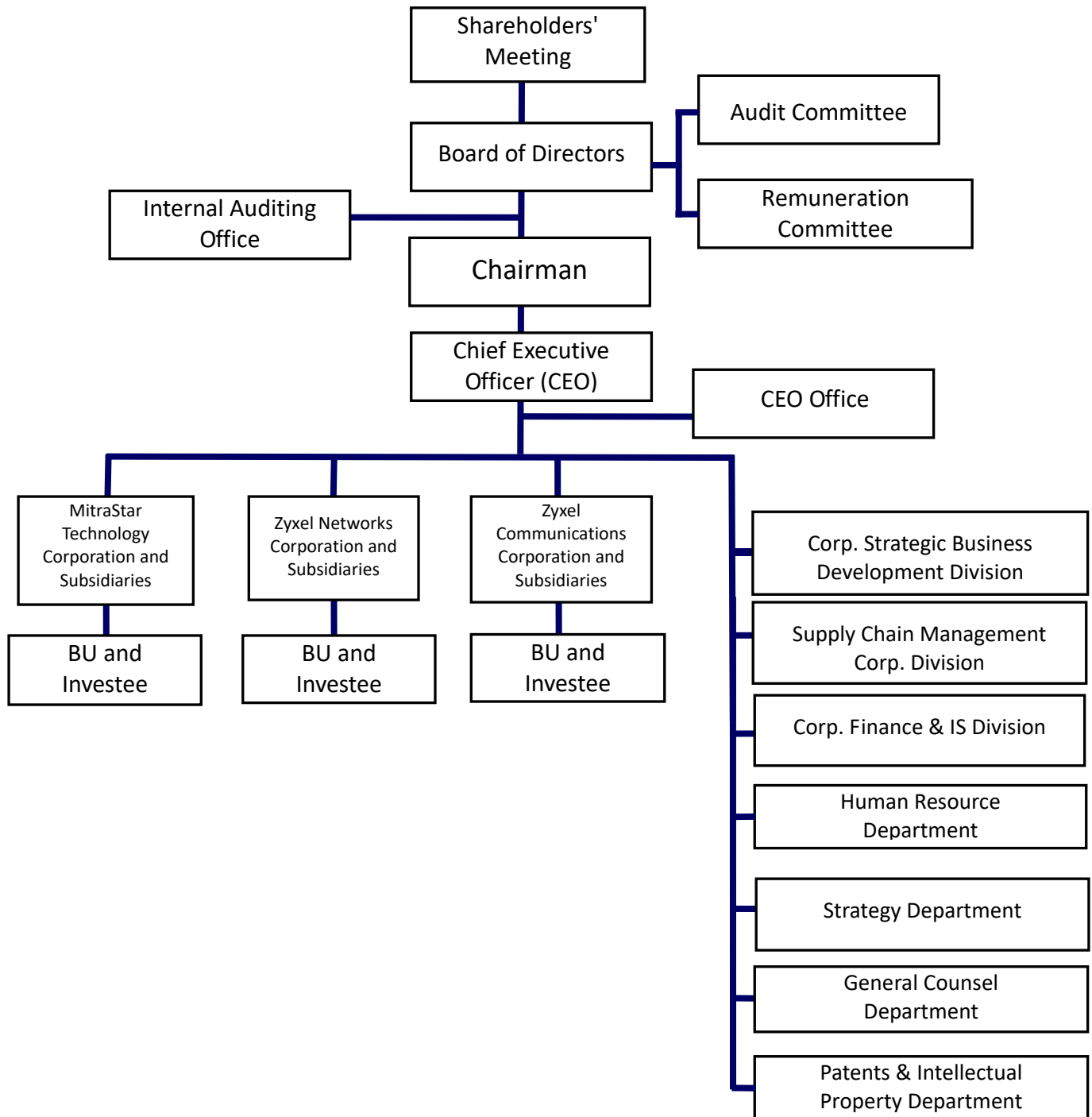
<u>Year/Month</u>	<u>Key Milestones</u>
2016.09	Wuxi MitraStar Technology Co., Ltd. won the China Jiangsu Zhi Feng Award
2016.11	Zyxel was recognized as "Taiwan's Top 20 Global Brands 2016" by Interbrand, and become the telecommunication company winning the award for 14 consecutive years.
2016.12	Zyxel was recognized the Taiwan Excellence Award for the consecutive 12th year.
2017.02	MitraStar's smart gateway won a design award in Germany.
2017.04	Zyxel's Chairman, Shun-I Chu, won the ERSO Award.
2017.10	The smart gateway of Zyxel became a final runner for the Broadband World Forum-Best Smart Home Category.
2017.12	Zyxel won the Golden Pin Design Award.
2017.12	Eight Zyxel's products won the Taiwan Excellence Awards; one of them won the Silver Award.
2018.11	Zyxel won the Taiwan Excellence Award for the consecutive 14th year.
2018.11	Zyxel was included in the CRN 2018 Technology Innovation Award.
2019.02	Zyxel spun off the channel business group to found Zyxel Networks Corporation ("ZNet" hereafter).
2019.03	ZNet's Multy U won the "2019 iF Design Award"
2019.06	Two of the ZNet's commercial wireless access points, NWA1302-AC and WAC6303D-S, won the five-star recommendation of an UK professional IT magazine and a grand ward in the German hotel industry.
2019.11	Zyxel won the Taiwan Excellence Award for the consecutive 15th year.
2020.02	ZNet is the first and the only Taiwanese company to receive the recognition of 20-Year Award for Excellence in Information Security Testing (EIST) from ICSC Labs.
2020.04	Zyxel was recognized the 2021 Taiwan Excellence Award, and became the telecommunication company winning most awards in Taiwan.
2020.11	Zyxel was recognized the 2021 Taiwan Excellence Award in, and became the telecommunication company winning most awards in Taiwan.
2020.11	Zyxel was awarded the "surged above its industry peer to become the only telecommunication company recognized the 2020 Best Taiwan Global Brands.
2021.01	5G deployment program collaborated by Telenor and Zyxel
2021.07	ZNet is authorized by MITRE, a leading information security institution in the U.S, to become the first public listed company to become the CNA member in Taiwan.
2021.10	Zyxel's 5G solution was awarded two major awards from Mobile Breakthrough Awards in the U.S.A
2021.10	ZNet's Nebula and school networking project won the Network Computing Awards in the U.K.

Please check more information of Unizyx's history; please refer to the cover page for the link.

III. Corporate Governance Report

1. Organization

1.1 Organizational Chart



1.2 Major Corporate Functions

Department	Functions
CEO Office	Responsible for overall strategic planning, business analysis, system management and public relations.
Internal Auditing Office	To help the Board of Directors with an audit on implementation of Unizyx's internal regulations and systems and provide appropriate improvement suggestions to the management.

Administration Center:

Corp. Strategic Business Development Division	Responsible for strategic market development business and customer relationship management; analyzing the market orientation and the Company's internal resources as well as external competition trend, in order to provide reference for the Company's future business strategies.
Supply Chain Management Corp. Division	Integrate the Group's internal supply chain management & operation to arrive at the economies of scale and control costs effectively. Then integrating the supply & demand planning and optimization procedure, and improving the efficiency in managing suppliers.
Corp. Finance & IS Division	To utilize and manage the capital effectively and provide analysis and review of financial accounting information and operating results, analysis of external environment and competition, strategic planning and subsidiaries' management, analysis of investment, and analysis and improvement of Unizyx's business process, to help the management make decisions. Also responsible for promoting and implementing the computerized automation, and development and maintenance of the information systems.
Human Resource Department	To manage and implement the human resource operating system, and plan the welfare, labor safety and training policies.
Strategy Department	To collect the market intelligence about products & technologies, and plan and analyze product strategies
General Counsel Department	To process, advise on, and review Unizyx's internal legal affairs.
Patents & Intellectual Property Department	To prosecute the applications for and maintenance of intellectual property rights, including patent and trademark.

2. Directors

2.1 Information about Directors

April 17, 2022

Title	Nationality or Place of Registration	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions at Unizyx and Other Companies	Directors Who are Spouses or within Two Degrees of Kinship			Remarks
							Number of shares	%	Number of shares	%	Number of shares	%	Number of shares	%			Title	Name	Relationship	
Chairman	R.O.C.	Shun-I Chu	Male 61-70 years old	2019/6/12	3	2010/06/17	100,173,833	22.71	100,173,833	22.00	16,808,783	3.69	-	-	Department of Electronics Engineering, National Chiao-Tung University President, Yilung Technology	Director, Zyxel Communications Corporation (Zyxel) - Representative of Unizyx Holding Corporation (Unizyx) Director, MitraStar Technology Corporation (MitraStar) - Representative of Unizyx Director, Zyxel Networks Corporation (ZNet) - Representative of Unizyx Chairman, Black Cat Incorporation (Black Cat) - Representative of Unizyx Legal Representative of Bluebell Overseas Ltd. (Bluebell) - Representative of MitraStar Director, ZyFX Technologies Inc. - Representative of ZYXEL Foundation Chairman/ President, Zychamp Investment Co., Ltd. (Zychamp) - Representative of Zyxel Chairman, Zytpe Communications Corporation (ZyTPE) - Representative of ZNet Director, Zyxel Communications Inc.(ZyUSA) - Representative of Zyxel Director, Zyxel Communications A/S (ZyAS) - Representative of Zyxel Director, Zyxel Communications UK Ltd.(ZyUK) - Representative of ZyAS Chairman, Zyxel İletisim Teknolojileri A.S. (ZyTR) - Representative of Zyxel Director, Zyxel Communications Do Brasil Ltda.(ZyBR) - Representative of Zyxel Director, Zyxel Networks A/S (ZNet AS) - Representative of ZNet Director, Zyxel Communications B.V. (ZNet BNL)- Representative of ZNet AS Chairman, Zyxel (Thailand) Company Ltd. (ZNet TH) - Representative of ZNet Director, Zyxel Technology India Pvt Ltd. (ZNet IN) - Representative of ZNet Director/ President, Tianjin Huagin Communications Equipment Co., Ltd. (Tianjin Huagin) - Representative of ZNet Chairman, Zyxel Communication (ShangHai) Co., Ltd. (ZNet SHA) -Representative of ZNet Director, ZQAM Communications Corporation	Director	Lien-Pin Pai	Spouse	-

Title	Nationality or Place of Registration	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions at Unizyx and Other Companies	Directors Who are Spouses or within Two Degrees of Kinship			Remarks	
							Number of shares	%	Number of shares	%	Number of shares	%	Number of shares	%			Title	Name	Relationship		
Director	R.O.C.	Gordon Yang	Male 61-70 years old	2019/6/12	3	2019/06/12	1,252,051	0.28	2,252,051	0.49	-	-	-	-	MBA, Claremont Graduate University	CEO, Unizyx Chairman, Zyxel - Representative of Unizyx Chairman, MitraStar- Representative of Unizyx Chairman/President, ZNet - Representative of Unizyx Director, Ardomus Networks Corporation - Representative of Zyxel Director, ZyUSA - Representative of Zyxel Director, ZyAS - Representative of ZyAS Director, ZyUK - Representative of ZyAS Director, ZylT - Representative of ZyAS Director, ZylR- Representative of Zyxel Director, ZNet AS - Representative of ZNet Director, ZNet BNL - Representative of ZNet AS Director, ZNet TH - Representative of ZNet Director, ZNet IN - Representative of ZNet Director, ZNet KR - Representative of ZNet Legal Representative/President, ZNet SHA - Representative of ZNet Director, XSquare - Representative of MitraStar Director, Zyell Solutions Corporation	-	-	-	-	
Director	R.O.C.	Yuh-Long Chen	Male 71-80 years old	2019/6/12	3	2010/6/17	8,686,178	1.97	8,498,178	1.87	1,760,112	0.39	-	-	Ph.D., Institute of Electronics, National Chiao-Tung University Superintendent, National Chung-Shan Institute of Science & Technology(NCSIST)	-	-	-	-		
Director	R.O.C.	Lien-Pin Pai	Female 71-80 years old	2019/6/12	3	2010/6/17	16,808,783	3.81	16,808,783	3.69	100,173,833	22.00	-	-	School of Nursing, China Medical University	-	Chairman	Shun-I Chu	Spouse	-	
Director	R.O.C.	ZYXEL Foundation Representative: Ping-Chin Li	Male 71-80 years old	2019/6/12	3	2016/6/16	6,000,000	1.36	6,000,000	1.32	-	-	-	-	Ph.D., Department of Electronics Engineering, University of Southern California 14th Team Leader, 3rd Research Division, NCSIST	-	Director, ZyTPE - Representative of ZNet Chairman/President - ZyFX Technologies Inc. - Representative of ZYXEL Foundation Chairman, ZQAM Communications Corporation Director, Zyell Solutions Corporation - Representative, ZyFX Technologies Inc. Director, Ardomus Networks Corp. - Representative, ZyFX Technologies Inc.	-	-	-	-

Title	Nationality or Place of Registration	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions at Unizyx and Other Companies	Directors Who are Spouses or within Two Degrees of Kinship			Remarks
							Number of shares	%	Number of shares	%	Number of shares	%	Number of shares	%			Title	Name	Relationship	
Director	R.O.C.	Che-Ho Wei	Male 71-80 years old	2019/6/12	3	2010/6/17	-	-	-	-	-	-	-	-	Ph.D., Electrical Engineering, University of Washington, Seattle, USA President, National Information Infrastructure Enterprise Promotion Association Professor, Electrical Engineering, National Chiao-Tung University / Dean and Vice President, the college of Electrical Engineering and Computer Science, National Chiao-Tung University Minister, Ministry of Science and Technology	Independent Director, Genesis Photonics Inc. Independent Director, Sunplus Technology Co., Ltd. Director, Arcadyan Technology Corporation Director, Macronix International Co., Ltd.	-	-	-	-
Independent director	R.O.C.	K.C. Shih	Male 81-90 years old	2019/6/12	3	2010/10/4	-	-	-	-	-	-	-	-	Ph.D., Electrical Engineering and Computer Science, Massachusetts Institute of Technology Director and Advisor, Global Unichip Corp. Founder and Director, Global Mobile Corp.	Chairman, Chuanyi Investment Co., Ltd.	-	-	-	-
Independent director	R.O.C.	Feng Chian	Male 71-80 years old	2019/6/12	3	2013/6/18	-	-	-	-	-	-	-	-	Institute of Electronics National Chiao Tung University	-	-	-	-	
Independent director	R.O.C.	Chin-Tang Liu	Male 61-70 years old	2019/6/12	3	2019/6/12	-	-	-	-	-	-	-	-	Bachelor, Department of Accounting, Tamkang University CPA, KPMG Director of the 21st Term, Taiwan Provincial CPA Association	Independent Director, Sino-American Silicon Products Inc. Independent Director, Prolific Technology Inc.	-	-	-	-

2.2. Major Shareholders of the Institutional Shareholders

Major shareholders of the institutional shareholders

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Name of Institutional Shareholders	Major shareholders of the institutional shareholders
ZYXEL Foundation	Unizyx Holding Corporation (100%)

Major shareholders of the institutional shareholder, which is a corporation

April 17, 2022

Name of the Corporation	Major Shareholders of the Corporation
Unizyx Holding Corporation	Shun-I Chu (22.00%) ; ZyFX Technologies Inc. (4.29%) ; Lien-Pin Pai (3.69%) ; Unizyx Holding Corporation (2.84%) ; Yuh-Long Chen (1.87%) ; Zychamp Investment Co., Ltd. (1.79%); ZYXEL Foundation (1.32%); Citibank Taiwan in custody for Polunin Emerging Markets Small Cap Fund, LLC (1.24%); National Yang Ming Chiao Tung University(1.10%); JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.00%)

2.3 Information about Directors

2.3.1 Information disclosure for the professional qualification and experience of the directors and the Audit Committee, and the independence of the independent directors:

Name		Criteria	Professional qualification and experience (Note 1)	Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Chairman	Shun-I Chu		Please refer to page 8-10, 2.1 Information of Directors for their professional qualification and experience.		0
Director	Gordon Yang				0
Director	Yuh-Long Chen				0
Director	Lien-Pin Pai				0
Director	Representative of ZYXEL Foundation: Ping-Chin Li				0
Director	Che-Ho Wei				2
Independent director	K.C. Shih			Is the independent director, his/her spouse, or any relative within the second degree of kinship serving as a director or supervisor of the company or any of its affiliates: no. Number and weight of the Company's share held by the independent director, his/her spouse, or any relative within the second degree of kinship, or held by the person under others' names: not holding the Company's shares.	0
Independent director	Feng Chian			Is the independent director serving as a director, supervisor, or employee of any company having certain relationships with the Company: no.	0
Independent director	Chin-Tang Liu			Amount of compensation received in the recent two years by providing commercial, legal, financial, accounting or related services to the company or any affiliate of the company: no such situation.	2

Note 1: None of director has any condition defined in Article 30 of the Company Act.

2.3.2 Diversity and independence of the board of directors

2.3.2.1 Diversity of the board of directors

Article 4 of Unizyx's "Regulations for Election of Directors" has established the diversity policy and specific management targets of the Board members and has actually implemented them. The directors who serve as Unizyx's managerial officers are less than one-third of the whole directors for the time being. However, Unizyx values gender equality in the Board members. The 9 Board members include 1 female director, i.e. 11% of the whole directors. Further, in terms of professional knowledge and skills, Unizyx's Board members are specialized in engineering, mechanical engineering, management science and finance and have the industrial experience needed by Unizyx's business. For the time being, Unizyx's Board is composed based on the policy and targets set forth by Unizyx. The directors who are also employees including the directors (22%), independent directors (33%), directors less than 65 years old (11%), directors more than 70 years old (67%), directors whose term of office less than 3 years (22%), and directors whose term of office ranging from 4 years to 10 years (77%).

The specific management targets of the diversity policy and achievement are as below:

Management target	Achievement
At least one seat of female director	Achieved
At least one director has the financial and accounting background	Achieved
No more than one third of directors concurrent serves as the Company's managerial officers	Achieved

Implementation of the current Board member diversity policy is disclosed as follows:

Core items under diversity Name of Director	Basic Requirements			Professional knowledge and skills						
	Gender	Nationality	Academic degree	Ability to make judgments about operations	Accounting and financial analysis ability	Business management ability	Industry knowledge	International market perspectives	Leadership ability	Decision-making ability
Shun-I Chu	Male	R.O.C.	Electronics Engineering	✓	✓	✓	✓	✓	✓	✓
Gordon Yang	Male	R.O.C.	Management	✓	✓	✓	✓	✓	✓	✓
Yuh-Long Chen	Male	R.O.C.	Electronics	✓	✓	✓	✓	✓	✓	✓
Representative of ZYXEL Foundation: Ping- Chin Li	Male	R.O.C.	Electrical Engineering	✓	✓	✓	✓	✓	✓	✓
Lien-Pin Pai	Female	R.O.C.	Nursing	✓	✓		✓			
Che-Ho Wei	Male	R.O.C.	Electrical Engineering	✓		✓	✓	✓	✓	✓
K.C. Shih	Male	R.O.C.	Electrical Engineering	✓	✓	✓	✓	✓	✓	✓
Feng Chian	Male	R.O.C.	Electronics	✓		✓	✓	✓	✓	✓
Chin-Tang Liu	Male	R.O.C.	Accounting	✓	✓	✓		✓	✓	✓

The Board member diversity policy is disclosed on Unizyx's official website and the MOPS.

2.3.2.2 Independence of the board of directors

Nine directors composed the Company's board of directors, including six general directors and three independent directors; the independent directors account for 33% of all board members. The independent directors have to sign the independence statement every year during their terms of offices, to confirm that they comply with the requirements of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" and Article 14-2 of the Securities Exchange Act. Among the Company's directors, only two seats are spouses or relatives within the second degree of kinship. This complies with Paragraph 3 and 4, Article 26-3 of the Securities Exchange Act. Please refer to 2.1, Information of Directors for the relationships of directors as spouse or relatives within the second degree of kinship.

Independent directors' conformity to the independence criteria as below:

Independence criteria
Is the independent director, his/her spouse, or any relative within the second degree of kinship serving as a director or supervisor of the company or any of its affiliates: no.
Number and weight of the Company's share held by the independent director, his/her spouse, or any relative within the second degree of kinship, or held by the person under others' names: not holding the Company's shares.
Is the independent director serving as a director, supervisor, or employee of any company having certain relationships with the Company: no.
Amount of compensation received in the recent two years by providing commercial, legal, financial, accounting or related services to the company or any affiliate of the company: None.

2.4 Remuneration Paid to directors

December 31, 2021/ Unit: NTD thousand

Title	Name	Remuneration to directors								Total amount of remuneration(A+B+C+D)and its ratio to Net Income		Relevant Remuneration Received by Directors Who are Also Employees								Total amount of remuneration (A+B+C+D+E+F+G)and its ratio to Net Income		Remuneration from ventures other than subsidiaries of the parent company
		Base Compensation (A)		Severance Pay (B) (Note 1)		Directors Compensation (C) (Note 2)		Allowances(D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)						
		Unizyx	Consolidated Entities	Unizyx	Consolidated Entities	Unizyx	Consolidated Entities	Unizyx	Consolidated Entities	Unizyx	Consolidated Entities	Unizyx	Consolidated Entities	Unizyx		Consolidated Entities		Unizyx	Consolidated Entities			
												Cash	Stock	Cash	Stock							
Chairman	Shun-I Chu	-	-	-	-	1,668	1,668	272	292	1,940 0.18%	1,960 0.18%	4,324	4,324	-	-	-	-	-	-	6,264 0.57%	6,284 0.57%	N/A
Director	Gordon Yang	-	-	-	-	1,670	1,670	272	292	1,942 0.18%	1,962 0.18%	11,380	11,380	-	-	36	-	36	-	13,358 1.22%	13,378 1.22%	N/A
Director	Yuh-Long Chen	-	-	-	-	1,670	1,670	272	272	1,942 0.18%	1,942 0.18%	-	-	-	-	-	-	-	-	1,942 0.18%	1,942 0.18%	N/A
Director	Lien-Pin Pai	-	-	-	-	1,670	1,670	272	272	1,942 0.18%	1,942 0.18%	-	-	-	-	-	-	-	-	1,942 0.18%	1,942 0.18%	N/A
Director	Representative of ZYXEL Foundation: Ping-Chin Li	-	-	-	-	1,670	1,670	272	272	1,942 0.18%	1,942 0.18%	-	4,857	-	69	-	-	-	-	1,942 0.18%	6,868 0.63%	N/A
Director	Che-Ho Wei	-	-	-	-	1,670	1,670	272	272	1,942 0.18%	1,942 0.18%	-	-	-	-	-	-	-	-	1,942 0.18%	1,942 0.18%	N/A
Independent director	K.C. Shih	-	-	-	-	1,670	1,670	572	572	2,242 0.20%	2,242 0.20%	-	-	-	-	-	-	-	-	2,242 0.20%	2,242 0.20%	N/A
Independent director	Feng Chian	-	-	-	-	1,670	1,670	572	572	2,242 0.20%	2,242 0.20%	-	-	-	-	-	-	-	-	2,242 0.20%	2,242 0.20%	N/A
Independent director	Chin-Tang Liu	-	-	-	-	1,670	1,670	572	572	2,242 0.20%	2,242 0.20%	-	-	-	-	-	-	-	-	2,242 0.20%	2,242 0.20%	N/A

Other than the remuneration disclosed in said table, the remuneration received by any of the Company's directors for providing services to any companies in the financial statement, e.g., as an advisor other than an employee of the parent/all companies in the financial statements/reinvestee in the most recent year: none.

Note 1: The severance pay in 2021 was provided as an expense amount.

Note 2: The Company has the net profit after tax in 2021; according to the Articles of Incorporation, no less than 0.01% of the profit shall be allocated as employee compensation and no more than 2% as directors' compensation.

3. Management Team

3.1 Information about Management Team

April 17, 2022

Title	Nationality	Name	Gender	Date Elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions at Other Companies	Managers who are Spouses or Within Two Degrees of Kinship			Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Chief Executive Officer	R.O.C.	Gordon Yang	Male	2018/08/09	2,252,051	0.49	-	-	-	-	MBA, Claremont Graduate University	Please refer to the information on page 9 for details.	-	-	-	-
Senior Vice President	R.O.C.	Woei Lo	Male	2010/08/16	116,000	0.03	-	-	-	-	PhD Degree, Department of Management Science, National Chiao-Tung University	Senior Vice President, Zyxel Senior Vice President, MitraStar Director/Senior Vice President, ZNet - Representative of Unizyx Director, Black Cat Incorporation (Black Cat) - Representative of Unizyx Vice-Chairman, ZyTR - Representative of Zyxel Director, Zychamp - Representative of Zyxel Supervisor, ZyTPE - Representative of ZNet Supervisor, Ardomus Networks Corporation Legal Representative of Shanghai Monetics Telecommunications Corporation (Monetics) - Representative of MitraStar Supervisor, Wuxi Genezys Technology Ltd. (Genezys) - Representative of MitraStar Legal Representative of Wuxi MitraStar Technology Co., Ltd. (Wuxi MSTC) - Representative of Bluebell Supervisor, Beijing Huaqin World Technology Co., Ltd. - Representative of Genezys Independent Director, Gallant Precision Machining Co., Ltd.	-	-	-	-
Senior Manager, Internal Auditing Office	R.O.C.	Jessica Chen	Female	2011/08/09	15,000	-	-	-	-	-	Department of Finance, National Sun Yat-sen University Senior Manager, Giant Plus Technology Co., Ltd.	-	-	-	-	-

3.2 Remuneration Paid to President and Vice Presidents

Unit: NTD thousand

Title	Name	Salary (A)		Severance Pay (B) (Note 1)		Bonus and Allowances (C)		Employee Compensation (D) (Note 2)				Total amount of remuneration(A+B+C+D) and its ratio to Net Income (%)		Remuneration from ventures other than subsidiaries or the parent company
		Unizyx	Consolidated Entities	Unizyx	Consolidated Entities	Unizyx	Consolidated Entities	Unizyx		Consolidated Entities		Unizyx	Consolidated Entities	
								Cash	Stock	Cash	Stock			
Chief Executive Officer	Gordon Yang	5,785	5,785	-	-	5,595	5,595	36	-	36	-	11,416 1.04%	11,416 1.04%	N/A
Senior Vice President	Woei Lo	3,423	3,423	108	108	618	618	36	-	36	-	4,185 0.38%	4,185 0.38%	
Senior Manager, Internal Auditing Office	Jessica Chen	1,362	1,362	79	79	345	345	36	-	36	-	1,822 0.17%	1,822 0.17%	

Note 1: The severance pay in 2021 was provided as an expense amount.

Note 2: The Company has a net profit after tax for 2021; According to the Articles of Incorporation, no less than 0.01% of the profit shall be allocated as employee compensation.

3.3 Managerial Officers with the Top Five Highest Remuneration Amounts

Unit: NTD thousand

Title	Name	Salary (A)		Severance Pay (B) (Note 1)		Bonus and Allowances (C)		Employee Compensation (D) (Note 2)				Total amount of remuneration (A+B+C+D) and its ratio to Net Income (%)		Remuneration from ventures other than subsidiaries or the parent company
		Unizyx	Consolidated Entities	Unizyx	Consolidated Entities	Unizyx	Consolidated Entities	Unizyx		Consolidated Entities		Unizyx	Consolidated Entities	
								Cash	Stock	Cash	Stock			
Chief Executive Officer	Gordon Yang	5,785	5,785	-	-	5,595	5,595	36	-	36	-	11,416 1.04%	11,416 1.04%	N/A
Senior Vice President	Woei Lo	3,423	3,423	108	108	618	618	36	-	36	-	4,185 0.38%	4,185 0.38%	
Senior Manager, Internal Auditing Office	Jessica Chen	1,362	1,362	79	79	345	345	36	-	36	-	1,822 0.17%	1,822 0.17%	

Note 1: The severance pay in 2021 was provided as an expense amount.

Note 2: The Company has a net profit after tax for 2021; According to the Articles of Incorporation, no less than 0.01% of the profit shall be allocated as employee compensation.

3.4 Name of Managerial Officers Receiving Employee Compensation, and the Status of Allocation:

Title	Name	Stock	Cash	Total	Ratio of total amount to Net Income(%)
Chief Executive Officer	Gordon Yang	-	108	108	0.01%
Senior Vice President	Woei Lo				
Senior Manager, Internal Auditing Office	Jessica Chen				

3.5 Comparison of Remuneration to Directors, Supervisors, President and Vice Presidents in the Most Recent Two Fiscal Years and Compensation Policy for Directors, Supervisors, President and Vice Presidents, Ratio of Total Remuneration to Net Income, and Policies, Standards, and Portfolios for the Payment of Remuneration, the Procedures for Determining Remuneration, and the Correlation with Risks and Business Performance.

3.5.1 The ratio of the total remuneration paid by Unizyx and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, president, and vice presidents of Unizyx as net income:

Item	Total Remuneration to Net Income (%)			
	2021		2020	
	Unizyx	Consolidated Entities	Unizyx	Consolidated Entities
Director	3.11%	3.56%	2.17%	3.46%
Supervisor	-	-	-	-
President and Vice Presidents	1.59%	1.59%	1.94%	1.96%

3.5.2 The correlation between remuneration formulation procedure, remuneration pay standard and policy, and business performance:

In accordance with Article 29 of Unizyx's Articles of Incorporation, Directors' remuneration shall not exceed 2% of current year's profits. The reasonable payment is determined by the board of directors, and personal performance, business result, industry business risks and market trends are used as evaluation criteria. The remuneration is also reviewed by Remuneration Committee and furthermore submitted to the Board of Directors for resolution. Subjects to actual business condition and related laws & regulations will be reviewed as well regarding the remuneration formulation procedure to seek the balance between Unizyx's sustainable operation and risk control.

The compensation policy for the managers shall be determined based on the assessment of Unizyx's business performance, contribution, team's stability, future constructivity, and social responsibility, as well as the level of remuneration to the same position prevailing in the same industry and the range of payment applicable to the authority of the same position in Unizyx. The remuneration is also reviewed by Remuneration Committee and then submitted to the Board of Directors, and shall be discussed the reasonable practice according to business conditions from time to time.

4. Implementation of Corporate Governance

4.1 Operation of the Board of Directors

4.1.1 Board of Directors' meeting

Reelection of directors of the 4th Board of Directors was held at the annual shareholders' meeting on June 12, 2019. The newly elected directors held the position on reelection (the new term of office commences from June 12, 2019 until June 11, 2022). A total of 5 meetings of the 4th Board of Directors were held in 2021. The attendance of directors is stated as follows:

Title	Name	Attendance in Person	Attendance by Proxy	Attendance Rate (%)	Remarks
Chairman	Shun-I Chu	5	-	100%	Reelected on 2019/06/12
Director	Gordon Yang	5	-	100%	Elected on 2019/06/12
Director	Yuh-Long Chen	4	1	80%	Reelected on 2019/06/12
Director	ZYXEL Foundation Representative: Ping-Chin Li	5	-	100%	Reelected on 2019/06/12
Director	Lien-Pin Pai	4	1	80%	Reelected on 2019/06/12
Director	Che-Ho Wei	5	-	100%	Reelected on 2019/06/12
Independent director	K.C. Shih	5	-	100%	Reelected on 2019/06/12
Independent director	Feng Chian	4	1	80%	Reelected on 2019/06/12
Independent director	Chin-Tang Liu	5	-	100%	Elected on 2019/06/12

4.1.2 Other matters to be disclosed by the Board of Directors:

I. Concerning the circumstances and board resolutions where other independent directors have expressed opposition or qualified opinions that have been noted in the record or declared in writing, as referred to in Article 14-3 of the Securities and Exchange Act:

A. The circumstances referred to in Article 14-3 of the Securities and Exchange Act: The Company has established the Audit Committee. Therefore, Article 14-3 of the Securities and Exchange Act shall not apply. For relevant information, please refer to the "Operations of the Audit Committee" in this Annual Report.

B. Board resolutions where other independent directors have expressed opposition or qualified opinions that have been noted in the record or declared in writing: none.

II. Status of directors' recusing themselves due to a conflict of interest:

A. On March 15, 2021, except Director Shun-I Chu, Director Gordon Yang and Director Lien-Pin Pai, abstained from voting due to conflict of interest concerns. All other Board members in attendance voted in favor of the 6th proposal for 2020 compensation to Chairman and managerial officers.

B. On March 15, 2021, except Director Ping-Ching Li, abstained from voting due to conflict

- of interest concerns. All other Board members in attendance voted in favor of the 17th proposal for lifting the non-competition restriction on Unizyx's directors.
- C. On August 9, 2021, except Director Ping-Chin Li and Director Chin-Tang Liu, abstained from voting due to conflict of interest concerns. All other Board members in attendance voted in favor of the 6th proposal for lifting the non-competition restriction on Unizyx's directors.
 - D. On November 3, 2021, except Director Shun-I Chu, Director Gordon Yang and Director Lien-Pin Pai, abstained from voting due to conflict of interest concerns. All other Board members in attendance voted in favor of the 8th proposal for the participation of Chairman and managerial officers in 2021 subsidiary's cash capital increase reserved for subscription by employees.
 - E. On November 3, 2021, except Director Shun-I Chu, Director Gordon Yang and Director Lien-Pin Pai, abstained from voting due to conflict of interest concerns. All other Board members in attendance voted in favor of the 9th proposal for 2022 compensation projections for Unizyx's Chairman and managerial officers.

III. Implementation Status of Board Evaluations

Unizyx has established the "Board of Directors Performance Assessment Regulations" and had the same approved by the Board of Directors on March 14, 2019, in order to have the Board members keep pushing themselves and improve the Board's operations. The Regulations require the performance assessment on the Board, individual Board members and functional committees, respectively, to be conducted at least once per year. The assessment conducted by an entrusting external professional institution or external expert team at least once per three years.

The Board performance assessment shall cover the following five major indicators:

- A. Level of participation in company operations
- B. Improvement on quality of the Board decisions
- C. Board composition and structure
- D. Appointment of directors and directors' continuing education.
- E. Internal control

The Board member performance assessment shall cover the following six major indicators:

- A. Grasp of company targets and missions
- B. Understanding of the director's role and responsibilities
- C. Level of participation in company operations
- D. Internal relationship management and communication.
- E. Professional and continuous education of directors.
- F. Internal control

Function committee performance assessment shall cover the following five major indicators:

- A. Level of participation in company operations
- B. Understanding of the functional committee's role and responsibilities
- C. Improvement on quality of the functional committee decisions
- D. Functional committee composition and the election of the committee members
- E. Internal control

Unizyx conducts the performance assessment for the previous year based on various indicators through a questionnaire. The results generated by the recalled questionnaire are reported to the Board of Directors. The deficiencies, if any, will be reviewed and improved. The performance assessment results may serve as the reference for the

nomination of director candidates.

The 2021 performance assessment on the Board, individual Board members and functional committees, respectively, showed “Excellent.” Apparently, the Board of Directors and functional committees operated successfully. The assessment results have been reported at the Board meeting on March 14, 2022.

- IV. Objectives for Strengthening the Functions of the Board of Directors in the current and the most recent year:
- A. The Company's Chairman shall not serve as the CEO concurrently.
 - B. Convene the meeting with independent directors, independent auditors and internal audit officers separately at least once per year.
 - C. Unizyx's directors consist of professionals from diversified backgrounds, including civil engineering, electrical engineering, management and finance, and also include one female.
 - D. Unizyx appointed the chief corporate governance officer per the resolution adopted by the Board of Directors on March 15, 2021, who shall be in charge of the corporate governance operations.
 - E. Unizyx set forth the “Corporate Governance Best Practice Principles,” “Ethical Corporate Management Best-Practice Principles,” and “Corporate Social Responsibility Best Practice Principles” and had the same rules adopted by the Board of Directors, in order to improve the corporate governance operations.
 - F. The Company perform the Board of Directors self-performance assessment periodically each year, and appoint an external independent organization to execute the external evaluation at least once per three years, the Company has appointed KPMG Advisory Services Co., Ltd. to execute the Board of Directors performance assessment in 2021.

4.2 Operations of the Audit Committee

The Audit Committee is established to improve corporate governance and solidify the Board's supervision functions. The Audit Committee, acting professionally and independently, is responsible for the adequate expression of Unizyx's financial statements, appointment (dismissal) and independence of independent auditors, effective implementation of Unizyx's internal control, compliance with laws & regulations, and existing and potential risks of Unizyx, etc.

The Audit Committee shall be composed of the total number of independent directors, who shall be no less than three persons, including one convener, and at least one member who shall have accounting or financial expertise. The Audit members shall hold the term of office for three years and can be reelected for a second term of office. As required, the Audit Committee shall convene the meeting at least once per quarter, and shall communicate with the internal auditing unit and independent auditors thoroughly.

The Audit Committee's responsibilities include a review of Unizyx's internal control system, financial statements, significant acquisition or disposal of assets, derivatives trading, loaning of funds to others, making of endorsements or guarantees for others, appointment, dismissal or remuneration of independent auditors, and appointment/dismissal of finance, accounting or internal audit managers, etc.

Review of Unizyx's internal control system:

The Audit Committee evaluates the effectiveness of Unizyx's internal control system policies and procedures (including the controls over sales, procurement, production, human resource, finance, information security and compliance). Also, it reviews the work report of the internal

audit unit and independent auditors. The Audit Committee holds that Unizyx's internal control system was effective, and Unizyx has taken the necessary controls to supervise and improve the misconduct.

Review of financial statements:

This report is to certify that Unizyx's 2021 business report and financial statements, and the proposal for the appropriation of profit or loss, were prepared and submitted by the Board of Directors, and the financial statements contained therein were already audited by KPMG Taiwan, which also issued its audit report therefor. Said business report, financial statements and proposal for the appropriation of profit or loss have also been certified by the Audit Committee, which in its opinion, comply with the relevant requirements.

4.2.1 Audit Committee meeting

Unizyx established the Audit Committee on June 12, 2019. A total of 4 meetings of the Audit Committee were held in 2021. The attendance of independent directors is stated as follows:

Title	Name	Attendance in Person	Attendance by Proxy	Attendance Rate (%)	Remarks
Independent director (Convener)	Feng Chian	3	1	75%	Elected on 2019/06/12
Independent director	K.C. Shih	4	-	100%	Elected on 2019/06/12
Independent director	Chin-Tang Liu	4	-	100%	Elected on 2019/06/12

4.2.2 Other matters to be disclosed by the Audit Committee:

I. Concerning the circumstances and other resolution not approved by the Audit Committee but approved by two-thirds or more of all directors, as referred to in Article 14-5 of the Securities and Exchange Act:

A. The circumstances referred to in Article 14-5 of the Securities and Exchange Act;

Date	Meeting	Resolution	Opinion of All Independent Directors and the Company's Response to Independent Directors
March 15, 2021	1 st Audit Committee 7 th Meeting	Approved the independent auditors' independence and competence evaluation.	None of the independent directors has expressed opposition or qualified opinions.
		Approved the 2020 Business report and financial statements.	
		Approved the 2020 Internal Control System Statement.	
		Approved the 2020 appropriation of profit or loss.	
		Approved the distribution of cash from capital surplus.	
		Approved the current-year endorsement or guarantee limits on behalf of invested companies.	
		Approved the evaluation on the Company's self-preparation of financial statements.	

Date	Meeting	Resolution	Opinion of All Independent Directors and the Company's Response to Independent Directors
		<p>Approved for established the matters related to the exercised the employee stock options in the Fourth Quarter of 2020 converting share capital.</p> <p>Approved the amendments to the "Procedures for Loaning Funds to Others".</p> <p>Approved to lift the non-competition restriction on Unizyx's directors.</p>	None of the independent directors has expressed opposition or qualified opinions.
May 10, 2021	1 st Audit Committee 8 th Meeting	<p>Approved the First Quarter of 2021 consolidated financial statements.</p> <p>Approved the change of the external auditors since Second Quarter of 2021.</p> <p>Approved the plan to issue common corporate bonds.</p> <p>Approved for established the matters related to the exercised the employee stock options in the First Quarter of 2021 converting share capital.</p>	
August 9, 2021	1 st Audit Committee 9 th Meeting	<p>Approved the Second Quarter of 2021 consolidated financial statements.</p> <p>Approved the current-year endorsement or guarantee limits on behalf of invested companies.</p> <p>Approved the record date for the Company's distribution of cash from capital surplus.</p> <p>Approved for established the matters related to the exercised the employee stock options in the Second Quarter of 2021 converting share capital.</p> <p>Approved Unizyx's additional loan to the subsidiary, MitraStar Technology Corporation.</p> <p>Approved Unizyx's additional loan to the subsidiary, Zyxel Networks Corporation.</p> <p>Approved to lift the non-competition restriction on the Unizyx's directors.</p>	
November 3, 2021	1 st Audit Committee 10 th Meeting	<p>Approved the amendments to Audit Committee's Articles of Association.</p> <p>Approved the Third Quarter of 2021 consolidated financial statements.</p> <p>Approved the professional fees of the independent auditors retained by Unizyx.</p> <p>Approved the "Risk Management Policy and Procedure Regulations".</p>	

Date	Meeting	Resolution	Opinion of All Independent Directors and the Company's Response to Independent Directors
		Approved the current-year endorsement or guarantee limits on behalf of invested companies.	None of the independent directors has expressed opposition or qualified opinions.
		Approved Unizyx's investment in Zyxel Networks Corporation.	
		Approved 2022 internal audit plan.	
		Approved for established the matters related to the exercised the employee stock options in the Third Quarter of 2021 converting share capital.	
		Approved the Company's repurchase of treasury shares to protect Company's reputation and shareholders' equity.	

B. Any other resolution not approved by the Audit Committee but approved by two-thirds or more of all directors: none.

II. Status of independent directors' recusing themselves due to a conflict of interest

A. On August 9, 2021, except Director Chin-Tang Liu, abstained from voting due to conflict of interest concerns. All other Audit Committee members in attendance voted in favor of the 7th proposal for lifting the non-competition restriction on Unizyx's directors.

III. Communication between independent directors and internal audit officers as well as independent auditors:

A. Communication between independent directors and internal audit officers:

Independent directors and internal audit officers hold annual meetings to report on internal audit execution status and company operations. Participants share internal audit report results and follow-up report status with the independent directors.

Summary of communication between independent directors and internal audit officers

Date	Communication highlights	Communication results
March 15, 2021	Report for 2020 internal control system self-inspection result	Acknowledged.
	2020 Internal Control System Statement	
	Report for the First Quarter of 2021 Internal Audit	
May 10, 2021	Report for the Second Quarter of 2021 Internal Audit	Acknowledged.
August 9, 2021	Report for the Third Quarter of 2021 Internal Audit	Acknowledged.
November 11, 2021	Report for the Fourth Quarter of 2021 Internal Audit	Acknowledged.

B. Communication between independent directors and independent auditors:

Independent directors and independent auditors hold annual meetings where the independent auditors report to the independent directors on the financial status of Unizyx and its subsidiaries as well as audit results. The independent auditors also report on the existence of any major adjusting entries and legal amendments that could impact Unizyx's accounts.

Summary of communication between independent directors and independent auditors

Date	Communication highlights	Communication results
March 15, 2021	Audit Results and Internal Control Audits of the 2020 Consolidated Financial Statements and Individual Financial Statements.	Acknowledged.
	Communicate with governance units (to discuss and communicate the financial statements prepared by Unizyx, impacts posed by new and amended laws and regulations, and discoveries in the audit)	
May 10, 2021	Review results of the First Quarter of 2021 Consolidated Financial Statements	Acknowledged.
	Communicate with governance units (to discuss and communicate the impacts posed by new and amended laws and regulations, and discoveries in the review)	
August 9, 2021	Review results of the Second Quarter of 2021 Consolidated Financial Statements	Acknowledged.
	Communicate with governance units (to discuss and communicate issues concerned by the competent authority, impacts posed by new and amended laws and regulations, and discoveries in the review)	
November 3, 2021	Review results of the Third Quarter of 2021 Consolidated Financial Statements	Acknowledged.
	Communicate with governance units (to discuss and communicate the audit plan, impacts posed by new and amended laws and regulations, and discoveries in the review)	

C. Communication between independent directors and independent auditors as well as internal audit officers:

Convene the meeting with independent directors, independent auditors and internal audit officers separately at least once per year to communicate with each other on the Company's business and finance.

Summary of communication between the independent meeting attended by three parties.

Date	Communication highlights	Communication results
November 1, 2021	2021 amendments to corporate governance evaluation indicators.	Acknowledged.
	2021 communication matters in the Group's audit at the end of the period.	
	2022 internal audit plan.	

4.3 Operations of Remuneration Committee

To improve corporate governance, solidify the compensation system for directors and managerial officers throughout Unizyx, make the enterprise compensation system more transparent and impartial, and protect shareholders' interest and right, Unizyx established the Remuneration Committee on August 9, 2011.

The Remuneration Committee members shall be nominated by the Chairman and appointed upon resolution of the Board, consisting of three persons, including at least one independent director who shall serve as the convener and chairman of meetings. According to the articles

of association of the Committee, the Remuneration Committee shall convene a meeting at least twice per year and may convene meetings at any time whenever necessary.

The Remuneration Committee shall exercise the due diligence as a good administrator, perform its functions faithfully and submit proposals to the Board of Directors for discussion:

- A. Stipulate and review regularly the compensation policies, systems, standards and structures, and performance of directors and managerial officers.
- B. Regularly review and adjust directors' and managerial officers' compensation.

4.3.1 Information about Remuneration Committee members

Professional Qualifications and Independence Analysis of Remuneration Committee Members:

Identity Status	Criteria	Professional qualification and experience	Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	Name			
Independent director (Convener)	K.C. Shih	Please refer to pages 8-10, 2.1 Information of Directors for their professional qualification and experience.	Is the independent director, his/her spouse, or any relative within the second degree of kinship serving as a director or supervisor of the company or any of its affiliates: no. Number and weight of the Company's share held by the independent director, his/her spouse, or any relative within the second degree of kinship, or held by the person under others' names: not holding the Company's shares. Is the independent director serving as a director, supervisor, or employee of any company having certain relationships with the Company: no. Amount of compensation received in the recent two years by providing commercial, legal, financial, accounting or related services to the company or any affiliate of the company: no such situation.	0
Independent director	Feng Chian			0
Independent director	Chin-Tang Liu			2

4.3.2 Remuneration Committee meeting

The 4th Remuneration Committee of Unizyx should hold the term of office commencing from June 20, 2019 until June 11, 2022. A total of 2 Remuneration Committee meetings have been convened by the Convener, K. C. Shih, in 2021. The attendance is stated as follows:

Title	Name	Attendance in Person	Attendance by Proxy	Attendance Rate (%)	Remarks
Member (Convener)	K.C. Shih	2	-	100%	Reelected on 2019/06/20
Committee Member	Feng Chian	1	1	50%	Reelected on 2019/06/20
Committee Member	Chin-Tang Liu	2	-	100%	Elected on 2019/06/20

4.3.3 Other matters to be disclosed by the Remuneration Committee:

- I. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion: none.
- II. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: none.
- III. Proposals and resolutions of the Remuneration Committee:
The Remuneration Committee's proposals and resolutions of the Remuneration Committee and resolutions in 2021 and Unizyx's response to the Committee members' opinion are stated as follows:

Date	Meeting	Proposal	Resolution	The Company's response to the Remuneration Committee members' opinion
March 15, 2021	5 th Meeting of 4 th Committee	2020 compensation to Chairman and managerial officers.	Approved by all of the Committee members	Approved by all attending directors in the Board meeting
		2020 remuneration to employees and directors.		
		Contribution rates of 2021 remuneration to employees and directors.		
		The Company's appointment of chief corporate governance officer.		
November 3, 2021	6 th Meeting of 4 th Committee	2022 compensation projections for Unizyx's Chairman and managerial officers.		
		The participation of Chairman and managerial officers in 2021 subsidiary's cash capital increase reserved for subscription by employees.		

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

Assessment Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
I. Does Company establish and disclose the Corporate Governance Best-Practice Principles, pursuant to the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies?	✓		Unizyx has established the “Corporate Governance Best-Practice Principles”, and disclosed such at the website and MOPS.	No material deviation.
II. Shareholding Structure & Shareholders’ Rights				
(I) Does the Company have Internal Operation Procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly?	✓		(I) The “Corporate Governance Best-Practice Principles” specify that the dedicated staff handle the shareholders’ suggestions and disputes properly.	No material deviation.
(II) Does Company possess a list of major shareholders and beneficial owners of these major shareholders?	✓		(II) Stock affair staff grasp the status of the major shareholders, and disclose such information on the information reporting website assigned by the competent authorities.	No material deviation.
(III) Has the Company built and executed a risk management system and “firewall” between the Company and its affiliates?	✓		(III) Unizyx has established "Procedures of Managing Related Person Transaction" and "Operational Procedures of Subsidiary Supervision" to establish a firewall and risk control mechanism with related companies, while coping with related procedures such as loaning of fund to others and endorsement/guarantee, to prevent financial frauds that may cause chain effect on the affiliates.	No material deviation.
(IV) Has the Company established internal rules prohibiting insider trading on undisclosed information?	✓		(IV) The “Procedures for Ethical Management and Guidelines for Conduct” specify that Unizyx’s personnel shall observe the requirements of the Securities and Exchange Act, to refrain from insider trading with the undisclosed information known to them, nor disclose to any others to	No material deviation.

Assessment Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			prevent them from insider trading with undisclosed information.	
<p>III. Composition and Responsibilities of the Board of Directors</p> <p>(I) Has the Board established a diversity policy, specific management goals, and implemented it accordingly?</p> <p>(II) Other than the Remuneration Committee and the Audit Committee, which are required by law, does the Company voluntarily set up other functional committees?</p> <p>(III) Has the Company established a methodology for evaluating the performance of its Board of Directors, on an annual basis, reported the results of performance to the Board of Directors, and used the results as reference for directors’ remuneration and renewal?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(I) In the “Procedures for Election of Directors,” the proper diversification guidelines are established. The major two aspects are: basic qualifications and values (gender, age, nationality and culture); professional knowledge and skills (professional background, professional skills and industrial experience). For the board members, gender equality, and the required knowledge, skills and literacy to perform their duties for achieving corporate governance goals shall be taken into account.</p> <p>For the diversity policy, specific management goals, and implementation of the Board of Directors, please refer to "2.3.2.1 Diversification of Board" in the annual report.</p> <p>(II) Other than establishing the Remuneration Committee as required by laws, Unizyx established the Audit Committee on June 12, 2019 pursuant to the regulations of the competent authorities.</p> <p>(III) Unizyx has formulated the "Procedures of Board Performance Appraisal," specifying that the Board of Directors should perform at least one performance appraisal for the Board of Directors and members, as well as functional committees every year. The results of the performance appraisal shall be completed and reported to the Board of Directors by the first quarter of the following year, and such results shall be served as the basis for the remuneration of individual directors and the nomination for re-election.</p>	<p>No material deviation.</p> <p>In the future, other functional committees will be established depending on the Company's development needs.</p> <p>No material deviation.</p>

Assessment Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
(IV) Does the Company regularly evaluate its external auditors' independence?	✓		<p>In addition, the evaluation is conducted at least every three years by an external professional independent institution or external expert or scholar teams. The latest evaluation was commissioned by KPMG Advisory Service Co., Ltd. The performance evaluation report was presented on November 30, 2021. The overall evaluation outcome is between good and excellent.</p> <p>(IV) The Board of Directors regularly evaluates the independence and suitability of CPAs at least once per year. The assessment procedure includes at least the following seven points, and CPAs are required to provide a "Declaration of Independence," confirming that their audit/review tasks also comply with the independence requirements set forth in the Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No. 10, without violation of the relevant regulations that affect the independence of the accounting firm.</p> <ol style="list-style-type: none"> 1. The CPAs have no direct or material indirect financial interest or relationship with the Company. 2. The CPAs do not have any financing or guarantee relationship with the Company or its directors. 3. The CPAs do not intermediate the shares or other securities issued by the Company. 4. CPAs and their relatives within their second-degree kinship have not served as directors or supervisors of the Company or its related parties in the current or recent two years, received no wages paid by the Company, or other positions that directly and significantly influence this audit. 5. The CPAs do not have a close relationship with the 	No material deviation.

Assessment Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<p>Company and its related persons, directors, supervisors, and managerial officers, and thus may be overly concerned or sympathetic to the interests of the Company.</p> <p>6. The CPAs do not act as the defender of the Company, or mediate conflicts with other third parties on behalf of the Company.</p> <p>7. There are no other circumstances that may impede independence.</p>	
IV. Do TWSE/TPEX Listed Companies appoint competent and appropriate corporate governance personnel and corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors, assisting directors’ compliance of the law, handling matters related to board meetings and shareholders’ meetings according to law, and recording minutes of board meetings and shareholders’ meetings)?	✓		<p>Unizyx’s Corp. Finance & IS Division is concurrently responsible for handling corporate governance affairs. On March 15, 2021, the Board of Directors approved the appointment of the Chief Corporate Governance Officer who is the highest level manager responsible for corporate governance affairs.</p> <p>Scope of functions: handling matters relating to board meetings and shareholders’ meetings in compliance with law; preparing minutes of board meetings and shareholders meetings; assisting in onboarding and continuing educations of directors; providing information required for performance of duties by directors; and assisting directors in compliance with the law.</p> <p>Key tasks for 2021:</p> <ol style="list-style-type: none"> 1. Assist directors in performing their duties, provide required information and arrange continuing education for directors. <ol style="list-style-type: none"> (1) Irregularly inform the board members of the latest laws and regulations related to corporate governance. (2) Provide corporate information required by directors, and maintain smooth communication among directors and all higher-level officers. 	No material deviation.

Assessment Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<p>(3) Regular communications among the independent directors, internal audit officers or CPAs, to understand the Company's financial performance.</p> <p>(4) Assist in providing information required by directors to perform their duties and arrange continuing education for directors.</p> <p>2. Assist various functional committees, Board of Directors and shareholders' meetings agenda procedures and legal compliance matters.</p> <p>(1) Draft the agenda of the Board of Directors' meetings, and notify the directors seven days in advance; convene meetings and provide the meeting materials, and remind them in advance for recusals due to conflict of interests, and complete the minute of the Board of Directors within 20 days after a meeting.</p> <p>(2) After the meeting, disclose the material information of important resolutions adopted by the Board of Directors, to ensure the legality and accuracy of the content of the material information, for protecting the equal investor transaction information.</p> <p>(3) Handle the pre-registration of the date of the shareholders' meetings pursuant to laws, and produce meeting notices, agenda handbook, and minutes before the statutory deadlines.</p> <p>3. Perform the performance appraisal of the Board of Directors and functional committees pursuant to the "Procedures of Board Performance Appraisal."</p>	

Assessment Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons																				
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			Continuing education of the Chief Corporate Governance Officer: <table border="1" data-bbox="981 400 1644 1415"> <thead> <tr> <th>Date</th> <th>Host by</th> <th>Training / Speech title</th> <th>Hours</th> </tr> </thead> <tbody> <tr> <td>March 15, 2021</td> <td>Taiwan Corporate Governance Association</td> <td>The key trend in 2021: ESG/CSR and sustainable governance</td> <td>3 hours</td> </tr> <tr> <td>April 13, 2021</td> <td>Accounting Research and Development Foundation</td> <td>Trend of ESG sustainable finance and responding strategies</td> <td>3 hours</td> </tr> <tr> <td>April 26, 2021</td> <td>Accounting Research and Development Foundation</td> <td>The audit practice for the compliance of enterprises' shareholders' meetings</td> <td>3 hours</td> </tr> <tr> <td>April 27, 2021</td> <td>Accounting Research and Development Foundation</td> <td>Corporate governance 3.0 - sustainable development roadmap and analysis of corporate governance</td> <td>3 hours</td> </tr> </tbody> </table>	Date	Host by	Training / Speech title	Hours	March 15, 2021	Taiwan Corporate Governance Association	The key trend in 2021: ESG/CSR and sustainable governance	3 hours	April 13, 2021	Accounting Research and Development Foundation	Trend of ESG sustainable finance and responding strategies	3 hours	April 26, 2021	Accounting Research and Development Foundation	The audit practice for the compliance of enterprises' shareholders' meetings	3 hours	April 27, 2021	Accounting Research and Development Foundation	Corporate governance 3.0 - sustainable development roadmap and analysis of corporate governance	3 hours	
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V. Has the Company established a means of communicating with its Stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to	✓		Unizyx established the "Procedures for the Group’s Stakeholder Filing Complaints and Whistleblowing" to establish internal and external complaint-filing channels and handling system, while setting up a "Stakeholder Communication" section on the website to provide contact information to stakeholders.	No material deviation.																

Assessment Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
stakeholders’ questions on corporate responsibilities?			Based on the concerned issues of the stakeholders, the implementation goals are set, and the operational procedures for the stakeholders are established. Through the identification of the stakeholders and the analysis of the issue of concerns, the plans for the stakeholders are formulated. The communication is carried out through the communication channels of the stakeholders to improve the relationship with the stakeholders and strengthen the corporate responsibility for the stakeholders. Please refer to Unizyx’s Sustainability Reports, and the Chapter and Section of Communications to Stakeholders on the official website for details.	
VI. Has the Company appointed a professional stock affair agency for its Shareholders’ Meetings?	✓		Unizyx has commissioned the stock affair agent department of Mega Securities to handle.	No material deviation.
VII. Information Disclosure				
(I) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status?	✓		(I) Unizyx has established the website (url: http://www.unizyx.com.tw) and the “Investor” section to disclose the information on operation and corporate governance, as well as the Q&A mechanism for investors to inquire.	No material deviation.
(II) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	✓		(II) Unizyx’s website is in both Chinese and English. It has assigned dedicated staff to be responsible for the collection and disclosure of Company information. Besides, the spokesperson system is implemented pursuant to regulations. The relevant information is disclosed on the company's website for investors to check.	No material deviation.
(III) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second,	✓		(III) After the end of each fiscal year, the Company announces and reports the annual financial report approved by the Board of Directors within the timeline prescribed by the competent authorities, and also announces and reports	No material deviation.

Assessment Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
and third quarter financial statements as well as the operating status of each month before the prescribed deadline?			the first, second, and third quarter financial reports and monthly operating status within the prescribed timeline to MOPS, for investors to obtain sufficient and correct information timely.	
VIII. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?	✓		<p>(I) Employee rights and employee wellness: please refer to the description of "Labor Relations" in this annual report.</p> <p>(II) Investor relations: Pursuant to laws, the information is updated on MOPS, so that investors may grasp the information at any time, and smooth communication channels are provided.</p> <p>(III) Supplier relations: Each company in the Group has established procurement policies, clarifying the Company’s procurement principles and spirit that serve as guidelines for procurement personnel to perform procurement business, in order to create the highest value for the Company, and establish a good partnership with suppliers. Meanwhile, the overall sustainable value of suppliers is appreciated. Four process implementation guidelines, including regulated management, risk assessment, audit verification, and continuous improvement to grasp the sustainable performance of suppliers in the economic, social, and environmental aspects.</p> <p>(IV) Stakeholder’s rights: Please refer to the assessment items at V above.</p> <p>(V) Continuing education of directors and supervisors: please refer to the description under “5. Labor Relation” of the annual report.</p> <p>(VI) Implementation of risk management policy and risk measurement standards: the risk management policies and procedures are approved by the Board, as the highest</p>	No material deviation.

Assessment Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<p>guidelines for risk management; the risk management panel is established under the “Sustainable Committee of Unizyx Group,” responsible for the implementation of the risk management policies approved by the Board. Via the risk management mechanism that effectively identifies, analyzes, appraises, controls various risks, and establishes the corresponding mitigation measures, for effectively grasping enterprise risks, and reducing the impacts on the related stakeholders from such risks. The implementation of risk measurement standards is disclosed on the Company’s official website.</p> <p>(VII)Implementation of customer relations policies: The Group has purchased product liability insurance, and has a complete service system for all clients and consumers, to ensure immediate responses to clients’ needs and protect consumer rights.</p> <p>(VIII)Liability insurance the Company purchases for directors and supervisors: The Company has insured directors and supervisors for the liability insurance and reported to the Board of Directors on May 10, 2021. The insurance amount for 2021 was USD5,000 thousand.</p>	
<p>IX. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange, as well as the prioritized enhancements for the matters and measures not yet improved. For the 8th Term of Corporate Governance Evaluation (evaluation year: 2021), the improvements of the Company are described as follows:</p>				

Assessment Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
	Indicator Content			Description
	2.15 Did the company disclose on its website how independent directors communicate with the chief internal auditor and the external auditors (e.g. the manner of communication, the matters discussed, and the results of such communication regarding the company's financial reports and its financial and operating status)?			For the current year, the three-way independent communication meeting was held, and the communications are disclosed on the Company's official website.
	2.21 Has the company appointed a corporate governance officer responsible for corporate governance related affairs, and disclosed on the company's website and in its annual report the scope of the corporate governance officer's authority and the status of the corporate governance officer's continuing education?			The corporate governance officer was appointed in 2021, and disclosed such on the official website and the annual report.
	2.22 Has the company adopted risk management policies and procedures that have been passed by the board, and disclosed the scope of risk management, the corresponding organizational structure in place, and the status of risk management operations, and did it report to the board of directors on these at least once a year?			On November 3, 2021, the risk management policies and procedures were passed by the board and disclosed on the website.
	2.27 Has the company adopted an intellectual property management plan linked to the company's operational objectives, and disclosed the status of its implementation on the company's website or in its annual report, and did it report on the plan to the board of directors at least once a year?			The Patents & Intellectual Property Dept. has adopted the intellectual property management plan and reported in the Board meetings.
	3.20 Did the company attend or voluntarily hold investor conferences at least two times in the year being evaluated, and were the first and last investor conferences in the year held at least 3 months apart?			The Company convened the investor conferences on March 31, 2021 and November 4, 2021.
	4.1 Did the company have a designated unit in charge of promoting corporate social responsibility that, following the principle of materiality, conducted a risk assessment on environmental, social, or corporate governance issues related to the company's operations, and adopted relevant risk management policies or strategies, and did it disclose the same on the company's website and in its annual report?			For the current year, the Sustainable Committee of Unizyx Group has established the related risk management policies or strategies, and disclosed such on the official website and the annual report.

4.5 Implementation of Promoting Sustainable Development and Variance from “the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies”

Promoted Item	Implementation			Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
I. Has the company established the governance framework for promoting sustainable development, a designated unit in charge of promoting sustainable development, and the senior management is authorized by the board of directors for handling, as well as the status of board of directors’ oversight?	✓		<p>To actively fulfill corporate social responsibility, Unizyx Group established the CSR Committee in 2011, and renamed the Committee to the “Sustainability Committee” in 2021. Via the cross-company committee, with clear organizational divisions and under sufficient authorization of senior management, the Committee implements various sustainable development works from top to bottom with every employee under the leadership and full support of the senior management. The "Sustainability Committee" identifies the key issues concerned by the stakeholders in the environment, social and governance (ESG) aspects, while assessing the operational impacts to revenues, customer satisfaction, employee loyalty, and operational risks.</p> <p>Which, various issue panels are organized for multiple aspects, including corporate governance, employee relationship, community care, environment protection, and green products, and budgets are prepared, the annual goals and strategies are established, and the annual projects are planned and implemented. Meanwhile, the performance is tracked, to ensure the sustainable development strategies are sufficiently implemented in the daily operations of the Company, and communication channels with the stakeholders are established and activities are conducted.</p> <p>The "Sustainability Committee" holds quarterly meetings to establish the roadmap for corporate responsibility, and review the implementation of related affairs with continuous improvement. The Committee also reports the key issues to the Board of Directors every quarter, and the annual sustainable development plans and work progress every year. The Board of Directors must review the feasibility and progress of strategies</p>	No material deviation.

Promoted Item	Implementation			Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
			with the urging recommendations. The 2021 report includes (1) items completed for the 2020 sustainable development tasks; (2) key items of the 2021 sustainable development plan; (3) risk management working plans	
II. Does the Company follow the materiality principle to conduct a risk assessment for environmental, social and corporate governance topics related to company operation, and establish a risk management related policy or strategy?	✓		<p>The disclosed information covers the risk assessment extremums of the major operations of the Company during January 2021 to December 2021, and including the subsidiaries, namely Zyxel, ZNet, and MitraStar. The Company’s risk management procedures are analyzed based on the principle of materiality, and the operational and strategic goals are confirmed; then various risk trend reports are reviewed to understand the opportunities and risks industry and economy, while combining the occurred risk record of its own to identify the possible risks impacting the operational goals, to establish the key points of the risk management.</p> <p>The risk matrix analysis is conducted for the possible frequencies, impact degrees, and degree of being controlled of these risks, for classifying the risk management, and determining the plans and measures of risk handling; the whole process shall be documented, communicated, consulted, monitored, and reviewed.</p> <p>The risk management policies and procedures are approved by the Board, as the highest guidelines for risk management, and the risk management panel is established under the “Sustainable Committee of Unizyx Group,” to establish the related responding policies and process based on the ISO31000 risk management standards, and be responsible for the implementation of the risk management policies approved by the Board.</p> <p>For the aspects of corporate governance, economy, environment, and society, the risk management scopes and</p>	No material deviation.

Promoted Item	Implementation			Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons						
	Yes	No	Summary							
			<p>responding strategies are as shown in the following table:</p> <table border="1"> <thead> <tr> <th>Aspect</th> <th>Category of risk</th> <th>Mitigation measure</th> </tr> </thead> <tbody> <tr> <td>Corporate governance</td> <td>Operational risks</td> <td> <ul style="list-style-type: none"> • The strategy issues are reported to directors regularly, and the operational risks are sought to be reduced with the engagement, recommendations, and oversights of the Board members. • Managing the annual guidelines and goal achievement via the operation performance meetings. • Enhancing the risk management mechanism, adding diversified interactions and channels with stakeholders, and improving the communication and disclosure quality. • Establishing the “Managerial Procedures of Operating Plans” to ensure the product quality and market competitiveness, customer satisfaction, and implementation effects of financial performance, for being able to adjust the sustainable management goals timely. </td> </tr> </tbody> </table>	Aspect	Category of risk	Mitigation measure	Corporate governance	Operational risks	<ul style="list-style-type: none"> • The strategy issues are reported to directors regularly, and the operational risks are sought to be reduced with the engagement, recommendations, and oversights of the Board members. • Managing the annual guidelines and goal achievement via the operation performance meetings. • Enhancing the risk management mechanism, adding diversified interactions and channels with stakeholders, and improving the communication and disclosure quality. • Establishing the “Managerial Procedures of Operating Plans” to ensure the product quality and market competitiveness, customer satisfaction, and implementation effects of financial performance, for being able to adjust the sustainable management goals timely. 	
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Promoted Item	Implementation			Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons				
	Yes	No	Summary					
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Promoted Item	Implementation			Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons					
	Yes	No	Summary						
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	Yes	No	Summary	
<p>III. Environmental Topic</p> <p>(I) Has the Company set an environmental management system designed to industry characteristics?</p> <p>(II) Is the Company committed to improving energy utilization efficiency and to the use of renewable materials with low environmental impact?</p>	<p>✓</p> <p>✓</p>		<p>(I) The Group establishes the environmental policies based on its industrial characteristics, and builds the systems, procedures and management manuals related to environmental management for environmental management. Meanwhile, targets are set for major environmental issues and the results are tracked every year. The subsidiaries under the Unizyx Group currently have passed ISO 9001, TL 9000, ISO 14001, and ISO45001; the GHG inventory (ISO14064) is conducted annually to track the performance of emission reduction, and the results are disclosed in the Sustainability Report and on the official website.</p> <p>(II) The Group sets targets for the efficiency of resource utilization every year and tracks the results. The improvement in the efficiency of power resource utilization is mainly the energy saving of office illumination and air-conditioning, including: replacing with energy-saving lamps, replacing old chillers and promoting energy-saving activities. Meanwhile, as there is no water required for manufacturing process, water resources conservation is mainly in the water- saving facilities for daily water uses and promotions. Energy saving goals: 200,000 kWh for 2021; 5 million kWh accumulated during 2017 to 2021. Achievement status 210,000 kWh for 2021; 5.04 million kWh accumulated during 2017 to 2021. Meanwhile, the Group's products and business activities comply with the management policy of the green industry, and environmentally friendly and energy-saving products are continuously developed and manufactured.</p>	<p>No material deviation.</p> <p>No material deviation.</p>

Promoted Item	Implementation			Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
(III) Does the Company evaluate current and future climate change potential risks and opportunities and take measures to respond the climate related issues?	✓		(III) The Company discloses information such as climate governance, strategies, risk management, and indicators and objectives based on the Task Force on Climate-Related Financial Disclosures (TCFD) for identifying the risks and opportunities of climate change; based on the categories of climate change risks and opportunities and impact degrees, and the identification and sorting of climate related risks and opportunities are conducted to respond to the potential crisis of climate change, including: environmental regulations, GHG emission controls, technological improvement costs for low-carbon and high performance, rising raw material costs, and rising temperature. The responding measures are formulated to lower the risks identified as risks, including: adopting production, distribution and sales process and new technologies with better efficiency, developing and innovating energy-saving products, and the strategic resilience of the organization when facing natural disasters, while analyzing the potential financial impacts of adopting various responding measures. The Group’s risks and opportunities of climate change and analysis of financial impacts are disclosed in the Sustainability Report.	No material deviation.

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(IV) Does the Company collect data for greenhouse gas emissions, water usage and waste quantity in the past two years, and set energy conservation, greenhouse gas emissions reduction, water usage reduction and other waste management policies?	✓		<p>(IV) The Group conducts annual statistics on greenhouse gas emissions, water consumption, and total waste weight, while establishing environmental policies, including policies for energy-saving and carbon reduction, greenhouse gas reduction, water reduction or other waste management, and establishes targets for tracking results.</p> <p>1. GHG emission</p> <p>In 2021, for the Taiwan facilities of Unizyx, the subsidiary, MitraStar, has completed the ISO14064-1 inventory and the third party verification. Zyxel completed the ISO14064 inventory.</p> <p>GHG emission volume in the most recent two years: (ton/CO2-e)</p> <table border="1"> <thead> <tr> <th rowspan="2">Site</th> <th colspan="2">Category 1</th> <th colspan="2">Category 2</th> </tr> <tr> <th>2021</th> <th>2020</th> <th>2021</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>MitraStar site</td> <td>427</td> <td>199</td> <td>4,432</td> <td>5,007</td> </tr> <tr> <td>Zyxel site</td> <td>100</td> <td>72</td> <td>1,196</td> <td>1,236</td> </tr> </tbody> </table> <p>To reduce GHG emissions, in 2017, the goal to reduce 2,000 tons of GHG during a five-year period (2017 to 2021) was established.</p> <p>Power resources are mainly utilized for office illumination and air-conditioning. The energy-saving measures include: the design of glass ceilings to save the illumination during day time, saving the electricity bill of air-conditioners, building ice-storage air conditioning systems in plants, reducing the electricity consumption of illumination, reducing leaking of compressed air for the process to save power consumption, and encourage employees to take the shuttle buses or car-pool for</p>	Site	Category 1		Category 2		2021	2020	2021	2020	MitraStar site	427	199	4,432	5,007	Zyxel site	100	72	1,196	1,236	No material deviation.
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			<p>commuting. The management guideline is to increase the energy utilization efficiency; in 2021, the goal of cumulative energy-saving of 7 million kWh during a five-year time was achieved.</p> <p>2. Water usage The production process of the subsidiaries under the Unizyx Group is mainly assembly, without demands of water during the process, and thus no significant water was consumed. The use of water is mainly for the water of the factory facilities and people’s daily life needs; The water sources are all tap water. Water usage volume in the most recent two years: (MitraStar and Zyxel Campus) (ton/year)</p> <table border="1"> <thead> <tr> <th>Year</th> <th>2021</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>MitraStar</td> <td>39,394</td> <td>39,805</td> </tr> <tr> <td>Zyxel</td> <td>11,228</td> <td>13,548</td> </tr> <tr> <td>Total</td> <td>49,622</td> <td>53,353</td> </tr> </tbody> </table> <p>Unizyx’s water resource management continuously implements the daily water saving measures, and in 2021, the water saving rate achieved the goal of >3%.</p> <p>3. Waste management We continuously improve the production equipment to meet various international environmental requirements, realize the green enterprise, and achieve the goal of environmental protection. During the production process, the utilization of raw materials is reduced as much as possible, for reducing the generation of waste, costs and expenses; re-use the recycled resources to lower the environmental pollution and effectively use resources. Waste generation volume/recycle rate in the most recent</p>	Year	2021	2020	MitraStar	39,394	39,805	Zyxel	11,228	13,548	Total	49,622	53,353	
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<p>IV. Social Topics</p> <p>(I) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?</p>	✓		<p>(I) The Group’s management policies for stakeholders, such as clients, employees, suppliers, communities, and investors, follow relevant international standards, support internationally recognized human rights norms and principles, including the "Universal Declaration of Human Rights," The United Nations Global Compact," and International Labor Organization’s "Declaration of Fundamental Principles and Rights at Work," while abiding by the local laws and regulations of the locations where the Company operates.</p> <p>The Group establishes relevant management regulations and procedures, and expressly formulates internal management procedures such as work rules, employee handbooks, sexual harassment prevention, and anti-bullying in the workplace, to clearly demonstrate protection of employees' rights and proper care to them. Meanwhile, in order to enhance the human rights of all employees in the supply chain, the "Code of Conduct for Suppliers" has been formulated to protect and take care of employees jointly with suppliers.</p>	No material deviation.												

Promoted Item	Implementation			Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons								
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			<p>Based on this, the Group identifies major human rights concerns and sets management policies and goals.</p> <table border="1"> <thead> <tr> <th>Monitoring human rights</th> <th>Management proposal</th> </tr> </thead> <tbody> <tr> <td>Physical and mental well-being and work-life balance</td> <td>Diversified club and employee activities are provided.</td> </tr> <tr> <td>Safe and healthy working environment is provided</td> <td> <ul style="list-style-type: none"> • The management goal is “zero occupational disaster”. • Adhering to the government regulations related to occupational health and safety and the international regulations, while establishing the “occupational health and safety management system” to implement the related laws and regulations. • Physical checks are conducted annually, and the outcomes are categorized for management, to better track the groups with potential health risks regularly • Being employee need-oriented, the health-improving activities and assisting programs to employees are promoted. </td> </tr> <tr> <td>No discrimination</td> <td>The “Company Recruitment Guideline” specify the principle of no discrimination regardless of religions, races, classes, languages,</td> </tr> </tbody> </table>	Monitoring human rights	Management proposal	Physical and mental well-being and work-life balance	Diversified club and employee activities are provided.	Safe and healthy working environment is provided	<ul style="list-style-type: none"> • The management goal is “zero occupational disaster”. • Adhering to the government regulations related to occupational health and safety and the international regulations, while establishing the “occupational health and safety management system” to implement the related laws and regulations. • Physical checks are conducted annually, and the outcomes are categorized for management, to better track the groups with potential health risks regularly • Being employee need-oriented, the health-improving activities and assisting programs to employees are promoted. 	No discrimination	The “Company Recruitment Guideline” specify the principle of no discrimination regardless of religions, races, classes, languages,	
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	Yes	No	Summary	
				ideologies, political preferences, origins, places of birth, genders, sexual preferences, age, marital status, appearance, facial features, physical or mental disorders, or past membership of any union.
			Forced labor prohibited	Complying with governmental laws, international regulations and the Company’s principles for corporate social responsibility practices, to eliminate forced labor in any form.
			Child labor prohibited	The Company’s recruitment process document specifies that the Company only accepts job candidates aged 18 or older, and inspects the job candidates.
			Complaint filing mechanism for implementing human rights	<ul style="list-style-type: none"> • Diversified opinion channels for employees, and the quarterly employee conventions for open interactions between employees and the employer. • The “Procedures of Complaint and Whistleblowing by Stakeholders of the Group” are specified, with complaint channels and the pre-requisites of protection to the whistleblowers’ rights, for designated personnel to proceed.

Promoted Item	Implementation			Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
			<p>Freedom of association and collective consultation</p> <ul style="list-style-type: none"> • The freedom of association and collective bargaining rights of employees are respected. Employees are fully informed that they are free to join any organization they choose, without any adverse consequence or being retaliated against by the Company. • Regular Management and Labor Council for the two-way communications. 	
(II) Has the Company established appropriately managed employee welfare measures (including salary and compensation, leave and others), and linked operational performance or achievements with employee salary and compensation?	✓		<p>(II) <u>Employees’ remunerations</u> To have the overall competitive wages, incentive programs are offered and the earnings are shared with employees. The starting salaries of the newly recruited are determined based on the educational and career background of the stationed locations, professional knowledge and skills, and seniority and experiences; no difference will be made due to genders, races, genders, political preferences, marital status, and unions/clubs.</p> <p><u>Diversification and equality in the working place:</u> A friendly working environment with gender equality, cross-generation fusion, and blends of diversified cultures. Talents are recruited in an open and fair manner; the fairness of recruitment and talent quality is ensured via complete interviews and training. In the procedure of appointment, it is specified that job candidates and employees are treated reasonably in terms of recruitment, appointment, development, appraisals and rewards. The Company offers equal remunerations and promotion opportunities. In 2021, female employees accounted for</p>	No material deviation.

Promoted Item	Implementation			Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
			<p>43%, and female supervisors accounted for 29%.</p> <p><u>Employee benefits:</u> The “Unizyx Group United Employee Welfare Committee” is committed to creating a happy status both at work and life for the colleagues, such as: family day, arts and cultural activities, subsidies for club activities, employee tours, and various subsidies to employees, including gifts for dragon boat festival and mid-autumn festival, benefit points for birthdays, emergency aid, EAP employee assisting programs, among other things. The welfare facilities with physical-mental balance: employee gym, health center, employee recreation room, convenient stores, coffee bar and recreation zones, breastfeeding rooms and various on-site services, various diet selections in the Staff’s Dining Room, dorms, shuttle buses, and employee parking lots. Through the complete training system and employee planning and development, employees are assisted to improve their professional capabilities and self-growth, to become an important driving force for the Company's sustainable development.</p> <p><u>Leave system:</u> the paid leaves of employees conform to the Labor Standards Act; when any family member needs to be taken care of, an employee may apply for the “family care leave.” The parental leave without pay may be applied pursuant to laws when there is a babysitting need for a newborn; before the expiration of such leave, the Company actively arranges the return plan. For any long leave due to personal reasons, leave without pay may be applied. Better than other companies, the Company offers a half-day vaccination leave to these employees getting vaccinated.</p>	

Promoted Item	Implementation			Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
(III) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?	✓		<p><u>The employees’ remunerations reflect the operating performance:</u> For the fair and reasonable appraisal of employees’ performance, the Company has established the “Procedures for Performance Management,” as the basis for the position appointment, promotion, salary adjustment, and training and developments; the operating performance is properly reflected in the employees’ remunerations.</p> <p>(III) The Company has been certified with ISO 9001, TL 9000, ISO 14001, and ISO 45001.</p> <p><u>Workplace safety and health management:</u> In the operation of the manufacturing process, complete preventive measures for hazards are provided to ensure the safety of employees’ working environment. For the health and safety risks, the preventive hazard measures include the operating environment monitor, improvements of the operating environment, personnel training, protections of machinery equipment, PPEs, chemicals management, prevention of occupational diseases, indications of fire and security equipment, occupational disaster surveys, risk evaluations, and contingent measures. In 2021, the occupational disaster incident < 1, disabling injury frequency rate (FR)= <0.67, and the disabling injury severity rate (SR) <1. The improvement rate of fire-fighting equipment was 100%, and the incidence of occupational diseases was 0 in terms of prevention of occupational diseases.</p> <p><u>Employee health:</u> planning a series of health promotion activities to provide employees to appreciate their own health through four aspects: diet, exercise, psychology, and behavior. In addition, a sports park is built with gym and courts to improve the health of employees. In the event</p>	No material deviation.

Promoted Item	Implementation			Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
(IV) Has the Company established effective career development training plans?	✓		questionnaire, the response rate is $\geq 80\%$, and the satisfaction with activities is 4 points or $\geq 90\%$. <u>Safety and health education</u> : complete employee safety and health training are undertaken; corporate continuous operation management awareness training for managers is also conducted, for risk assessment, emergency response training courses and drills are taken simultaneously. The training coverage rate of occupational safety education courses in 2021 was 97%. (IV) Unizyx’s employee training includes traditional classroom training and on the job training, as well as e- learning through the e-learning platform “Corporate University.” For the employees’ continuing education and training, please refer to “V. Labor Relation.”	No material deviation.
(V) Does the Company’s product and service comply with related regulations and international rules for customers’ health and safety, privacy, sales, labeling and set policies to protect consumers’ rights and consumer appeal procedures?	✓		(V) The Company has purchased product liability insurance, and has a complete service system for all clients and consumers, to ensure immediate responses to clients’ needs and protect consumer rights. ISO 27001:2013 international standard certification is obtained, to safeguard customers’ data with information security management and technologies. The “Group’s Managerial Procedures for Personal Information Protection” are established. The customer service units manage the customer information, and the Internal Auditing Office inspects the personal information management from time to time; any material deficiency will be reported to the Board. Meanwhile, for the marketing and labeling of products and services, the “Managerial Procedures for Information Disclosure” are established to comply with the related laws and regulations, international standards, and the Company’s requirements of confidentiality. The “Procedures of Complaint and Whistleblowing by	No material deviation.

Promoted Item	Implementation			Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
(VI) Does the Company set supplier management policy and request suppliers to comply with related standards on the topics of environmental, occupational safety and health or labor rights, and their implementation status?	✓		<p>Stakeholders of the Group” are specified, with complaint channels and the pre-requisites of protection to the whistleblowers’ rights, for designated personnel to proceed.</p> <p>(VI) Unizyx adopts four process guidelines, including requirements management, risk assessment, audit verification, and continuous improvement, and has formulated the "Code of Conduct for Suppliers," focusing on suppliers’ efforts in improving labor human rights and health, occupational safety and health, business ethics, and environmental protection.</p> <p>Suppliers are required to sign the "Supplier Corporate Social Responsibility Statement and Commitment" and the "Supplier Integrity Commitment" to ensure that they actually comply with their commitments, and regularly reply to the "Supplier Social Responsibility Assessment Questionnaire" and conduct "onsite audits" to identify sustainability risks of the supply chain, and the corporate social responsibility actions and results are included in supplier selection and evaluation indicators. In addition, the “Corporate Social Responsibility Training for Supplier" is also provided as learning materials to assist suppliers in continuous improvement.</p>	No material deviation.
V. Does the Company refer to international reporting rules or guidelines to publish Sustainability Report to disclose non-financial information of the Company? Has the said Report acquired the third party certification institution verification or statement of assurance?	✓		<p>The CSR reports have been prepared pursuant to the Global Reporting Initiative (GRI)’s framework (2016) of Sustainability Reporting Standards, describe the outcomes of important analysis, disclosure, and feedback in the content, with the comparison table at the end for reference. Meanwhile, the corporate social responsibility report and the implementation of corporate social responsibility are disclosed on the corporate social responsibility page of Unizyx’s website and the MOPs.</p>	No material deviation.

Promoted Item	Implementation			Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
<p>VI. If the Company has established its sustainable development practice principles according to the “Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies,” please describe the operational status and variance. Unizyx has established the “Sustainable Development Best Practice Principles,” and complies with such principles without material variance.</p>				
<p>VII. Other important information to facilitate a better understanding of the company’s implementation of sustainable development:</p> <p>(I) Community relationship</p> <ol style="list-style-type: none"> 1. Talent cultivation: The Group Chairman, Mr. Shun-I Chu, established the "Progressive Foundation of Education" under his own name to provide scholarships and grants to cultivate talents in the long term. In addition, in August 2015, the "Zyxel Foundation" was formally established and registered to promote innovation and entrepreneurship, practice social welfare, and demonstrate the corporate spirit of giving back to society. 2. Care for the disadvantaged: Caring for the disadvantaged groups in the area, providing long-term subsidies and care for the community in need and life. 3. Community care: donate or support social groups, cope with government agencies to organize activities regarding natural ecological conservation, greening the environment, and resource reclamation. <p>(II) Green products:</p> <p>The Company customizes a set of "Green Collaborative Information System," to check at each stage, including the raw material suppliers, production, manufacturing, transportation, use and disposal, for implementation of green management in every section. At the same time, it actively conducts carbon dioxide emissions investigation and control, reduces greenhouse gas emissions, and implements product carbon footprint inventory.</p>				

4.6 Fulfillment of Ethical Corporate Management and Deviations from “the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”

Assessment Item	Implementation Status			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Summary	
<p>I. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures</p> <p>(I) Does the company have a clear ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?</p>	✓		(I) Unizyx has established the “Principles and Procedures for Ethical Management and Guidelines for Conduct,” approved by the Board of Directors, and disclosed on Unizyx’s website and MOPS. The personnel shall actively implement the regulations. In terms of corporate social responsibility commitments, the "corporate governance" is clearly stated: "We will comply with relevant legal requirements and emphasize the principle of ethics, and observe business ethics."	No material variance.
<p>(II) Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct within a scope no less than the activities prescribed in paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”?</p>	✓		(II) Unizyx has established the evaluation mechanism of unethical behavior risks based on the RBA management system and regulations. The annual analysis is conducted to identify risks with the “Identification and Evaluation Form of Ethical Risks;” the departments with high risks must complete the commercial ethics checklist and sign the commercial ethics pledge, to be reviewed and approved in the audit meeting of the risk panel. Evaluate the operating activities having higher unethical behavior risks within the business scope, and established the “Principles and Procedures for Ethical Management and Guidelines for Conduct,” to formulate prevention programs for the matters set for in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the related procedures must be observed.	No material variance.

Assessment Item	Implementation Status			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Summary	
(III) Whether the company has established relevant policies that are duly enforced to prevent unethical conduct, provided implementation procedures, guidelines, consequences of violation and appealing procedures, and periodically reviews and revises such policies?	✓		(III) The Board has established the “Principles and Procedures for Ethical Management and Guidelines for Conduct,” to formulate prevention programs for the matters set for in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies. Such conduct is only permitted through the required procedures. The “Employee Code of Conduct” has been established as the basic behavioral guidelines and ethical standards to be followed when all employees perform their daily duties, and clarify and restate Unizyx's existing management philosophy and values, and the spirit signified by related laws and regulations. The Company has "Employment Procedures for Employees," specifying that employees are not allowed to accept bribes and commissions, so to prevent employees from sacrificing the Company's interests instead of their personal interests. All employees are required not to provide or accept bribe, or other improper benefits in any form. For the internal implementation planned for ethical management, promotions and training are conducted, and the risks are evaluated, while the disciplinary system for violations and complaint channels are provided. The audit unit is responsible for conducting the risk evaluation related to the ethics and overseeing the implementation, maintaining the complaint channels and providing the review and correction proposals via the self-assessment and audit of the internal control.	No material variance.

Assessment Item	Implementation Status			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Summary	
<p>II. Ethic Management Practice</p> <p>(I) Whether the company has assessed the ethics records of whom it has business relationships and include business conduct and ethics related clauses in the business contracts?</p> <p>(II) Whether the company has set up a unit that is dedicated (or concurrent) to promoting the company’s ethical standards and regularly (at least once a year) reports directly to the Board of Directors on its ethical corporate management policy and relevant matters, and program to prevent unethical conduct and monitor its implementation?</p> <p>(III) Whether the company has established policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(I) Unizyx has established relevant evaluation mechanisms for its clients and suppliers, and detailed the rights and obligations of both parties when entering into contracts with them, with non-disclosure terms. The suppliers are required to complete the “Survey for Evaluating Supplier’s Social Responsibility,” and onsite audits are conducted for the suppliers. The due diligence of ethical behavior is conducted with the “CSR Appraisal and Inspection Form of Supplier’s Onsite Audit.” The suppliers are required to complete the “Declaration and Promise on the Supplier’s Corporate Social Responsibility” and “Promise of Ethics and Integrity” to commit to compliance with the commercial ethic requirements related to anti-corruption.</p> <p>(II) The management takes ethical management as the highest operating principle and complies with relevant regulations. In addition, it also has an internal audit plan for conducting regular audits by internal auditors and reporting in the meetings of the Board of Directors.</p> <p>(III) Unizyx has established a “Code of Ethical Conduct” to prevent conflict of interest, and provides related complaint channels. Meanwhile, the “Principles and Procedures for Ethical Management and Guidelines for Conduct” require Zyxel Holding and all personnel establish the relationships with clients, supplier, and other external persons in the business manner of fairness, openness, and honesty. None of the staff shall</p>	<p>No material variance.</p> <p>No material variance.</p> <p>No material variance.</p>

Assessment Item	Implementation Status			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Summary	
(IV) To implement relevant policies on ethical, has the company established effective accounting and internal control systems, audit plans based on the assessment of unethical conduct, and has its ethical conduct program audited by internal auditors or CPA periodically?	✓		<p>solicit customers for business in an unfair manner. The staff shall use the best effort to upgrade the product and service level that satisfy clients’ need.</p> <p>(IV) Unizyx has established an effective accounting system, and shall not have external accounts or keep secret accounts. The system shall be reviewed frequently to ensure that the design and implementation of the system continue to be effective. An effective internal control system has also been established, and an internal audit unit under the Board of Directors has been set up, to report to the Board of Directors quarterly; CPAs may be retained to perform inspections. If required, professional personnel may be commissioned to assist.</p>	No material variance.
(V) Does the company provide internal and external ethical conduct training programs	✓		<p>(V) The “Principles and Procedures for Ethical Management and Guidelines for Conduct” and “Code of Ethical Conduct” are disclosed at Unizyx’s website and MOPS. The HR Department hosts promotional sessions for all managers and employees of the Group through e-learning. The contents include all business activities, the relationships with clients, suppliers, and other external persons, all employees in the Group, and the practice of social responsibility, and thus the Group’s philosophy, values, and spirits of related laws and regulations are understood, for the observation of the principles and codes, and implemented in the daily tasks. The Company conducts training related to ethical management every year. The total attendees are 1,581, with a total of 791 hours.</p>	No material variance.

Assessment Item	Implementation Status			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Summary	
<p>III. Implementation of Complaint Procedures</p> <p>(I) Does the company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received?</p>	✓		(I) Unizyx has established the “Principles and Procedures for Ethical Management and Guidelines for Conduct,” to specify the whistleblowing system, including whistleblowing mailbox and hotline, assignment of dedicated staff, and measures to protect whistleblowers. The “Procedures of Complaint and Whistleblowing by Stakeholders” are established for the internal and external complaint channels and handling system, with the complaint mailbox, hotline, and e-mail box. The internal stakeholders may file the complaints via the email of the Human Resource Department: Care.Unizyx@unizyx.com.tw; the external stakeholders may file the complaints via the email of the Internal Auditing Office: audit@unizyx.com.tw	No material variance.
<p>(II) Whether the company has established standard operating procedures for investigating the complaints received, follow-up measures after the investigation is completed, and ensuring such complaints are handled in a confidential manner?</p>	✓		(II) The Company’s “Procedures of Complaint and Whistleblowing by Stakeholders” regulate all internal and external whistleblowing, which are handled by the complaint review team. Each complaint will be an individual project, and documented or retained in writing, electronic files, or system approval. Any material violation found via an investigation shall be reported to the independent directors or supervisors actively by the Internal Auditing Office; when the complaint is verified as a fact, the proper reward shall be granted to the whistleblower(s). The Company shall handle the whistleblowing cases confidentially, and in the way of being fast, fair, and objective, while protecting the identities of whistleblowers in absolute confidentiality.	No material variance.

Assessment Item	Implementation Status			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Summary	
(III) Does the company adopt proper measures to prevent a whistleblower from retaliation for his/her whistleblowing?	✓		(III) The Company’s “Procedures of Complaint and Whistleblowing by Stakeholders” adopts necessary steps to protect whistleblowers and investigators from retaliations or unfair treatments.	No material variance.
IV. Enhancing information disclosure Does the company disclose its ethical corporate management best practice principles as well as information about implementation of such guidelines on its website and Market Observation Post System (“MOPS”)?	✓		The Company discloses the “Principles and Procedures for Ethical Management and Guidelines for Conduct,” and announces the “Principles and Procedures for Ethical Management and Guidelines for Conduct,” “Code of Ethical Conduct,” and “Managerial Procedures for Commercial Ethic and Integrity Operation.” The official website and the Sustainability Report disclose the Principles of Ethical Management and the outcomes of promotion.	No material variance.
V. If the Company has established its ethical corporate management practice principles according to the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies,” please describe the operational status and variance. Unizyx has established the “Ethical Corporate Management Best Practice Principles,” specifying the principles of ethical behaviors for employees, and complies with such principles without material variance.				
VI. Other important information to facilitate a better understanding of the company’s ethical corporate management practices: (e.g., reviewing and amending the company’s corporate management best practice principles): None.				

4.7 If the Company Has Established Corporate Governance Principles or Other Relevant Guidelines, References to Such Principles Shall Be Disclosed:

Unizyx has established its own Corporate Governance Best Practice principles, Parliamentary Rules for Shareholders' Meetings, Parliamentary Rules for Board of Directors' Meetings, Regulations for Election of Directors and Supervisors, Code of Ethical Conduct, Ethical Operating Procedures and Behavior Guidelines, and Corporate Social Responsibility Best Practice Principles, which may be accessed at Unizyx's website (<http://www.unizyx.com.tw/>), and the MOPS (<http://mops.twse.com.tw/>).

4.8 Other Important Information That Is Sufficient to Enhance the Understanding of the Corporate Governance Operations:

- 4.8.1 Unizyx's corporate governance implementation may be accessed on Unizyx's website or the MOPS.
- 4.8.2 For Unizyx's managerial officers' attendance to the courses related to corporate governance, please refer to the "Labor Relations" section herein.

4.9 Disclosure of Internal Control System:

- 4.9.1 Internal Control Statement: Please refer to page 133.
- 4.9.2 The internal control audit report issued by the external auditor commissioned to conduct an internal control audit if any: none.

4.10 If There Has Been Any Legal Penalty against the Company and Its Internal Personnel, or Any Disciplinary Penalty by the Company against Its Internal Personnel for Violation of the Internal Control System for the Most Recent Year until the Date of Publication of the Annual Report, the Penalty, the Main Shortcomings, and Condition of Improvement Shall Be Disclosed:

- 4.10.1 Any indictment of a responsible person or employee by a prosecutor for an offense related to the occupation: none.
- 4.10.2 Any fine imposed by the Financial Supervisory Commission ("FSC") for violation of laws and regulations: none.
- 4.10.3 Any severe correction imposed by the FSC for deficiencies: none.
- 4.10.4 Other disclosure required by the FSC: none.

4.11 Major Resolutions of Shareholders' Meetings and Board Meetings for the Most Recent Year until the Date of Publication of the Annual Report and Implementation Thereof:

- 4.11.1 Major resolutions made by the shareholders' meetings, and implementation thereof:

Date	Major Resolutions of Shareholders' Meetings
July 1, 2021	<ul style="list-style-type: none">1. Motion for the 2020 business report and financial statements. Implementation status: Resolved to approve.2. Motion for 2020 appropriation of profit or loss. Implementation status: Resolved to approve. Unizyx's 2020 net profit after tax is NTD 827,943,246, and after compensating the deficit, the deficit to be compensated is NTD 32,700,358, which will be compensated with NTD 32,700,358 from the legal reserve.3. Approved the motion for distribution of cash from capital surplus. Implementation status: Resolved to approve. The Company intends to distribute NTD 223,821,928, from the surplus capital generated from the income derived from the issuance of new shares at a premium. Such distribution will be made at NTD 0.5 per share in cash for the shares registered in the Shareholder

Date	Major Resolutions of Shareholders' Meetings
	<p>Registry on the record date of distribution.</p> <p>4. Motion for the amendment to "Parliamentary Rules for Shareholders' Meetings". Implementation status: Resolved to approve. The same was uploaded to the MOPS on July 1, 2021, and updated on Unizyx's website.</p> <p>5. Motion for the amendment to the "Procedures for Loaning Funds to Others". Implementation status: Resolved to approve. The same was uploaded to the MOPS on July 1, 2021, and updated on the Unizyx's website.</p> <p>6. Approved the motion for amendments to "Procedures for Election of Directors". Implementation status: Resolved to approve. The same was uploaded to the MOPS on July 1, 2021, and updated on Unizyx's website.</p> <p>7. Approved the motion for lifting the non-competition restriction on Unizyx's directors. Implementation status: Resolved to approve. Meanwhile, the same shall be made public in accordance with subparagraph 21, Paragraph 1 of Article 4 of the "Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities".</p>

4.11.2 Major resolutions made by the Board of Directors' Meetings :

Date	Major Resolutions of Board of Directors' Meeting
<p>March 15, 2021</p> <p>4th Board</p> <p>8th Meeting</p>	<p>1. Retroactive Recognition Items: (1) Resolution passed for the assignment of executives.</p> <p>2. Discussed Items: (1) Resolution passed for the independent auditors' competence and independence evaluation. (2) Resolution passed for 2020 remuneration to employees and directors. (3) Resolution passed for 2020 business report and financial statements. (4) Resolution passed for 2021 business plan. (5) Resolution passed for 2020 Internal Control System Statement. (6) Resolution passed for 2020 compensation to Chairman and managerial officers. (7) Resolution passed for 2020 deficit compensated. (8) Resolution passed for distributing cash from capital surplus. (9) Resolution passed for contribution rates of 2021 remuneration to employees and directors. (10) Resolution passed for the current-year endorsement or guarantee limits on behalf of invested companies. (11) Resolution passed for the current-year financial institution credit limit. (12) Resolution passed for the assessment of self-prepared financial</p>

Date	Major Resolutions of Board of Directors' Meeting
	<p>statements.</p> <p>(13) Resolution passed for establishing the chief corporate governance officer.</p> <p>(14) Resolution passed for established the matters related to the exercised the employee stock options in the Fourth Quarter of 2020 converting share capital.</p> <p>(15) Resolution passed for the amendments to Procedures for Election of Directors and Rules of Procedure for Shareholders' Meetings.</p> <p>(16) Resolution passed for the amendment to the "Procedures for Loaning Funds to Others".</p> <p>(17) Resolution passed for lifting the non-competition restriction on the directors.</p> <p>(18) Resolution passed for 2021 general shareholders' meeting date, location and agenda.</p> <p>(19) Resolution passed for drafting and handling written proposals from shareholders with at least a 1% stake.</p>
<p>May 10, 2021 4th Board 9th Meeting</p>	<p>1. Discussed Items:</p> <p>(1) Resolution passed for the change of the external auditors since the Second Quarter of 2021.</p> <p>(2) Resolution passed for the Company's plan to issue common corporate bonds.</p> <p>(3) Resolution passed for the established the matters related to the exercised the employee stock options in the First Quarter of 2021 converting share capital.</p>
<p>June 3, 2021 4th Board 10th Meeting</p>	<p>1. Discussed Items:</p> <p>(1) Resolution passed for the change in date and time of the 2021 general shareholders' meeting.</p>
<p>August 9, 2021 4th Board 11th Meeting</p>	<p>1. Retroactive Recognition Items:</p> <p>(1) Resolution passed for the endorsement or guaranteed limits of the financial institution on behalf of the invested companies.</p> <p>2. Discussed Items:</p> <p>(1) Resolution passed for the current-year endorsement or guaranteed limits on behalf of invested companies.</p> <p>(2) Resolution passed for the record date for the Unizyx's distribution of cash from capital surplus.</p> <p>(3) Resolution passed for established the matters related to the exercised the employee stock options in the Second Quarter of 2021 converting share capital.</p> <p>(4) Resolution passed for Unizyx's additional loan to the subsidiary, MitraStar Technology Corporation.</p> <p>(5) Resolution passed for Unizyx's additional loan to the subsidiary, Zyxel Networks Corporation.</p> <p>(6) Resolution passed for lifting the non-competition restriction on the directors.</p>

Date	Major Resolutions of Board of Directors' Meeting
November 3, 2021 4 th Board 12 th Meeting	<p>1. Retroactive Recognition Items:</p> <p>(1) Resolution passed for the retroactive recognition of the motion for appointment of Unizyx's deputy spokesperson.</p> <p>2. Discussed Items:</p> <p>(1) Resolution passed for amendments to Articles of Association for Audit Committee.</p> <p>(2) Resolution passed for amendments to the Parliamentary Rules for Board of Directors' meetings.</p> <p>(3) Resolution passed for the Third Quarter of 2021 Consolidated Financial Statements.</p> <p>(4) Resolution passed for professional fees of the independent auditors retained by Unizyx.</p> <p>(5) Resolution passed for the Risk Management Policy and Procedure.</p> <p>(6) Resolution passed for the current-year endorsement or guaranteed limits on behalf of invested companies.</p> <p>(7) Resolution passed for Unizyx's investment in Zyxel Networks Corporation.</p> <p>(8) Resolution passed for the participation of Chairman and managerial officers in 2021 subsidiary's cash capital increase reserved for subscription by employees.</p> <p>(9) Resolution passed for 2022 compensation projections for Unizyx's Chairman and managerial officers.</p> <p>(10) Resolution passed for 2022 internal audit plan.</p> <p>(11) Resolution passed for established the matters related to the exercised the employee stock options in the Third Quarter of 2021 converting share capital.</p> <p>(12) Resolution passed for the Company's repurchase of treasury shares to protect Company's reputation and shareholders' equity.</p>
February 7, 2022 4 th Board 13 th Meeting	<p>1. Discussions:</p> <p>(1) Resolution passed for the establishment of the Repurchase Procedures of Treasury Shares.</p> <p>(2) Resolution passed for the amendments to the internal control system.</p> <p>(3) Resolution passed for the capital reduction by cancelling the share capital of the Company with the 11th repurchase of treasury shares.</p> <p>(4) Resolution passed for the Company's repurchase of treasury shares to protect Company's reputation and shareholders' equity.</p>
March 14, 2022 4 th Board 14 th Meeting	<p>1. Discussions:</p> <p>(1) Resolution passed for the independent auditors' competence and independence evaluation.</p> <p>(2) Resolution passed for 2021 remuneration to employees and directors.</p> <p>(3) Resolution passed for 2021 business report and financial statements.</p> <p>(4) Resolution passed for 2022 business plan.</p> <p>(5) Resolution passed for 2021 Internal Control System Statement.</p> <p>(6) Resolution passed for 2021 compensation to Chairman and</p>

Date	Major Resolutions of Board of Directors' Meeting
	<p>managerial officers.</p> <p>(7) Resolution passed for 2021 distribution of earnings.</p> <p>(8) Resolution passed for the Company's capital reduction with cash payment.</p> <p>(9) Resolution passed for the contribution rates of 2022 remuneration to employees and directors.</p> <p>(10) Resolution passed for the current-year endorsement or guarantee on behalf of invested companies.</p> <p>(11) Resolution passed for the current-year financial institution credit limit.</p> <p>(12) Resolution passed for established the matters related to the exercised the employee stock options in the Fourth Quarter of 2021 converting share capital.</p> <p>(13) Resolution passed for Unizyx's additional loan to the subsidiary, MitraStar Technology Corporation.</p> <p>(14) Resolution passed for the removal of loaning of funds to Zyxel Networks Corporation.</p> <p>(15) Resolution passed for the amendments to the "Articles of Incorporation".</p> <p>(16) Resolution passed for the amendments to the "Principles for Corporate Social Responsibility Practice".</p> <p>(17) Resolution passed for the amendment to the "Procedures for Derivatives Trading."</p> <p>(18) Resolution passed for the amendment to the "Procedures for Acquisition or Disposal of Assets".</p> <p>(19) Resolution passed for lifting the non-competition restriction on Unizyx's managerial officers.</p> <p>(20) Resolution passed for lifting the non-competition restriction on the directors.</p> <p>(21) Resolution passed for the full re-election of directors and independent directors.</p> <p>(22) Resolution passed for the nomination for the 5th term of the directors (independent directors included).</p> <p>(23) Resolution passed for 2022 general shareholders' meeting date, location and agenda.</p> <p>(24) Resolution passed for the acceptance of written proposals and the nomination of nine seats of directors (including three seats of independent directors) from the shareholders with at least a 1% stake in Unizyx.</p>

4.12 Any Important Board Resolutions Where Directors or Supervisors Have Expressed Opposition Opinions That Have Been Noted in the Record or Declared in Writing for the Most Recent Year until the Date of Publication of the Annual Report: none.

4.13 Resignation or Dismissal of Key Individuals (Including the Chairman, President and Accounting, Finance, Internal Audit and R&D Managers): none.

5. Information Regarding Independent Auditors

5.1 Information about professional fees of Independent auditors

5.1.1 Information about Professional Fees of Independent Auditors

Unit: NTD thousand

Name of accounting firm	Name of CPA	Period covered by CPA's Audit	Audit Fee	Non-Audit Fee (Note 1)	Total	Remarks
KPMG Taiwan	Ah-Chih Cheng	January 1, 2021~December 31, 2021	2,614	465	3,079	As of the Second Quarter of 2021, Hsing-Hai Wei, CPA was changed to Chi-Lung Yu, CPA due to the internal job rotation adopted by the CPA Firm.
	Shing-Hai Wei	January 1, 2021~March 31, 2021				
	Ji-Long Yu	April 1, 2021~December 31, 2021				

Note 1: The non-audit fees were primarily intended for the master file transfer pricing service.

5.1.2 Change of the CPA firm and the audit fees for the year of the change less than that of the previous year: none.

5.1.3 Audit fees were 10% less than that of the previous year, and the reduction of audit fee, percentage and reasons: none.

5.2 Information about the Change of the Independent Auditors:

5.2.1 Regarding the former CPA:

Date of Change	April 23, 2021		
Reasons and Explanation of Changes	Internal job rotation adopted by the CPA Firm		
To specify whether the client or CPA terminates or rejects the appointment	Status	Party	Client
	Terminate the appointment voluntarily	CPA	Client
	Reject the (renewed) appointment	Not applicable	Not applicable
Reasons for issuing opinions other than unqualified opinions in the recent 2 years.	Not applicable		
Any Disagreement on opinion with the issuer?	Yes		Accounting principles or practices
			Disclosure of financial report
			Scope or steps of audit
			Others
	N/A	✓	
Remark: Not applicable			
Supplementary disclosures (To be disclosed under subparagraphs 6.1(4)~(7) of Article 10 of the Principles.)	Not applicable		

5.2.2 Regarding the succeeding CPA:

Name of CPA firm Office	KPMG Taiwan
Name of CPA	An-Chi Cheng/Chi-Lung Yu
Date of Appointment	April 13, 2021
Prior to the formal engagement, any inquiry or consultation on the accounting treatment or accounting principles for specific transactions, and the type of audit opinion that might be rendered on the financial report.	Not applicable
Written opinions from the succeeding CPA that are different from the former CPA's opinions.	Not applicable

5.2.3 The reply of former CPA on Article 10.6.1 and Article 10.6.2.3 of the Standards: N/A.

5.3 Information about Chairman, President, and Financial or Accounting Manager of the Company Who Has Worked with the CPA Firm Which Conducts the Audit of the Company or Affiliate to Such Firm in the Most Recent Year: none.

6. Change in Shareholdings or Shares Pledged by Directors, Supervisors, Management Team, and Shareholders with 10% Shareholdings or More during the Most Recent Fiscal Year or during the Current Fiscal Year up to the Date of Publication of the Annual Report

6.1 Changes in Equity of Directors, Supervisors, Managers and Major Shareholders

Unit: Shares

Title	Name	2021		As of April 17, 2022	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman (major shareholder)	Shun-I Chu	-	-	-	-
Director/CEO	Gordon Yang	-	-	500,000	-
Director	Yuh-Long Chen	-	-	-	-
Director	Lien-Pin Pai	-	-	-	-
Director	Representative of ZYXEL Foundation: Ping-Chin Li	-	-	-	-
Representative of institution shareholder	Ping-Chin Li	-	-	-	-
Director	Che-Ho Wei	-	-	-	-
Independent director	K.C. Shih	-	-	-	-
Independent director	Feng Chian	-	-	-	-
Independent director	Chin-Tang Liu	-	-	-	-
Senior Vice President	Woei Lo	(9,000)	-	-	-
Senior Manager, Audit Office	Jessica Chen	-	-	-	-

6.1.1 Counterpart of share transfer is related: none.

6.1.2 Counterpart of share pledge is related: none.

7. Information Regarding Top Ten Shareholders with Relationship as Defined under Statement of Financial Accounting Standards (SFAS) No. 6

April 17, 2022

Name	Shareholding by oneself		Shareholding of spouses and children of minor age		Shareholding through nominees		Name and relationship of top ten shareholders who are related parties as the relationship as defined under Statement of Financial Accounting Standards (SFAS) No. 6		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Shun-I Chu	100,173,833	22.00	16,808,783	3.69	-	-	Zychamp Investment Co., Ltd. Lien-Pin Pai ZYXEL Foundation	Chairman/ President Spouse Chairman	-
ZyFX Technologies Inc.	19,517,000	4.29	-	-	-	-	ZYXEL Foundation	Parent and Subsidiary	-
Lien-Pin Pai	16,808,783	3.69	100,173,833	22.00	-	-	Shun-I Chu	Spouse	-
Unizyx Holding Corporation	12,936,000	2.84	-	-	-	-	Shun-I Chu	Chairman	-
Yuh-Long Chen	8,498,178	1.87	1,760,112	0.39	-	-	-	-	-
Zychamp Investment Co., Ltd.	8,146,262	1.79	-	-	-	-	Shun-I Chu	Chairman/ President	-
ZYXEL Foundation	6,000,000	1.32	-	-	-	-	Shun-I Chu	Chairman	-
Citibank Taiwan in custody for Polunin Emerging Markets Small Cap Fund, LLC	5,627,700	1.24	-	-	-	-	-	-	-
National Yang Ming Chiao Tung University	5,001,169	1.10	-	-	-	-	-	-	-
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	4,546,555	1.00	-	-	-	-	-	-	-

8. Ownership of Shares in Affiliated Enterprises

As of December 31, 2021

Unit: thousand shares, %

Affiliated Enterprises (Note)	Ownership by Unizyx		Ownership by Directors, Managers and Directly/Indirectly Owned Subsidiaries		Total Ownership	
	shares	%	shares	%	shares	%
Zyxel	72,450	100%	-	-	72,450	100%
MitraStar	316,800	100%	-	-	316,800	100%
ZNet	108,888	94%	480	1%	109,368	95%
Black Cat	2,200	67%	220	6%	2,420	73%
ZyAS	-	-	20,712	100%	20,712	100%
Flatworld	-	-	-	-	-	-
ZyUSA	-	-	9,807	100%	9,807	100%
Zychamp	-	-	8,902	100%	8,902	100%
ZyTR	-	-	29,137	100%	29,137	100%
ZyTPE	-	-	6,000	100%	6,000	100%
Gemini	-	-	-	100%	-	100%
ZNet KR	-	-	72	65%	72	65%
ZNet AS	-	-	20,712	100%	20,712	100%
ZNet TH	-	-	8,000	100%	8,000	100%
ZNet FR	-	-	10	100%	10	100%
ZNet IN	-	-	8,470	100%	8,470	100%
ZyDE	-	-	-	100%	-	100%
ZyCZ	-	-	19,000	100%	19,000	100%
ZyUK	-	-	5,375	100%	5,375	100%
ZNet BNL	-	-	14	100%	14	100%
ZyES	-	-	3	100%	3	100%
ZyBR	-	-	5,849	100%	5,849	100%
ZyIT	-	-	10	100%	10	100%
ZNet RUS	-	-	-	100%	-	100%
Ardomus Networks Corporation	-	-	4,841	48%	4,841	48%
ShareTech Information Co., Ltd.	-	-	848	38%	848	38%
Bluebell	-	-	32,856	100%	32,856	100%
XSquare	-	-	13,966	93%	13,966	93%
Tianjin Huagin	-	-	-	95%	-	95%
ZNet SHA	-	-	-	100%	-	100%
Monetics	-	-	-	100%	-	100%
Genezys	-	-	-	100%	-	100%

Affiliated Enterprises (Note)	Ownership by Unizyx		Ownership by Directors, Managers and Directly/Indirectly Owned Subsidiaries		Total Ownership	
	shares	%	shares	%	shares	%
Wuxi MSTC	-	-	-	100%	-	100%
Beijing Huaqin World Technology Co., Ltd.	-	-	-	49%	-	49%

Note: It's a long-term investment and structured entity, recognized with equity method (Flatworld). For the full names of the affiliates, please refer to pages 124~125 of the annual report.

IV. Capital Overview

1. Capital and Shares

1.1 Source of Capital

April 17, 2022, Unit: thousand shares/NTD thousand

Month/ Year	Issued Price	Authorized capital		Paid-in capital		Remarks		
		Number of shares	Amount	Number of shares	Amount	Source of capital	Shares paid with properties other than cash	Others
08/2010	10	700,000	7,000,000	517,048	5,170,483	Conversion of shares	-	August 16, 2010, Jing-Shou-Shang-Zhi No. 09901176800
08/2011	10	700,000	7,000,000	502,435	5,024,353	Reduction of treasury shares	-	August 17, 2011, Jing-Shou-Shang-Zhi No. 10001189770
11/2012	10	700,000	7,000,000	491,320	4,913,203	Reduction of treasury shares	-	November 29, 2012, Jing-Shou-Shang-Zhi No. 10101246240
11/2014	10	700,000	7,000,000	488,761	4,887,613	Reduction of treasury shares	-	November 26, 2014, Jing-Shou-Shang-Zhi No. 10301246010
03/2015	10	700,000	7,000,000	486,660	4,866,603	Reduction of treasury shares	-	April 17, 2015, Jing-Shou-Shang-Zhi No. 10401056770
08/2015	10	700,000	7,000,000	471,023	4,710,233	Reduction of treasury shares	-	August 25, 2015, Jing-Shou-Shang-Zhi No. 10401180230
11/2015	10	700,000	7,000,000	461,177	4,611,773	Reduction of treasury shares	-	November 24, 2015, Jing-Shou-Shang-Zhi No. 10401249320
04/2016	10	700,000	7,000,000	451,177	4,511,773	Reduction of treasury shares	-	April 1, 2016, Jing-Shou-Shang-Zhi No. 10501063810
07/2016	10	700,000	7,000,000	441,177	4,411,773	Reduction of treasury shares	-	July 11, 2016, Jing-Shou-Shang-Zhi No. 10501157500
04/2021	10	700,000	7,000,000	447,643	4,476,438	Exercise of Employee Stock Options	-	April 9, 2021, Jing-Shou-Shang-Zhi No. 11001056230
06/2021	10	700,000	7,000,000	448,348	4,483,479	Exercise of Employee Stock Options	-	June 10, 2021, Jing-Shou-Shang-Zhi No. 11001090800
08/2021	10	700,000	7,000,000	448,524	4,485,239	Exercise of Employee Stock Options	-	August 30, 2021, Jing-Shou-Shang-Zhi No. 11001152420
11/2021	10	700,000	7,000,000	449,001	4,490,009	Exercise of Employee Stock Options	-	November 24, 2021, Jing-Shou-Shang-Zhi No. 11001214780

April 17, 2022 Unit: shares

Type of share	Authorized capital			Remarks
	Outstanding shares (listed)	Unissued shares	Total	
common stock	455,428,855	244,571,145	700,000,000	Listed

Note: Outstanding shares include 6,428 thousand shares of Employee Stock Options. The related registration procedures are still in progress.

1.2 Shareholder structure

April 17, 2022

Shareholder structure Quantity	Government agencies	Financial institutions	Other Juridical person	Domestic Natural Persons	Foreign Institutions and Natural Persons	Total
	Number of shareholders	0	13	226	51,355	113
Shareholdings	0	660,782	58,861,713	365,482,419	30,423,941	455,428,855
Holding percentage (%)	0%	0.15%	12.92%	80.25%	6.68%	100.00%

1.3 Distribution of Equity

Par value NTD 10 per share
April 17, 2022

Shareholding classes	Number of shareholders	Shareholdings	Holding percentage (%)
1 to 999	18,273	1,183,713	0.26%
1,000 to 5,000	25,790	54,368,739	11.94%
5,001 to 10,000	4,096	32,677,164	7.18%
10,001 to 15,000	1,179	14,886,951	3.27%
15,001 to 20,000	760	14,221,979	3.12%
20,001 to 30,000	604	15,590,667	3.42%
30,001 to 40,000	265	9,459,310	2.08%
40,001 to 50,000	199	9,245,168	2.03%
50,001 to 100,000	299	21,740,121	4.77%
100,001 to 200,000	132	18,222,661	4.00%
200,001 to 400,000	55	16,311,636	3.58%
400,001 to 600,000	11	5,327,263	1.17%
600,001 to 800,000	8	5,439,019	1.19%
800,001 to 1,000,000	3	2,880,430	0.63%
Over 1,000,001	33	233,874,034	51.36%
Total	51,707	455,428,855	100.00%

1.4 List of Major Shareholders

April 17, 2022

Major shareholder's name	Shares	Shareholdings	Holding percentage (%)
Shun-I Chu		100,173,833	22.00%
ZyFX Technologies Inc.		19,517,000	4.29%
Lien-Pin Pai		16,808,783	3.69%
Unizyx Holding Corporation		12,936,000	2.84%
Yuh-Long Chen		8,498,178	1.87%
Zychamp Investment Co., Ltd.		8,146,262	1.79%
ZYXEL Foundation		6,000,000	1.32%
Citibank Taiwan in custody for Polunin Emerging Markets Small Cap Fund, LLC		5,627,700	1.24%
National Yang Ming Chiao Tung University		5,001,169	1.10%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds		4,546,555	1.00%

1.5 Market Value, Net Value, Earnings, and Dividends per Share during the Most Recent Two Years

Unit: NTD/share

Item		Year	2021	2020	As of March 31, 2022
Market price per share (Note 1)	Highest		46.55	39.60	34.85
	Lowest		21.75	10.10	28.80
	Average		31.67	19.86	31.52
Net value per share (Note 2)	Before distribution		20.50	18.89	—
	After distribution		Note 8	18.38	—
Earnings per share	Weighted average shares (thousand shares)		440,430	432,651	—
	Earnings per share (Note 3)	Before adjustment	2.49	1.91	—
		After adjustment	Note 8	—	—
Dividends per share	Cash dividend		Note 8	0.50	—
	Stock dividend	Dividends from Retained Earnings	Note 8	—	—
		Dividends from Capital Surplus	Note 8	—	—
	Accumulated undistributed dividends (Note 4)		—	—	—
Return on Investment	Price / Earnings Ratio (Note 5)	Before adjustment	12.72	10.40	—
		After adjustment	Note 8	—	—
	Price / dividend Ratio (Note 6)		Note 8	39.72	—
	Cash dividend Yield (Note 7)		Note 8	2.52%	—

Note 1: Setting forth the highest and lowest market price per share of common stock for each year and calculating average market price based upon the transaction prices and volume for each year.

Note 2: Filling out based on the outstanding shares by the end of the year and the distribution resolved by the shareholders' meeting in the next year.

Note 3: In case retrospective adjustment is required do to stock dividend distribution, the EPS before and after adjustment shall be set forth.

Note 4: In the condition for the issue of equity securities, if it is specified that the undistributed dividends of the year may be accumulated until being distributed in the year with earning, the accumulated undistributed dividends shall be disclosed respectively.

Note 5: Price / Earnings Ratios = Average Market Price / Earnings Per Share

Note 6: Price / Dividend Ratios = Average Market Price / Cash Dividend Per Share

Note 7: Cash Dividend Yield = Cash dividend Per Share / Average Market Price

Note 8: Pending on approval of shareholders at Annual Shareholders' Meeting.

1.6 Dividend policy specified in the Articles of Incorporation and implementation

1.6.1 Dividend policy

Where there is profit at the end of the fiscal year of this Company, this Company shall firstly allocate an amount not less than 0.01% of the profit as the employee bonus and an amount not more than 2% of the profit as director remuneration. If this Company still has losses of previous years, the profit shall be reserved to recover the accumulated losses in advance. In the event that employee bonus is allocated in cash or stocks, the staff or employee of parents or subsidiaries of this Company, to the extent qualified under certain requirement specified by the Board of Directors, is entitled to such employee bonus. Aforementioned

employee bonus may be allocated in cash or in stock to the extent that the market price of employee bonus is not higher than 50% of net profit margin or 50% of distributable surplus.

Where this Company has earnings at the end of the fiscal year, after paying all relevant taxes and making up losses of previous years, this Company shall allocate 10% of said earnings as legal reserve (unless such legal reserve amounts to the total authorized capital), thereafter, a special reserve shall be set aside or reversed, the remainders together with the undistributed earnings at the beginning of this period are distributable surplus. The Boards of directors may propose to allocate the distributable surplus, after reserved in whole or in part, as shareholder's dividend on the condition of shareholder's approval.

The Company's dividend policy shall be based on the Company's profitability, future business operation, and shareholders' interests. Dividends distribution, according to this Articles of Incorporation, shall be distributed in compliance with earning distribution stipulated by the Board of Directors, by taking capital increase from retained earnings or cash or dividend distribution, according to Shareholders' Meeting to achieve a stable balance of the dividend policy based on the Company's structure of shares and finance and profits.

Distribution of profits shall be made preferably by way of cash dividend. Distribution of profits may also be made by way of stock dividend, provided however, the ratio for stock dividend shall not exceed 50% of total distribution. The total amount of aforementioned Company's employee bonuses paid out in cash and distributed as new shares (valued at market price) shall not exceed 50 percent of net income for the current period or 50 percent of distributable earnings.

1.6.2 Implementation

The shareholders' meeting is proposing to distribute cash dividends with the 2021 undistributed earnings of NTD 225,339 thousand, NTD 0.5 per share in cash. The ex-dividend record date, payment date, and other related matters for the cash distribution, upon the resolution of annual shareholders' meeting, the Board of Directors will be authorized to determine.

1.6.3 Describe the expected change in dividend policy is expected: none.

1.7 Impact to business performance and EPS resulting from stock dividend distribution:

Not applicable (the Company does not prepare financial forecast).

1.8 Compensation of employees and directors

1.8.1 The percentages or ranges with respect to employee and director, as set forth in the company's articles of incorporation:

Please refer to the dividend policy above said.

1.8.2 The basis for estimating the amount of employees and directors compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

The compensations to employees and directors are estimated to be recognized as 0.01% and 1.4% of the net profit before tax and recognized compensation to employees and directors, respectively. Shall the estimated amount differ from the actual distribution resolved by the Board of Directors, it is deemed change of accounting estimation, and the adjustment will be accounted in the year resolved by the Board of Directors.

1.8.3 Information on any approval by the board of directors of distribution of compensation:

The remunerations to employees, directors, and supervisors for 2021 was approved by the Board on March 14, 2022; the remuneration to employees is NTD 108 thousand, and NTD

15,028 thousand to directors. The aforesaid remunerations are paid in cash, and no variance from the recognized amount in the 2021 Financial Statements.

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

Unizyx's net income from 2020 has been applied to cover accumulated losses. Therefore, no employee compensation was allocated to employees and directors.

1.9 Shares Repurchase:

1.9.1 Shares Repurchase(Completed)

April 17, 2022

Item	11 th	12 th
Purpose of Repurchase	Protecting the Company's credit and shareholders' interests	Protecting the Company's credit and shareholders' interests
Repurchase Period	From November 4, 2021 to January 3, 2022	From February 8, 2022 to April 7, 2022
Range of Repurchase Prices(NTD)	25~32	25~35
Types and Quantity of Shares Repurchased	2,936,000 shares of common stocks	10,000,000 shares of common stocks
Amount of Repurchased Shares	93,609,416	312,482,443
Ratio of the Number of Repurchased Shares to the Scheduled Repurchased Shares (%)	14.68%	100%
Shares Cancelled and Transferred	2,936,000 Cancellation has not completed	-
Cumulative Number of Shares Held by Company	2,936,000	12,936,000
Ratio of the Cumulative Number of Shares Held by the Company to the Total Number of the Company's Issued Shares (%)	0.65%	2.88%

1.9.2 Share Repurchases (Execution in progress): none.

2. Issuance of Corporate Bonds:

Type of corporate bonds	The 1 st Unsecured Common Corporate bonds in 2021	
Issuance date	August 5, 2021	
Face value	1,000,000	
Location of issuance and trading	Taipei Exchange	
Issued Price	Issued at the face value	
Total amount	1,900,000,000	
Interest rate	0.85%	
Maturity Date	Five years Maturity: August 5, 2026	
Guarantor	N/A	
Trustee	Mega International Commercial Bank Co., Ltd.	
Underwriter	Mega Securities Co., Ltd.	
Legal Counsel	Wei, Chung-Jie's Law Firm	
Auditor	KPMG Taiwan	
Repayment	100% principal repayment upon maturity	
Outstanding	1,900,000,000	
Redemption or Early Repayment Clause	None	
Restrictive Clause	None	
Name of Credit Rating Institution, Rating Date, and Result of Rating	Taiwan Ratings Corporate May 27, 2021 twA-	
Other Rights of Bondholders	Amount of the Converted (exchange or subscription) Common Shares, GDRs, or other Negotiable Securities as of the Printing Date of the annual Report.	Not applicable
	Issuance and Conversion (exchange or subscription) Procedures	None
Dilution Effect or Other Adverse Impact on Existing Shareholders' Equity, If Conversion, Exchange, or Subscription Rights are Attached		None
Custodian		Not applicable

3. Issuance of Preferential Shares: none.

4. Issuance of Global Depositary Receipts: none.

5. Status of Employee Stock Options

5.1 Issuance of Employee Stock Options

April 17, 2022

Employee stock options Granted	2018 1 st Employee stock options	2020 1 st Employee stock options
Date Approval by Regulatory Authority	November 20, 2018	August 21, 2020
Issuance date	November 21, 2018	September 22, 2020
Number of Options Granted	19,018,000 units (19,018,000 shares)	15,000,000 units (15,000,000 shares)
Percentage of Shares Exercisable to Outstanding Common Shares	4.31%	3.40%
Option Duration	5 years	5 years
Source of Option Shares	Issuance of new shares	Issuance of new shares
Vesting Schedule (%)	After 2 full years have elapsed from the time the stock option holder is allocated the employee stock options, the option holder may exercise the share purchase rights according to the schedule set out below: Two full years have elapsed: 50% Three full years have elapsed: 100%	After 2 full years have elapsed from the time the stock option holder is allocated the employee stock options, the option holder may exercise the share purchase rights according to the schedule set out below: Two full years have elapsed: 50% Three full years have elapsed: 100%
Shares Exercised	14,251,500 shares	-
Value of Shares Exercised	172,572,700	-
Shares unexercised (Note)	2,402,500 shares	14,975,000 shares
Adjusted Price Per Share In Unexercised Options	12	24.2
Percentage of shares unexercised to issued common shares (%)	0.54%	3.34%
Impact to shareholders' equity	Dilution to shareholder's equity is limited	Dilution to shareholder's equity is limited

Note: The number of invalid shares due to resignation was deducted.

5.2 Employee Stock Options Granted to Management Team and to Top 10 Employees:

April 17, 2022

	Title	Name	Number of option acquired (thousand shares)	Number of option acquired to number of option issued (Note)	Exercised				Unexercised			
					Number of option	Exercise Price	Options amount (NT\$ thousand)	Number of option to number of option issued (Note)	Number of option	Exercise Price	Options amount (NT\$ thousand)	Number of option to number of option issued (Note)
Managerial officers	Chief Executive Officer	Gordon Yang	2,105	0.47%	1,155	12 and 12.20	13,988	0.26%	950	2018 ESOP NT\$12	21,465	0.21%
	Senior Vice President	Woei Lo										
	Senior Manager	Jessica Chen										
Employee	President	Wayne Huang	3,411	0.76%	1,740	12 and 12.20	9,089	0.39%	1,671	2020 ESOP NT\$24.20	34,216	0.37%
	Chief Operating Officer	Denise Lin										
	Vice President	Allen Lin										
	Senior Assistant Vice President	Jason Wu										
	Senior Assistant Vice President	Chris Chou										
	Senior Assistant Vice President	Isaac Tai										
	Assistant Vice President	Ja Liu										
	Assistant Vice President	CP Liao										
	Assistant Vice President	Kimi Peng										
	Special Assistant	Brain Feng										

Note: The share issued is calculated based on the amended number of total share issued approved by Ministry of Economic Affairs on November 24, 2021.

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

6.1 Basic information of merged or acquired companies: none.

6.2 Any issuance of new shares in connection with a merger or acquisition or with acquisition of shares of any other company is currently in progress, the state of the plan's implementation and its effect upon shareholders' equity shall be disclosed: none.

7. Financing Plans and Implementation: none.

V. Operational Highlights

1. Business Activities

1.1 Business scope

1.1.1 Main areas of business operations

- *Data Storage Media Manufacturing and Duplicating
- *Restrained Telecom Radio Frequency Equipment and Materials Import
- *Restrained Telecom Radio Frequency Equipment and Materials Manufacturing
- *Intellectual Property
- *Wired Communication Equipment and Apparatus Manufacturing
- *Electronic Parts and Components Manufacturing
- *Digital Information Supply Services
- *Software Design Services
- *Data Processing Services
- *Wholesale of Computer Software
- *Management Consulting Services
- *Internet Identify Services
- *International Trade

1.1.2 Main revenue distribution

Product/Year	2021	2020
Broadband access equipment	77.36%	73.00%
Equipment for business	12.48%	13.75%
Others	10.16%	13.25%
Total	100.00%	100.00%

1.2 Overview of the Industry

1.2.1 Current status and development of the industry

IDC forecasted the market development of the global IoT in the next five years, that the global IoT expenses are likely to reach USD1.2 trillion by 2025, and the five-year compound annual growth rate (CAGR) will be 11.4%. Meanwhile, the scale of the Chinese market will exceed USD300 billion by 2025, or 26.1% of the global scale. Market Intelligence & Consulting Institute (MIC) expected the overall communication industry in Taiwan to reach NTD4.38 trillion in 2021, with a growth rate of 26.7%; for 2022, the production value will be NTD4.55 trillion, or growing 3.8% from 2021. The trends of future communication industry development will be smartphone devices, internet communications and 5G.

(1) Internet demands driven by the COVID-19 pandemic

In 2021, the COVID-19 pandemic still impacted the world, and drove the enterprises' digital transformation and zero-contact economy. Therefore, the telecom operators of various countries strive to construct the internet infrastructure, which in turn continuously grows the global network devices and communication products. Other than the applications at the consumers' end, it will expand to enterprise and government users and is expected to lead to the emergence of more applications.

(2) Expectation of continuous global 5G opportunities is worthwhile

Market Intelligence & Consulting Institute (MIC) expected that while the continuous pandemic disturbing the 5G supply chain, the global telecom capex will reach new record highs this and next year. With the push from the new internet technology Open RAN, major countries in the world will enter the peak phase of 5G construction, and the emerging countries that just issued the licenses for the first time, such as Vietnam, Brazil, Columbia, the 5G opportunities are worthy of expectation. Taiwan is accounted for 16.5% of the global 5G equipment in 2021, and expected to grow to 20.9% in 2022, or NTD2.1

trillion, or 45% of the overall communication production value of Taiwan.

(3) Cloud and virtualization drive the 5G open framework industry eco chain

Industrial Economics and Knowledge Center (IEK), ITRI said that the continuous development of cloud and virtualization would further deconstruct soft- and hardware, and the lower deployment costs and brand-less device vendors are derived. The enterprise dedicated network applications will become the major development trend for 5G. The network virtualization technologies and open framework will drive the 5G open framework industry eco chains, such as 5G open source software technologies, 5G network integration services, and internet communication device opportunities. Based on the survey of Dell'Oro, the global market for 5G open framework is expected to exceed USD 4 billion in 2024, and is supported by most governments, telecom operators, and device manufacturers. However, challenges remain for operational cost reduction and stable performance and quality of the network services, so the long-term development needs to be led by the dedicated network application.

(4) Supply chain issues

In 2021, the pandemic impacted the shortage, price rising, and shipment of the parts and components; from the 4th quarter, the short supply of chips was mitigated a bit. The supply shortage is likely to be further mitigated with the stabilization of shipments from Taiwanese manufacturers, and push the growth of the operation.

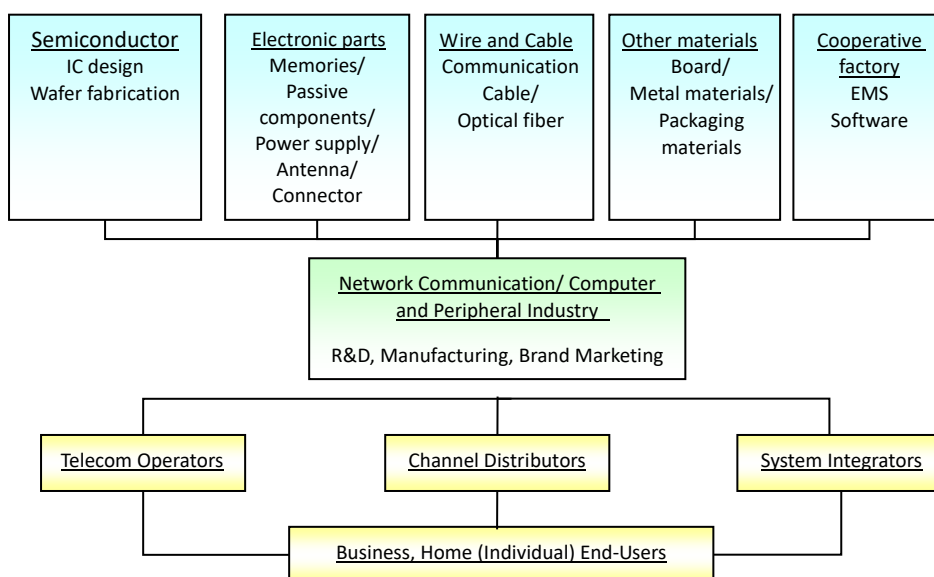
(5) Network infrastructure projects in various countries

The subsidy programs for rural places are proposed by various countries. The infrastructure projects announced by the U.S. will appropriate USD65 billion for the broadband network infrastructure. This will stimulate the next-generation broadband network opportunities, such as 5G, 10G PON, and WiFi 6, and is likely to bring more opportunities for the communication industry in Taiwan.

(6) ESG is the global development trend

Net-zero emission has become a key global trend, and the issue is emphasized by the global communication industry. This is not only an unavoidable responsibility among industries. The net-zero commitment of the international brands impacts the resource utilization in the supply chain. When facing the major international players, as the global network supply chain, industries in Taiwan must face the net-zero trend and the requirements of cyber safety with them; the internet communication companies shall grasp the trends and positioning as early as possible to catch the opportunities.

1.2.2 Links between the upstream, midstream, and downstream segments of the industry



1.2.3 Various development trends of products

(1) 5G Open Radio Access Network Alliance (O-RAN)

The open virtualized radio access network (Open vRAN) changes the ecology of the telecom basic equipment market. Telecom operators obtain the pricing advantage over the equipment makers, which favors the reduction of procurement expenses with higher deployment flexibility. European countries and the U.S. also expect to accelerate the narrowing of the digital gap in rural places, and have promulgated telecom regulations or incentive policies as support. Other than telecom operators, the system integrators, communication software makers, and equipment makers develop their own open framework respectively, or seek partnerships to enter the market.

(2) WiFi 6 networking terminals

The emerging WiFi technologies are developed as the standards like WiFi 6, WiFi 6E and WiFi 7 evolve; it is expected these technologies will replace the existing mainstream markets of WiFi 4 and WiFi 5 significantly in the next few years to dominate the WiFi market. 802.11ax technology-based WiFi 6 has a maximum network speed of 9.6Gbps as its feature, which is very suitable to work with 5G or 10G fiber optic technology for indoor wireless networking applications. In Europe, the U.S. and China have seen WiFi 6 as one of the key technologies to increase the speed of indoor connection. It will not only make online streaming applications such as movies and games more mature, but it is also expected to mitigate the challenges of multiplying networking demands brought by remote learning from home or remote conferences under the impact of the COVID-19 pandemic.

(3) Fixed Wireless Access (FWA):

Fixed Wireless Access wirelessly transmits signals between mobile base stations and CPEs, and is often used in areas where fiber optic is not easy to reach, or short-term residences. As the US Federal Communications Commission (FCC) continues to provide high subsidies to encourage telecom companies to expand rural network infrastructure to reduce the digital gap between urban and rural areas, while replacing equipment from Chinese telecommunication companies, Fixed Wireless Access is regarded by telecom operators as one of the relatively affordable and fast deployment solutions comparing to laying fiber optics or cables.

With the spread of the COVID-19 pandemic, users' reliance on stable networks has increased sharply, which has also prompted more traditional fixed network operators to actively bid for the Citizens Broadband Radio Service (CBRS) frequency bands, and expand the service range with FWA. It is expected to drive the demand for CPE supporting FWA.

(4) 10G PON

With the explosion of IP traffic and the continuous commercialization of 5G, the demand for large bandwidth applications drives broadband network to be upgraded. Fixed network service providers continue to expand the construction of FTTX networks, promote 1Gbps+ home services, and introduce the first generation of XGS-PON networks. Affected by the COVID-19 pandemic, the trend of WFH, i.e. working from home, has risen, and the demand for network transmission has increased. Operators in various countries will accelerate the promotion of XGS-PON fiber broadband services.

1.2.4 Competition

The Group continues to invest in VDSL, G.fast, GPON, LTE CPEs, mobile communication base stations, cloud networking, network security protection, and digital home convergence products. Facing the development trend of multi-gigabits high-speed networks, we develop XGS-GPON, WiFi 6, WiFi 6E and other latest technologies more actively. For the future

substantial market opportunities of 5G and the digital transformation of the industry, the Company engages in technology developments related to 5G, to provide products and services sought by the market with innovative and forward-looking technologies and to maintain the leading position.

In response to the impact of the COVID-19 pandemic and the changes in the Sino-US trade war, the Company has optimized the allocation of production capacity to strengthen the partnership with clients and the supply chain. With a complete manufacturing and service system accompanied by advantages of cost and timeliness, authentic service system, tailor-made customized services, complete solutions are provided to clients.

1.3 Overview of R&D

1.3.1 Technical level and R&D of businesses

(1) Fixed-line broadband communications and next-generation broadband access solutions

The Group has long been committed to the development of network technology to provide the most forward-looking broadband access solutions. With networks becoming integrated with IP, fiber optic, mobilization and multimedia, the Group has developed a complete R&D layout from ADSL2+ to VDSL/VDSL2+, with technologies such as Bonding and Vectoring, and a new generation of G.fast technology, providing the fiber-like bandwidth of 500M to 1Gbps per second in short-distance access.

The Group is also actively developing related technologies such as XGS-PON. The latest XGS-PON end-to-end solution (E2E solution) addressed the challenges of high-bandwidth services, such as 4K streaming, HD TV, virtual reality (VR) and augmented reality (AR), to provide real 10G services for families. The optical network terminal (ONT) may also be used in conjunction with a third-party optical line terminal (OLT) to improve the flexibility of deployment by telecom service operators.

(2) Smart living

Smart living applications are becoming more and more popular, and various applications such as home entertainment, home control, and home security have penetrated into households along with the digital convergence. Among them, digital set-top boxes, personal cloud storage devices, cloud cameras and various WiFi products play very important roles in digital home applications. The best solutions provided by the Group to meet the needs of home networks include: Armor G5 WiFi 6 wireless routers providing the larger transmission capacity and faster transmission speed, a winner of the 2021 Taiwan Excellence Award, to satisfy the home users' connection needs due to WFH; and the G.hn wave 2 networking technology firstly applied in Taiwan's industry, the PLA6456 power line recognized by the 2020 Taiwan Excellence Award, and personalized cloud technology. Consumers will be able to quickly access digital media seamlessly when moving between the two places, and easily store and share, stream, and play media content wherever.

(3) 4G LTE and 5th generation mobile communication technology (5G) technology

The Group's mobile broadband solutions are highly integrated, with high transmission power, low power consumption, and rich interfaces, including: outdoor, indoor, portable, and dual-mode module products, allowing users to obtain faster, simpler audio-video and data services.

The Group launched the first LTE Cat.18 routers in the industry, with Gigabit LTE high-speed transmission capability. It also designed LTE products specifically for the Citizens' Wireless Broadband Service (CBRS) in the U.S. market, providing telecom service operators with complete Fixed Wireless Access (FWA).

The development of the global communications industry has entered a new era of 5G, and major telecom operators have successively carried out 5G business transfer plans. The Group has also actively invested in the research and development of 5G related technologies, and successfully launched the first 5G CPE, which began sales in 2020. The Group's NR5101 5G NR indoor router and NR7101 5G NR outdoor router were recognized by the Taiwan Excellence Awards. The NR7101 5G NR outdoor router was also adopted by leading service providers in the Nordic region, successfully entering the Nordic 5G FWA market. Furthermore, the Group will launch two new models of 5G routers, namely Nebula NR7101 and Nebula NR5101, and one router, Nebula LTE3301-PLUS 4G LTE, supporting Nebula smart cloud network management functions in 2022, to provide high-performance network solutions with flexible deployment, stability and security, and easy control to SMEs.

(4) Wireless local area network

WiFi 6 (11ax) is the next-generation wireless network standard, which effectively improves the efficiency and flexibility of wireless network usage, greatly increase network speed and bandwidth, and meet the needs of emerging networking applications. The Group's newly launched complete WiFi 6 product portfolio includes DSL, Ethernet, active fiber, passive fiber network gateways, access points, and WiFi extenders. It was favored by the European and the U.S. markets as soon as it debuted this year because home users are provided with faster Multi-gig wireless speeds. While accelerating the connection, a topic to which the internet communication community pays attention to is how to improve the wireless network coverage in users' homes with the most popular Mesh technology to connect WiFi with high speed at every corner. The Company launched the MPro Mesh® solution with its outstanding software R&D capability; the solution supports WiFi 6 and EasyMesh industrial standards, to link the wireless network extender seamlessly with WiFi 6 home gateway, combining the remote management technologies and an app with easy operation to eliminate any possible dead space in users' homes. The Group also launches many models of WiFi 6 AP, from entry level with affordable prices, to high-end commercial models, to meet different application demands among SMEs.

(5) IoT and cloud technologies

Various smart applications driven by the Internet of Things and cloud technology have also brought up the development of business opportunities for the entire smart home and smart city. In response to this development trend, the Group actively deploys smart home-related applications and services. Based on the technology developed in broadband wired communications for many years, the Group develops an integrated multi-functional smart home networking platform, and combines cloud applications to connect service providers in the smart home ecosystems, to provide the complete "Connected Home Solution" for the telecommunications providers.

Aiming at networking solutions for small and medium-sized businesses, education, hospitality and other vertical industries, the Group's "Nebula Cloud Networking Solution" integrates three different types of equipment, namely wireless Access Points (APs), switches and firewalls, which are most frequently accessed by network administrators, into a single Cloud management platform. The solution's three features, including automatic installation, unified cloud management and control, and payment on demand, solve the problem of insufficient IT manpower, administration and maintenance, and cost for small and medium-sized businesses, as well as provides free cloud management, advanced businesses edition license, to lifetime package. The licensing scheme meets the different expansion needs of businesses. This year, the Nebula solution has added a

complete range of WiFi 6 wireless APs and multi-gigabit switches to help small and medium-sized businesses quickly upgrade their multi-gigabit networks, while launching brand new licenses for products and services in 2022, to assist small businesses to respond to the post-pandemic digital transformation with better flexibility and agility

(6) Mobile communication indoor distribution system technology

With the explosive demand for mobile networks, telecom service providers are suffering from no suitable solutions for small and medium-sized buildings. The Group provides flexible In-Building Coverage Solution (IBS). The entire series of products use CAT5 and PoE power supply, so that network deployment is not restricted by environmental power facilities, and may be deployed more quickly, allowing mobile signals to be distributed to every corner in the building; it also supports 2G, 3G, 4G MIMO, 2CA and high compatibility with multi-band, multi-operator co-construction. The network deployment is more flexible, while meeting the needs of end users. The Group's newly launched Repeater Hub, is the first device with the advantages of both DAS and repeater. It solves the problem of mobile communication dead spots in small and medium-sized buildings, such as restaurants, hospitals, department stores and office buildings, and makes management easier.

(7) Information security for businesses

Driven by the pandemic, the global demand for information security has increased, and the Group's engagement in information security has also begun to attract market attention. To meet the needs of different groups of businesses and individuals, we have prioritized the simplification of product settings and enhancement of cyber defense monitoring, in particular the high-end ATP firewalls effectively protecting small and medium-sized businesses from zero-day attacks, and the recently launched USG FLEX firewalls that combines connection quality and security. At the beginning of the year, the full range of firewalls of ZNet won 20-Year Award for Excellence in Information Security Testing (EIST) from ICSA Labs. Only five major international vendors in the world have received this honor.

In addition, in line with the needs of remote/hybrid working model and assist SMBs and MSPs for more comprehensive networking protection, ZNet under the Group's subsidiary, Znet also enabled its Nebula cloud networking platform to officially support the best-selling ATP firewall sand USG FLEX firewalls. in 2021, to provide the well-rounded cloud services.

The "AiShield" for small businesses, SOHOs, and home users, uses cloud intelligence and self-learning functions to provide intrusion detection prevention (IDP) for various types of users to prevent attacks of phishing, malicious and ransomware, to ensure the reliability of the network security.

1.3.2 R&D expenditures during the two most recent fiscal year and the latest quarter up to the date of publication of the annual report

Unit: NTD thousand

Item \ Year	2021	2020
R&D expenditures (A)	1,718,432	1,599,814
Net operating revenue (B)	25,681,970	22,250,630
(A)/(B)	6.69%	7.19%

1.3.3 Products or services successfully developed in the five most recent years

<u>Month/Year</u>	<u>Key Milestone</u>
February 2017	Infinity smart gateway from MitraStar won the German Design Award, the highest honor in the German design industry.
October 2017	Zyxel Multy X tri-band wireless extension system, AP outdoor enclosure, 802.11ac dual-band professional integrated wireless base station (WAC6303D-S), AC3800 tri-band household wireless network extender (WAP6906) won the 2017 Golden Pin Design Award.
October 2017	Zyxel's "Multy Pro" and LTE3300 series were shortlisted for the "Best Smart Home Network" and "Best Wireless Broadband Solution" awards, respectively, in the 2017 Broadband World Forum.
December 2017	Zyxel was recognized the Taiwan Excellence Award for the consecutive 13th years. Other than winning eight awards, the Multy X tri-band wireless extension system also won the "2018 Taiwan Excellence Silver Award", becoming the only telecommunication company to win this award.
October 2018	Zyxel Technology launched the world's first hybrid intelligent network management switch integrated with NebulaFlex™ technology: GS1920v2 and XGS1930 series.
November 2018	Zyxel was recognized the Taiwan Excellence Award for the consecutive 14th year. With the widely acclaimed Mesh WiFi products, GPON and LTE solutions, total of five awards were received.
March 2019	Zyxel's Multy U won the "2019 iF Design Award"
June 2019	Two commercial wireless base stations, NWA1302-AC and WAC6303D-S, won the five-star recommendation of an UK professional IT magazine and a grand award in the German hotel industry.
July 2019	Launched the world's first dual-mode switch for standalone and smart cloud management.
November 2019	Zyxel was recognized the Taiwan Excellence Award for the consecutive 15th years. "SecuReporter Advanced Cloud Intelligent Analysis Platform," "AiShield," "G.hn" 2400Mbps Powerline Internet Device" and "Armor G1 AC2600 Muti-G AI Defense Wireless Router" won four awards.
January 2020	Zyxel XGS-PON IAD was certified with the broadband forum BBF.247
February 2020	ZNet has been certified by International Computer Security Association (ICSA) for consecutive 20 years, the first and the only company in Taiwan.
July 2020	Zyxel participated in the Concept Verification of Open Broadband Access Network by CHT, and completed the interoperability integration with the XGS-PON passive optical fiber access network solution.
August 2020	The industry's first dynamic and personalized pre-shared key, to protect the wireless network security of small and medium enterprises in Taiwan
November 2020	Zyxel was recognized the Taiwan Excellence Award again, becoming the most awarded networking brand telecommunication company in Taiwan, with industry-leading advanced technology WiFi 6 and 5G products: Armor G5 12 stream 10G WiFi 6 router, NR5101 5G NR indoor integrated router and NR7101 5G NR outdoor router were recognized.
January 2021	5G deployment program collaborated by Telenor and Zyxel
July 2021	Collaborating with CHT, Zyxel completed the Concept Verification of

Month/Year	Key Milestone
July 2021	Open Broadband Access Network ZNet is authorized by MITRE, a leading information security institution in the U.S, to become the first public listed company to become the CNA member in Taiwan.
December 2021	The first telecom operator grade 5G NR indoor router obtaining EasyMesh R2 certification in the world.

1.4 Long- and short-term business development plans

1.4.1 Short-term plans

(1) Brand:

Zyxel restructured its organization in February 2019, spinning off its channel businesses to ZNet, a subsidiary of Unizyx Holding Corporation. ZNet focuses on development of the networking solutions for business application. In order to combine the popularity of cloud services, it provides the products and services that may satisfy the networking needs of businesses and home users. Zyxel focuses on the telecommunications market development and provides service providers with complete broadband access solutions to satisfy their needs for deploying the new generation fixed line and mobile networks.

The two companies continue to deepen the channels of the Zyxel brand. In addition to the relatively mature European market, it will continue to position itself in emerging markets, including Central and South America, Africa, Turkey and Thailand. In addition to the existing marketing channels, in order to get closer to clients, and provide localized sales and services, we have gradually added global marketing bases to expand the scope of channel services, and continue to provide various marketing campaigns, including complete channel business training, incentive programs, advertising, and exhibitions, actively deploy online cross-border e-commerce transactions, and continue to operate the brand through online and offline sales. Other than continuing to focus on telecommunications equipment, we will also actively deploy in the field of network security and smart life horizontally, while vertically cultivate network solutions for small and medium-sized businesses, educational institutions, hotels and other specialized industries deeply, with the vision of developing networking international brands and innovative network technologies and products. The Group's internal operating strategies and goals are incorporated, to continuously utilize group resources most effectively.

Nebula Cloud Networking Solution developed by ZNet has been growing since launching in 2016 and driving sales of all hardware. In particular, in 2020, more security products have been included in the Nebula cloud management platform, a key milestone of the Nebula platform. To enhance the integration of cloud services and payment systems, ZNet launched the Circle system to support the MSP payment management during the year. It is expected to grow rapidly, becoming a key starting point for the Group to enter the software subscription services from hardware.

(2) OEM:

Grasping the technology development trends and market demands, adjusting product mix from time to time; emphasizing the further cultivation of many wireless technologies as the demands for the WiFi 6 wireless efficiency heightens. Facing the development trend of multi-gigabits high-speed networks, we are actively developing the latest technologies such as XGS-GPON, G.fast, and wireless network WiFi 6 (11ax) for fixed-line broadband networks. To the future digital transformation in the industry, we engage in 5G related technology R&D to catch the substantial opportunities of 5G.

For the COVID-19 pandemic, the deployment of capacity is adjusted, to well balance the response to the shortages in the supply chain and the pressure of rising prices; further improving the partnership between customers and the supply chain, to fully exploit the capacity, for the best overall gross profit performance.

1.4.2 Long-term plans

(1) Brand:

Think from the clients' perspectives and provide complete architectural solutions and application services. The development of new products is not only based on a single technology, but integrates the Zyxel network infrastructure and soft- and hardware development technologies to provide complete application services for demands from telecommunications, and businesses to home users. Being positive about the demands for wireless connection and clouds from the enterprise network equipment in the future, the Company will position the enterprise internet communication equipment from the telecom market more actively. Not only does it increase the weight of internet communication equipment in the revenue, the Company will put more focus on providing overall products and services to SMBs. As new laptops and desktops are loaded with WiFi 6, from computers, tablets, smartphones to cameras and various smart appliances and wearables, consumers are stimulated to seek high-speed networks, driving the upgrade of commercial products, and the demands for multi-gigabit switch and POE equipment.

Meanwhile, in response to the increasing demand of home users for home wireless networks in the post-COVID era, not only the transmission should be stable and the coverage should be wider, speed is faster, but also related products and software application services shall be actively planned to further increase the proportion of home wireless network products.

The new laptops and PC are WiFi 6 loaded; from computers, tablets, smartphones to cameras and various smart appliances and wearables, consumers are stimulated to seek high-speed networks, driving the upgrade of commercial products, to bringing momentum to the sales of commercial network products. Other than the wireless, the demands for multi-gigabit switch and POE equipment are also global trends.

After the restructure, the clear segregations between businesses, home users and the telecommunications market will enhance the strategic layout and the strength of product technology R&D, improve the opportunities for strategic alliances with industrial partners, and expand the overall scale of operations.

(2) DMS:

By utilizing the experience and strength of the product R&D team accumulated in many years, the continuous inputs to R&D are to grasp the new generation key technologies and keep the product quality. By increasing production process level, lowering manufacturing costs, to present the production and manufacturing capabilities with high efficiency and quality.

New customers are actively developed, and the customers' needs are expanded; sensitive observation is made to the global market trends to build the revenue scale. With the model of providing customized services for different customers, we will obtain opportunities to partner with major international companies, for deepening the level of collaboration with clients, developing more value-added businesses, establishing stable growth and long-term partnerships, and increasing stable growth momentum.

2. Market and Sales Overview

2.1 Market analysis

2.1.1 Geographic areas where the main products (services) of the company are provided

The Group currently sells products in more than 150 markets around the world, and the services offered all over the world; subsidiaries and sales bases around the world not only serve our customers directly, but also understand the needs and pulses of the local market.

2.1.2 Market's growth potential

Benefitted from the raging pandemic, the immediate needs of remote working, remote education, remote shopping, and remote medical consultancy are driven. The world has become more proactive with new IoT applications, such as smart plants, smart cities, and smart homes. The robust development of online meetings and online learnings promotes the demand to upgrade the bandwidth for simultaneous connection by multiple people, while deepening the global digital transformation. Video/audio streaming with high resolutions is the biggest driver for bandwidth upgrading.

For 2022, it is expected the broadband network will continue to infuse momentums into the operation. 5G FWA, PON and WiFi 6 continue to lead the growth of revenue. If the supplies of parts and components expand further, it is helpful to drive the revenue momentum.

In addition, benefitted from the upgrading wave of fixed networks in Europe, PON business is driven. The promotions from telecom operators make the 5G FWA business grow significantly. The channel business will also be benefitted from the enterprise demands for information security products and internet communication products and grows continuously. A study from the Industrial Economics and Knowledge Center (IEK), ITRI indicated that, as the global vaccination increased, governments from various countries expanded the infrastructure investments to revive the economies. The U.S President, Joe Biden, announced an infrastructure act for infrastructure projects, worth USD 1.2 trillion; and USD65 billion from this budget will be used for the broadband network infrastructure, seeking to build the high-speed broadband network infrastructure by combining the optical fiber network, satellite communication and 5G technologies. Since the U.S is the largest export destination of the overall internet communication products of Taiwan, this act is expected to bring the most direct order opportunities to Taiwan.

(1) 5G

MIC suggested that the continuous expansion of 5G infrastructure globally, e.g. the active construction of 5G base stations in China, the future significant opportunities of 5G in the future are optimistic. With the coming 5G tide, it is expected that the 5G industries in Taiwan will develop greatly in Taiwan, and it is argued that the production value of 5G devices in Taiwan for 2022 will grow 20.9% to NTD2.1 trillion; 5G is accounted for about 45% in the overall communication production value of Taiwan.

Except that many major countries in the world will enter the peak phase of 5G construction, there are many emerging countries that have just issued the licenses for the first time, such as Vietnam, Brazil, and Colombia, with great expectation.

The 5G era is moving forward with the trend of open network framework, and restructures the conventional work-division of the internet. Many international telecom operators have started to adopt O-RAN overall or partially. From closed mode to O-RAN, Taiwanese vendors will be more competitive. With the 5G of the vertical industrial areas, Taiwanese enterprises will have opportunities.

(2) WiFi 6 devices

Due to the global COVID-19 pandemic, remote teaching and online working have become a trend, which has greatly increased the demand for upgrading wireless networking

products. As the performance of WiFi 6 products actually offers the “feeling of upgrading,” the WiFi market will be replaced by WiFi 6. According to the Market Intelligence & Consulting Institute (MIC), in terms of Wi-Fi technology, Wi-Fi 6 will be the mainstream standard, and will develop towards higher-speed Wi-Fi 7, driving waves of device replacements. By 2026, Wi-Fi 6 will still account for 72.1% of the total. The proportion of Wi-Fi 7 will reach 12.5% in the same period.

(3) Fixed-line broadband communication

The pandemic has changed global economic activities, and the importance of network transmission has become more important. Remote office and video conferencing have also drove the data transmission volume to be doubled. For faster data transmission, it is imperative to upgrade various network communication equipment. The demand for broadband products of upgrading mainstream, such as fiber optic access equipment and DOCSIS 3.1, continue to grow.

2.1.3 Competitive niches

(1) Value of full-rounded customization

The Group has complete broadband technologies and independent technical capabilities, and is able to provide tailor-made solutions focusing on clients’ needs. Compared to the peers’ emphasis on R&D of a single product, the Group focuses more on providing a full range of product lines and “End to End” overall solutions. Taking LTE mobile communication products as an example, the Group also actively develops different types of products such as USB dongles, outdoor, portable, home routers, and small cells, to meet the needs of clients in different scenarios

(2) Emphasis on R&D and production quality

The Group has three design and R&D centers around the world, and the high percentage of R&D average expenditures are input annually, showing how much the Company values innovative R&D. The Company has been certified with ISO9001 and is also one of the few domestic Netcom companies that have obtained TL9000 quality certification for the communications industry. In addition, the newly developed products launched to the market every year have also won many awards in international professional magazine tests and evaluations; it clearly demonstrates the superior R&D and production capabilities.

(3) Smooth global marketing channels and rapid responses to market demands

The Group's service offices around the world not only provides complete after-sales services, but also understands the needs and technical trends of the local market. Moreover, the Company values partnerships, and takes clients as the center, to offer them the best service efficiency and influence.

2.1.4 Positive and negative factors for future development, and the company's response to such factors

(1) Positive factors

①The global communications market is growing, and the Internet of Things and smart cities fuel new business opportunities

According to the estimates of IEK, ITRI, with the development of 5G, mobile broadband services, massive machine type communication, communication with ultra-high reliability and ultra-low latency will be enhanced respectively. The world will embrace the large-scale deployment of 5G, penetration of user equipment, and overall activation of services. These will bring huge business opportunities and revolutionary development, especially when combining with AI, Internet of Things, AR/VR and other technologies, it will bring great benefits in vertical applications such as smart healthcare, smart plants, and smart cities. Moreover, IoT applications will drive tens of

billions of terminal connections, and significant business opportunities are highly anticipated.

② Complete coverage of product line

In response to the needs of various emerging services, global telecom service providers are actively planning and investing in the deployment of new generation optical fiber, wireless wide area networks, and telecom Internet TV services. The key telecommunications equipment required for these deployments have been included in the telecommunications product lines planned by the Group. With the recovery of the global economy and the demand for new and better services from home users, the Group is expected to increase the global market share of telecom central office and customer premises equipment again in the near future.

③ Superior R&D and customization capabilities

Telecommunications service providers in various countries plan to launch service solutions that are more diversified, and heterogeneous network integration is the main demand to meet consumer needs. Product customization capabilities and cost control are an important factor in future competition. The Group has always appreciated the mastery of key technologies. Over years, it has focused on user-oriented innovation, and has continued to develop to provide users with more streamlined and efficient solutions to meet the needs of diversified services.

④ Demands from emerging market increase, and the Internet industry has unlimited prospects

Emerging markets are becoming more and more important to the global communications industry. In addition to the Asia-Pacific region, Latin America, the Middle East, and Africa have also actively invested in telecommunications infrastructure in recent years in order to quickly overcome the digital gap between urban and rural areas. The Group is one of the few suppliers in the world with complete telecommunications central office and user equipment. In recent years, it has established business marketing and technical support service offices in emerging countries.

⑤ The COVID-19 pandemic has led to an increase in the demand for networking devices, to embrace the huge business opportunities brought by the new era of 5G, and bring new opportunities to the industry.

(2) Negative factors and responses

① Negative factors

Intensive industry competition and price-cutting from new competitors: the broadband market in mature countries such as Europe and the United States is close to saturation, and the telecom tender market is fiercely competitive; in addition, new competitors from the China compete with destructively low prices to seize market share; price competition will considerably squeeze margins.

② Responses

Other than actively cooperating with telecommunications providers, the Group provides complete, fast and efficient integrated network construction and maintenance solutions. It also extends its business to network solutions for small and medium-sized businesses, educational institutions, restaurants and other specialized industries, as well as channel markets, so that the brand awareness of Zyxel has been greatly improved. In addition, in terms of market development, except relatively mature Europe and North America, the proportion of revenue in emerging markets and the Asia-Pacific region will be gradually increased to diversify market risks.

2.2 Usage and manufacturing processes for the company's major products.

2.2.1 Key usages of major products

With the new generation of networking technologies as the core, the Group focuses on product development and manufacturing of wireless and wired broadband networks, new generation networks, digital home multimedia and smart life applications, as well as the Zyxel brand expansion. The main products and solutions may be divided into the following aspects:

	Product name	Key usages and functions
Broadband access equipment	Wireless and mobile customer-premise equipment	Providing mobile broadband access products compliant to 5G NR/4G LTE standards
	Fixed line customer-premise equipment	It includes complete broadband access technologies such as VDSL2, G.fast, Ethernet, and provides voice/data/video integrated feature to meet the needs of telecom service providers for end-consumers.
Fiber optic equipment	Optical network units	Including PON, active fiber and other complete customer premise equipment; This product portfolio meets the high-bandwidth applications of telecommunication network service providers.
	Central office equipment	Supporting PON and active fiber technology, providing low port number box type, to high port number rack type MSAN, OLT product line, to meet the end-to-end deployment plan of telecom service providers from small-scale to large-scale users
Equipment for Businesses	Ethernet switch	The network switching equipment with multi-port bridge function may dredge the network bandwidth to achieve the purpose of fast data transmission.
	Business wireless connection	Providing wireless local area network solutions and flexible cloud networking management solutions for small and medium-sized businesses, to meet the different needs of businesses for multi-point network management.
	Network security products	Providing standalone integrated networking security products. For businesses who use private lines and ADSL services to access the Internet, a security line between the Internet and the local network is provided to ensure that the resources in the local network are protected from at-will intrusion, attack, plagiarism, or tampering by external hackers.
	Others	Providing business NAS and DAS equipment, including ZoneDAS extender and Slim DAS. This flexible indoor coverage solution meets the needs of end users such as restaurants, hospitals, department stores and office buildings.

	Product name	Key usages and functions
Others	Home networking	Providing home wireless AP and wireless signal extender, which eliminate the blind spots of wireless networking signals at homes or small offices. Through the extension of the wireless network, a more reliable and fast wireless network connection is provided.
	Full coverage wireless extension system	Providing home users with a wide range of wireless network environment with stable transmission, strong signal, while getting rid of the restrictions of traditional routers. Wherever at home the wireless Internet is accessed, each connected device will not be delayed, nor weakened signal strength, so that the quality of the wireless network is exploited at its best.
	Power line devices	The existing power cord is used to connect to the network, to satisfy households' demands for wiring free, high-bandwidth, and convenient network connection.
	Digital home storage devices and cloud services	Effectively managing and dispersing the network resources between various devices, and reducing the risk of damage to the hard disk on the personal computer, while meeting the needs of data backup. Connection to the cloud service provided by the Internet makes it more convenient for users.
	Multimedia connection	Providing various WiFi products such as STB and DMA, to store multimedia data from different digital products, and share it with relatives and friends all over the world through cloud media, or use streaming technology to send information to a remote place.
	Internet of things	Providing home routers for the dedicated home area network technology, as a smart home hub, to connect and control smart home appliances.
	Radio frequency equipment	Providing wireless communication equipment with industrial specifications and FHSS technology, with advanced encryption system and high reliability.
	Mobile base station (Femtocell)	Product satisfying fixed-line mobile integration and fusing fixed-line and mobile networks. The main application is the enhancement of RF coverage and traffic offloading, increasing the bandwidth demand of mobile Internet by the way of traffic offloading on Macro base stations, with more flexible deployment solutions.

2.2.2 Manufacturing process of major products

The production process may be divided into two parts: the front end engineering (order-based production) and the back end engineering (order-based production). The details of each part are as follows:

① Front End Engineering:

Issuing components → Solder paste printing → SMD parts placement → Reflow → AOI inspection → Material forming → DIP plug-in → Wave soldering → Parts supplementary inspection → Material forming → DIP insertion → Wave soldering → Parts touch-up → Function test → Semi-finished product sampling inspection → Burn in test → Functional test → Semi-finished products sampling inspection → Semi-finished products stocking

② Back End Engineering:

Issuing Semi-finished products → Accessories preparation → Assembly → Functional test → Packing → Finished product sampling inspection → Finished products stocking → Shipping inspection → Shipping

2.3 Supply of Major Materials

The major materials include IC components such as chip sets, RF IC and CPU, and PCB. The Company has good partnership with each supplier, without any key component under other's control. The electronic and mechanic components are supplied domestically, so there is no risk of shortage. Major materials and suppliers are as following:

Major material	Supplier
Chip set	NEC(Ikanos); Alltek (Broadcom); MediaTek (MTK); Airoha; Rich Power (REALTEK); AITg (Qualcomm); WT Microelectronics (MARVELL); QUANTENNA
RF IC	Zenitron (MICROCHIP); Frontek (Richwave); WT Microelectronics (Skyworks); Promaster (Qorvo)
CPU	Intel; NXP; TI
PCB	HannStar Board; Elec & Eltek; Trustech

2.4 Major suppliers and clients

2.4.1 A list of any suppliers accounting for 10 percent or more of the company's total purchase amount in either of the 2 most recent fiscal years.

No supplier exceeding 10% of the Company's total purchase amount in the recent two years.

2.4.2 A list of any clients accounting for 10 percent or more of the company's total sales amount in either of the 2 most recent fiscal years.

Unit: NTD thousand

Item	2021				2020			
	Company Name	Amount	(%)	Relation with issuer	Company Name	Amount	(%)	Relation with issuer
1	Client A	3,777,147	14.71	N/A	Client A	2,552,786	11.47	N/A
2	Client B	2,581,149	10.05	N/A	Client B	2,069,060	9.30	N/A
	Other	19,323,674	75.24		Other	17,628,784	79.23	
	Total	25,681,970	100.00		Total	22,250,630	100.00	

Reason of change: Mainly due to the increased demands from clients' operation.

2.5 Production value and volume for the past two years

The Company only lists the subsidiaries in manufacturing: MitraStar and Wuxi MitraStar

Unit: thousand pieces/ NTD thousand

Major products	2021			2020		
	Production Capacity	Production Quantity	Production Amount	Production Capacity	Production Quantity	Production Amount
Broadband equipment	15,254	13,995	14,297,039	16,197	12,905	12,816,865
Equipment for business	782	657	237,596	105	80	104,160
Others	107	94	269,205	298	237	375,651
Total	16,143	14,746	14,803,840	16,600	13,222	13,296,676

2.6 Sales volume and value for the past two years

Unit: thousand pieces/ NTD thousand

Major product	2021				2020			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Broadband equipment	60,837	178,714	1,091,349	19,688,162	173	337,910	856,535	15,906,076
Equipment for business	53	298,363	612	2,907,438	11,191	482,499	558	2,575,347
Others (Note)	2,179	908,028	3,528	1,701,265	5,678	1,188,788	2,562	1,760,010
Total	63,069	1,385,105	1,095,489	24,296,865	17,042	2,009,197	859,655	20,241,433

Note: There are various product types in different units; thus there is no consistent quantity statistics; the table only shows the sales amounts by product types.

3. Employee Overview

The number of employees employed for the 2 most recent fiscal years, and during the current fiscal year up to the date of publication of the annual report:

Year		2021	2020	As of March 31, 2022
Number of employees	R&D	1,011	1,049	1,025
	Manufacturing	410	409	407
	Marketing	663	658	673
	Management	436	370	419
	Direct employees	404	318	460
	Total	2,924	2,804	2,984
Average age		37.56	36.97	36.80
Average years of service		6.74	6.32	6.65
Distribution of academic background (%)	PhD	0.34%	0.36%	0.34%
	Master	35.60%	40.58%	35.15%
	College and under	64.06%	59.06%	64.51%

4. Environmental Protection Expenditure

4.1 According to Laws and Regulations If It Is Required to Apply for a Permit for Installing Anti-pollution Facilities, or Permit of Pollution Drainage, or to Pay Anti-pollution Fees, or to Organize and Set up an Exclusively Responsible Unit/Office for Environmental Issues, the Description of the Status of Such Applications, Payment or Establishment Shall Be Made:

There is no special pollution generated from the operating activities of the Group. The sewage disposal fee in 2021 was paid pursuant to the rate fixed by Hsinchu Science Park, for total NTD 614,658.

4.2 Setting Forth the Company's Investment on the Major Anti-pollution Facilities, the Use Purpose of Such Facilities and the Possible Effects to Be Produced: none.

4.3 Describing the Process Undertaken by the Company on Environmental Pollution Improvement for the Most Recent Two Fiscal Years and up to the Prospectus Publication Date. If There Had Been Any Pollution Dispute, Its Handling Process Shall Also Be Described: none.

4.4 Total Amount of Losses or Fines Suffered by the Company in the Two Recent Fiscal Year and up to the Annual Report Publication Date Due to Environmental Pollution Incidents, and Measures Being or to Be Taken:

The Group has not been fined by competent authorities in the two recent fiscal year and up to the annual report publication date due to environmental pollution incidents.

4.5 Explaining the Current Condition of Pollution and the Impact of Its Improvement to the Profits, Competitive Position and Capital Expenditures of the Company, as Well as the Projected Major Environment-Related Capital Expenses to Be Made for the Coming Two Fiscal Years: none.

5. Labor Relations

5.1 List Any Employee Benefit Plans, Continuing Education, Training, Retirement Systems, the Status of Their Implementation, and the Status of Labor-Management Agreements and Measures for Preserving Employees' Rights and Interests:

5.1.1 Benefit plans

- (1) All employees are enrolled in the labor and national health insurance programs, in addition to the group insurance (including life insurance, casualty insurance, medical insurance, cancer insurance, medical insurance and cancer insurance for spouse and children).
- (2) Reimbursement of marriage, childbirth and death subsidies.
- (3) Flexible welfare bonus point system optional by employees voluntarily.
- (4) Orientation and competency-oriented professional training.
- (5) Allocation of bonus to employees and employee stock ownership plan.
- (6) Periodic health checkup, and activities for health promotion.
- (7) Fitness gym, clinic, convenience store, restaurant, coffee bar, breastfeeding room, and various on-site services for the staff.
- (8) Free employee counseling program available for 24hours each day.
- (9) Provide free parking spaces for employees' cars or scooters.

5.1.2 Joint Employee Welfare Committee of the Unizyx

The Group has established the Employee Welfare Committee, namely the Joint Employee Welfare Committee, of which all employees elect the members. The Committee uses its best effort to create a fine-quality environment that can fit employees best, hoping to attend to the staff's work and life at the same time to make all employees feel happy. The various activities and subsidies provided through the Welfare Committee's operation, including the family day, annual dinner party, sports games, art and cultural exhibition, company trip, and emergency relief, etc., facilitate the harmonious relationship between the employer and laborers.

The Joint Employee Welfare Committee fully supports the freedom to found any clubs, and keeps awarding clubs the relevant subsidies. So far, more than 20 active clubs are dedicated to serving as the channel for employees to take care of their health and physical and mental development after work and interact with each other.

5.1.3 Continuing education and training of employees

The Group values employees' comprehensive learning and development. The training courses are planned internally and externally.

(1) Internal training

Employee training includes traditional Classroom Training and On Job Training, as well as e-learning. The internal training is categorized into orientation training, management training, professional training, and other training activities:

① Orientation training:

The Group provides new employees with various general training courses including the company profile, organizational cultures, code of conduct, industrial security, environmental protection & sanitation, quality management, intellectual property rights and information security, and arranges physical classes to facilitate the training, in order to help new employees get familiar with the company environment and work rules, as well as fundamental skills, to adapt themselves to their job duties rapidly.

② Management training:

Subject to the competency required from various senior managerial officers, the Group provides the officers with the management training, primarily to improve the management's ability to guide people (communication) and team, and lead and do their job (make decisions). In addition to the general training courses, the management's ability may also be developed through the Project Assignment, Job Rotation, Coaching and Self-learning, etc.

③ Professional training :

The Group arranges professional training covering R&D, sales, marketing, manufacturing, quality, and financial accounting for different professional personnel periodically to upgrade professional personnel's expertise and strengthen accumulation and transfer of intelligence and knowledge internally via various knowledge-sharing platforms. Each department will also organize professional training courses for the department, if necessary.

④ Other training activities:

The Group provides all staff with the theme-based, or a series of, general training courses, e.g. interpersonal communication, presentation skills, project management, knowledge about products, and language proficiency, etc., so that the staff may learn professional knowledge, and the skills benefiting their work efficiency.

(2) External training

The Group's employees may request the training subject to their work and personal development needs, or be designated by supervisors to attend external professional training courses.

The employee trainings in 2021 are described as following :

Type of course		Session	Attendees	Hours	Total expenses (NTD thousand)
Internal training	Orientation	142	11,596	203,176	4,199
	Management training	26	187	409	
	Professional training	86	1,493	6,124	
	Other trainings	44	5,019	5,243	
External trainings		63	147	95,550	

5.1.4 Continuing education and trainings of managerial officers

Managerial officer	Date	Host by	Training / Speech title	Hours
Gordon Yang (Director and CEO)	March 15, 2021	Taiwan Corporate Governance Association	Trend of ESG/CSR and sustainable governance in 2021	3 hours
	September 1, 2021	Financial Supervisory Commission (FSC)	13th Taipei Corporate Governance Forum	6 hours
	October 22, 2021	Securities & Futures Institute	2021 Insider Equity Trading Legal Compliance Presentation	3 hours
Woei Lo (Senior Vice President and Corporate Governance Officer)	January 14, 2021	Accounting Research and Development Foundation	Case Study on Legal Liability and Practices of Securities Fraud by Business	3 hours
	January 15, 2021		Role and Practices of "Independent Director" in Corporate Governance	3 hours
	January 29, 2021		Case Study on False Financial Statement and How to Perceive Key Information in Financial Statements	3 hours
	January 29, 2021		Case Study on Investigation on "Whereabouts of Fund" for Financial Statement Corporation and Related Legal Liability	3 hours
	April 13, 2021		ESG Sustainable Finance Trend and Responsive Strategies	3 hours
	April 26, 2021		Compliance audit practices for corporate shareholders' meetings	3 hours
	April 27, 2021		Corporate Governance 3.0 - Analysis on Sustainable Development Roadmap and Corporate Governance Evaluation Practices	3 hours
	May 18, 2021		Case Study on New Corporate Sustainability Development Policy and Anti-Corruption	3 hours
	May 25, 2021		Analysis on Positive Impact Rendered by ESG to Business	3 hours
	July 8, 2021		Compliance Audit Practices for Corporate "Investment" and "Merger & Acquisition"	6 hours
March 15, 2021	Taiwan Corporate Governance Association	Trend of ESG/CSR and sustainable governance in 2021	3 hours	

Managerial officer	Date	Host by	Training / Speech title	Hours
Jessica Chen (Senior Manager, Audit Office)	February 2, 2021	The Institute of Internal Auditors, R.O.C.	Audit Practices on Information Security Protection and Cloud Security	6 hours
	December 16, 2021	The Institute of Internal Auditors, R.O.C.	Invisible Asset War - Business Secret Protection and Management	6 hours

5.1.5 Continuing education and training of directors

Director	Date	Host by	Training / Speech title	Hours
Shun-I Chu (Director)	March 15, 2021	Taiwan Corporate Governance Association	Trend of ESG/CSR and sustainable governance in 2021	3 hours
Yuh-Long Chen (Director)	March 15, 2021	Taiwan Corporate Governance Association	Trend of ESG/CSR and sustainable governance in 2021	3 hours
	September 1, 2021	Financial Supervisory Commission (FSC)	13th Taipei Corporate Governance Forum	6 hours
Lien-Pin Pai (Director)	March 15, 2021	Taiwan Corporate Governance Association	Trend of ESG/CSR and sustainable governance in 2021	3 hours
Che-Ho Wei (Director)	February 26, 2021	Taiwan Institute of Directors	Future Trend of AI Business Digital Transformation	3 hours
	March 15, 2021	Taiwan Corporate Governance Association	Trend of ESG/CSR and sustainable governance in 2021	3 hours
Ping-Chin Li (Director)	March 15, 2021	Taiwan Corporate Governance Association	Trend of ESG/CSR and sustainable governance in 2021	3 hours
	October 20, 2021	Securities & Futures Institute	2021 Insider Equity Trading Legal Compliance Presentation	3 hours
K.C. Shih (Independent director)	March 15, 2021	Taiwan Corporate Governance Association	Trend of ESG/CSR and sustainable governance in 2021	3 hours
Feng Chian (Independent director)	September 14, 2021	Taiwan Corporate Governance Association	Reformation in the Age of 5G: Industrial Upgrading, Future Business Application, and New Normal Condition in Post-Pandemic Era	3 hours
	October 20, 2021	Securities & Futures Institute	2021 Insider Equity Trading Legal Compliance Presentation	3 hours
	October 26, 2021	Taiwan Corporate Governance Association	AI Technology Development and Application Opportunities	3 hours
Chin-Tang Liu (Independent director)	March 15, 2021	Taiwan Corporate Governance Association	Trend of ESG/CSR and sustainable governance in 2021	3 hours
	April 28, 2021	Taiwan Corporate Governance Association	Share how the issuer practices ESG precisely from foreign shareholders' point of view and voting behavior	1 hours
	August 31, 2021	Taiwan Corporate Governance Association	Opportunity and Challenge for Preventing Enterprises from Climate Disaster	1 hours
	September 1, 2021	Financial Supervisory Commission (FSC)	13th Taipei Corporate Governance Forum	6 hours
	September 16, 2021	Taiwan Corporate Governance Association	Hostile takeover, case study on proxy war, and the company's countermeasures	3 hours
	October 26, 2021	Taiwan Corporate Governance Association	A Director's Distance Away From Liability for False Statement in Financial Reports	1 hours

5.1.6 Employee Code of Conduct

Unizyx has established the "Employee Code of Conduct" to govern the basic behavior guidelines and ethical standards to be followed, and clarify and restate Unizyx's existing management philosophy and values, and the spirit signified by related laws and regulations.

All of Unizyx's employees shall comply with the following service principles:

(1) For all business activities

- ① Any activities shall satisfy ethical management regulations. Ethical management should be identified as the core management philosophy to be followed by all employees strictly.
- ② All staff shall consider the company's overall interest when performing job duties, rather than personal or department's interest.
- ③ All staff shall not provide or accept bribe, or other improper benefits in any form.
- ④ All staff shall exercise the due diligence as a good administrator to protect Unizyx's tangible or intangible assets. The staffs are prohibited from impairing Unizyx's interest by wasting, intentionally damaging, embezzling or misappropriating the assets, but shall apply Unizyx's resources to create the maximum interest for Unizyx.
- ⑤ The working capital and assets may be utilized for legal and adequate purposes only.
- ⑥ They shall comply with the laws, regulations and systems applicable locally in the place where they are performing job duties.

(2) When dealing with the outsiders, such as customers and suppliers, all staff shall

- ① Act in a commercially fair, open and honest manner.
- ② Select the suppliers who uphold the values and code of conduct as same as Unizyx as partners to work with each other to raise the entire benefits.
- ③ None of the staff shall solicit customers for business in an unfair manner. The staff shall use the best effort to upgrade the product and service level to satisfy customers' needs.
- ④ When dealing with customers, the staff shall act in accordance with the fair practices applicable to business, marketing and advertising campaigns, and take any reasonable actions to ensure the safety and quality of products or services they provide.
- ⑤ The staff shall take adequate actions to maintain and increase intellectual property, and respect another person's intellectual property rights.

(3) Employees of the Group

- ① Unizyx shall provide employees with a working environment providing adequate remuneration and career development opportunities and align with the international and local labor laws, regulations, and standards.
- ② Any discrimination, harassment, or oppression is not allowed in the working environment, so discrimination toward employees is based on race, color, belief, nationality, gender, age, disability, sexual orientation, pregnancy, political affiliation or marital status.
- ③ Support and respect the protection of human rights prevailing internationally, e.g. the Universal Declaration of Human Rights of the United Nations, the basic conventions of the International Labor Organization (ILO) fundamental conventions, and the Global Compact.
- ④ Provide employees with a safe workplace, and training and protective equipment required by laws and regulations. The staff shall use the best effort to maintain a safe and healthy working environment, and strictly comply with the safety and health operating procedures and guidelines when performing job duties to prevent themselves and others from danger.

(4) Fulfillment of social responsibility

- ① Strictly comply with the government's and Unizyx's environmental protection policies and guidelines, fulfill the environmental protection responsibility, and avoid contaminating and undermining the environment and wasting resources.
- ② Fulfill the corporate social responsibility and contribute to the communities where Unizyx is operating, as one of the corporate citizens, and also encourage employees to

participate in various community development activities after work.

5.1.7 Retirement system

The Group has established its Supervisory Committee of Labor Retirement Reserve according to the Labor Standards Act as of May 1991 and contributed the labor retirement reserve to the Central Trust of China every month. The reserve was managed by the Supervisory Committee of Labor Retirement Reserve. Since July 1, 2005, for employees who choose to apply to the pension system under the Labor Pension Act, the amount equivalent to 6% of the salary of each of them has been contributed to a dedicated account at the Labor Insurance Bureau.

5.2 List the Losses Suffered by the Company Due to Labor Disputes for the Most Recent Year until the Date of Publication of the Annual Report and Disclose the Amount in Losses That May Occur from Such Disputes in the Future and the Countermeasures. If the Amount Cannot Be Reasonably Estimated, Explain the Facts behind Why the Reasonable Estimation Cannot Be Made:

The Group is used to valuing labors' welfare, interests and rights. The management-labor relations always remain amicable. Therefore, the Group never suffers any losses due to labor disputes. Notwithstanding, the Group will still improve supervisors' leadership skills, and establish a multi-channel system for communication of opinion to settle the difficulties and problems encountered by employees, and eliminate any disputes successfully.

6. Information Disclosure of Cyber Security Management

6.1 Cyber Security Risk Management Framework

Unizyx Group has established the dedicated Information Security Officer for coordinating the Group's information security strategy planning. In 2014, the dedicated information security team was established, led by the Information Security Officer, and in charge of the formulation of information security strategies and objectives, monitoring information security incidents and activities, implementing various information security tasks and projects, and conducting the information security promotional training.

Meanwhile, the information security implementation status is reviewed annually, with the convention of management review meetings, to continuously promote and improve the information security management system. The Internal Auditing Office conducts periodical audits of the information security implementation status, to ensure the internal information security management system always operates effectively.

6.2 Cyber Security Policy

Unizyx Group's information security policy was formulated, announced, and implemented in 2011. To achieve the information security objectives, the rules, measures, standards, regulations, and code of conduct regarding the information security management operation have been established, to ensure the effectiveness of the Group's information security practices, with regular reviews for the implementation performance, for achieving the goal of overall information security, and meeting the relevant regulations, so that the deliberate and accidental threats, both internally and externally, may be prevented. The contents include: "Procedures for Cyber Security Management," "Procedures for Software Asset Management," "Procedures for Personal Computer Device Service and Management," the policies for data backup and recovery, mobile device communication and operation security, remote access control and security, classification and control to information assets, physical and environmental security, security of system development and maintenance, responses and handling of information security incidents, business continuity management, and supplier management. All these information security policies are formulated pursuant to the international standard, ISO 27001.

6.3 Concrete Management Program

6.3.1 Educational Promotions and Training for Cyber Security

Unizyx Group has established the internal information security website, to provide real-time information security messages to colleagues via the “information security site,” to improve the cognitive ability of information security, enhance the awareness of information security risks, urge all employees to understand the importance of information security, know various possible security risks and responding methods, for the purpose of safeguarding the overall information security.

The colleagues receive training and promotions related to information security annually, to improve their information security awareness and protection capabilities, and lower the information security vulnerabilities resulted from man-made factors. The colleagues newly on-board must complete the online information security courses as required by the new employee training program, including the information security policies, utilization and regulations. All colleagues must complete the information security courses based on their levels, to urge them to understand the importance of information security and various possible risks, enhance their information security awareness, and follow the related information security requirements.

6.3.2 ISO 27001

To ensure the confidentiality, completeness, and availability of all information, from 2015, the ISO27001:2013 international certification has been obtained by passing the review of the verification institution, BSI. Unizyx Group has implemented the managerial spirit of “Plan-DoCheck-Act” (PDCA) with a rigorous attitude and continuously improved the information security management and techniques, to safeguard the customers’ data security.

Various management documents are established as required by the standards of the ISO27001:2013 version, the information assets inventory and updates are conducted annually, as well as various information security tasks, including the risk appraisal, analysis of the impact to operations, drills of disaster recovery, audit of account authorizations, scanning of vulnerability and loopholes, penetration tests, and drills of social engineering. The internal and external audits are conducted annually with the convention of management review meetings, to continuously implement various information security policies.

6.3.3 Data Safeguard System and Mechanism

The information security team of Unizyx Group has established its own security operation center (SOC); via data collecting and big-data platform, the security intelligence and database are established; by combining the user and device behavior analyses and machine learning, various multi-dimensional relevance analyses are conducted, to detect behaviors like information security incidents or periodic connection, and provide the real-time alerting mechanism, so the internal and external information security threats are caught in real-time, and the information security incidents are dealt with immediately to minimize the information security damage.

6.4 Resources Input to the Cyber Security

6.4.1 Information Security Management Performance

Unizyx Group has established the verification of information security management system (ISMS) meeting the international standards, ISO/IEC 27001:2013 (including the national standards for information security management system, CNS 27001: 2014). Since the information security management system was introduced and verified in 2015, the information security management verification and periodical review have been passed for six years in a row. The information security management has been continuously implemented, and the verification has been obtained every three years via the appraisal and

periodical review in between, for the continuous improvement and optimization of management and technologies.

To respond to the increasing information security threats, the Product Security Incident Response Team (PSIRT) was established in 2017. It used to be a virtual team combining personnel from different teams, but in 2021, it became an official unit with regular deployment, to continuously monitor the potential external threats and respond to security problems immediately. Later, it was recognized that it was not solving problems from the root, as the product design shall include information security. Therefore, the design principles of the security framework, security inspection of source code, and product security verifications are specified. Also, the membership of MITRE CNA has been obtained to accelerate the implementation of "Security by Design." During the R&D process, the principle of security by design must be met to protect Unizyx Group's information assets from various internal and external shocks, and ensure the confidentiality, completeness, and availability of the Company's ISMS.

6.4.2 Information Security Management Goals and Outcomes

- (1) To respond to the impacts of the COVID-19 pandemic, the devices with high security and multiple authentication mechanisms are applied, the authorization status is reviewed regularly, the security of the information system service and internet security connection for the remote-working by the employees is enhanced.
- (2) The information security awareness of employees and the prevention of e-mail fraud are enhanced. The information security training for all employees was conducted with a 99.9% completion rate and two social engineering drills.
- (3) The drill of backup switch of the business continuity capacities of the core operating information system was completed in October 2021 as an outcome.

6.5 Specify the Losses, Possible Impacts and Responding Measures for the Material Information Security Incidents in the Most Recent Year Until the Printing Date of the Annual Report; if a reasonable estimate cannot be made, please explain the fact that cannot be reasonably estimated: None.

7. Important Contracts

Type of Contract	Contractual Party	Term	Major Contents	Restrictive Clause
Contract for sale of products	Agent/telecommunication service provider	Since 2013	Sale of products, and related services derived therefor	none
License agreement	Multiple domestic/foreign technology companies	Since 2013	License to the technologies required by products, such as Femto, LTE, IPAV, Digital home, and antivirus	none
OEM contract	Multiple multinational enterprises	Since 2011	Sale of products and OEM services	none
Construction Contract	With companies including Li Ming Electronics Industrial Co., Ltd., Hong Wei Electrical Industry Co., Ltd, Ying Sherng Enterprise Co., Ltd., Chun Da Co., Ltd., and Hout Engineering Co., Ltd.	2015~2021	Water & electricity, electromechanical and air-conditioning engineering projects	none
Real estate tenancy agreement	Hsinchu Science Park Bureau and the branch in the Science Park	2010~2024	Public property, plant and dormitory of the Park Bureau rented to the branch in the Science Park. The land rent is paid on a monthly basis. In the government's land price adjustment, the rent will be adjusted relatively, provided that no recovery or refund of paid rent is applicable.	none

VI. Financial Information

1. Five-Year Financial Summary

1.1 Condensed consolidated balance sheets and statements of comprehensive income

Condensed consolidated balance sheets

Unit: NTD thousand

Year		Financial data for the last five years				
		2021	2020	2019	2018	2017
Current asset		18,004,613	16,408,405	12,305,624	14,304,550	11,638,883
Property, plant and equipment		1,699,145	1,592,121	1,639,267	1,763,447	1,930,150
Intangible assets		361,893	259,758	124,792	117,081	135,171
Other assets		1,328,023	1,328,881	1,416,141	934,194	705,070
Total assets		21,393,674	19,589,165	15,485,824	17,119,272	14,409,274
Current liabilities	Before distribution	9,524,329	10,581,538	7,638,014	9,528,262	6,201,089
	After distribution	Note	10,805,360	7,638,014	9,528,262	6,201,089
Non-current liabilities		2,649,736	701,396	605,842	284,676	224,818
Total liabilities	Before distribution	12,174,065	11,282,934	8,243,856	9,812,938	6,425,907
	After distribution	Note	11,506,756	8,243,856	9,812,938	6,425,907
Equity attributable to shareholders of the parent		9,070,292	8,279,033	7,221,191	7,241,236	7,916,348
Capital stock		4,536,148	4,476,438	4,411,773	4,411,773	4,411,773
Capital surplus	Before distribution	3,680,924	3,827,886	3,755,876	3,725,204	3,720,573
	After distribution	Note	3,604,064	3,755,876	3,725,204	3,720,573
Retained earnings	Before distribution	1,513,771	447,480	-362,370	-439,594	126,249
	After distribution	Note	447,480	-362,370	-439,594	126,249
Other equities		-462,103	-351,910	-463,227	-335,286	-221,386
Treasury shares		-198,448	-120,861	-120,861	-120,861	-120,861
Non-controlling interest		149,317	27,198	20,777	65,098	67,019
Total Equity	Before distribution	9,219,609	8,306,231	7,241,968	7,306,334	7,983,367
	After distribution	Note	8,082,409	7,241,968	7,306,334	7,983,367

Note: Pending on approval of shareholders at Annual Shareholders' Meeting.

Condensed consolidated statement of comprehensive income

Unit: NTD thousand

Year Item	Financial data for the last five years				
	2021	2020	2019	2018	2017
Operating revenue	25,681,970	22,250,630	24,026,346	22,222,727	19,141,444
Gross profit	6,060,518	5,780,099	5,090,526	4,169,778	4,276,668
Operating income (loss)	1,425,434	1,292,694	175,810	-758,792	-530,337
Non-operating income (expenses)	12,630	-116,806	-213,824	122,830	-93,550
Income (loss) before income taxes	1,438,064	1,175,888	-38,014	-635,962	-623,887
Net income (loss) from operations of continued segment	1,095,459	831,001	101,978	-601,383	-571,323
Net income from operations of discontinued segments	—	—	—	—	—
Net income (loss)	1,095,459	831,001	101,978	-601,383	-571,323
Other comprehensive income for the year	-142,429	93,387	-133,637	-81,893	-7,862
Total comprehensive income for the year	953,030	924,388	-31,659	-683,276	-579,185
Net income (loss) attributable to Shareholders of the parent company	1,096,700	827,944	106,753	-596,490	-569,752
Net income (loss) attributable to Non-controlling interests	-1,241	3,057	-4,775	-4,893	-1,571
Total comprehensive income attributable to Shareholders of the parent company	956,098	921,167	-24,310	-679,743	-578,368
Total comprehensive income attributable to Non-controlling interests	-3,068	3,221	-7,349	-3,533	-817
Earnings per share	2.49	1.91	0.25	-1.38	-1.32

1.2 Condensed parent company only balance sheets and statements of comprehensive income

Condensed balance sheets

Unit: NTD thousand

Year Item		Financial data for the last five years				
		2021	2020	2019	2018	2017
Current asset		1,747,708	252,737	163,842	132,868	96,471
Property, plant and equipment		4,805	4,121	1,162	1,245	1,649
Intangible assets		103	215	327	439	551
Other assets		9,403,257	8,060,945	7,094,042	7,138,875	7,851,339
Total assets		11,155,873	8,318,018	7,259,373	7,273,427	7,950,010
Current liabilities	Before distribution	176,368	33,489	34,990	28,542	30,635
	After distribution	Note	257,311	34,990	28,542	30,635
Non-current liabilities		1,909,213	5,496	3,192	3,649	3,027
Total liabilities	Before distribution	2,085,581	38,985	38,182	32,191	33,662
	After distribution	Note	262,807	38,182	32,191	33,662
Equity attributable to shareholders of the parent		9,070,292	8,279,033	7,221,191	7,241,236	7,916,348
Capital stock		4,536,148	4,476,438	4,411,773	4,411,773	4,411,773
Capital surplus	Before distribution	3,680,924	3,827,886	3,755,876	3,725,204	3,720,573
	After distribution	Note	3,604,064	3,755,876	3,725,204	3,720,573
Retained earnings	Before distribution	1,513,771	447,480	-362,370	-439,594	126,249
	After distribution	Note	447,480	-362,370	-439,594	126,249
Other equities		-462,103	-351,910	-463,227	-335,286	-221,386
Treasury shares		-198,448	-120,861	-120,861	-120,861	-120,861
Non-controlling interests		—	—	—	—	—
Total Equity	Before distribution	9,070,292	8,279,033	7,221,191	7,241,236	7,916,348
	After distribution	Note	8,055,211	7,221,191	7,241,236	7,916,348

Note: Pending on approval of shareholders at Annual Shareholders' Meeting.

Condensed statement of comprehensive income

Unit: NTD thousand

Year Item	Financial data for the last five years				
	2021	2020	2019	2018	2017
Operating revenue	1,290,155	947,320	237,797	153,827	158,004
Gross profit	1,290,155	947,320	237,797	153,827	158,004
Operating income (loss)	1,088,663	813,981	113,579	-586,154	-560,706
Non-operating income (expense)	—	—	—	—	—
Income (loss) before income taxes	1,088,663	813,981	113,579	-586,154	-560,706
Net income (loss) from operations of continued segment	1,096,700	827,944	106,753	-596,490	-569,752
Net income from operations of discontinued segments	—	—	—	—	—
Net income (loss)	1,096,700	827,944	106,753	-596,490	-569,752
Other comprehensive income for the year	-140,602	93,223	-131,063	-83,253	-8,616
Total comprehensive income for the year	956,098	921,167	-24,310	-679,743	-578,368
Net income (loss) attributable to Shareholders of the parent company	1,096,700	827,944	106,753	-596,490	-569,752
Net income (loss) attributable to Non-controlling interests	—	—	—	—	—
Total comprehensive income attributable to Shareholders of the parent company	956,098	921,167	-24,310	-679,743	-578,368
Total comprehensive income attributable to Non-controlling interests	—	—	—	—	—
Earnings per share	2.49	1.91	0.25	-1.38	-1.32

1.3 Five-Year Auditors' Opinions

Year	Accounting firm	Name of CPA	Audit opinion
2017	KPMG Taiwan	An-Chih Cheng, Tzu-Hsin Chang	Unqualified opinions
2018	KPMG Taiwan	An-Chih Cheng, Tzu-Hsin Chang	Unqualified opinions
2019	KPMG Taiwan	An-Chih Cheng, Shing-Hai Wei	Unqualified opinions
2020	KPMG Taiwan	An-Chih Cheng, Shing-Hai Wei	Unqualified opinions
2021	KPMG Taiwan	An-Chih Cheng, Ji-Long Yu	Unqualified opinions

2. Five-Year Financial Analysis

2.1 Consolidated financial analysis

Year		Financial analysis for the last five years				
		2021	2020	2019	2018	2017
Item						
Capital structure analysis (%)	Debt ratio	56.90	57.60	53.23	57.32	44.60
	Long-term fund to property, plant and equipment ratio	698.55	565.76	478.74	573.94	425.26
Liquidity Analysis (%)	Current ratio	189.04	155.07	161.11	150.13	187.69
	Quick Ratio	121.07	103.99	109.39	96.95	132.10
	Times interest earned	50.36	51.44	0.01	-19.86	-32.27
Operating performance analysis	Average collection turnover (times)	4.51	4.21	4.09	3.81	3.80
	Days sales outstanding	80.93	86.70	89.24	95.80	96.05
	Average inventory turnover (times)	3.53	3.93	4.61	4.53	4.40
	Average payment turnover (times)	3.64	3.58	4.44	4.16	4.18
	Average inventory turnover days	103.39	92.87	79.17	80.57	82.95
	Property, plant and equipment turnover (times)	15.61	13.77	14.12	12.03	9.75
	Total assets turnover (times)	1.25	1.27	1.47	1.41	1.31
Profitability analysis	Return on total assets (%)	5.46	4.84	0.81	-3.66	-3.79
	Return on equity attributable to shareholders of the parent (%)	12.50	10.69	1.40	-7.87	-6.88
	Pre-tax income to paid-in capital (%)	31.70	26.27	-0.86	-14.42	-14.14
	Net income (%)	4.27	3.73	0.42	-2.71	-2.98
	Earnings per share (NTD)	2.49	1.91	0.25	-1.38	-1.32
Cash flow	Cash flow ratio (%)	2.16	14.62	31.07	-24.54	8.70
	Cash flow adequacy ratio (%)	37.73	86.33	74.33	-11.00	80.14
	Cash reinvestment ratio (%)	-0.11	14.43	25.59	-26.02	4.69
Leverage	Operating leverage	3.93	3.98	23.65	-3.85	-6.09
	Financial leverage	1.02	1.02	1.28	0.96	0.97
<p>Difference analysis for changes over 20% in the past two years:</p> <ol style="list-style-type: none"> 1. Long-term fund to property, plant and equipment ratio increased 23.47%, mainly due to increase in non-current liabilities. 2. Current ratio increased 21.91%, mainly due to increase in current assets and decrease in current liabilities. 3. Pre-tax income to paid-in capital increased 20.67%, and EPS increased 30.37%, mainly due to increase in net profit before tax. 4. Cash flow ratio decreased 85.23%, mainly due to decrease in cash provided by operating activities. 5. Cash flow adequacy ratio decreased 56.30%, mainly due to decrease in net cash from operating activities for the past five years. 6. Cash reinvestment ratio decreased 100.76%, mainly due to decrease in cash from operating activities and the cash dividends were paid for the period. 						

2.2 Parent company only financial analysis

Year		Financial analysis for the last five years				
		2021	2020	2019	2018	2017
Capital structure analysis (%)	Debt ratio	18.69	0.47	0.53	0.44	0.42
	Long-term fund to property, plant and equipment ratio	228,501.66	201,032.01	621,719.71	581,918.55	480,332.12
Liquidity analysis (%)	Current ratio	990.94	754.66	468.25	465.52	314.90
	Quick Ratio	990.78	753.80	466.50	464.63	313.84
	Times interest earned	152.67	—	—	—	—
Operating performance analysis	Average collection turnover (times)	Note	Note	Note	Note	Note
	Days sales outstanding	Note	Note	Note	Note	Note
	Average inventory turnover (times)	Note	Note	Note	Note	Note
	Average payment turnover (times)	Note	Note	Note	Note	Note
	Average inventory turnover days	Note	Note	Note	Note	Note
	Property, plant and equipment turnover (times)	Note	Note	Note	Note	Note
	Total assets turnover (times)	Note	Note	Note	Note	Note
Profitability analysis	Return on total assets (%)	11.32	10.63	1.47	-7.84	-6.88
	Return on equity attributable to shareholders of the parent (%)	12.64	10.68	1.48	-7.87	-6.91
	Pre-tax income to paid-in capital (%)	24.00	18.18	2.57	-13.29	-12.71
	Net income (%)	85.02	87.40	44.90	-388.46	-360.59
	Earnings per share (NTD)	2.49	1.91	0.25	-1.38	-1.32
Cash flow	Cash flow ratio (%)	141.74	-18.38	95.16	125.74	121.68
	Cash flow adequacy ratio (%)	109.58	100.96	35.55	61.58	39.00
	Cash reinvestment ratio (%)	0.24	-0.07	0.46	0.50	-0.64
Leverage	Operating leverage	1.16	1.14	1.92	0.85	0.83
	Financial leverage	1.01	1.00	1.00	1.00	1.00
<p>Difference analysis for changes over 20% in the past two years:</p> <ol style="list-style-type: none"> Liability to asset ratio increased 3,876.60%, mainly due to increase in non-current liabilities. Current ratio increased 31.31% and quick ratio increased 31.44%, mainly due to increase in current assets. Pre-tax income to paid-in capital increased 32.01%, and EPS increased 30.37%, mainly due to increase in net profit before tax. Cash flow ratio decreased 871.16% and Cash reinvestment ratio decreased 442.86%, mainly due to cash inflow from operating activities. 						

Note: The Company's major business is investment, so this ratio is not applicable.

Glossary

1. Capital structure analysis
 - (1) Debt Ratio = Total liabilities / Total assets
 - (2) Long-term fund to property, plant and equipment ratio = (Shareholders' equity + Noncurrent liabilities) / Net property, plant and equipment
2. Liquidity analysis
 - (1) Current ratio = Current assets / Current liabilities
 - (2) Quick ratio = (Current assets - Inventories - prepaid expenses) / Current liabilities
 - (3) Times interest earned = Earnings before interest and taxes / Interest expenses
3. Operating performance analysis
 - (1) Average collection turnover = Net sales / Average trade receivables
 - (2) Days sales outstanding = 365 / Average collection turnover
 - (3) Average inventory turnover = Operating costs / Average inventory.
 - (4) Average payment turnover = Operating costs / Average trade payables
 - (5) Average inventory turnover days = 365 / Average inventory turnover
 - (6) Property, plant and equipment turnover = Net sales / Average net property, plant and equipment
 - (7) Total assets turnover rate = Net sales / Average total assets
4. Profitability analysis
 - (1) Return on total assets = [Net income + interest expenses (1- tax rate)] / Average total assets
 - (2) Return on equity attributable to shareholders of the parent = Net income attributable to shareholders of the parent / Average equity attributable to shareholders of the parent
 - (3) Net income = Net income / Net sales
 - (4) Earnings per share = (Net income attributable to shareholders of the parent - preferred stock dividend) / weighted average number of shares outstanding
5. Cash flow
 - (1) Cash flow ratio = Net cash provided by operating activities / Current liabilities
 - (2) Cash flow adequacy ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividend
 - (3) Cash reinvestment ratio = (Cash provided by operating activities – cash dividends) / Gross property, plant and equipment + long-term investments + other noncurrent assets + working capital)
6. Leveraging
 - (1) Operating leverage = (Net sales – variable costs) / Operating income
 - (2) Financial leverage = Operating income / (Operating income – Interest expenses)

3. Audit Committee's Review Report: please refer to page 132 for details.

4. Consolidated Financial Statements and Independent Auditors' Report: please refer to Appendix A for details

5. Parent Company Only Financial Statements and Independent Auditors' Report: please refer to Appendix B for details

6. The Company should Disclose the Financial Impact to the Company if the Company and its Affiliates Have Incurred any Financial or Cash Flow Difficulties in the Most Recent Year and as of the Date of Publication of the Annual Report : none.

VII. Review of Financial Conditions and Operating Results, and Risk Management

1. Financial Position

Unit: NTD thousand

Item \ Year	2021	2020	Difference	
			Amount	%
Current asset	18,004,613	16,408,405	1,596,208	9.73%
Property, plant and equipment	1,699,145	1,592,121	107,024	6.72%
Intangible assets	361,893	259,758	102,135	39.32%
Other assets	1,328,023	1,328,881	-858	-0.06%
Total assets	21,393,674	19,589,165	1,804,509	9.21%
Current liabilities	9,524,329	10,581,538	-1,057,209	-9.99%
Non-current liabilities	2,649,736	701,396	1,948,340	277.78%
Total liabilities	12,174,065	11,282,934	891,131	7.90%
Capital stock	4,536,148	4,476,438	59,710	1.33%
Capital surplus	3,680,924	3,827,886	-146,962	-3.84%
Retained earnings	1,513,771	447,480	1,066,291	238.29%
Other equities	-462,103	-351,910	-110,193	-31.31%
Treasury shares	-198,448	-120,861	-77,587	-64.20%
Non-controlling interests	149,317	27,198	122,119	449.00%
Total equity	9,219,609	8,306,231	913,378	11.00%

1. Describe and analyze changes between two consecutive periods over 20% and more than NTD 10 million:

- (1) The intangible assets increased from the previous period, mainly due to the acquisition of computer software.
- (2) The non-current liabilities increased from the previous period, mainly due to the issuance of corporate bonds.
- (3) Retained earnings increased from the previous period, mainly due to increase in the profit for the period.
- (4) Other equities increased from the previous period, mainly due to increase in currency exchange profit arising from the translation of foreign operations.
- (5) Treasury shares increased from the previous period, mainly due to the repurchase during the period.
- (6) Noncontrolling Interests increased from the previous period, mainly due to the capital increase of subsidiaries are not recognized based on the shareholding percentage.

2. Impacts from financial position changes and response: no material impact.

2. Operating Results

Unit: NTD thousand

Item \ Year	2021	2020	Difference	%
Net operating revenue	25,681,970	22,250,630	3,431,340	15.42%
Operating costs	19,621,452	16,470,531	3,150,921	19.13%
Gross profit	6,060,518	5,780,099	280,419	4.85%
Operating expenses	4,635,084	4,487,405	147,679	3.29%
Operating income (loss)	1,425,434	1,292,694	132,740	10.27%
Non-operating income (expenses)	12,630	-116,806	129,436	110.81%
Income (loss) before income taxes	1,438,064	1,175,888	262,176	22.30%
Net income (loss)	1,095,459	831,001	264,458	31.82%
Other comprehensive income for the year	-142,429	93,387	-235,816	-252.51%
Total comprehensive income for the year	953,030	924,388	28,642	3.10%
Net income (loss) attributable to Shareholders of the parent company	1,096,700	827,944	268,756	32.46%
Net profit (loss) attributable to Non-controlling interests	-1,241	3,057	-4,298	-140.60%
Total comprehensive income attributable to Shareholders of the parent company	956,098	921,167	34,931	3.79%
Total consolidated income attributable to Non-controlling interests	-3,068	3,221	-6,289	-195.25%
<p>1. Describe and analyze changes between two consecutive periods over 20% and more than NTD 10 million:</p> <p>(1) Non-operating incomes (expenses) for the period increased, mainly due to increase in net gains of the financial assets measured at the fair value through profit and loss.</p> <p>(2) Pre-tax net profit, net profit, and net profit attributable to shareholders of the parent for the period increased, mainly due to increase in operating profit and non-operating incomes.</p> <p>(3) Other comprehensive incomes for the period decreased, mainly due to decrease in currency exchange profit arising from the translation of foreign operations.</p> <p>2. Sales volume forecast and the basis thereof for the next year: the financial forecast is not prepared and thus not applicable.</p> <p>3. Future effect upon the company's financial operations: no material effect.</p> <p>4. Response: not applicable.</p>				

3. Cash Flow

3.1 Analysis Cash Flows in the Recent Year

3.1.1 Analysis of the changes to cash flows in the year

Unit: NTD thousand

Cash balance at the beginning of the period	Cash balance at the beginning of the period	Net cash flow from investment and financing activities	Cash balance at the end of the period	Remedies for cash shortfall	
				Investment plan	Financing plan
4,078,159	205,349	1,009,976	5,293,484	—	—

(1) Cash inflow from operating activities of NTD 205,349 thousand, mainly from the operating profit of the period.

(2) Cash inflow from investment and financial activities of NTD 1,009,976 thousand, mainly due to issuance of corporate bonds for NTD 1,895,650 thousand, acquisition of property, plant and equipment for NTD 379,636 thousand, and the distribution of cash from the capital surplus for NTD 219,760.

3.1.2 Remedies for cash shortfall: no insufficient cash.

3.2 Analysis Cash Flows for the Coming Year

3.2.1 Analysis of the changes to cash flows for the coming year

Unit: NTD thousand

Cash balance at the beginning of the period	Net cash flow from operating activities Cash flow	Net cash flow from investment and financing activities	Cash balance at the end of the period	Remedies for cash shortfall	
				Investment plan	Financing plan
5,293,484	893,886	810,720	6,998,090	—	—

(1) Cash inflow from operating activities of NTD 893,886 thousand, mainly from income before income taxes, notes and accounts receivable (related parties included), notes and accounts payable (related parties included), inventory, expenses payable, depreciation expense and provision for inventory obsolescence.

(2) Cash inflow from investment and financial activities of NTD 810,720 thousand, mainly from borrowings, dividend distribution, share payment refunded from capital deduction.

3.2.2 Remedies for cash shortfall and liquidity analysis: none.

4. Major Capital Expenditure Items

4.1 Major capital expenditure items and source of capital: none.

4.2 Expected benefits: none.

5. Investment Policy in the Most Recent Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year

5.1 Most Recent Annual Reinvestment Policy:

The Group's reinvestment policy focuses on the expansion of productivity and markets in hopes of increasing operating revenue and earnings.

5.2 Main Reason for the Recent Annual Reinvestment Gains or Losses, and the Improvement Plan:

Earnings are generated by the investment income primarily. Losses arise as the sales fail to attain the economic scale. The Group makes appropriate decisions against the investees that suspend operations or have poor performance by considering various factors to improve the management performance and control investment loss.

5.3 Investment Plans for the Coming Year:

The Group will evaluate investment plans with care from a long-term strategic point of view in order to deal with the needs in future markets and continue improving its global competitiveness.

6. Analysis of Following Issues for the Most Recent Year until Publication Date of the Annual Report for Risk Management

The Group manages the potential risks that might impact the Group's operations and earnings to mitigate the impact posed by such risks to stakeholders and shareholders. The Group's risk management organization and relate supervisory mechanism are summarized as follows:

1. Senior Management Meeting:

Convened monthly and attended by CEO and CFO of the Company and division heads from subsidiaries. Division heads from subsidiaries report the monthly operating results, financial position and key performance indicators at the meeting. Meanwhile, they propose the annual plan based on the direction of management and budget each year, and follow up the implementation thereof periodically, and conduct dynamic review on potential risks and corresponding policies.

2. Departments of Unizyx:

Establish the group policy on the related functions, such as human resource, finance, legal affairs, information, purchase and strategy, in order to integrate the Group's key strategic directions. Each functional department and subsidiary establishes a fair two-way and horizontal communication mechanism to respond to potential risks.

3. Internal Auditing Office of Unizyx:

Audit subsidiaries' finance and business, and adequacy of the internal control system design and implementation, and report the results to the Board of Directors periodically.

4. Subsidiaries:

Operationally, implement KPI factors, analyze strength and weakness, products, markets and competition status, and provide related countermeasures; financially, set forth their risk management strategies based on the foreign exchange rate risk, interest rate risk and customers' credit risk, and escalate the same to the senior management.

6.1 Impact of Interest and Exchange Rate Fluctuations and Inflation on the Profit and Loss of the Company, and the Future Countermeasures:

(1) Interest rate:

In consideration of the minor proportion of interest income to the operating income for the year, exchange rate fluctuations actually pose a limited impact to the Group's income. The Group invests capital to expand business and reserves the working capital needed by operations. Based on the principle of conservatism and stability, and in order to balance safety and reasonable earnings, the Group deposits idle funds at credible financial institutions and applies principle guarantee and safe investment portfolios as its main tools to manage wealth. The Group keeps controlling the interest rate market trend so that it may take response action in advance whenever loaning of the fund is required for operations to mitigate the impact posed by interest rate fluctuations to the Group's income.

The following sensitivity analyses are determined based on the derivative and non-derivative instruments' interest rate exposure at the reporting dates. The analysis on floating-rate assets or liabilities is prepared under the assumption that the amount of the assets or liabilities outstanding on the reporting date is outstanding throughout the year. When internal personnel report the interest rates to the Group's management, the variable interest rates applied to mean the interest rates increasing or decreasing by 0.25%,

and also represent the management's evaluation on the reasonably possible extent of changes of the interest rates.

If the interest rates increase or decrease by 0.25%, while other variables are kept the same, the Group's net profit before income tax in 2021 will increase or decrease by NT\$1,695 thousand, primarily as a result of the Group's variable interest rate cash & cash equivalent and short-term loan.

(2) Exchange rate:

In consideration of the Group's higher proportions of export sales, the Group keeps controlling the market information and exchange rate trends from time to time and evaluates the risk over the Group's foreign exchange position in order to mitigate the foreign exchange risk. Meanwhile, the Group hedges against risks in a timely manner to mitigate the adverse effect caused to the Group.

The Group's foreign interest rate risk primarily arises from the foreign currency exchange gain and loss generated upon conversion of cash & cash equivalent, notes and accounts receivable (including related parties), other receivables (including related parties), short-term loan, and notes and accounts payable (including related parties) denominated in foreign currencies. When NT\$ against the foreign currencies denominating financial assets and financial liabilities depreciates or appreciates by 5%, while the other factors are kept the same, the effects to the increase (decrease) in pre-tax net profit on December 31, 2021 are stated as follows:

	<u>Appreciation</u>	<u>Depreciation</u>
2021	\$ 35,257	\$ -35,257

(3) Inflation

Control the inflation trends in the market at any time, and adjust the quotation to customers in a timely manner to mitigate the effects.

6.2 Policies, Main Causes of Gain or Loss and Countermeasures Concerning High-risk, High-leverage Investments, Lending or Endorsement Guarantees, and Derivatives Transactions:

- (1) The Group upholds conservative and stable investment and wealth management. Therefore, the Group never engages in high-risk or high-leverage investments.
- (2) The loan of the fund is required, as the accounts receivable generated from the sales to related parties should be re-stated upon expiration of three months pursuant to laws or by related parties who need a short-term loan. Meanwhile, if a related party needs a loan due to business dealings, it may apply for the loaning of the fund in accordance with the operating procedure set forth by Unizyx.
- (3) The endorsements/guarantees are provided only to secure the application of any subsidiary of which 50% of the capital is invested by Unizyx for loaning of the fund with a bank or the guarantee of payment required by purchases.
- (4) The hedging strategy aims to evade most market price risks, not to engage in trading. The Group is used to acting conservative toward transactions of derivatives. It only undertook the hedging by forwarding exchange rate contracts.
- (5) Unizyx has had the regulations, including the "Procedures for Loaning Funds to Others," "Procedures for Making of Endorsement/Guarantee," "Procedures for Derivatives Trading," and "Procedures for the Acquisitions and Disposition of Assets," approved by the Board of Directors to govern related operations.

6.3 Future R&D plans and expected R&D expenditure input:

In the next three to five years, the product development direction will not only be based on the existing fixed-line broadband access technology, active deployment of new generation of high-bandwidth fixed-line broadband network, strengthening the cultivation of mobile communications, but also the Company will actively invests in cloud and information security network related fields, as the technological goals achieved rapidly and the future directions, to maintain our leading international competitive advantages in the new generation of integrated network era. The future R&D plans and products are as follows:

- (1) Various IP-based broadband central office and customer-premises equipment.
- (2) The latest development in wired broadband technology.
- (3) Integrated application of wireless network management and wireless communication performance.
- (4) 5G NR/ 4G LTE solutions for telecom operators, businesses and homes
- (5) Telecom operators' wireless networking solutions.
- (6) Telecom operators' optical fiber broadband network solutions.
- (7) Wireless networking solutions for business and home and switch solutions.
- (8) Commercial cloud networking management solutions and license services.
- (9) Information security and protection solutions for businesses and license services.
- (10) SD-WAN networking solutions.
- (11) Ultrahigh-speed and wide-area Ethernet switches.
- (12) Various digital home and multimedia application products and smart home power management solutions.
- (13) Internet of Things and smart cloud security networking application technology and licensed services.
- (14) In-building solution (IBS) and distributed antenna system.

The Group expects to continue the development of above-mentioned products and technologies in 2022, and the estimated R&D expenditures will account for approximately 5-10% of revenue.

6.4 Effects of Changes in Local/foreign Policies and Laws to Corporate Finance and Sales, and Countermeasures:

The Group's routine operations always follow related domestic/foreign laws and regulations. The Group consistently pays close attention to any changes in local and foreign policies, collects related information and submits the same to the management as a reference for decision making, in order to adjust related business strategies. For the time being, no effects of changes of local/foreign policies and laws are posed to corporate finance and sales.

6.5 Effects of Changes in Technology and the Industry to Corporate Finance and Sales, and Countermeasures:

- (1) Given the low threshold for technology market access and availability of low-price product technology, the market value declines significantly. Notwithstanding, the market demand is expanded and thereby benefits the increase in market shares.
- (2) The increasing market demand for IT integration will expand the same market. The Group will increase resources and capital invested in the relevant R&D.
- (3) Information Security Risk Management:
The information security organization is founded in order to ensure the top-down approach adopted by an information security management system and to reach consensus, perform teamwork, assign job duties, and make the whole employees practice the information security concept, thereby achieving the organization's information security objectives. In order to promote and control the implementation of the information security policy, Unizyx

establishes the inter-departmental unit, the "Information Security Committee." The primary missions include:

- ① Review and approve the organization's information security policy and authority related thereto.
- ② Take appropriate response action against important information security assets and incidents.
- ③ Review and control information security incidents.
- ④ Approve improvement of the key guidance policy on information security management.
- ⑤ Review information security policies periodically.

In order to avoid the potential risks and hazards caused by unfair use, disclosure, alteration and destruction of data resulting from negligence, intention or natural calamity, Unizyx performs relevant operations to manage the information security policy, organization, documents, asset & risk evaluation, personnel safety and training, access control, audit, correction and prevention, etc. Meanwhile, to upgrade Unizyx members' awareness and knowledge toward information security, Unizyx demands that new employees complete the information security training on the hiring date. Meanwhile, Unizyx exercises the email social engineering rehearsal and internal training periodically or sends personnel to attend the professional information security courses provided by external units in order to upgrade the personnel's awareness and knowledge toward information security and reduce the information security incidents caused by the personnel with insufficient awareness toward security. Information security education promotion or training is conducted with respect to the personnel at different levels, including the requirements about information security training hours for managers (3 hours), information personnel (6 hours), information security personnel (12 hours), and general personnel (3 hours), in order to urge the personnel to know about the importance of information security and potential security risks, upgrade their awareness toward information security, and comply with related information security requirements.

In order to enhance the information security management and ensure the confidentiality, integrity and availability of information assets, provide the environment and framework needed by Unizyx's information operations, and satisfy related laws and regulations, thereby preventing Unizyx from any threat, intentional or negligent, internally or externally, Unizyx has formally implemented the ISO 27001 to establish the information security management system (ISMS) in line with international standards, Unizyx passed the BSI verification agency review in 2015 and obtained the ISO 27001:2013 international standard certification. By virtue of risk management, the threat and weakness are verified through asset evaluation to enable managers to verify risks and try to mitigate the risk to an acceptable extent, and achieve the "information security" objectives based on the conclusion that "risks have been controlled effectively."

6.6 Effects of Changes in Corporate Identity to Corporate Risk Management, and Countermeasures: none.

6.7 Expected Benefits From, Risks Relating to and Response to Merger and Acquisition Plans: none.

6.8 Expected Benefits From, Risks Relating to and Response to Factory Expansion Plans: none.

6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration:

(1) Purchase:

According to the purchase policy for single raw materials, the Group should keep two or

more suppliers, diversify the purchase sources in principle, and maintain a fair partnership with suppliers to ensure available sources of raw materials.

(2) Sale:

The Group adheres to its powerful strength in R&D and manufacturing.

It maintains permanent cooperative relations with existing customers and also uses the best effort to develop new customers in order to expand and diversify the sources of business. Therefore, there should be no risk over excessive customer concentration.

6.10 Effects Of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%: none.

6.11 Effects Of, Risks Relating to and Response to the Changes in Management Rights: none.

6.12 Litigation or Non-litigation Matters: none.

6.13 Other Major Risks, and Countermeasures: none.

7. Other Important Notes: none.

VIII. Special Disclosure

1. Summary of Affiliated Companies

1.1 Consolidated Business Report of Affiliates

1.1.1 Organization chart of affiliates: please refer to page 128.

1.1.2 Name, incorporation date, location, paid-in capital and major businesses of each affiliate:

Unit: NTD thousand

Name of Affiliate	Date of Establishment	Location	Capital Stock		Major Business
Zyxel Communications Corporation (Zyxel)	August 16, 1989	Taiwan	TWD	724,500	Development, manufacturing and sales of communications and networking products
MitraStar Technology Corporation (MitraStar)	October 25, 2010	Taiwan	TWD	3,168,000	Development, manufacturing and sales of communications and networking products
Zyxel Networks Corporation (ZNet)	January 31, 2019	Taiwan	TWD	1,153,170	Development and sales of communications and networking products
Black Cat Incorporation (Black Cat)	November 20, 2017	Taiwan	TWD	33,000	Development and sales of information security products, and consultant management services
Zyxel Communications A/S (ZyAS)	October 8, 1998	Denmark	EUR	2,781	Sales and marketing
Flatworld Networks, LLC (Flatworld)	January 1, 2008	The U.S.	USD	0	Sales and marketing
Zyxel Communications Inc. (ZyUSA)	June 11, 1996	The U.S.	USD	9,506	Sales and marketing
Zychamp Co., Ltd. (Zychamp)	March 24, 1998	Taiwan	TWD	89,015	Investment activities
Zyxel İletişim Teknolojileri A.S. (ZyTR)	June 6, 2007	Turkey	TRL	29,137	Sales and marketing
Zytype Communications Corporation (ZyTPE)	July 3, 2006	Taiwan	TWD	60,000	Development and sales of communications and networking products
Zyxel R&D Center GmbH (Gemini)	June 11, 2013	Germany	EUR	25	Development of communications and networking products
Zyxel Korea Co., Ltd. (ZNet KR)	October 24, 2012	South Korea	KRW	550,000	Sales and marketing
Zyxel Networks A/S (ZNet AS)	April 1, 2019	Denmark	EUR	2,781	Sales and marketing
Zyxel (Thailand) Company Ltd. (ZNet TH)	August 11, 2006	Thailand	THB	80,000	Sales and marketing
Zyxel France (ZNet FR)	February 22, 1999	France	EUR	150	Sales and marketing
Zyxel Technology India Pvt Ltd. (ZNet IN)	November 22, 2006	India	INR	84,700	Sales and marketing
Zyxel Deutschland GmbH (ZyDE)	May 20, 1999	Germany	EUR	25	Sales and marketing
Zyxel Communications Czech s.r.o. (ZyCZ)	July 11, 2004	Czech Republic	EUR	747	Sales and marketing
Zyxel Communications UK Ltd. (ZyUK)	September 29, 2004	U.K.	GBP	5,375	Sales and marketing

Name of Affiliate	Date of Establishment	Location	Capital Stock		Major Business
Zyxel Communications B.V. (ZNet BNL)	November 24, 2006	Netherland	EUR	1,350	Sales and marketing
Zyxel Communications Iberia S.L (ZyES)	January 14, 2014	Spain	EUR	3	Sales and marketing
Zyxel Communications Do Brasil Ltda. (ZyBR)	January 13, 2015	Brazil	BRL	5,849	Sales and marketing
Zyxel Communications Italy S.r.l (ZyIT)	May 29, 2015	Italy	EUR	10	Sales and marketing
Zyxel Communications RU LLC (ZNet RUS)	July 7, 2017	Russia	RUB	50	Sales and marketing
Bluebell Overseas Ltd. (Bluebell)	October 8, 1997	The British Virgin Islands	USD	32,856	Investment activities
XSquare Communications Corporation (XSquare)	May 18, 2020	Taiwan	TWD	150,000	Development and sales of communications and networking products
Tianjin Huagin Communications Equipment Co., Ltd. (Tianjin Huagin)	August 19, 1994	China	USD	1,500	Sales of communications, networking products and technical consulting service
Zyxel Communication (ShangHai) Co., Ltd. (ZNet SHA)	August 9, 2006	China	USD	8,500	Sales of communications, networking products and technical consulting service
Shanghai Monetics Telecommunications Corporation (Monetics)	August 26, 2010	China	USD	11,700	Sales of communications, networking products and network technology transfer service
Wuxi Genezys Technology Ltd. (Genezys)	December 21, 2009	China	USD	6,700	Development of communications and networking products
Wuxi MitraStar Technology Co., Ltd. (Wuxi MSTC)	May 25, 2001	China	USD	29,900	Manufacturing and sales of communications and networking products and technical consulting service

1.1.3 Shareholders in Common of Unizyx and Its Subsidiaries with Deemed Control and Subordination: not applicable

1.1.4 Business Scope of Unizyx and its Affiliated Companies: please refer to the basic information of each affiliate.

1.1.5 Name and shareholding of directors, supervisors, and president of each affiliate: please refer to pages 129~130.

1.2 Operation Highlights of Unizyx's Affiliated Companies

Unit: NTD thousand

Name of affiliate (Note)	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income	Net income (after tax)	Earnings per share
Zyxel	724,500	8,249,209	3,969,716	4,279,493	9,461,265	755,300	679,583	9.38
MitraStar	3,168,000	8,915,326	5,241,081	3,674,245	16,874,479	76,481	260,556	0.82
ZNet	1,153,170	2,748,939	796,749	1,952,190	2,429,177	175,514	242,014	3.18
Black Cat	33,000	36,423	6,246	30,177	10,072	-6,731	-5,345	-1.62
ZyAS	87,114	2,811,677	2,250,203	561,474	4,077,440	65,870	83,200	4.02
ZyUSA and subsidiary Flatworld	263,132	1,630,552	1,252,062	378,490	3,076,333	61,749	63,164	6.44
Zychamp	89,015	335,469	1,964	333,505	-	-478	142	0.02

Name of affiliate (Note)	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income	Net income (after tax)	Earnings per share
ZyTR	78,195	260,422	55,625	204,797	257,423	4,047	63,418	2.18
ZyTPE	60,000	189,670	78,434	111,236	383,825	41,059	34,408	5.73
Gemini	783	49,698	18,500	31,198	45,969	4,348	2,193	-
ZNet KR	12,925	44,495	8,378	36,117	37,594	-923	-164	-1.50
ZNet AS	87,114	1,674,763	1,199,555	475,208	3,028,046	103,654	89,834	4.34
ZNet TH	66,776	78,777	13,472	65,305	81,457	3,934	3,908	0.49
ZNet FR	4,698	77,777	18,424	59,353	504	3,792	2,169	216.92
ZNet IN	31,373	73,538	333,375	-259,837	29,687	11,800	5,621	0.66
ZyDE	783	552,433	432,708	119,725	699,461	10,224	6,729	-
ZyCZ	23,411	178,600	160,624	17,976	289,501	4,119	3,016	0.16
ZyUK	200,488	141,702	89,968	51,734	273,577	3,416	4,467	0.83
ZNet BNL	42,282	48,727	3,671	45,056	-	1,323	1,489	106.34
ZyES	94	66,225	62,653	3,572	129,813	1,253	1,310	436.67
ZyBR	28,584	292,289	717,409	-425,120	249,824	-480	-44,702	-7.64
ZyIT	313	634,903	589,622	45,281	758,402	8,101	6,133	613.30
ZNet RUS	19	6,360	3,996	2,364	16	1,155	590	5,902.67
Bluebell	909,468	1,979,762	62,476	1,917,286	-	-182	132,341	4.03
XSquare	150,000	228,421	116,958	111,463	167,372	-39,041	-31,207	-4.36
Tianjin Huagin	41,520	3,139	1,523	1,616	-	-577	-75	-
ZNet SHA	235,280	12,826	7,340	5,486	11,860	2,163	2,718	-
Monetics	323,856	540,391	307,781	232,610	1,064,252	25,157	25,667	-
Genezys	185,456	292,115	47,638	244,477	216,127	4,322	6,463	-
Wuxi MSTC	827,632	4,923,677	2,947,386	1,976,291	13,486,506	191,907	132,622	-

Note: It's a long-term investment recognized with equity method. For the full names of the affiliates, please refer to pages 124~125 of the annual report.

1.2.1 Consolidated financial statements of affiliates: please refer to Appendix A.

1.2.2 Relation report: not applicable.

2. Private Placement Securities for the Most Recent Year Until the Date of Publication of the Annual Report: none.

3. Held or Disposed of the Company's stocks by Subsidiaries for the Most Recent Year Until the Date of Publication of the Annual Report:

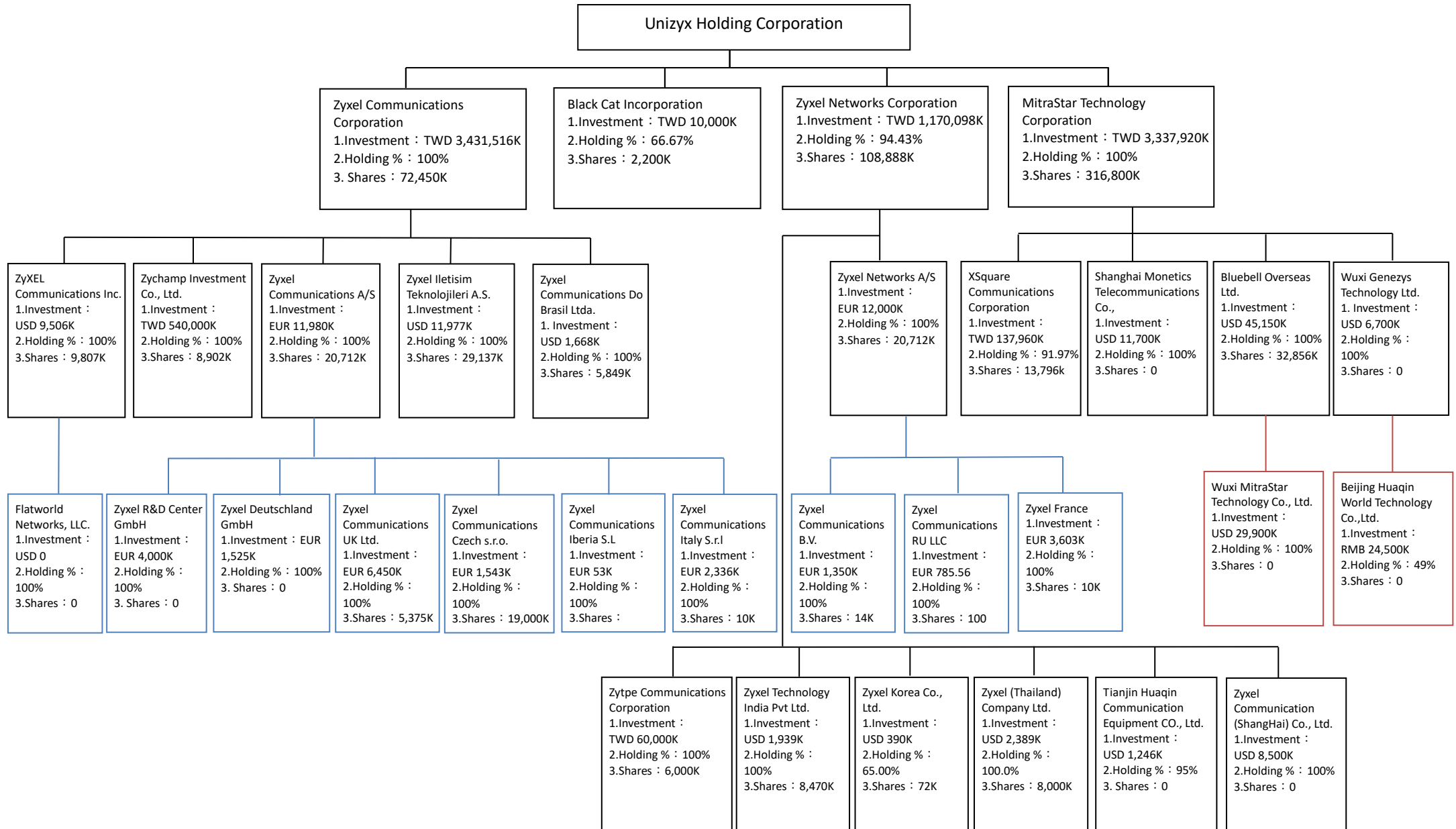
April 17, 2022 NTD thousand; Share; %

Subsidiary	Capital	Funding sources	Shareholding ratio of the Company	Date of acquisition or disposal	Shares and amount acquired	Shares and amount disposed	Investment profits/ losses	Shares and amount held as of the printing date of the annual report	Pledge status	Amount of guarantee provided for subsidiaries by the Company	Amount the Company loaned to subsidiaries
Zyehamp Co., Ltd.	NT\$89,015 thousand	Self-owned funds	100 %	obtained in November 2001; share dividend without compensation from 2001 to 2010; disposed part of shareholding in April 2021	-	1,245,000 shares NT\$50,533 thousand	NT\$34,510 thousand	As of December 31, 2021 8,146,262 shares; NT\$104,839 thousand	N/A	N/A	N/A
				Current year as of the printing date of the annual report	-	-	-	8,146,262 shares; NT\$104,839 thousand			

4. Other Supplementary Information: none.

IX. Any Significant Events Materially Affecting Shareholders' Equity or the Price of Securities as Defined in the Subparagraph 2, Paragraph 2 of Article 36 of the Securities and Exchange Act: none.

Unizyx Holding Corporation
Investment organization chart
Date : Dec 31, 2021



Name and shareholding of directors, supervisors, and president of each affiliate

As of December 31, 2021 ; Unit:NT\$(USD,EUR)/Thousands Shares/%

Name of affiliate (Note)	Title	Name of Representative	Shareholding	
			Shares (Investment Amount)	%
Zyxel	Chairman	Gordon Yang	—	—
	Director	Shun-I Chu	—	—
	Director/COO	Denise Lin	—	—
	Supervisor	Sharon Kuo	—	—
	President	Karsten Gewecke	—	—
			Unizyx holds 72,450 shares	100
MitraStar	Chairman	Gordon Yang	—	—
	Director	Shun-I Chu	—	—
	Director/President	Wayne Huang	—	—
	Supervisor	Richard Hsu	—	—
			Unizyx holds 316,800 shares	100
ZNet	Chairman/ President	Gordon Yang	Holds 450 shares	1
	Director	Shun-I Chu	—	—
	Director	Wei Lo	Holds 30 shares	—
	Supervisor	Chin-Yi Shen	—	—
			Unizyx holds 108,888 shares	94
Black Cat	Chairman	Shun-I Chu	Holds 220 shares	7
	Director	Wei Lo	—	—
	Director/President	Edward Yu	Holds 220 shares	7
	Supervisor	Jason Pu	—	—
			Unizyx holds 2,200 shares	67
ZyAS	Director	Gordon Yang	—	—
	Director	Shun-I Chu	—	—
	Director	Torben Thomasen	—	—
	President	Jannik Palle Haargaard	—	—
			Zyxel holds 20,712 shares	100
ZyUSA	Director/President	Hou-I Chu	—	—
	Director	Shun-I Chu	—	—
	Director	Gordon Yang	—	—
			Zyxel holds 9,807 shares	100
Zychamp	Chairman/ President	Shun-I Chu	—	—
	Director	Wei Lo	—	—
	Directors	Judy Hsu	—	—
	Supervisor	Sharon Kuo	—	—
			Zyxel holds 8,902 shares	100
ZyTR	Chairman	Shun-I Chu	—	—
	Director	Wei Lo	—	—
	Director	Gordon Yang	—	—
	President	Jannik Palle Haargaard	—	—
			Zyxel holds 29,137 shares	100
ZyTPE	Chairman	Shun-I Chu	—	—
	Director/President	Chao-Huei Liao	—	—
	Director	Ping-Chin Li	—	—
	Supervisor	Wei Lo	—	—
			ZNet holds 6,000 shares	100
Gemini	Director/President	Karsten Gewecke	—	—
			ZyAS invests EUR 4,000	100
ZNet KR	Director	Gordon Yang	—	—
	Director	Gary Chen	—	—
	Director/President	Sanghyun Kim	—	—
			Holds 38 shares	35

Name of affiliate (Note)	Title	Name of Representative	Shareholding	
			Shares (Investment Amount)	%
			ZNet holds 72 shares	65
ZNet AS	Director Director Director President	Shun-I Chu Gordon Yang Torben Thomasen Jannik Palle Haargaard	— — — — ZNet holds 20,712 shares	— — — — 100
ZyTH	Chairman Director Director President	Shun-I Chu Gordon Yang Sarochinee Wattanabupha Kevin Wan	— — — — ZNet holds 8,000 shares	— — — — 100
ZNet FR	Legal Representative	Jannik Palle Haargaard	— ZNet AS holds 10 shares	— 100
ZyIN	Director Director Director President	Shun-I Chu Gordon Yang Shaheen Begum Gary Chen	— — — — ZNet holds 8,470 shares	— — — — 100
ZyDE	Director/President	Jannik Palle Haargaard	— ZyAS invests EUR 1,525	— 100
ZyCZ	Legal Representative	Jannik Palle Haargaard	— ZyAS holds 19,000 shares	— 100
ZyUK	Director/President	Jannik Palle Haargaard	— ZyAS holds 5,375 shares	— 100
ZyBNL	Director Director Director/President	Shun-I Chu Gordon Yang Jannik Palle Haargaard	— — — ZNet AS holds 14 shares	— — — 100
ZyES	Director/President	Jannik Palle Haargaard	— ZyAS holds 3 shares	— 100
ZyBR	Director President	Shun-I Chu Gilmar De Farias (agent)	— — Zyxel holds 5,849 shares	— — 100
ZyIT	Director Director/President	Gordon Yang Jannik Palle Haargaard	— — ZyAS holds 10 shares	— — 100
ZyRUS	Director President	Denis Yurievich Tyapaev Jannik Palle Haargaard	— — ZNet AS invests EUR 1	— — 100
Bluebell	Legal Representative	Shun-I Chu	— MitraStar holds 32,856 shares	— 100
XSquare	Chairman/President Director Supervisor	Wayne Huang Gordon Yang Richard Hsu	— Holds 70 shares Holds 100 shares — MitraStar holds 13,796 shares	— 1 1 — 92
Tianjin Huagin	Chairman Director/President Supervisor	Cheng Chang Shun-I Chu Jason Pu	— — — ZNet invests USD 1,246	— — — 95
ZySHA	Chairman Legal Representative/President	Shun-I Chu Gordon Yang	— — ZNet invests USD 8,500	— — 100

Name of affiliate (Note)	Title	Name of Representative	Shareholding	
			Shares (Investment Amount)	%
Monetics	Legal Representative Supervisor	Wei Lo TJ Chen	—	—
			MitraStar invests USD 11,700	100
Genezys	Legal Representative President Supervisor	Wayne Huang Chuan-Fu Deng Wei Lo	—	—
			MitraStar invests USD 6,700	100
Wuxi MSTC	Legal Representative President	Wei Lo Fu-Bang Huang	—	—
			Bluebell invests USD 29,900	100

Note: Please refer pages 124~125 for the full names of the affiliates

Unizyx Holding Corporation

Audit Committee's Review Report

Unizyx's 2021 Business Report, Financial Statements and proposal for earnings distribution were prepared and submitted by the Board of Directors. The Financial Statements were audited by KPMG and issued an Independent Audit Report. The Business Report, Financial Statements and proposal for earnings distribution, have been reviewed and determined to be correct and accurate by the Audit Committee of Unizyx Holding Corporation. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Please review and approve.

To

Unizyx Holding Corporation 2022 Annual Shareholders' Meeting

Feng Chian, Convener of the Audit Committee

March 14, 2022

Unizyx Holding Corporation

Internal Control System Statement

Date: March 14, 2022

Based on the findings of a self-assessment, the Company states the following with regard to its internal control system during the year 2021:

The Company is aware that the Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.

An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.

The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (the “Regulations” hereafter). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component includes several items. For the said items, please refer to the Regulations.

The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.

Based on the findings of such evaluation, the Company believes that, on December 31, 2021, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.

This Statement is an integral part of the Company’s Annual Report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

This Statement was passed by the Board of Directors in their meeting held on March 14, 2022, with none of the nine attending directors expressing dissenting opinions, and the remainder all affirming the content of this statement.

Unizyx Holding Corporation

Chairman: Shun-I Chu

Chief Executive Officer: Gordon Yang

Unizyx Holding Corporation and Subsidiaries
Consolidated Financial Statements
With Independent Auditors' Report
For the Years Ended December 31, 2021 and 2020

Address: 3F, No. 363, Section 2, Gongdao 5th Rd, Hsinchu City, Taiwan
Telephone: (03)578-8838

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

Representation Letter

The entities that are required to be included in the combined financial statements of Unizyx Holding Corporation as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements", endorsed by the Financial Supervisory Commission. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Unizyx Holding Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Unizyx Holding Corporation
Chairman: Shun-I Chu
Date: March 14, 2022



安侯建業聯合會計師事務所

KPMG

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Independent Auditors' Report

To the Board of Directors of Unizyx Holding Corporation:

Opinion

We have audited the consolidated financial statements of Unizyx Holding Corporation and its subsidiaries (“the Company”), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) and the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgment, the key audit matters that should be disclosed in this report are as follows:

1. Valuation of Accounts Receivable

Please refer to Note 4(7) “Summary of significant accounting policies—Financial instruments”, Note 5(1) “Major sources of accounting judgments, estimations and assumptions of uncertainty”, and Note 6(5) “Explanation of significant accounts—Notes and accounts receivable, net” to the consolidated financial statements.



Description of key audit matters:

The Company has its customers spread throughout the globe, wherein they are vulnerable to various changes, such as market trend, geopolitical economy as well as regulatory matters. Therefore, the customer credit control is considered to be more complex. When assessing the recoverability of its receivables, it is necessary to consider any changes in the credit quality of the receivables from the original grant date of credit limit to the reporting date. For those receivables that have not been collected within the credit term, the balance of the estimated valuation allowance for bad debts is calculated by reference from the transaction in the past and customers' current financial status. The management's judgment on the balance of allowance for impairment loss of receivables involved uncertainty and it might lead to significant adjustments in estimate, as such, it was one of the key audit matters for our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: testing the completeness and accuracy of the aging analysis; testing the key control of the management for the credit limits and supervision process to assess the appropriateness of approval when sales exceed the credit limits; understanding and evaluating the management's consideration and the rate of lifetime expected credit losses relating to receivables that are overdue, vouching the receipt of cash after the year end and understanding the possibility of remaining receivables collection suggested by historical trends; testing the adequacy of the Company's provisions against the receivables by assessing the relevant assumptions, examining and reviewing related documents, discussing with the management the probability of collecting the remaining receivables, as well as recalculating and evaluating the adequacy of the Company's disclosures.

2. Valuation of Inventories

Please refer to Note 4(8) "Summary of significant accounting policies – Inventories", Note 5(2) "Significant accounting judgments, assumptions, and major sources of estimation uncertainty", and Note 6(6) "Explanation of Significant Accounts – Inventories" to the consolidated financial statements.

Description of key audit matters:

The Company mainly engages in the research and development, as well as the production of networks communication products. Inventories are stated at the lower of cost or net realizable value. The Company used judgment and estimate to determine the net realizable value of inventory at the end of each reporting period. However, the rapid evolution of technology and the fluctuation of market may lead to obsolete inventories and unmarketable items. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time frame, which could result in significant adjustments. As a result, the valuation of inventories is one of the key audit matters of our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: obtaining the inventory aging report and testing the completeness and the accuracy of the aging of inventory based on acceptable documents from the last valid transaction; understanding and evaluating the management's judgment on the calculation of net realizable value, testing the relevant documents to assess the adequacy and reasonableness for identification of slow moving inventories and discussing with the management about the reasonableness for slow moving inventories; as well as understanding the management's assumption on the completeness of inventory provisions and evaluating the adequacy of provision to write down slow moving or obsolete inventories; and evaluating the adequacy of the Company's disclosures.



Other Matter

Unizyx Holding Corporation has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2021 and 2020, on which we have issued an unqualified opinion.

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

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

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

Those charged with governance (including the audit committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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



5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are An-Chih Cheng and Chi-Lung Yu.

KPMG

Taipei, Taiwan (Republic of China)
March 14, 2022

Notes to Readers

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

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Unizyx Holding Corporation and subsidiaries
Consolidated Balance Sheets
December 31, 2021 and 2020
(Expressed in thousands of New Taiwan Dollars)

Assets	December 31, 2021		December 31, 2020		Liabilities and Equity	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%		Amount	%	Amount	%
Current assets:					Current liabilities:				
Cash and cash equivalents (note 6(1))	\$ 5,293,484	25	4,078,159	21	Short-term borrowings (notes 6(12) and 8)	\$ 1,557,000	7	1,614,247	8
Financial assets at fair value through profit or loss—current (note 6(2))	147,076	1	-	-	Short-term notes and bills payable (note 6(13))	200,000	1	300,000	2
Financial assets at amortized cost—current (notes 6(3) and 8)	281,149	1	569,159	3	Financial liabilities at fair value through profit or loss—current (note 6(2))	124	-	46,359	-
Notes and accounts receivable, net (note 6(5))	5,520,935	26	5,841,093	30	Contract liabilities—current (note 6(22))	175,314	1	74,760	-
Accounts receivable—related parties, net (note 7)	21,995	-	4,794	-	Notes and accounts payable	4,820,240	23	5,232,851	27
Other receivables—related parties (note 7)	3,071	-	5,959	-	Accounts payable—related parties (note 7)	181,775	1	546,513	3
Inventories (note 6(6))	6,212,269	29	4,900,890	25	Payroll and bonus payable	867,201	4	788,435	4
Other financial assets—current	28,415	-	89,467	-	Royalty payable	96,361	-	169,340	1
Other current assets, others	496,219	2	918,884	5	Other payables—related parties (note 7)	8,618	-	46,489	-
	<u>18,004,613</u>	<u>84</u>	<u>16,408,405</u>	<u>84</u>	Income tax payable	179,272	1	91,938	-
Non-current assets:					Provision for warranty obligations—current (note 6(15))	495,545	3	546,982	3
Financial assets at fair value through other comprehensive income—non-current (note 6(4))	25,713	-	26,999	-	Lease liabilities—current (note 6(16))	39,181	-	46,575	-
Financial assets at amortized cost—non-current (notes 6(3) and 8)	104,659	-	70,669	-	Other current liabilities, others	903,698	4	1,077,049	6
Investments accounted for using the equity method (note 6(7))	16,292	-	24,059	-		<u>9,524,329</u>	<u>45</u>	<u>10,581,538</u>	<u>54</u>
Property, plant and equipment, net (notes 6(9) and 8)	1,699,145	8	1,592,121	8	Non-current liabilities:				
Right-of-use assets (note 6(10))	418,997	2	471,029	3	Bonds payable (note 6(14))	1,896,234	9	-	-
Intangible assets, net (note 6(11))	361,893	2	259,758	1	Deferred income tax liabilities (note 6(18))	339,904	1	251,828	2
Deferred income tax assets (note 6(18))	547,606	3	513,652	3	Lease liabilities—non-current (note 6(16))	399,908	2	443,497	2
Refundable deposits (note 8)	135,391	1	131,690	1	Net defined benefit liabilities (note 6(17))	12,979	-	5,496	-
Net defined benefit assets (note 6(17))	66,075	-	69,783	-	Guarantee deposits received	711	-	575	-
Other non-current assets	13,290	-	21,000	-		<u>2,649,736</u>	<u>12</u>	<u>701,396</u>	<u>4</u>
	<u>3,389,061</u>	<u>16</u>	<u>3,180,760</u>	<u>16</u>	Total liabilities	<u>12,174,065</u>	<u>57</u>	<u>11,282,934</u>	<u>58</u>
Total assets	\$ 21,393,674	100	19,589,165	100	Equity (note 6(19)):				
					Equity attributable to the shareholders of the parent company:				
					Capital stock	4,536,148	21	4,476,438	23
					Capital surplus	3,680,924	17	3,827,886	20
					Retained earnings	1,513,771	7	447,480	2
					Other equity	(462,103)	(2)	(351,910)	(2)
					Treasury stock	(198,448)	(1)	(120,861)	(1)
						<u>9,070,292</u>	<u>42</u>	<u>8,279,033</u>	<u>42</u>
					Non-controlling interests	149,317	1	27,198	-
					Total equity	<u>9,219,609</u>	<u>43</u>	<u>8,306,231</u>	<u>42</u>
					Total liabilities and equity	\$ 21,393,674	100	19,589,165	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Unizyx Holding Corporation and subsidiaries
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2021 and 2020
(Expressed in thousands of New Taiwan Dollars, except for earnings per share)

	<u>2021</u>		<u>2020</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Operating revenues (notes 6(22) and 7)	\$ 25,681,970	100	22,250,630	100
Cost of goods sold (notes 6(6) and 7)	<u>19,621,452</u>	<u>76</u>	<u>16,470,531</u>	<u>74</u>
Gross profit	<u>6,060,518</u>	<u>24</u>	<u>5,780,099</u>	<u>26</u>
Operating expenses (note 7):				
Selling and marketing	2,021,928	8	2,044,671	9
General and administrative	893,502	3	845,039	4
Research and development	1,718,432	7	1,599,814	7
Expected credit loss (reversed gain) (note 6(5))	<u>1,222</u>	<u>-</u>	<u>(2,119)</u>	<u>-</u>
Total operating expenses	<u>4,635,084</u>	<u>18</u>	<u>4,487,405</u>	<u>20</u>
Operating income (loss)	<u>1,425,434</u>	<u>6</u>	<u>1,292,694</u>	<u>6</u>
Non-operating income (expenses):				
Other income (notes 6(23) and 7)	73,430	-	185,179	1
Other gains and losses (note 6(23))	171,074	1	(71,072)	-
Shares of gain (loss) of associates accounted for using the equity method, net (note 6(7))	(6,585)	-	(12,450)	-
Interest income	16,351	-	14,471	-
Interest expense (note 6(23))	(29,133)	-	(23,311)	-
Foreign exchange loss, net (note 6(25))	<u>(212,507)</u>	<u>(1)</u>	<u>(209,623)</u>	<u>(1)</u>
	<u>12,630</u>	<u>-</u>	<u>(116,806)</u>	<u>-</u>
Income (loss) before income taxes	1,438,064	6	1,175,888	6
Income tax expenses (note 6(18))	<u>342,605</u>	<u>2</u>	<u>344,887</u>	<u>2</u>
Net income (loss)	<u>1,095,459</u>	<u>4</u>	<u>831,001</u>	<u>4</u>
Other comprehensive income (loss):				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit plans (note 6(17))	(11,069)	-	(18,094)	-
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (note 6(19))	<u>(1,286)</u>	<u>-</u>	<u>9,068</u>	<u>-</u>
Total items that will not be reclassified subsequently to profit or loss	<u>(12,355)</u>	<u>-</u>	<u>(9,026)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign financial statements	(162,198)	-	127,975	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(18))	<u>32,124</u>	<u>-</u>	<u>(25,562)</u>	<u>-</u>
Total items that may be reclassified subsequently to profit or loss	<u>(130,074)</u>	<u>-</u>	<u>102,413</u>	<u>-</u>
Other comprehensive income for the year	<u>(142,429)</u>	<u>-</u>	<u>93,387</u>	<u>-</u>
Total comprehensive income for the year	<u>\$ 953,030</u>	<u>4</u>	<u>924,388</u>	<u>4</u>
Net income (loss) attributable to:				
Shareholders of the parent company	\$ 1,096,700	4	827,944	4
Non-controlling interests	<u>(1,241)</u>	<u>-</u>	<u>3,057</u>	<u>-</u>
	<u>\$ 1,095,459</u>	<u>4</u>	<u>831,001</u>	<u>4</u>
Total comprehensive income attributable to:				
Shareholders of the parent company	\$ 956,098	4	921,167	4
Non-controlling interests	<u>(3,068)</u>	<u>-</u>	<u>3,221</u>	<u>-</u>
	<u>\$ 953,030</u>	<u>4</u>	<u>924,388</u>	<u>4</u>
Earnings per share (New Taiwan Dollars) (note 6(21)):				
Basic earnings per share	<u>\$ 2.49</u>		<u>1.91</u>	
Diluted earnings per share	<u>\$ 2.45</u>		<u>1.90</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Unizyx Holding Corporation and subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2021 and 2020
(Expressed in thousands of New Taiwan Dollars)

Equity attributable to the shareholders of the parent company

	Equity attributable to the shareholders of the parent company							Total other equity interest					Subtotal of equity attributable to the shareholders of the parent	Non-controlling interests	Total equity
	Capital stock	Advance receipts for share capital	Total share capital	Capital surplus	Retained earnings			Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Treasury stock					
					Legal reserve	Special reserve	Unappropriated retained earnings (Accumulated deficits)				Total				
Balance at January 1, 2020	\$ 4,411,773	-	4,411,773	3,755,876	279,833	200,347	(842,550)	(362,370)	(395,821)	(67,406)	(463,227)	(120,861)	7,221,191	20,777	7,241,968
Net income (loss) for the period	-	-	-	-	-	-	827,944	827,944	-	-	-	-	827,944	3,057	831,001
Other comprehensive income (loss) for the period	-	-	-	-	-	-	(18,094)	(18,094)	102,249	9,068	111,317	-	93,223	164	93,387
Total comprehensive income (loss) for the period	-	-	-	-	-	-	809,850	809,850	102,249	9,068	111,317	-	921,167	3,221	924,388
Share-based payments	-	-	-	37,563	-	-	-	-	-	-	-	-	37,563	-	37,563
Exercise of employee stock options	-	64,665	64,665	14,226	-	-	-	-	-	-	-	-	78,891	-	78,891
Changes in ownership interests in subsidiaries accounted for using the equity method	-	-	-	20,221	-	-	-	-	-	-	-	-	20,221	(20,221)	-
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	40,000	40,000
Decrease in non-controlling interests due to losing control	-	-	-	-	-	-	-	-	-	-	-	-	-	(16,579)	(16,579)
Balance at December 31, 2020	4,411,773	64,665	4,476,438	3,827,886	279,833	200,347	(32,700)	447,480	(293,572)	(58,338)	(351,910)	(120,861)	8,279,033	27,198	8,306,231
Net income (loss) for the period	-	-	-	-	-	-	1,096,700	1,096,700	-	-	-	-	1,096,700	(1,241)	1,095,459
Other comprehensive income (loss) for the period	-	-	-	-	-	-	(10,946)	(10,946)	(128,370)	(1,286)	(129,656)	-	(140,602)	(1,827)	(142,429)
Total comprehensive income (loss) for the period	-	-	-	-	-	-	1,085,754	1,085,754	(128,370)	(1,286)	(129,656)	-	956,098	(3,068)	953,030
Appropriation and distribution of retained earnings:															
Legal reserve used to offset accumulated deficits	-	-	-	-	(32,700)	-	32,700	-	-	-	-	-	-	-	-
Exercise of disgorgement	-	-	-	2	-	-	-	-	-	-	-	-	2	-	2
Cash dividends distributed from capital surplus	-	-	-	(223,822)	-	-	-	-	-	-	-	-	(223,822)	-	(223,822)
Reorganization	-	-	-	-	-	-	(19,463)	(19,463)	19,463	-	19,463	-	-	-	-
Share-based payments	-	-	-	41,124	-	-	-	-	-	-	-	-	41,124	9,106	50,230
Changes in ownership interests in subsidiaries accounted for using the equity method	-	-	-	(15,041)	-	-	-	-	-	-	-	-	(15,041)	15,041	-
Cash dividends received by subsidiaries from the parent company	-	-	-	4,062	-	-	-	-	-	-	-	-	4,062	-	4,062
Disposal of the Company's share by subsidiaries recognized as treasury share transactions	-	-	-	34,510	-	-	-	-	-	-	-	16,022	50,532	-	50,532
Exercise of employee stock options	78,235	(18,525)	59,710	12,203	-	-	-	-	-	-	-	-	71,913	-	71,913
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	-	-	(93,609)	(93,609)	-	(93,609)
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	102,040	102,040
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,000)	(1,000)
Balance at December 31, 2021	\$ 4,490,008	46,140	4,536,148	3,680,924	247,133	200,347	1,066,291	1,513,771	(402,479)	(59,624)	(462,103)	(198,448)	9,070,292	149,317	9,219,609

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Unizyx Holding Corporation and subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in thousands of New Taiwan Dollars)

	2021	2020
Cash flows from operating activities:		
Income (loss) before income tax	\$ 1,438,064	1,175,888
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	273,734	268,051
Amortization expense	93,155	95,806
Expected credit loss (reversed gain)	1,222	(2,119)
Provision for warranties and after service cost	21,454	54,620
Provision of allowance for sales discounts	66,833	119,161
Net loss (profit) on financial assets or liabilities at fair value through profit or loss	(162,875)	57,091
Interest expense	29,133	23,311
Interest income	(16,351)	(14,471)
Dividend income	(2,830)	-
Share-based payments	50,230	37,563
Share of loss of associates accounted for using the equity method	6,585	12,450
Gain on disposal of property, plant and equipment	(2,397)	(109)
Loss on disposal of intangible assets	-	164
Loss on liquidation of subsidiaries	-	71
Reversal of inventory obsolescence loss	(35,515)	(113,239)
Others	2,111	859
Total adjustments to reconcile profit (loss)	324,489	539,209
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets or liabilities at fair value through profit or loss	81,725	(11,150)
Notes and accounts receivable (including related parties)	308,466	(1,096,506)
Other receivables – related parties	2,888	(4,227)
Inventories	(1,245,722)	(1,244,079)
Other operating assets	385,435	(176,900)
Total changes in operating assets	(467,208)	(2,532,862)
Changes in operating liabilities:		
Notes and accounts payable (including related parties)	(777,349)	2,350,568
Other payables – related parties	(37,871)	46,489
Other operating liabilities	(186,197)	44,111
Net defined benefit assets and liabilities	122	(573)
Total changes in operating liabilities	(1,001,295)	2,440,595
Total changes in operating assets and liabilities	(1,468,503)	(92,267)
Total adjustments	(1,144,014)	446,942
Cash inflow generated from operations	294,050	1,622,830
Interest received	15,908	13,826
Dividends received	3,768	2,158
Interest paid	(22,534)	(23,188)
Income taxes paid	(85,843)	(68,873)
Net cash flows from operating activities	205,349	1,546,753

(Continued)

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Unizyx Holding Corporation and subsidiaries

Consolidated Statements of Cash Flows (continue)

For the years ended December 31, 2021 and 2020

(Expressed in thousands of New Taiwan Dollars)

	2021	2020
Cash flows from investing activities:		
Acquisition of financial assets at amortized cost	(892,574)	(1,039,062)
Proceeds from repayments of financial assets at amortized cost	1,139,766	419,062
Acquisition of financial assets at fair value through profit or loss	(304,723)	-
Proceeds from disposal of financial assets at fair value through profit or loss	192,564	-
Net cash outflow from loss of control of subsidiaries	-	(33,584)
Net cash outflow from acquisition of subsidiaries	(8,755)	(85,273)
Acquisition of property, plant and equipment	(379,636)	(175,819)
Proceeds from disposal of property, plant and equipment	35,714	962
Decrease (increase) in refundable deposits	(3,701)	24,265
Acquisition of intangible assets	(183,994)	(187,833)
Proceeds from disposal of intangible assets	280	-
Increase in other non-current assets	(17,047)	(27,181)
Net cash flows used in investing activities	(422,106)	(1,104,463)
Cash flows from financing activities:		
Increase in short-term borrowings	14,819,598	6,595,762
Decrease in short-term borrowings	(14,876,384)	(6,611,976)
Increase in short-term notes and bills payable	1,390,000	806,000
Decrease in short-term notes and bills payable	(1,490,000)	(506,000)
Proceeds from issuing bonds (deducting issuance costs)	1,895,650	-
Increase in guarantee deposits received	178	33
Payment of lease liabilities	(46,440)	(49,439)
Cash dividends distributed from capital surplus	(219,760)	-
Exercise of employee stock options	71,913	78,891
Purchase of treasury shares	(93,609)	-
Proceeds from disposal of treasury shares	50,532	-
Exercise of disgorgement	2	-
Increase in non-controlling interests	102,040	40,000
Cash dividends paid to non-controlling interests	(1,000)	-
Net cash flows from financing activities	1,602,720	353,271
Effect of exchange rate changes on cash and cash equivalents	(170,638)	63,250
Net increase in cash and cash equivalents	1,215,325	858,811
Cash and cash equivalents at the beginning of period	4,078,159	3,219,348
Cash and cash equivalents at the end of period	\$ 5,293,484	4,078,159

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements
For the years ended December 31, 2021 and 2020
(expressed in thousands of New Taiwan Dollars unless otherwise specified)

1. Company history

Unizyx Holding Corporation (the “Unizyx”) was incorporated on August 16, 2010. Unizyx was set up through a share swap with Zyxel Communications Corp. (“Zyxel”). The shares of Unizyx have been authorized by the Financial Supervisory Commission, R.O.C. (“FSC”) and are traded on the Taiwan Stock Exchange (TSE). The address of its registered office and principal place of business is 3F, No. 363, Sec. 2, Gongdao 5th Rd., Hsinchu City, Taiwan. Unizyx’s main activity is investment.

As approved by the Unizyx’s and Zyxel’s Board of Directors meeting on October 15, 2010, MitraStar Technology Corp. (“MitraStar”), an OEM/ODM Business Unit of Zyxel, was spun off from Zyxel and became a 100%-held subsidiary of Unizyx on January 1, 2011. Zyxel and MitraStar will focus on and optimize their operations in different areas of the communication product value chain, with one focusing on Zyxel brand communication product marketing and sales, and the other concentrating on communication technology development and product manufacturing. The focused and optimized operation of each subsidiary is expected to increase the overall efficiency of the Zyxel group. Zyxel spun off net operating assets amounting to \$3,530,734 to MitraStar and exchanged one share of MitraStar’s common stock valued at New Taiwan Dollars (TWD) 10 per share for each share of Zyxel’s stock valued at TWD 10.51 per share. Unizyx acquired 336,081 thousand shares of MitraStar’s new issued common stock, and Zyxel and MitraStar became 100%-held subsidiaries of Unizyx.

Zyxel was incorporated on August 16, 1989, at the Hsinchu Science-based Industrial Park. The shares of Zyxel were traded on the TSE beginning on August 12, 1999. Zyxel’s main activities include the research, development, production and sale of high-speed multi-mode modems and application-specific chipsets (ASICs), secure telephones, network modems, digital video coders and decoders, wide area networks (WANs), local area networks (LANs), and integrated service digital network (ISDN) equipment. In addition, it provides related consulting and design services and imports and exports related products. The stock of Zyxel stopped being publicly traded on September 2, 2010, as approved by the Securities and Futures Bureau.

MitraStar was incorporated on November 12, 2010, at the Hsinchu Science-based Industrial Park. MitraStar’s main activities included manufacturing of wired communication equipment and apparatus, electronic parts and components, restrained telecom radio frequency equipment and materials, computer and computing peripheral equipment, data storage media and duplicating, wholesaling of computer software, restrained telecom radio frequency equipment and materials importing, software design services, digital information supply services, etc.

(Continued)

Unizyx Holding Corporation and subsidiaries

Notes to the Consolidated Financial Statements

As approved by Unizyx's and Zyxel's Board of Directors meeting on February 26, 2019, in order to improve market competitiveness and increase the overall operating efficiency of the Company, Zyxel Networks Corporation ("ZNet") and its subsidiary Zyxel Networks A/S ("ZNet AS") were spun off from Zyxel and its subsidiary to become 100%-held subsidiaries of Unizyx on April 1, 2019. Zyxel spun off its channel business related net operating assets amounting to \$1,200,000 to ZNet, and exchanged one share of ZNet's common stock valued at TWD 10 per share for each share of Zyxel's stock valued at TWD 16.56 per share. Unizyx acquired 72,450 thousand shares of ZNet's new issued common stock in total, and Zyxel and ZNet were 100%-held subsidiaries of Unizyx.

The consolidated financial statements as of December 31, 2021 and 2020, included Unizyx and its subsidiaries (hereinafter refer to as the "Company").

2. Approval date and procedures of the consolidated financial statements:

The consolidated financial statements were authorized for issue by the Board of Directors on March 14, 2022.

3. New standards, amendments and interpretations adopted:

- (1) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by FSC which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform—Phase 2"

The Company has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from April 1, 2021.

- Amendments to IFRS 16 "Covid-19-Related Rent Concessions beyond June 30, 2021"

- (2) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements.

- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"
- Amendments to IAS 16 "Property, Plant and Equipment—Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts—Cost of Fulfilling a Contract"

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

- (3) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The new and amended standards, which have yet to be endorsed by the FSC, are as follows:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

As of the reporting date, except for IFRS 17 “Insurance Contracts” and its related amendments are not relevant to the Company, the Company is evaluating the impact of its initial adoption of the remaining standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Company completes its evaluation.

4. Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized as follows. Except for those described individually, the significant accounting policies have been applied consistently to all the periods presented in the consolidated financial statements.

- (1) Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers in the Republic of China (hereinafter referred to as the Regulations), International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (hereinafter referred to as “IFRS endorsed by the FSC”).

- (2) Basis of preparation

A. Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following material items in the consolidated statement of balance sheets:

- (a) Financial assets at fair value through other comprehensive income are measured at fair value;
- (b) Financial assets at fair value through profit or loss are measured at fair value (including derivative financial instruments);
- (c) The net defined benefit liability (asset) is recognized based on the fair value of the plan assets, less, the present value of the defined benefit obligation.

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

B. Functional and presentation currency

The functional currency of each entity is determined based on the primary economic environment in which the entity operates. TWD is Unizyx's functional currency, which is also the Company's presentation currency. Unless otherwise noted, all financial information presented in TWD has been rounded to the nearest thousand.

(3) Basis of consolidation

A. Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise Unizyx and its subsidiaries.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Company attributes the profit or loss and each component of other comprehensive income to the owners of Unizyx and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Company prepares consolidated financial statements using uniform accounting policies for alike transactions and other events in similar circumstances.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Company will attribute it to the owners of Unizyx.

B. List of subsidiaries in the consolidated financial statements

The consolidated entities were as follows:

<u>Name of Investor</u>	<u>Name of Subsidiary</u>	<u>Business Nature</u>	<u>Percentage of Ownership (%)</u>		<u>note</u>
			<u>December 31, 2021</u>	<u>December 31, 2020</u>	
Unizyx	Zyxel	Development, manufacturing and sales of communications and networking products	100 %	100 %	
Unizyx	MitraStar	Development, manufacturing and sales of communications and networking products	100 %	100 %	
Unizyx	ZNet	Development and sales of communications and networking products	94 %	100 %	note 1

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

<u>Name of Investor</u>	<u>Name of Subsidiary</u>	<u>Business Nature</u>	<u>Percentage of Ownership (%)</u>		<u>note</u>
			<u>December 31, 2021</u>	<u>December 31, 2020</u>	
Unizyx	Black Cat Incorporation (Black Cat)	Development and sales of information security products, and consultant management services	67 %	67 %	
Zyxel	ZyChamp Investment Co., Ltd. (Zychamp)	Investment activities	100 %	100 %	
Zyxel	Zyxel Communications Inc. (ZyUSA)	Sales and marketing	100 %	100 %	
Zyxel	Zyxel Communications A/S (ZyAS)	Sales and marketing	100 %	100 %	
Zyxel	Zyxel R&D Center GmbH (Gemini)	Development of communications and networking products	-	100 %	note 2
Zyxel	Zyxel Iletisim Teknolojileri A.S. (ZyTR)	Sales and marketing	100 %	100 %	
Zyxel	Zyxel Communications Do Brasil Ltda. (ZyBR)	Sales and marketing	100 %	100 %	
MitraStar	Bluebell Overseas Ltd. (Bluebell)	Investment activities	100 %	100 %	
MitraStar	Wuxi Genezys Technology Ltd. (Genezys)	Development of communications and networking products	100 %	100 %	
MitraStar	Shanghai Monetics Telecommunications Corporation (Monetics)	Sales of communications, networking products and network technology transfer service	100 %	100 %	
MitraStar	XSquare Communications Corporation (XSquare)	Development and sales of communications and networking products	92 %	100 %	note 1
ZNet	Zytpc Communications Corporation (ZyTPE)	Development and sales of communications and networking products	100 %	100 %	
ZNet	Zyxel Technology India Pvt Ltd. (ZNet IN)	Sales and marketing	100 %	100 %	

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

<u>Name of Investor</u>	<u>Name of Subsidiary</u>	<u>Business Nature</u>	<u>Percentage of Ownership (%)</u>		<u>note</u>
			<u>December 31, 2021</u>	<u>December 31, 2020</u>	
ZNet	Zyxel Online OU (ZNet EE)	Sales and marketing	-	100 %	note 3
ZNet	Zyxel Communications (Shanghai) Co., Ltd. (ZNet SHA)	Sales of communications, networking products and technical consulting service	100 %	100 %	
ZNet	Zyxel Networks A/S (ZNet AS)	Sales and marketing	100 %	100 %	
ZNet	Zyxel (Thailand) Company, Ltd. (ZNet TH)	Sales and marketing	100 %	100 %	
ZNet	Tianjin Huagin Communications Equipment Co., Ltd. (Tianjin Huagin)	Sales of communications and networking products and technical consulting service	95 %	95 %	
ZNet	Zyxel Korea Co., Ltd. (ZNet KR)	Sales and marketing	65 %	65 %	
Bluebell	Wuxi MitraStar Technology Co., Ltd. (Wuxi MSTC)	Manufacturing and sales of communications and networking products and technical consulting service	100 %	100 %	
ZyAS	Zyxel Deutschland GmbH (ZyDE)	Sales and marketing	100 %	100 %	
ZyAS	Zyxel Communications UK Ltd. (ZyUK)	Sales and marketing	100 %	100 %	
ZyAS	Zyxel Communications Czech s.r.o. (ZyCZ)	Sales and marketing	100 %	100 %	
ZyAS	Zyxel Communications Iberia S.L (ZyES)	Sales and marketing	100 %	100 %	
ZyAS	Zyxel Communications Italy S.r.l (ZyIT)	Sales and marketing	100 %	100 %	
ZyAS	Gemini	Development of communications and networking products	100 %	-	note 2
ZNet AS	Zyxel Communications B.V. (ZNet BNL)	Sales and marketing	100 %	100 %	

(Continued)

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<u>Name of Investor</u>	<u>Name of Subsidiary</u>	<u>Business Nature</u>	<u>Percentage of Ownership (%)</u>		<u>note</u>
			<u>December 31, 2021</u>	<u>December 31, 2020</u>	
ZNet AS	Zyxel Communications RU LLC (ZNet RUS)	Sales and marketing	100 %	100 %	
ZNet AS	Zyxel France (ZNet FR)	Sales and marketing	100 %	100 %	
ZyUSA	Flatworld Networks LLC (Flatworld)	Sales and marketing	-	-	note 4

Note 1: ZNet and XSquare increased its authorized share capital by cash and reserved new shares for subscription by employees in December 2021 and October 2021, respectively. Therefore, the percentage of ownership in ZNet and XSquare by the Company decreased from 100% to 94% and from 100% to 92%, respectively.

Note 2: Sphairon GmbH (a Zyxel Company) changed its name to Zyxel R&D Center GmbH (Gemini) in September 2021. For the purpose of adjustment of group structure, in October 2021, Zyxel sold the holding shares in Gemini to ZyAS with the carrying amount of the investment in Gemini.

Note 3: ZNet EE was liquidated in July 2021.

Note 4: Flatworld is a structured entity. The entity is established only with nominal capital, with its main source of funding from ZyUSA. It is controlled by ZyUSA, providing sale and marketing of obsolete stocks for ZyUSA. As a result, it is considered as a subsidiary of ZyUSA.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Change in subsidiaries included in the consolidated financial statements:

The Company did not obtain the majority seats of the board of Ardomus Networks Corporation (Ardomus) during the election in July 2020, resulting in a loss of control over Ardomus. Thereafter, Ardomus was no longer included in the consolidated financial statements since the date of loss of control. For detailed description, please refer to note 6(8).

(4) Foreign currencies

A. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of consolidated entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period (hereinafter referred as “the reporting date”), monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Exchange differences are generally recognized in profit or loss, except for an investment in equity securities designated as at fair value through other comprehensive income, which are recognized in other comprehensive income.

B. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into TWD at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into TWD at the average rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reclassified to non-controlling interests. When the Company disposes of only part of investment in an associate or joint venture that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future. Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

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

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

An entity shall classify an asset as current when:

- A. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- B. It is held primarily for the purpose of trading;
- C. It is expected to be realized within twelve months after the reporting period; or
- D. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

An entity shall classify a liability as current when:

- A. It is expected to be settled in the normal operating cycle;
- B. It is held primarily for the purpose of trading;
- C. It is due to be settled within twelve months after the reporting period; or
- D. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(6) Cash and cash equivalents

Cash and cash equivalents comprise cash, cash in bank, and time deposits with maturities of less than three months. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits with maturities of less than three months used for short-term cash commitments instead of investment or other purposes are classified as cash and cash equivalents.

(7) Financial instruments

Accounts receivable are recognized when they are originated. All other financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue. An accounts receivable without a significant financing component is initially measured at the transaction price.

A. Financial assets

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

On initial recognition, a financial asset is classified as measured at amortized cost, FVTOCI – equity investment, or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(a) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

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Unizyx Holding Corporation and subsidiaries
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- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(b) Fair value through other comprehensive income (FVTOCI)

A debt investment is measured at FVTOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVTOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

(c) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVTOCI described as above are measured at FVTPL, including derivative financial assets.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

(d) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, financial assets at amortized costs, notes and accounts receivable (including from related parties), other receivables (including from related parties), refundable deposits and other financial assets).

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Unizyx Holding Corporation and subsidiaries

Notes to the Consolidated Financial Statements

The Company measures loss allowances at an amount equal to ECL, except for the following which are measured by 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date ; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 180 days past due or the borrower is unlikely to pay its credit obligations to the Company in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVTOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;

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Unizyx Holding Corporation and subsidiaries
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- a breach of contract such as a default or being more than 180 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The Company recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss. For debt securities at FVTOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. Furthermore, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(e) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

B. Financial liabilities and equity instruments

(a) Classification of debt or equity

Debt and equity instruments issued by Unizyx are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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(b) Equity instruments

Equity instruments refer to residual interests of the assets after the deduction of all the debts for any contracts. Equity instruments issued are recognized as the amount of consideration received less the direct cost of issuance.

(c) Treasury stocks

When Unizyx's shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury stocks. When treasury stocks are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

(d) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL.

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(e) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(f) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

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Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

C. Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency exposures. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(8) Inventories

Inventories are measured at the lower of cost and net realizable value. The costs of inventories include expenditure incurred in acquiring the inventories, production or conversion costs, and other costs (weighted-average method). In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(9) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

Unrealized gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate.

When the Company's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

(10) Property, plant and equipment

A. Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

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If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

B. Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

C. Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated. The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- (a) Buildings: 25 to 40 years.
- (b) Building improvements: 5 to 15 years.
- (c) Machinery, and research and development equipment: 3 to 12 years.
- (d) Office equipment and others: 3 to 10 years.
- (e) Buildings and building improvements constitute mainly buildings and their related facilities, air-condition systems etc. Each such part depreciates based on its useful life of 5 to 40 years.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(11) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

A. As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- (a) fixed payments, including in-substance fixed payments;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable under a residual value guarantee; and
- (d) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- (a) there is a change in future lease payments arising from the change in an index or rate; or
- (b) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- (c) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- (d) there is a change of its assessment on whether it will exercise an extension or termination option; or
- (e) there is any lease modification

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

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The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of transportation equipment and offices that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a practical expedient, the Company elected not to assess whether all rent concessions of lands leasing from SIPA that met all the following conditions were lease modifications or not:

- (a) the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- (b) the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (c) any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2022; and
- (d) there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

B. As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset.

(12) Intangible assets

A. Recognition and measurement

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Intangible assets of the Company, including intellectual property, trading rights and computer software, are measured at cost less accumulated amortization and any accumulated impairment losses.

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B. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

C. Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated agreed royalty during the patent or 5~10 years from the date that they are available for use.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(13) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, deferred tax assets and employee benefits, measured at fair value, less costs) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

For non-financial assets except for goodwill, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(14) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as interest cost.

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A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(15) Revenue recognition

A. Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

(a) Sale of goods

The Company manufactures and sells wired and wireless broadband communications network products. The Company recognizes its revenue when control of the products has been transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

When the Company offers volume discounts to its customers, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

The average credit period for the sales of wired and wireless broadband communications network products is 90 to 180 days.

The Company's obligation to provide a refund for faulty products under the standard warranty terms is recognized as a provision for warranty; Please refer to note 6(15).

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

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(b) Rendering of services

The Company recognizes revenue from providing services in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. The proportion of services provided is determined based on the rendered services to date as a proportion of the total estimated rendered services of the transaction.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by the management.

(c) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods, or services to the customer and payment by the customer, exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

B. Rental income

Income from subletting real estate is recognized in profit or loss.

(16) Government grants

The Company recognizes an unconditional government grant in profit or loss as other income when the grant becomes receivable. Grants that compensate the Company for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(17) Employee benefits

A. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

B. Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

C. Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(18) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The Company's grant date of a share-based payment award is the date which the Company informs its employee of the exercise price and number of exercised shares.

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(19) Income tax

Income taxes comprise current taxes and deferred taxes. Except for items related to business combinations or items recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- A. temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction; and
- B. temporary differences related to investments in subsidiaries and associates to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- A. the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- B. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (a) the same taxable entity; or
 - (b) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

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In accordance with the Article 40 of Business Mergers and Acquisitions Act, the Company has assigned its parent company, Unizyx, as the taxpayer to file a combined corporate income tax return and the 5% surtax on undistributed earnings of Unizyx, Zyxel, MitraStar and ZNet from 2011.

Unizyx, Zyxel, MitraStar and ZNet firstly calculated their respective income tax provision according to IAS 12 “Income Taxes” and reconciled the difference between the separate income tax returns and the combined final business income return. The differences were allocated to all combined entities on a reasonable, systematic and consistent basis and consequently to current year’s income tax expense and deferred income tax expenses.

(20) Business combination

The Company accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Company recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

All acquisition-related transaction costs are expensed as incurred, except for the issuance of debt or equity instruments.

For each business combination, the Company measures any non-controlling interests in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s identifiable net assets, if the non-controlling interests are present ownership interests and entitle their holders to a proportionate share of the Company’s net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by the IFRSs endorsed by the FSC.

(21) Earnings per share

The Company discloses Unizyx’s basic and diluted earnings per share attributable to ordinary shareholders of Unizyx. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of Unizyx divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of Unizyx divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as employee stock options and employee compensation.

(22) Operating segment information

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Company). Operating results of the operating segment are regularly reviewed by the Company’s chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment consists of standalone financial information.

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Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

5. Major sources of accounting judgments, estimations and assumptions of uncertainty:

The preparation of the consolidated financial statements based on the IFRSs endorsed by the FSC requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and reported amount of assets, liabilities, income and expense. Actual results may differ from these estimates.

Management continues to monitor the accounting assumptions, estimates and judgments. Management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

Information about judgments made in applying accounting policies that have most significant effects on the amounts recognize in the consolidated financial statements is the judgment regarding the period of the lease. The Company determines the lease term as the non-cancellable period of the lease, together with periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option, and periods covered by an option to terminate the lease if the lessee is reasonably not to exercise that option. In assessing whether a lessee is reasonably to exercise the options, the Company considers all relevant facts and circumstances that create an economic incentive for the lessee. The Company reassesses whether it is reasonably certain to exercise an extension option or not to exercise the option upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. If there is a change in the lease term, the Company recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Please refer to notes 6(10) and (16).

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

(1) Impairment of Accounts Receivable

The Company has its customers spread throughout the globe, wherein they are vulnerable to various changes, such as environmental, economic as well as legal matters. Therefore, the customer credit control is considered to be more complex. When assessing the recoverability of the Company' s receivables, it is necessary to consider any changes in the credit quality of the receivables from the original grant date of credit limits to the reporting date. For those receivables that have not been withdrawn within the credit term, the balance of the accounts receivable is calculated by reference from the transaction in the past, current financial status, and expected credit losses, in order to estimate the amount of allowance for bad debts. Please refer to note 6(5) "Explanation of significant accounts – Notes and accounts receivable" to the consolidated financial statements.

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Notes to the Consolidated Financial Statements

(2) Valuation of Inventories

The Company mainly engages in the research and development, as well as the production of communication and network products. Inventories are stated at the lower of cost or net realizable value. The Company used judgment and estimate to determine the net realizable value of inventory at the end of each reporting period. However, the rapid evolution of technology and the fierce market competition may lead to obsolete inventories and unmarketable items. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon, which could result in significant adjustments. Please refer to note 6(6) “Explanation of significant accounts – Inventories, net” to the consolidated financial statements.

Accounting policies and disclosures of the Company include the fair value measurement for financial or non-financial assets and liabilities. The Company determines the fair value using the independent data sources which reflect the current market condition and confirming the data available are independent, reliable, in consistent with other sources and represent the exercisable price. The Company also periodically assesses the evaluation model, performs retrospective tests, and updates inputs with any other necessary fair value adjustment for the evaluation model in order to ensure the reasonableness of the valuation.

The Company evaluates its assets and liabilities using the observable market inputs. The hierarchy of the fair value depends on the valuation techniques used, and the different levels have been defined as follows:

- (1) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- (2) Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (3) Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

When there is a transfer between levels of the fair value hierarchy, the Company recognizes the transfer at the reporting date. For the assumptions used in fair value measurement, please refer to note 6(25) “Financial instruments”.

6. Explanation of significant accounts

(1) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Petty cash, demand deposits, and checking accounts	\$ 2,235,149	2,495,073
Cash equivalents – time deposits	3,000,335	1,583,086
Cash equivalents – repurchased agreements	58,000	-
	\$ 5,293,484	4,078,159

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

Please refer to note 6(25) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Company.

(2) Financial assets and liabilities at fair value through profit or loss

A. Financial assets measured at fair value through profit or loss

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Beneficiary certificates	\$ 54,962	-
Listed stocks	54,364	-
Global depository receipts	18,219	-
	<u>\$ 127,545</u>	<u>-</u>

B. Sensitivity analysis

If the market price of the abovementioned financial assets had changed, the impact would have been as follows (if calculated on the same basis for both years and assuming that all other variables remained the same):

<u>Fair value at</u> <u>reporting date</u>	<u>2021</u>		<u>2020</u>	
	<u>Other</u> <u>comprehensive</u> <u>income (loss)</u> <u>before income</u> <u>taxes</u>	<u>Net income</u> <u>(loss) before</u> <u>income taxes</u>	<u>Other</u> <u>comprehensive</u> <u>income (loss)</u> <u>before income</u> <u>taxes</u>	<u>Net income</u> <u>(loss) before</u> <u>income taxes</u>
Increase 10%	\$ -	<u>12,755</u>	-	-
Decrease 10%	\$ -	<u>(12,755)</u>	-	-

C. Non-hedging derivative financial instruments

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Financial assets at fair value through profit or loss:		
Forward exchange contracts	\$ <u>19,531</u>	<u>-</u>
Financial liabilities at fair value through profit or loss:		
Forward exchange contracts	\$ <u>124</u>	<u>46,359</u>

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The Company uses derivative financial instruments to hedge certain foreign exchange risks that the Company is exposed to throughout its operating activities. Based on the accounting standards, the Company's derivative financial instruments do not qualify for hedge accounting.

The forward exchange contracts not settled as of December 31, 2021 and 2020 were as follows:

December 31, 2021		
Contract item	Maturity period	Contract amount (in thousands)
Sell EUR / Buy USD	2022.01~2022.08	EUR 34,610

December 31, 2020		
Contract item	Maturity period	Contract amount (in thousands)
Sell EUR / Buy USD	2021.02~2021.07	EUR 41,300

The Company's financial assets at fair value through profit or loss mentioned above were not pledged as collateral.

(3) Financial assets at amortized cost – current and non-current

	December 31, 2021	December 31, 2020
Time deposits (over 3 months)	\$ 260,651	569,159
Pledged time deposits	125,157	70,669
	\$ 385,808	639,828
Current	\$ 281,149	569,159
Non-current	\$ 104,659	70,669

The Company assessed that the above financial assets are held to maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets at amortized cost.

- A. The Company held domestic time deposits, at an interest rate ranging from 0.35%~2.60% and from 0.08%~0.77% and with maturity date between March 2022 and November 2022 and between February 2021 and December 2021 as of December 31, 2021 and 2020, respectively.
- B. For credit risk, please refer to note 6(25).
- C. The Company's financial assets at amortized costs – current and non-current mentioned above were pledged as collateral; please refer to note 8.

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(4) Financial assets at fair value through other comprehensive income

	December 31, 2021	December 31, 2020
Unlisted stocks	\$ 25,713	26,999

The Company designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represented those investments that the Company intended to hold for long-term strategic purposes.

The investment in ZQAM Communications Corporation (ZQAM) was classified as financial assets at fair value through other comprehensive income – non-current since October 2020; Please refer to note 6(7).

- A. For fair value and market risk, please refer to note 6(25).
- B. For the sensitivity analysis of the financial instruments mentioned above, if the fair value of the securities which are measured at fair value through other comprehensive income had increased or decreased by 10% at the reporting date, the Company's other comprehensive income before income taxes would have increased or decreased by \$2,571 and \$2,700 for the years ended December 31, 2021 and 2020, respectively.
- C. The Company's financial assets at fair value through other comprehensive income mentioned above were not pledged as collateral.

(5) Notes and accounts receivable, net

A. Notes and accounts receivable, net

	December 31, 2021	December 31, 2020
Notes receivable	\$ 652	16,170
Letters of credit receivable	94,230	1,011
Accounts receivable	5,509,755	5,916,807
	5,604,637	5,933,988
Less: Provision for loss allowance	(83,702)	(92,895)
	\$ 5,520,935	5,841,093

As of January 1, 2020, the ending balance of notes and accounts receivable, net was \$4,715,847.

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information.

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The loss allowance provision were determined as follows:

	December 31, 2021		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 4,768,051	-	-
Overdue 1~30 days	545,621	-	-
Overdue 31~60 days	161,986	-	-
Overdue 61~90 days	28,302	8.80%	2,491
Overdue 91~180 days	11,616	21.46%	2,493
Overdue 181~360 days	13,855	25.35%	3,512
Overdue more than 361 days	75,206	100.00%	75,206
Total	\$ 5,604,637		83,702

	December 31, 2020		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 5,450,276	-	-
Overdue 1~30 days	220,462	-	-
Overdue 31~60 days	166,304	-	-
Overdue 61~90 days	2,676	15.70%	420
Overdue 91~180 days	2,522	28.83%	727
Overdue 181~360 days	22,586	100.00%	22,586
Overdue more than 361 days	69,162	100.00%	69,162
Total	\$ 5,933,988		92,895

- B. The movements in the allowance for impairment with respect to notes and accounts receivable were as follows:

	2021	2020
Balance at January 1	\$ 92,895	141,370
Impairment loss recognized (reversed)	1,222	(2,119)
Amounts written off	(3,684)	(34,932)
Effect of movements in exchange rates	(6,731)	(11,424)
Balance at December 31	\$ 83,702	92,895

- C. Financial assets pledged as collateral

The Company's notes and accounts receivable mentioned above were not pledged as collateral.

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

(6) Inventories

A. The details of inventories were as follows:

	December 31, 2021	December 31, 2020
Raw materials	\$ 2,749,679	1,918,737
Work in process and semi-finished goods	463,939	437,346
Finished goods and merchandises	2,998,651	2,544,807
	\$ 6,212,269	4,900,890

B. The details of the cost of goods sold were as follows:

	2021	2020
Inventories sold	\$ 19,635,513	16,529,150
Reversal of inventory obsolescence for the period	(35,515)	(113,239)
Provision for warranties and after service cost for the period	21,454	54,620
	\$ 19,621,452	16,470,531

C. The Company's inventories mentioned above were not pledged as collateral.

(7) Investments accounted for using the equity method

There was no individually significant associate of the Company. The following table summarized the amounts recognized by the Company and included in the consolidated financial statements:

	December 31, 2021	December 31, 2020
Summarized information of the carrying amount of associates that were not individually material	\$ 16,292	24,059
	2021	2020
Net gain (loss) attributable to the Company	\$ (6,585)	(12,450)

In October 2020, ZQAM increased its authorized share capital by cash, in which the Company did not subscribe for additional shares, resulting in the Company's percentage of ownership in ZQAM to decrease from 42% to 13%. Thereafter, the Company lost the significant influence on ZQAM, resulting in the Company to recognize the fair value of ZQAM amounting to \$9,262 as financial assets at fair value through other comprehensive income – non-current at the date of its loss of significant influence.

The Company's investments accounted for using the equity method mentioned above were not pledged as collateral.

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Notes to the Consolidated Financial Statements

(8) Loss of control of subsidiaries

In June 2020, Ardomus increased its authorized share capital by cash, in which Zyxel did not subscribe for additional shares, resulting in Zyxel's percentage of ownership in Ardomus to decrease from 61% to 48%. Furthermore, Zyxel did not obtain the majority seats of the Ardomus' board during the election in July 2020, resulting in a loss of control over Ardomus. Hence, the Company recognized the fair value of 48% of its ownership in Ardomus amounting to \$15,556 as investments accounted for using the equity method at the date of loss of control.

The following table summarizes the carrying amounts of assets and liabilities of Ardomus at the date of losing control:

Cash and cash equivalents	\$	33,584
Inventories		162
Property, plant and equipment, net		1,838
Other current assets		548
Intangible assets		175
Contract liabilities		(840)
Accounts payable (including related parties)		(451)
Other current liabilities		(2,881)
Carrying amount of net assets	\$	<u><u>32,135</u></u>

(9) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Company were as follows:

	Land	Building	Machinery and equipment	Research and development equipment	Office and other equipment	Construction in progress and inspection equipment	Total
Cost:							
Balance at January 1, 2021	\$ 32,479	2,181,787	528,641	314,073	923,271	36,829	4,017,080
Additions for the period	-	9,709	152,840	127,966	78,166	10,955	379,636
Disposal for the period	-	(220)	(25,928)	(78,079)	(73,672)	-	(177,899)
Reclassification	-	-	20,685	2,383	117	(23,936)	(751)
Effect of movements in exchange rates	(913)	(9,747)	(2,188)	(549)	(18,324)	(846)	(32,567)
Balance at December 31, 2021	<u>\$ 31,566</u>	<u>2,181,529</u>	<u>674,050</u>	<u>365,794</u>	<u>909,558</u>	<u>23,002</u>	<u>4,185,499</u>
Balance at January 1, 2020	\$ 34,189	2,173,112	514,726	294,792	890,710	6,129	3,913,658
Additions for the period	-	11,940	7,596	49,200	71,132	35,951	175,819
Disposal for the period	-	(6,218)	(585)	(29,112)	(45,868)	-	(81,783)
Losing control of subsidiary	-	-	-	(496)	(2,133)	-	(2,629)
Reclassification	-	-	-	(1,584)	1,826	(5,799)	(5,557)
Effect of movements in exchange rates	(1,710)	2,953	6,904	1,273	7,604	548	17,572
Balance at December 31, 2020	<u>\$ 32,479</u>	<u>2,181,787</u>	<u>528,641</u>	<u>314,073</u>	<u>923,271</u>	<u>36,829</u>	<u>4,017,080</u>

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	<u>Land</u>	<u>Building</u>	<u>Machinery and equipment</u>	<u>Research and development equipment</u>	<u>Office and other equipment</u>	<u>Construction in progress and inspection equipment</u>	<u>Total</u>
Depreciation:							
Balance at January 1, 2021	\$ -	1,048,713	428,669	175,314	772,263	-	2,424,959
Depreciation for the period	-	68,284	52,837	37,954	70,094	-	229,169
Disposal for the period	-	(220)	(25,854)	(46,883)	(71,625)	-	(144,582)
Reclassification	-	-	44	-	(313)	-	(269)
Effect of movements in exchange rates	-	(3,628)	(2,550)	(446)	(16,299)	-	(22,923)
Balance at December 31, 2021	<u>\$ -</u>	<u>1,113,149</u>	<u>453,146</u>	<u>165,939</u>	<u>754,120</u>	<u>-</u>	<u>2,486,354</u>
Balance at January 1, 2020	\$ -	986,950	381,820	168,449	737,172	-	2,274,391
Depreciation for the period	-	66,730	41,441	35,717	73,370	-	217,258
Disposal for the period	-	(6,218)	(585)	(28,880)	(45,247)	-	(80,930)
Losing control of subsidiary	-	-	-	(184)	(607)	-	(791)
Reclassification	-	-	-	(879)	-	-	(879)
Effect of movements in exchange rates	-	1,251	5,993	1,091	7,575	-	15,910
Balance at December 31, 2020	<u>\$ -</u>	<u>1,048,713</u>	<u>428,669</u>	<u>175,314</u>	<u>772,263</u>	<u>-</u>	<u>2,424,959</u>
Carrying amounts:							
Balance at December 31, 2021	<u>\$ 31,566</u>	<u>1,068,380</u>	<u>220,904</u>	<u>199,855</u>	<u>155,438</u>	<u>23,002</u>	<u>1,699,145</u>
Balance at December 31, 2020	<u>\$ 32,479</u>	<u>1,133,074</u>	<u>99,972</u>	<u>138,759</u>	<u>151,008</u>	<u>36,829</u>	<u>1,592,121</u>
Balance at January 1, 2020	<u>\$ 34,189</u>	<u>1,186,162</u>	<u>132,906</u>	<u>126,343</u>	<u>153,538</u>	<u>6,129</u>	<u>1,639,267</u>

The Company's property, plant and equipment mentioned above had been pledged as collateral for short-term borrowings; please refer to note 8.

(10) Right-of-use assets

The Company leases land, buildings, vehicles and office equipment. Information about leases for which the Company as a lease was as follows:

	<u>Land</u>	<u>Building</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Total</u>
Cost:					
Balance at January 1, 2021	\$ 404,259	158,189	3,602	6,104	572,154
Additions for the period	-	3,012	1,429	-	4,441
Disposal for the period	-	(19,926)	(1,415)	-	(21,341)
Effect of movements in exchange rates	(49)	(11,158)	(19)	-	(11,226)
Balance at December 31, 2021	<u>\$ 404,210</u>	<u>130,117</u>	<u>3,597</u>	<u>6,104</u>	<u>544,028</u>
Balance at January 1, 2020	\$ 404,144	111,827	3,659	6,104	525,734
Additions for the period	-	44,368	538	-	44,906
Disposal for the period	-	(2,009)	(559)	-	(2,568)
Effect of movements in exchange rates	115	4,003	(36)	-	4,082
Balance at December 31, 2020	<u>\$ 404,259</u>	<u>158,189</u>	<u>3,602</u>	<u>6,104</u>	<u>572,154</u>

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Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

	<u>Land</u>	<u>Building</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Total</u>
Depreciation:					
Balance at January 1, 2021	\$ 33,616	62,062	2,245	3,202	101,125
Depreciation for the period	16,806	24,930	1,229	1,600	44,565
Disposal for the period	-	(14,355)	(1,415)	-	(15,770)
Effect of movements in exchange rates	<u>(3)</u>	<u>(4,873)</u>	<u>(13)</u>	<u>-</u>	<u>(4,889)</u>
Balance at December 31, 2021	<u>\$ 50,419</u>	<u>67,764</u>	<u>2,046</u>	<u>4,802</u>	<u>125,031</u>
Balance at January 1, 2020	\$ 16,805	31,079	1,213	1,601	50,698
Depreciation for the period	16,803	30,805	1,584	1,601	50,793
Disposal for the period	-	(1,339)	(534)	-	(1,873)
Effect of movements in exchange rates	<u>8</u>	<u>1,517</u>	<u>(18)</u>	<u>-</u>	<u>1,507</u>
Balance at December 31, 2020	<u>\$ 33,616</u>	<u>62,062</u>	<u>2,245</u>	<u>3,202</u>	<u>101,125</u>
Carrying amount:					
Balance at December 31, 2021	<u>\$ 353,791</u>	<u>62,353</u>	<u>1,551</u>	<u>1,302</u>	<u>418,997</u>
Balance at December 31, 2020	<u>\$ 370,643</u>	<u>96,127</u>	<u>1,357</u>	<u>2,902</u>	<u>471,029</u>
Balance at January 1, 2020	<u>\$ 387,339</u>	<u>80,748</u>	<u>2,446</u>	<u>4,503</u>	<u>475,036</u>

(11) Intangible assets

The costs of intellectual property, trading rights and computer software were presented under intangible assets. The cost and amortization of intangible assets of the Company were as follows:

	<u>Intellectual property</u>	<u>Trading rights</u>	<u>Computer software</u>	<u>Total</u>
Costs:				
Balance at January 1, 2021	\$ 183,286	231,611	134,269	549,166
Additions for the period	41,608	-	142,386	183,994
Disposal for the period	-	(112)	(11,388)	(11,500)
Effect of movements in exchange rates	<u>(8,662)</u>	<u>(24,389)</u>	<u>(4,258)</u>	<u>(37,309)</u>
Balance at December 31, 2021	<u>\$ 216,232</u>	<u>207,110</u>	<u>261,009</u>	<u>684,351</u>
Balance at January 1, 2020	\$ 1,480	214,585	143,232	359,297
Additions for the period	183,827	118	3,888	187,833
Disposal for the period	(980)	(12,168)	(18,395)	(31,543)
Losing control of subsidiary	-	-	(350)	(350)
Reclassification	(900)	18,879	5,566	23,545
Effect of movements in exchange rates	<u>(141)</u>	<u>10,197</u>	<u>328</u>	<u>10,384</u>
Balance at December 31, 2020	<u>\$ 183,286</u>	<u>231,611</u>	<u>134,269</u>	<u>549,166</u>

(Continued)

Unizyx Holding Corporation and subsidiaries
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	<u>Intellectual property</u>	<u>Trading rights</u>	<u>Computer software</u>	<u>Total</u>
Amortization:				
Balance at January 1, 2021	\$ 16,942	166,580	105,886	289,408
Amortization for the period	27,708	15,162	25,192	68,062
Disposal for the period	-	168	(11,388)	(11,220)
Effect of movements in exchange rates	<u>(1,356)</u>	<u>(18,285)</u>	<u>(4,151)</u>	<u>(23,792)</u>
Balance at December 31, 2021	<u>\$ 43,294</u>	<u>163,625</u>	<u>115,539</u>	<u>322,458</u>
Balance at January 1, 2020	\$ 1,009	126,080	107,416	234,505
Amortization for the period	16,884	26,070	15,693	58,647
Disposal for the period	(980)	(12,168)	(18,231)	(31,379)
Losing control of subsidiary	-	-	(175)	(175)
Reclassification	-	18,879	879	19,758
Effect of movements in exchange rates	<u>29</u>	<u>7,719</u>	<u>304</u>	<u>8,052</u>
Balance at December 31, 2020	<u>\$ 16,942</u>	<u>166,580</u>	<u>105,886</u>	<u>289,408</u>
Carrying amounts:				
Balance at December 31, 2021	<u>\$ 172,938</u>	<u>43,485</u>	<u>145,470</u>	<u>361,893</u>
Balance at December 31, 2020	<u>\$ 166,344</u>	<u>65,031</u>	<u>28,383</u>	<u>259,758</u>
Balance at January 1, 2020	<u>\$ 471</u>	<u>88,505</u>	<u>35,816</u>	<u>124,792</u>

The Company's intangible assets mentioned above were not pledged as collateral.

(12) Short-term borrowings

The details of the Company's short-term borrowings were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Unsecured borrowings	\$ 1,557,000	1,524,247
Secured borrowings	<u>-</u>	<u>90,000</u>
Total	<u>\$ 1,557,000</u>	<u>1,614,247</u>
Range of interest rates at year end	<u>0.83%~1.10%</u>	<u>0.45%~1.20%</u>

For the collateral for short-term borrowings facilities, please refer to note 8.

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(13) Short-term notes and bills payable

The details of the Company's short-term notes and bills payable were as follows:

	December 31, 2021	December 31, 2020
Commercial papers payable	<u>\$ 200,000</u>	<u>300,000</u>
Range of interest rates at year end	<u>0.89%</u>	<u>0.87%</u>

(14) Bonds payable

The details of the Company's bonds payable were as follows:

	December 31, 2021
Unsecured corporate bonds	\$ 1,900,000
Discount on bonds payable	(3,766)
	<u>\$ 1,896,234</u>

On May 10, 2021, the Company's Board of Directors resolved the issuance of first unsecured corporate bond in 2021, which Mega International Commercial Bank was engaged to issue on August 5, 2021, with fair value amounting to \$1,900,000, at fixed coupon rate of 0.85%, with maturity of 5 years, and with maturity date on August 5, 2026.

(15) Provision – current

Provisions for warranty and after service cost were as follows:

	2021	2020
Balance at January 1	\$ 546,982	575,449
Provision for the period	21,454	54,620
Write-off for the period	(60,499)	(81,879)
Effect of movements in exchanges rates	(12,392)	(1,208)
Balance at December 31	<u>\$ 495,545</u>	<u>546,982</u>

The Company's provision for warranty and after service cost mentioned above was for sales of networking products. Provision for warranty and after service cost was estimated based on the historical warranty information for similar products or services. The Company expected that most of the cost would occur within 1 or 2 years after sales.

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

(16) Lease liabilities

Carrying amounts of lease liabilities were as follows:

	December 31, 2021	December 31, 2020
Current	<u>\$ 39,181</u>	<u>46,575</u>
Non-current	<u>\$ 399,908</u>	<u>443,497</u>

For the maturity analysis, please refer to note 6(25) "Financial instruments".

The amounts recognized in profit or loss were as follows:

	2021	2020
Interest on lease liabilities	<u>\$ 5,194</u>	<u>5,429</u>
Expenses relating to short-term leases	<u>\$ 39,807</u>	<u>29,297</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 10,825</u>	<u>18,937</u>

The amounts recognized in the statement of cash flows for the Company were as follows:

	2021	2020
Total cash outflow for leases	<u>\$ 100,478</u>	<u>91,940</u>

A. Real estate leases

The Company leases land and buildings for its office space and factories. The leases typically run for a period of 20 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some leases provide for additional rent payments that are based on the fluctuation in local price, plus the expense adjusted for public facilities constructions in each area. Such expense normally occurs once a year.

B. Other leases

The Company leases transportation and office equipment with contract terms of one to five years. These leases are leases of low-value items. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

(17) Employee benefits

A. Defined benefit plans

The Company's reconciliations in the present value of the defined benefit obligations and fair value of plan assets were as follows:

	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	\$ 257,274	247,545
Fair value of plan assets	(310,370)	(311,832)
Net defined benefit assets	<u>\$ (53,096)</u>	<u>(64,287)</u>

Details of recognized liabilities (assets) were as follows:

	December 31, 2021	December 31, 2020
Net defined benefit assets	\$ (66,075)	(69,783)
Net defined benefit liabilities	12,979	5,496
	<u>\$ (53,096)</u>	<u>(64,287)</u>

The Company's domestic subsidiaries make defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive an annual payment based on years of service and average salary for the six months prior to retirement.

(a) Composition of plan assets

The Company's domestic subsidiaries contribute to pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Fund, Ministry of Labor. Minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$310,370 at the reporting date. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Fund.

The accumulated employee retirement reserve provided by Unizyx, Zyxel and MitraStar is sufficient to support the payment, therefore, the Company ceased to contribute to its pension fund from September 1, 2017 to December 31, 2022 after obtaining an approval from the authority, and the Company expects to prolong the cease in the future. Thus, Unizyx, Zyxel and MitraStar do not expect to make any defined benefit plan contribution to their pension fund in the following year after the reporting date.

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

(b) Movements in present value change of defined benefit obligation

The movements in present value of the defined benefit obligation of the Company were as follows:

	<u>2021</u>	<u>2020</u>
Defined benefit obligation at January 1	\$ 247,545	218,707
Current service cost	687	609
Current interest cost	1,782	2,371
Remeasurements of the net defined benefit assets (liabilities)		
— Actuarial losses (gains) arising from changes in experience adjustment	7,766	556
— Actuarial losses (gains) arising from changes in demographic assumption	6,584	-
— Actuarial losses (gains) arising from changes in financial assumptions	-	26,420
Paid from pension plan	<u>(7,090)</u>	<u>(1,118)</u>
Defined benefit obligation at December 31	<u>\$ 257,274</u>	<u>247,545</u>

(c) Movements of defined benefit plan assets

The movements in fair value of the defined benefit plan assets of the Company were as follows:

	<u>2021</u>	<u>2020</u>
Fair value of plan assets at January 1	\$ 311,832	300,515
Interest income	2,272	3,296
Remeasurements of the net defined benefit assets (liabilities)		
— Actuarial gains (losses) arising from changes in experience adjustment	3,281	8,882
Contribution to the plan	75	257
Paid from pension plan	<u>(7,090)</u>	<u>(1,118)</u>
Fair value of plan assets at December 31	<u>\$ 310,370</u>	<u>311,832</u>

(d) Effect of the asset ceiling

There was no effect on the asset ceiling for the years of 2021 and 2020.

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

(e) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

	<u>2021</u>	<u>2020</u>
Current service cost	\$ 687	609
Net interest on the net defined benefit liabilities (assets)	<u>(490)</u>	<u>(925)</u>
	<u><u>\$ 197</u></u>	<u><u>(316)</u></u>

(f) Remeasurements of net defined benefit liabilities (assets) recognized in other comprehensive income

The Company's remeasurements of net defined benefit liabilities (assets) recognized in other comprehensive income were as follows:

	<u>2021</u>	<u>2020</u>
Accumulated amount at January 1	\$ (16,893)	1,201
Recognized during the period	<u>(11,069)</u>	<u>(18,094)</u>
Accumulated amount at December 31	<u><u>\$ (27,962)</u></u>	<u><u>(16,893)</u></u>

(g) Actuarial assumptions

The Company's key actuarial assumptions at the reporting date were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount rate	0.625%~0.75%	0.625%~0.75%
Future salary increase rate	2.00%~3.00%	2.00%~3.00%

The Company is expecting a contribution of \$962 to its defined benefit plans in the following year after the reporting date.

The weighted-average duration of the defined benefit obligation is 14.97 years.

(h) Sensitivity analysis

If there was a change in the actuarial assumptions, the impact on the present value of the defined benefit obligation would be as follows:

	<u>Impact on present value of defined benefit obligations</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
December 31, 2021		
Discount rate	\$ (7,626)	7,945
Future salary increase rate	7,637	(7,375)

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

December 31, 2020	Impact on present value of defined benefit obligations	
	Increase 0.25%	Decrease 0.25%
Discount rate	\$ (7,662)	7,994
Future salary increase rate	7,687	(7,412)

Reasonably possible changes at the reporting date in one of the relevant actuarial assumptions, assuming all other variables remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the consolidated balance sheets.

There were no changes in the method and assumptions used in calculating the sensitivity analysis for the years of 2021 and 2020.

B. Defined contribution plans

The Company's domestic company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance, Ministry of Labor (the Bureau of Labor Insurance) in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations thereafter.

The pension costs of the Company's domestic company under the defined contribution method were \$79,021 and \$77,673 for the years ended December 31, 2021 and 2020, respectively. Payment was made to the Bureau of Labor Insurance.

The total pension costs of the Company's overseas subsidiaries under the defined contribution method were \$83,291 and \$55,375 for the years ended December 31, 2021 and 2020, respectively.

Furthermore, due to the Covid-19 pandemic, the amount of pension cost exemption from local government was \$22,867 for the year ended December 31, 2020.

(18) Income tax

A. Income tax expense

The amounts of income tax expense of the Company were as follows:

	2021	2020
Current tax expense		
Current period	\$ 263,925	156,038
Adjustment for prior periods	(7,566)	20,429
	256,359	176,467

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Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

	2021	2020
Deferred tax expense		
Origination and reversal of temporary differences	\$ 86,246	168,420
Income tax expense	\$ 342,605	344,887

The amounts of income tax expense (benefit) recognized in other comprehensive income of the Company were as follows:

	2021	2020
Exchange differences on translation of foreign financial statements	\$ (32,124)	25,562

Reconciliations of income tax expense and profit (loss) before income taxes were as follows:

	2021	2020
Profit (loss) before income taxes	\$ 1,438,064	1,175,888
Income tax using Unizyx's domestic tax rate	287,613	235,178
Effect of tax rates in foreign jurisdiction	2,170	38,011
Investment (gain) loss of foreign subsidiaries recognized using the equity method	86,642	68,935
Prior-year adjustments	(7,566)	20,429
Effect of unrecognized deferred tax assets and liabilities	10,427	19,575
Others	(36,681)	(37,241)
	\$ 342,605	344,887

B. Deferred tax assets and liabilities

(a) Unrecognized deferred tax assets and liabilities

Deferred tax assets and liabilities have not been recognized in respect of the following items:

	December 31, 2021	December 31, 2020
Loss on overseas investment accounted for using the equity method	\$ 105,959	111,190
Loss carryforward	147,077	141,575
Allowance for inventory obsolescence	35,307	25,151
Gain on overseas investment accounted for using the equity method	(95,608)	(95,608)
	\$ 192,735	182,308

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Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

The Company is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries. Also, it is probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax assets and liabilities.

(b) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities were as follows:

Deferred tax assets:

	January 1, 2020	Recognized in income statement	Recognized in other comprehensive income	December 31, 2020	Recognized in income statement	Recognized in other comprehensive income	December 31, 2021
Unrealized profit on intercompany sales	\$ 93,515	11,488	-	105,003	(11,265)	-	93,738
Provision for warranties and after service cost	102,918	(4,816)	-	98,102	(9,622)	-	88,480
Exchange differences on translation of foreign financial statements	76,686	-	(19,122)	57,564	-	25,684	83,248
Loss on overseas investment accounted for using the equity method	37,890	31,657	-	69,547	5,861	-	75,408
Allowance for inventory obsolescence	120,887	(44,463)	-	76,424	(17,605)	-	58,819
Temporary difference of subsidiary	46,763	1,056	-	47,819	(332)	-	47,487
Loss carryforward	77,490	(75,654)	-	1,836	9,066	-	10,902
Others	52,936	4,421	-	57,357	32,167	-	89,524
	<u>\$ 609,085</u>	<u>(76,311)</u>	<u>(19,122)</u>	<u>513,652</u>	<u>8,270</u>	<u>25,684</u>	<u>547,606</u>

Deferred tax liabilities:

	January 1, 2020	Recognized in income statement	Recognized in other comprehensive income	December 31, 2020	Recognized in income statement	Recognized in other comprehensive income	December 31, 2021
Gain on overseas investment accounted for using the equity method	\$ (138,763)	(89,601)	-	(228,364)	(85,544)	-	(313,908)
Net defined benefit assets	(8,873)	(1,649)	-	(10,522)	(22)	-	(10,544)
Exchange differences on translation of foreign financial statements	-	-	(6,440)	(6,440)	-	6,440	-
Others	(5,643)	(859)	-	(6,502)	(8,950)	-	(15,452)
	<u>\$ (153,279)</u>	<u>(92,109)</u>	<u>(6,440)</u>	<u>(251,828)</u>	<u>(94,516)</u>	<u>6,440</u>	<u>(339,904)</u>

According to the R.O.C. Income Tax Act, the previous 10 years' losses of the Company's domestic subsidiaries as assessed by the tax authorities can offset the current year's net taxable income for income tax purposes.

(Continued)

Unizyx Holding Corporation and subsidiaries
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As of December 31, 2021, the unused loss carryforwards and related expiration years of the Company's domestic subsidiaries were as follows:

<u>Year of loss</u>	<u>Expiration year</u>	<u>Unused loss carryforward</u>
2015 (assessed)	2025	\$ 626
2016 (assessed)	2026	117
2018 (assessed)	2028	38
2019 (assessed)	2029	9,707
2020 (filed)	2030	9,943
2021 (estimated)	2031	45,438
		\$ 65,869

In accordance with the tax law of each region where the foreign subsidiaries of the Company are located, losses on foreign subsidiaries as assessed by the tax authorities can be carried forward to offset the future years' taxable profits. As of December 31, 2021, the tax effects of the unused loss on carryforwards amounted to \$144,805.

C. Examination and approval

The income tax returns of Unizyx, Zyxel, and MitraStar had been examined and assessed by the tax authority through 2018.

(19) Capital and other equity

A. Common stock

On August 16, 2010, Unizyx was set up through Zyxel's share swap, and the total share capital was \$5,170,483. As of December 31, 2021 and 2020, Unizyx's authorized common stock amounted to \$7,000,000 with par value of \$10 TWD per share, of which \$520,000 was for use as employee stock options, convertible preferred stock, or convertible corporate bonds. The issued common stock amounted to \$4,490,008 and \$4,411,773 as of December 31, 2021 and 2020, respectively.

As of December 31, 2021 and 2020, because the related registration procedures were still in progress, the new shares of common stock arising from the exercise of employee stock options amounting to \$46,140 and \$64,665 were recognized as advance receipts for share capital, respectively.

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B. Capital surplus

The details of Unizyx's capital surplus were as follows:

	December 31, 2021	December 31, 2020
Additional paid-in capital	\$ 3,309,840	3,513,099
Treasury stock transactions	243,075	204,503
Employee stock options	110,408	77,644
Others	17,601	32,640
	\$ 3,680,924	3,827,886

- (a) When Unizyx was set up through Zyxel's share swap on August 16, 2010, the amount of net assets in excess of the par value calculated by the share swap method was \$4,089,976, which was recorded as additional paid-in capital.
- (b) According to Article 30 of the Business Mergers and Acquisitions Act, the additional paid-in capital of the holding company transferred from unappropriated retained earnings of a company through a share swap with other companies is not affected by the restriction of Article 241(i) of the Company Act. According to Article 47 of the Financial Holding Company Act and Ruling No. 0910003413, if the additional paid-in capital resulting from the share swap is originated from previous unappropriated earnings of subsidiaries, it can be appropriated as cash dividends or capitalized in the current year; also the capitalization ratio is not restricted by Article 8 of the Securities and Exchange Act Enforcement Rules. Further, according to Ruling No. 0910016280, since this additional paid-in capital is not generated from the holding company's operations, there is no remuneration of the Board of Directors and bonus to employees. As of December 31, 2021 and 2020, the additional paid-in capital generated from Zyxel's unappropriated earnings before the share swap was \$1,139,082.
- (c) In accordance with the R.O.C. Company Act, realized capital surplus can only be reclassified as share capital or distributed as cash dividends after offsetting losses. The aforementioned capital surplus includes share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital surplus to be reclassified under share capital shall not exceed 10 % of the actual share capital amount.
- (d) As approved by the shareholders' meeting on July 1, 2021, Unizyx distributed cash dividends amounting to \$223,822 by using the capital surplus. The information will be available on the Market Observation Post system website.

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C. Retained earnings

(a) Legal reserve

If the Company generated profit for the year, the distribution of the legal reserve, either by new shares or by cash, shall be decided at the shareholders' meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25 % of the paid-in capital.

(b) Special reserve

In accordance with Ruling No. 1010012865 issued by the Financial Supervisory Commission on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special reserve during earnings distribution. The amount to be reclassified should be equal to the current-period total net debit balance of other equity components of the shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special reserve (and does not qualify for earnings distribution) to account for cumulative changes to other equity components of the shareholders' equity pertaining to prior periods. Any subsequent reversals pertaining to the net debit balance of other equity components of the shareholders' equity shall qualify for additional distributions.

(c) Distribution of earnings

Pursuant to regulations promulgated by the FSC, a special reserve equivalent to the total amount of items that are accounted for as deductions from stockholders' equity shall be set aside from current earnings, and not distributed. The special reserve shall be made available for appropriation to the extent of reversal of deductions from stockholders' equity in subsequent periods.

According to the articles of incorporation, in years of earnings, Unizyx has to offset any accumulated deficit, pay income tax, and appropriate 10% of the balance as a legal reserve before distribution of earnings, unless the amount in the legal reserve is already equal to or greater than the total paid-in capital. Thereafter, an amount shall be set aside or reversed as a special reserve in accordance with related laws, regulations, or provisions of the competent authorities. Distribution of the remaining profit after setting aside the abovementioned amounts, together with the balance of the unappropriated retained earnings of the previous year, shall be proposed by the Board of Directors to be approved at the shareholders' meeting.

The dividend policy of Unizyx is based on Unizyx's profit condition, future operating development, and assurance of stockholders' equity. Considering the common stock, capital structure, operating status, and earnings, Unizyx may distribute dividends in the form proposed by the Board of Directors, including stock issuance based on retained earnings and/or cash dividends. The dividend distribution must be through a resolution passed by the Board of Directors that complies with Unizyx's balanced and stable dividend policy.

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The appropriated earnings will preferably be distributed in the form of cash dividends, with distribution of stock dividends being the other alternative. Distribution of stock dividends should be no more than 50% of total dividends.

On June 12, 2020, the resolution of loss off-setting proposal for the year of 2019 was approved by shareholders' meeting of Unizyx. Furthermore, on July 1, 2021, the resolution of loss off-setting proposal for the year of 2020 to offset accumulated deficits by using the legal reserve amounting to \$32,700 was approved by shareholders' meeting of Unizyx. The related information is available on the Market Observation Post System website.

On March 14, 2022, the earnings distribution proposal for the year of 2021 was approved by the Board of Directors meeting of Unizyx. The plan to distribute the 2021 earnings will need to be approved in the shareholders' meeting of Unizyx. The information will be available on the Market Observation Post System website.

D. Treasury stock

In the second quarter of 2021, Unizyx recognized the gain on disposal of Unizyx shares held by Zychamp amounting to \$34,510 in capital surplus generated from treasury stock transactions. As of December 31, 2021 and 2020, Unizyx's shares held by Zychamp amounted to 8,146 and 9,391 thousand shares, and original costs were \$104,839 and \$120,861; the market values were \$285,526 and \$358,276, respectively.

As approved by the Board of Directors of Unizyx on November 3, 2021, in order to maintain the credit of the Company and shareholders' equity, Unizyx had a plan on repurchasing 20,000 thousand shares of treasury stocks in accordance with the related regulations of stock exchange. Unizyx had repurchased 2,936 thousand shares of treasury stocks, with the cost of which amounted to \$93,609, from November 4 to December 31 in 2021.

E. Other equity

(a) Exchange differences on translation of foreign financial statements

	2021	2020
Balance at January 1	\$ (293,572)	(395,821)
Foreign exchange differences (net of tax)	(128,370)	102,249
Reorganization	19,463	-
Balance at December 31	\$ (402,479)	(293,572)

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

- (b) Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income

	2021	2020
Balance at January 1	\$ (58,338)	(67,406)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income (net of tax)	(1,286)	9,068
Balance at December 31	\$ (59,624)	(58,338)

- F. Non-controlling interests (net of tax)

	2021	2020
Balance at January 1	\$ 27,198	20,777
Amounts attributable to the non-controlling interests:		
Net income (loss)	(1,241)	3,057
Remeasurements of defined benefit plans	(123)	-
Exchange differences on translation of foreign financial statements (net after tax)	(1,704)	164
Share-based payments	9,106	-
Change in ownership interests in subsidiaries accounted for using equity method	15,041	(20,221)
Increase in non-controlling interests	102,040	40,000
Cash dividends paid to non-controlling interests	(1,000)	-
Decrease in non-controlling interests due to losing control	-	(16,579)
Balance at December 31	\$ 149,317	27,198

- (20) Share-based payment

- A. Unizyx

Unizyx registered and issued 15,000 thousand and 19,018 thousand units of employee stock options in August 2020 and November 2018, respectively. Each unit can be exercised to purchase one share of Unizyx. The duration of both plans is 5 years, and the plans were approved by the FSC. As of December 31, 2021, the information related to the employee stock options was as follows:

Type	Authorization date	Grant date	Issued units (in thousands)	Grant period	Exercise price per share (TWD)	Adjusted exercise price per share (TWD)
Employee stock options in 2020	Aug. 21, 2020	Sep. 22, 2020	15,000	Service periods between 2 to 3 years	24.7	24.2

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

<u>Type</u>	<u>Authorization date</u>	<u>Grant date</u>	<u>Issued units (in thousands)</u>	<u>Grant period</u>	<u>Exercise price per share (TWD)</u>	<u>Adjusted exercise price per share (TWD)</u>
Employee stock options in 2018	Nov. 20, 2018	Nov. 21, 2018	19,018	Service periods between 2 to 3 years	12.2	12.0

The estimated fair value of the options granted were \$5.4 (TWD) and \$2.1~\$3.1 (TWD) at the date of grant using the Black-Scholes option pricing model. Unizyx granted to the Company's employees 15,000 thousand and 19,018 thousand units of employee stock options, and the Company recognized compensation cost amounting to \$22,863 and \$25,771 for the years ended December 31, 2021 and 2020, respectively. Weighted-average assumptions were as follows:

	<u>2020 stock option</u>	<u>2018 stock option</u>
Expected dividend yield	3.08%	3.08%
Expected volatility	40.256%~46.059%	36.108%~44.619%
Risk-free interest rate	0.1899%~0.2381%	0.608%~0.688%
Expected life	2~3 years	2~3 years

Information related to employee stock options was as follows:

(a) Employee stock options in 2020

	<u>2021</u>		<u>2020</u>	
<u>Employee stock options</u>	<u>Options (in thousands)</u>	<u>Weighted-average exercise price (TWD)</u>	<u>Options (in thousands)</u>	<u>Weighted-average exercise price (TWD)</u>
Outstanding at beginning of year	15,000	\$ 24.7	-	\$ -
Granted	-	-	15,000	24.7
Exercised	-	-	-	-
Forfeited	(124)	-	-	-
Outstanding at end of year	<u>14,876</u>	24.2	<u>15,000</u>	24.7
Exercisable at end of year	<u>-</u>		<u>-</u>	

As of December 31, 2021 and 2020, the weighted-average remaining contractual life for outstanding option awards were 3.73 and 4.73 years, respectively.

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

(b) Employee stock options in 2018

<u>Employee stock options</u>	<u>2021</u>		<u>2020</u>	
	Options (in thousands)	Weighted- average exercise price (TWD)	Options (in thousands)	Weighted- average exercise price (TWD)
Outstanding at beginning of year	10,497	\$ 12.2	17,328	\$ 12.2
Granted	-	-	-	-
Exercised	(5,971)	12.0	(6,466)	12.2
Forfeited	(274)	-	(365)	-
Outstanding at end of year	<u>4,252</u>	12.0	<u>10,497</u>	12.2
Exercisable at end of year	<u>4,252</u>		<u>2,015</u>	

As of December 31, 2021 and 2020, the weighted-average remaining contractual life for outstanding option awards were 1.89 and 2.89 years, respectively.

B. ZNet

As approved by the Board of Directors meeting in November 2021, ZNet issued new shares by cash. In accordance with the R.O.C. Company Act, ZNet reserved 6,429 thousand new shares for subscription by the employees of ZNet, Unizyx, and affiliated companies. The duration of the plan is 0.12 years. The estimated fair value of the options granted was \$1.4 (TWD) at the date of grant using the Black-Scholes option pricing model. The Company recognized compensation cost amounting to \$9,056 for the year ended December 31, 2021.

As approved by the Board of Directors meetings in November, 2020 and 2019, ZNet issued 7,000 thousand and 6,000 thousand units of employee stock options, respectively. Each unit can be exercised to purchase one share of ZNet. The duration of both plans is 5 years.

The estimated fair value of the options granted amounted to \$3.3 (TWD) and \$3.9 (TWD) at the date of grant using the Black-Scholes option pricing model, respectively. ZNet granted the Company's employees 7,000 thousand and 5,618 thousand units of employee stock options, and the Company recognized compensation cost amounting to \$18,311 and \$11,792 for the years ended December 31, 2021 and 2020, respectively.

(Continued)

Unizyx Holding Corporation and subsidiaries
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As of December 31, 2021, the related information was as follows:

<u>Type</u>	<u>Grant date</u>	<u>Issued units (in thousands)</u>	<u>Grant period</u>	<u>Exercise price per share (TWD)</u>	<u>Adjusted exercise price per share (TWD)</u>
New shares reserved for subscription by employees in 2021	Nov. 10, 2021	6,429	Service periods 0.12 years	14.0	14.0
Employee stock options in 2020	Nov. 10, 2020	7,000	Service periods 2 years	14.0	14.0
Employee stock options in 2019	Nov. 8, 2019	5,618	Service periods 2 years	14.0	14.0

Weighted-average assumptions were as follows:

	<u>2021 new share subscription</u>	<u>2020 stock option</u>	<u>2019 stock option</u>
Expected dividend yield	-	-	-
Expected volatility	0.2885%	40.000%	40.408%
Risk-free interest rate	0.2179%	0.1923%	0.5432%
Expected life	0.12 years	2 years	2 years

Information related to share-based payments of ZNet was as follows:

(a) New shares reserved for subscription by employees in 2021

	<u>2021</u>	
<u>New shares reserved for subscription by employees</u>	<u>Options (in thousands)</u>	<u>Weighted- average exercise price (TWD)</u>
Outstanding at beginning of year	-	\$ -
Granted	6,429	14.0
Exercised	(6,429)	14.0
Forfeited	-	-
Outstanding at end of year	-	-
Exercisable at end of year	-	-

(Continued)

Unizyx Holding Corporation and subsidiaries
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(b) Employee stock options in 2020

<u>Employee stock options</u>	<u>2021</u>		<u>2020</u>	
	Options (in thousands)	Weighted- average exercise price (TWD)	Options (in thousands)	Weighted- average exercise price (TWD)
Outstanding at beginning of year	7,000	\$ 14.0	-	\$ -
Granted	-	-	7,000	14.0
Exercised	-	-	-	-
Forfeited	-	-	-	-
Outstanding at end of year	<u>7,000</u>	14.0	<u>7,000</u>	14.0
Exercisable at end of year	<u>-</u>		<u>-</u>	

As of December 31, 2021 and 2020, the weighted-average remaining contractual life for outstanding option awards were 3.86 and 4.86 years, respectively.

(c) Employee stock options in 2019

<u>Employee stock options</u>	<u>2021</u>		<u>2020</u>	
	Options (in thousands)	Weighted- average exercise price (TWD)	Options (in thousands)	Weighted- average exercise price (TWD)
Outstanding at beginning of year	5,136	\$ 14.0	5,603	\$ 14.0
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	(423)	-	(467)	-
Outstanding at end of year	<u>4,713</u>	14.0	<u>5,136</u>	14.0
Exercisable at end of year	<u>4,713</u>		<u>-</u>	

As of December 31, 2021 and 2020 the weighted-average remaining contractual life for outstanding option awards were 2.85 and 3.85 years, respectively.

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Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

(21) Earnings per share

A. Basic earnings per share

	<u>2021</u>	<u>2020</u>
Net income (loss) attributable to ordinary shareholders of Unizyx	\$ <u>1,096,700</u>	<u>827,944</u>
Weighted-average number of shares outstanding during the year (in thousands of shares)	<u>440,430</u>	<u>432,651</u>
Basic earnings per share (TWD)	\$ <u>2.49</u>	<u>1.91</u>

B. Diluted earnings per share

	<u>2021</u>	<u>2020</u>
Net income (loss) attributable to ordinary shareholders of Unizyx	\$ <u>1,096,700</u>	<u>827,944</u>
Weighted-average number of shares outstanding during the year (in thousands of shares)	440,430	432,651
Effect of potential dilutive ordinary shares (in thousands of shares)	<u>8,090</u>	<u>3,605</u>
	<u>448,520</u>	<u>436,256</u>
Diluted earnings per share (TWD)	\$ <u>2.45</u>	<u>1.90</u>

(22) Revenue from contracts with customers

A. The details of revenue were as follows:

	<u>2021</u>				
	<u>Brand</u>	<u>Product</u>	<u>Channel</u>	<u>Investment</u>	<u>Total</u>
Primary geographical markets:					
United States	\$ 2,548,291	3,790,621	17,951	-	6,356,863
France	109,269	2,739,862	431,366	-	3,280,497
Other countries	<u>7,135,609</u>	<u>5,782,293</u>	<u>3,120,108</u>	<u>6,600</u>	<u>16,044,610</u>
	<u>\$ 9,793,169</u>	<u>12,312,776</u>	<u>3,569,425</u>	<u>6,600</u>	<u>25,681,970</u>
Major products lines:					
Broadband	\$ 8,043,173	11,484,169	339,533	-	19,866,875
Business	426,317	53,817	2,725,667	-	3,205,801
Others	<u>1,323,679</u>	<u>774,790</u>	<u>504,225</u>	<u>6,600</u>	<u>2,609,294</u>
	<u>\$ 9,793,169</u>	<u>12,312,776</u>	<u>3,569,425</u>	<u>6,600</u>	<u>25,681,970</u>

(Continued)

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Notes to the Consolidated Financial Statements

	2020				
	Brand	Product	Channel	Investment	Total
Primary geographical markets:					
United States	\$ 2,705,036	2,594,447	10,410	-	5,309,893
France	25,670	2,293,044	400,170	-	2,718,884
Other countries	<u>5,699,314</u>	<u>5,526,039</u>	<u>2,989,900</u>	<u>6,600</u>	<u>14,221,853</u>
	<u>\$ 8,430,020</u>	<u>10,413,530</u>	<u>3,400,480</u>	<u>6,600</u>	<u>22,250,630</u>
Major products lines:					
Broadband	\$ 6,527,136	9,413,771	303,079	-	16,243,986
Business	387,469	118,165	2,552,212	-	3,057,846
Others	<u>1,515,415</u>	<u>881,594</u>	<u>545,189</u>	<u>6,600</u>	<u>2,948,798</u>
	<u>\$ 8,430,020</u>	<u>10,413,530</u>	<u>3,400,480</u>	<u>6,600</u>	<u>22,250,630</u>

B. Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Contract liabilities	<u>\$ 175,314</u>	<u>74,760</u>	<u>89,595</u>

For details on accounts receivable and allowance for impairment, please refer to note 6(5).

The contract liabilities primarily relate to the advance consideration received from customers for the sales contracts, for which revenue is recognized when products are delivered to customers. The amounts of revenue recognized for the years ended December 31, 2021 and 2020 that were included in the contract liability balances at the beginning of the periods were \$65,292 and \$85,701, respectively.

(23) Non-operating income and expenses

A. Other income

The details of other income of the Company were as follows:

	2021	2020
Government grant	\$ 17,553	7,757
Relief subsidy and rental concession related to COVID-19	22,901	121,571
Compensation income	8,606	26,199
Dividend income	2,830	-
Obligation waived due to expiration of claim rights	40	13,379
Rental and other income	<u>21,500</u>	<u>16,273</u>
	<u>\$ 73,430</u>	<u>185,179</u>

(Continued)

Unizyx Holding Corporation and subsidiaries
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B. Other gains and losses

The details of other gains and losses of the Company were as follows:

	<u>2021</u>	<u>2020</u>
Net gains (losses) on financial assets (liabilities) at fair value through profit or loss	\$ 162,875	(57,091)
Gain (loss) on disposal of property, plant and equipment	2,397	109
Loss on disposal of intangible assets	-	(164)
Loss on liquidation of subsidiaries	-	(71)
Others	5,802	(13,855)
	<u>\$ 171,074</u>	<u>(71,072)</u>

C. Interest expense

The details of interest expense were as follows:

	<u>2021</u>	<u>2020</u>
Interest expense from bank borrowings	\$ 16,761	17,882
Interest expense from lease liabilities	5,194	5,429
Interest expense from corporate bonds	7,178	-
	<u>\$ 29,133</u>	<u>23,311</u>

(24) Employee compensation and directors' remuneration

In accordance with Unizyx's Articles of Incorporation, Unizyx shall accrue its remuneration to employees and directors based on a certain percentage of the current-year's profit (profit before income taxes, excluding remuneration to employees and directors) less, accumulated deficit as follows: no less than 0.01% as employee remuneration and no more than 2% as directors' remuneration. The aforementioned employee remuneration will be distributed in cash or in the form of shares to the employees of the controlling companies and subsidiaries who meet certain criteria approved by the Board of Directors.

The remunerations to employees and directors recognized by Unizyx amounted to \$108 and \$15,028, respectively, for the year ended December 31, 2021. These amounts were calculated using Unizyx's net income before income taxes without the remunerations to employees and directors for each period, multiplied by the proposed percentage which is stated under the Company's Article of Incorporation. These remunerations were expensed under operating expenses for each period. If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are accounted for as a change in accounting estimate and adjusted prospectively to the next year's profit or loss.

Furthermore, for the year ended December 31, 2020, Unizyx incurred accumulated deficits; therefore, no remuneration to employees and directors was accrued for the year then ended.

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(25) Financial instruments

A. Credit risk

(a) Credit risk exposures

As of December 31, 2021 and 2020, the Company's maximum exposure to credit risk was mainly from the carrying amount of financial assets amounting to \$11,389,099 and \$10,790,990, respectively.

(b) Concentration of credit risk

The Company's potential credit risk is derived primarily from deposits with banks, cash equivalents, financial assets measured at amortized cost, notes receivable and accounts receivable (including related parties), etc. The Company maintains its cash and cash equivalents and financial assets measured at amortized cost in various creditworthy financial institutions. Credit risk exposure to each financial institution is controlled by the Company. As a result, the Company believes that there is no significant concentration of credit risk of cash, cash equivalents and financial assets.

The main customers of the Company are multinational companies within the network communication industry or companies with good credit ratings. From time to time, the Company monitors customers' credit condition, and hence has not encountered any significant loss due to credit risk.

The Company sets a loss allowance for expected credit losses to reflect the estimated loss on accounts receivable. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

(c) Credit risk from receivables

For credit risk exposure of note and accounts receivable, please refer to note 6(5).

Financial assets at amortized cost include investments in time deposits and pledged time deposits. For the details on investments, please refer to notes 6(3). All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses.

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B. Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	<u>Carrying amount</u>	<u>Cash flow of contract</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
December 31, 2021						
Non-derivative financial liabilities						
Short-term borrowings	\$ 1,557,000	(1,563,792)	(1,563,792)	-	-	-
Short-term notes and bills payable	200,000	(200,000)	(200,000)	-	-	-
Notes and accounts payable	4,820,240	(4,820,240)	(4,820,240)	-	-	-
Accounts payable—related parties	181,775	(181,775)	(181,775)	-	-	-
Payroll and bonus payable	867,201	(867,201)	(867,201)	-	-	-
Royalty payable	96,361	(96,361)	(96,361)	-	-	-
Bonds payable	1,896,234	(1,980,750)	(16,150)	(16,150)	(1,948,450)	-
Other payables—related parties	8,618	(8,618)	(8,618)	-	-	-
Lease liabilities (current and non-current)	439,089	(493,860)	(43,985)	(34,762)	(72,905)	(342,208)
Accrued expense (recognized in other current liabilities)	679,471	(679,471)	(679,471)	-	-	-
Guarantee deposits received	711	(711)	-	(711)	-	-
Derivative financial liabilities						
Financial liabilities at fair value through profit or loss—current						
Outflows	124	(125)	(125)	-	-	-
	<u>\$ 10,746,824</u>	<u>(10,892,904)</u>	<u>(8,477,718)</u>	<u>(51,623)</u>	<u>(2,021,355)</u>	<u>(342,208)</u>
December 31, 2020						
Non-derivative financial liabilities						
Short-term borrowings	\$ 1,614,247	(1,616,516)	(1,616,516)	-	-	-
Short-term notes and bills payable	300,000	(300,000)	(300,000)	-	-	-
Notes and accounts payable	5,232,851	(5,232,851)	(5,232,851)	-	-	-
Accounts Payable—related parties	546,513	(546,513)	(546,513)	-	-	-
Payroll and bonus payable	788,435	(788,435)	(788,435)	-	-	-
Royalty payable	169,340	(169,340)	(169,340)	-	-	-
Other payables—related parties	46,489	(46,489)	(46,489)	-	-	-
Lease liabilities (current and non-current)	490,072	(550,086)	(51,789)	(52,890)	(81,994)	(363,413)
Accrued expense (recognized in other current liabilities)	833,326	(833,326)	(833,326)	-	-	-
Guarantee deposits received	575	(575)	-	(575)	-	-
Derivative financial liabilities						
Financial liabilities at fair value through profit or loss—current						
Outflows	46,359	(46,693)	(46,693)	-	-	-
	<u>\$ 10,068,207</u>	<u>(10,130,824)</u>	<u>(9,631,952)</u>	<u>(53,465)</u>	<u>(81,994)</u>	<u>(363,413)</u>

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The Company does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

C. Currency risk

(a) Exposure to currency risk

The Company's significant exposure to foreign currency risk was as follows:

	December 31, 2021			December 31, 2020		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
<u>Financial Assets</u>						
<u>Monetary items</u>						
USD	\$ 134,413	27.68	3,720,552	114,662	28.48	3,265,574
CNY	183,573	4.34	796,707	221	4.37	966
<u>Non-Monetary items</u>						
EUR	33,110	31.32	note	-	-	-
<u>Financial Liabilities</u>						
<u>Monetary items</u>						
USD	137,437	27.68	3,804,256	140,892	28.48	4,012,604
EUR	251	31.32	7,861	39,951	35.02	1,399,084
<u>Non-Monetary items</u>						
EUR	1,500	31.32	note	41,300	35.02	note

Note: Please refer to note 6(2) for the disclosure on the derivative of financial assets (forward exchange) measured at fair value.

(b) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable (including related parties), other receivables (including related parties), short-term borrowings, and notes and accounts payable (including related parties) that are denominated in foreign currency. 5% depreciation or appreciation of the TWD against the above foreign currency at December 31, 2021 and 2020, would have increased (decreased) the net income as follows. (This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the reporting date. The analysis assumes that all other variables remain constant.)

	2021	2020
Depreciation	\$ <u>35,257</u>	<u>(107,306)</u>
Appreciation	\$ <u>(35,257)</u>	<u>107,306</u>

(Continued)

Unizyx Holding Corporation and subsidiaries
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(c) Exchange gains and losses of functional currency

It is impractical to disclose the foreign exchange losses by each significant foreign currency due to the variety of the functional currencies of the Company. The details of the net foreign currency exchange gains (losses) (including realized and unrealized) were as follows:

	2021	2020
	\$ (212,507)	(209,623)

D. Interest rate analysis

The following sensitivity analysis is based on the risk exposure to interest rates on the derivative and non-derivative financial instruments on the reporting date. For variable rate instruments, the sensitivity analysis assumes the variable rate liabilities are outstanding for the whole year on the reporting date. The Company's internal management was reported with the exposure to changes in interest rates of 0.25%, which is considered by management to be a reasonable change of interest rate.

If the interest rate had increased or decreased by 0.25%, the Company's net income before income taxes would have increased or decreased by \$1,695 and \$2,202 for the years ended December 31, 2021 and 2020, respectively, with all other variable factors remaining constant. This is mainly due to floating interest rates of the Company's cash and cash equivalents and short-term borrowings.

E. Fair value of financial instruments

(a) Categories of financial instruments and fair value

The carrying amounts of the Company's current non-derivative financial instruments were considered to approximate their fair value due to their short-term nature. This methodology applies to financial assets and financial liabilities at amortized cost, including cash and cash equivalents, financial assets at amortized cost – current and non-current, receivables (including related parties), payables (including related parties), other financial assets – current, refundable deposits, short-term borrowings, short-term notes and bills payable and guarantee deposits received.

Disclosures of fair value are not required for the financial instruments mentioned above. Other than those, the carrying amount and fair value of other financial instruments of the Company as of December 31, 2021 and 2020 were as follows:

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	December 31, 2021				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss – current	\$ 147,076	127,545	19,531	-	147,076
Financial assets at fair value through other comprehensive income – non-current	<u>25,713</u>	<u>-</u>	<u>-</u>	<u>25,713</u>	<u>25,713</u>
	<u>\$ 172,789</u>	<u>127,545</u>	<u>19,531</u>	<u>25,713</u>	<u>172,789</u>
Financial liabilities at fair value through profit or loss – current	<u>\$ 124</u>	<u>-</u>	<u>124</u>	<u>-</u>	<u>124</u>

	December 31, 2020				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income – non-current	<u>\$ 26,999</u>	<u>-</u>	<u>-</u>	<u>26,999</u>	<u>26,999</u>
Financial liabilities at fair value through profit or loss – current	<u>\$ 46,359</u>	<u>-</u>	<u>46,359</u>	<u>-</u>	<u>46,359</u>

(b) Valuation techniques for financial instruments measured at fair value

- (i) The listed stocks, beneficiary certificates and global depositary receipts held by the Company are measured at fair value according to standard provision and conditions; the fair value is measured using the quoted price in an active market.
- (ii) Derivative financial instruments—forward exchange contracts held by the Company are measured by using the current forward foreign exchange rates.
- (iii) Financial instruments without an active market held by the Company are measured at fair value according to the market approach; the fair value is assessed by using the price-equity ratio and price-earnings ratio of the competitors.

(c) There is no transfer between the levels for the years ended December 31, 2021 and 2020.

(d) Reconciliation of Level 3 fair values—equity investment without an active market

	<u>2021</u>	<u>2020</u>
Financial assets at fair value through other comprehensive income		
Balance at January 1	\$ 26,999	8,669
Addition for the period	-	9,262
Gains or losses recognized in other comprehensive income	<u>(1,286)</u>	<u>9,068</u>
Balance at December 31	<u>\$ 25,713</u>	<u>26,999</u>

(Continued)

Unizyx Holding Corporation and subsidiaries
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- (e) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company's financial instruments that use Level 3 inputs to measure the fair value include financial assets at fair value through other comprehensive income— equity investments.

The Company classified the equity investments without an active market as recurring level 3 fair values in the value hierarchy due to the use of significant unobservable inputs. The significant unobservable inputs of the equity investments without an active market are independent, therefore, there is no correlation between them.

Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income – equity investment without an active market	Market approach	<ul style="list-style-type: none"> • Net price ratio multiplier (December 31, 2021: 1.91~7.74 and December 31, 2020:1.46~3.10) • Liquidity discount (December 31, 2021 and December 31, 2020: 30%) 	<ul style="list-style-type: none"> • The higher the price-equity ratio, the higher the fair value • The higher the discount for lack of marketability, the lower the fair value

(26) Financial risk management

A. Overview

The Company is exposed to the following risks due to usage of financial instruments:

- (a) Credit risk
- (b) Liquidity risk
- (c) Market risk

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies, and processes for measuring and managing risk. For further information, please refer to the relevant notes.

B. Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The board is responsible for developing and monitoring the Company's risk management policies, and meets regularly for discussions.

(Continued)

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The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Board of Directors oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Board of Directors is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, and the results of which are reported to the Board of Directors.

C. Credit risk

Please refer to note 6(25).

D. Liquidity risk

There is no liquidity risk of being unable to raise capital to settle contract obligations since the Company has sufficient capital and working capital to fulfill contract obligations. As there is no open market for the financial assets at fair value through other comprehensive income; hence, they are subject to liquidity risk.

E. Market risk

The Company's purchases and sales are mainly denominated in foreign currency. As a result, current and future cash flows of foreign currency assets and liabilities are exposed to the risk of foreign currency exchange rate volatility. Therefore, the Company engaged in derivative financial instrument transactions as economic hedges against potential changes in assets or liabilities held in foreign currencies. Gains and losses arising from changes in exchange rates are offset by those of the hedged item. As a result, the market risk is low.

The listed stocks, beneficiary certificates and foreign depositary receipts held by the Company are presented under financial assets measured at fair value. Such assets are measured at fair value, and the Company is exposed to market price volatility.

(a) Currency risk

The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Company's entities, primarily the TWD, but also including the US dollar (USD), Euro (EUR), and Chinese Yuan (CNY). The currencies used in these transactions are the TWD, EUR, USD and CNY.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

(b) Interest rate risk

The Company holds variable-rate financial assets and liabilities. Please refer to note 6(25) for interest rate risk.

(27) Capital management

The board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence and to sustain future development of the business. Capital consists of share capital, capital surplus, retained earnings, and non-controlling interests of the Company. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary stockholders.

The Company's debt-to-equity ratios at the reporting date were as follows:

	December 31, 2021	December 31, 2020
Total liabilities	\$ 12,174,065	11,282,934
Less: cash and cash equivalents	(5,293,484)	(4,078,159)
Net debt	\$ 6,880,581	7,204,775
Total equity (adjusted capital)	\$ 9,219,609	8,306,231
Debt-to-adjusted-capital ratio	74.63%	86.74%

As of December 31, 2021, the Company has not changed its capital management method.

(28) Investing and financing activities not affecting current cash flow

The Company's investing and financing activities which did not affect the current cash flow were as follows:

A. For leased right-of-use assets, please refer to note 6(10).

B. Reconciliations of liabilities arising from financing activities were as follows:

	January 1, 2021	Cash flow	Foreign exchange movement and others	December 31, 2021
Short-term borrowings	\$ 1,614,247	(56,786)	(461)	1,557,000
Short-term notes and bills payable	300,000	(100,000)	-	200,000
Lease liabilities (current and non-current)	490,072	(46,440)	(4,543)	439,089
Bonds payable	-	1,895,650	584	1,896,234
Guarantee deposits received	575	178	(42)	711
Total liabilities from financing activities	\$ 2,404,894	1,692,602	(4,462)	4,093,034

(Continued)

Unizyx Holding Corporation and subsidiaries
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	January 1, 2020	Cash flow	Foreign exchange movement and others	December 31, 2020
Short-term borrowings	\$ 1,626,803	(16,214)	3,658	1,614,247
Short-term notes and bills payable	-	300,000	-	300,000
Lease liabilities (current and non-current)	492,853	(49,439)	46,658	490,072
Guarantee deposits received	539	33	3	575
Total liabilities from financing activities	<u>\$ 2,120,195</u>	<u>234,380</u>	<u>50,319</u>	<u>2,404,894</u>

7. Related-party transactions

(1) Names and relationship with related parties

The followings are related parties that have had transactions with the Company during the periods covered in the consolidated financial statements:

<u>Name of related party</u>	<u>Relationship with the Company</u>
ZYXEL Foundation	The chairman is the same as Unizyx's
ZyFX Technologies Inc. (ZyFX)	ZYXEL Foundation's subsidiary
Zyell Solutions Corporation (Zyell)	ZyFX's subsidiary
ZQAM	Formerly, it was the Company's associate, but became ZyFX's subsidiary since October 2020.
Ardomus	Formerly, it was the Company's subsidiary, but became the Company's associate since July 2020.
ShareTech Information Co., LTD (ShareTech)	The Company's associate

(2) Significant related-party transactions

A. Operating Revenues

<u>Account Name</u>	<u>Related Party Category</u>	<u>2021</u>	<u>2020</u>
Sales of goods	Other related parties	\$ 31,544	78,922
	Associates	3,955	71,292
		<u>35,499</u>	<u>150,214</u>
Others	Other related parties	6,612	6,600
	Associates	85	694
		<u>6,697</u>	<u>7,294</u>
		<u>\$ 42,196</u>	<u>157,508</u>

(Continued)

Unizyx Holding Corporation and subsidiaries
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Except for some products without transaction with other customers to compare with, there was no significant difference between the sales price of the Company for related parties and that of the third parties. The terms of payment are 90 days, and the credit terms for third parties are 30 to 180 days after delivery. Receivables from related parties were not pledged as collateral and were assessed not to provide any loss allowance provision.

B. Purchase

<u>Related Party Category</u>	<u>2021</u>	<u>2020</u>
Other related parties	\$ 265,984	617,487
Associates	-	16,430
	<u>\$ 265,984</u>	<u>633,917</u>

Except for some products without transaction with other vendors to compare with, there was no significant difference between the purchase price of the Company for related parties and that of the third parties. The payment term for purchase from related parties was 30 to 90 days after purchase, which was not materially different from those offered to third parties.

C. Other transactions

<u>Account Name</u>	<u>Related Party Category</u>	<u>2021</u>	<u>2020</u>
Operating	Other related parties	\$ 7,152	25,746
Expenses/Cost of goods sold	Associates	-	8
		<u>\$ 7,152</u>	<u>25,754</u>
Non-operating income	Other related parties	\$ 2,162	2,607
	Associates	-	1,332
		<u>\$ 2,162</u>	<u>3,939</u>

The Company leased out offices to its related parties, with lease terms and prices determined based on mutual agreements. The payment term for rental is 25 days after each quarter, with the related income being classified under non-operating income.

The related parties distributed cash dividends amounting to \$1,182 and \$2,158 to the Company for the years ended December 31, 2021 and 2020, respectively. As of December 31, 2021 and 2020, the aforementioned dividends had been received.

D. Receivables from related parties

<u>Account Name</u>	<u>Related Party Category</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts receivable— related parties	Other related parties	\$ 19,383	4,011
	Associates	2,612	783
		<u>\$ 21,995</u>	<u>4,794</u>

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

<u>Account Name</u>	<u>Related Party Category</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other receivables —	Other related parties	\$ 2,847	5,709
related parties	Associates	224	250
		<u>\$ 3,071</u>	<u>5,959</u>

E. Payables to related parties

<u>Account Name</u>	<u>Related Party Category</u>	<u>December 31, 2021</u>	<u>January 1, 2020</u>
Accounts payable —	Other related parties	\$ 181,775	546,513
related parties			
Other payables —	Other related parties	\$ 8,618	46,489
related parties			

(3) Transactions with key management personnel

Key management personnel compensation comprised:

	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 66,800	51,859
Post-employment benefits	966	926
Share-based payment compensation	4,616	3,845
	<u>\$ 72,382</u>	<u>56,630</u>

Please refer to note 6(20) for further explanations related to share-based payment transactions.

8. Pledged assets

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Purpose of pledge</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Property, plant and equipment	Guarantee of short-term borrowings	\$ - (Note)	430,327
Financial assets at amortized cost — current and non-current	Contract fulfillment and warranty guarantee	104,949	50,461
Financial assets at amortized cost — current and non-current	Guarantee of rental of land from SIPA	20,208	20,208
Refundable deposits	Guarantee of quality assurance	41,211	35,195
		<u>\$ 166,368</u>	<u>536,191</u>

Note: The Company pledged its assets as collateral for a guarantee for bank borrowings facilities, and the assets pledged were released on December 16, 2021.

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

9. Commitments and contingencies

(1) Significant commitments

- A. The amounts of notes pledged at the bank by Zyxel, MitraStar and ZNet for financing purposes were as follows:

	December 31, 2021	December 31, 2020
	\$ 5,957,280	5,347,760

- B. The amounts of Zyxel's outstanding letters of credit to facilitate Zyxel's purchases were as follows:

(in thousands USD)

	December 31, 2021	December 31, 2020
	\$ -	649

- C. In order to obtain the bid and sales contracts of particular customers, the Company obtained a letter of performance guarantee letter from the bank. The amounts were as follows:

(in thousands)

	December 31, 2021	December 31, 2020
USD	\$ 5,758	3,608
NTD	\$ 3,941	16,323
EUR	\$ 1,670	1,000
TRY	\$ 100	-

- D. MitraStar signed a research agreement with Taiwan SMECF commissioned by the Ministry of Economic Affairs. In order to receive the project grant, MitraStar obtained a letter of performance guarantee letter from the bank and submitted a promissory note. The amounts were as follows:

	December 31, 2021	December 31, 2020
Promissory letter	\$ -	14,900
Guarantee letter	\$ -	14,900

- E. The Company signed technology licensing and patent licensing agreements with certain companies, and was required to pay licensing fees in proportion to sales revenue of the licensed products or agreed royalty during the patent term under the agreements.

- F. The Company signed agency service agreements with certain companies and was required to pay commission fees in proportion to commissioned sales under the agreements.

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

(2) Contingencies liabilities

In June 2020, UNM Rainforest Innovations asserted that Zyxel's products infringed its certain patents and filed a lawsuit against Zyxel. Zyxel has engaged a lawyer to defend the case. However, the Company believes that the lawsuit mentioned above will not have any significant impact on its current operations.

10. Losses due to major disasters: None

11. Subsequent events: None

12. Other

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function	2021			2020		
	Classified as cost of goods sold	Classified as operating expenses	Total	Classified as cost of goods sold	Classified as operating expenses	Total
By item						
Employee benefits						
Salaries	484,159	2,696,825	3,180,984	360,431	2,580,944	2,941,375
Labor and health insurance	53,003	257,185	310,188	28,950	237,057	266,007
Pension	41,412	121,097	162,509	31,151	101,581	132,732
Others	26,573	83,269	109,842	19,861	85,057	104,918
Depreciation	101,097	172,637	273,734	85,571	182,480	268,051
Amortization	27,846	65,309	93,155	15,292	80,514	95,806

13. Other disclosures:

(a) Information on significant transactions

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company:

- (i) Loans to other parties: Please refer to Table 1.
- (ii) Guarantees and endorsements for other parties: Please refer to Table 2.
- (iii) Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures): Please refer to Table 3.
- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to Table 4.
- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to Table 5.
- (ix) Trading in derivative instruments: Please refer to note 6(2).
- (x) Business relationships and significant intercompany transactions: Please refer to Table 6.
- (b) Information on investees (excluding information on investees in Mainland China): Please refer to Table 7.
- (c) Information on investment in Mainland China:
 - (i) The names of investees in Mainland China, the main businesses and products, and other information: Please refer to Table 8.
 - (ii) Limitation on investment in Mainland China: Please refer to Table 8.
 - (iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of the consolidated financial statements, were disclosed in the “Information on significant transactions”.
- (d) Major shareholders:

(in units of shares)

Shareholder's Name	Shareholding	Shares	Percentage
Shun-I Chu		100,173,833	22.09 %

- Note: (i) The information on major shareholders who hold 5 percent or more of the issuer's common stocks and preferred stocks, including treasury stocks, is quarterly provided by Taiwan Depository and Clearing Corp. The share capital disclosed on the financial report and the actual numbers of dematerialized securities may be different due to their discrepancies in calculation.
- (ii) If the shareholder entrusts the shares to the trust, the shareholding will be disclosed by the trustee's account individually. As for those shareholders who are responsible for the declaration of insiders' shareholding with more than 10 percent in accordance with the Securities and Exchange Act, their shareholdings shall include their own shares and the trust in which they have the authority to decide the allocation of their trust assets. Please refer to the Market Observation Post System for information on the insiders' shareholding.

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

14. Segment information

(1) General information and industrial information

There are four segments that need to be reported: the brand business segment, the product business segment, the channel business segment, and the investment segment. The brand business segment uses the brand name to provide telecommunications service providers end-to-end broadband access solutions and to provide customers instant and local services. The channel business segment focused on the development of channel business and provide enterprise users and home users with products and application services. The product business segment develops products for customers and logistics services that focus on the manufacturing of wired and wireless broadband communications network, the new generation of internet, multimedia, and digital home applications in areas such as intellectual life. The investment segment is for general investment business.

Unizyx had allocated income tax expense (benefit) or non-recurring gains and losses to segments that need to be reported. In addition, all the gains and losses of the segments that need to be reported included significant non-cash items except depreciation and amortization. The reported amounts were presented in accordance with the reports used by the chief operating decision maker. The accounting principles of the operating units are not significantly different from the significant accounting policies in note 4. The Company's operating segments' profits and losses are measured based on net income and loss after tax, which also serves as the basis for assessing the segments' performance.

(2) Segment information

The Company's operating segment information and reconciliations were as follows:

	2021					
	<u>Brand</u>	<u>Products</u>	<u>Channel</u>	<u>Investment</u>	<u>Reconciliation and elimination</u>	<u>Total</u>
External revenue	\$ 9,793,169	12,312,776	3,569,425	6,600	-	25,681,970
Inter-segment revenue	393,636	4,741,322	353,939	148,221	(5,637,118)	-
Total revenue	<u>\$ 10,186,805</u>	<u>17,054,098</u>	<u>3,923,364</u>	<u>154,821</u>	<u>(5,637,118)</u>	<u>25,681,970</u>
Reportable segment operating income (loss)	<u>\$ 910,739</u>	<u>258,454</u>	<u>339,561</u>	<u>(39,457)</u>	<u>(43,863)</u>	<u>1,425,434</u>
Depreciation and amortization	<u>\$ 99,195</u>	<u>210,140</u>	<u>63,306</u>	<u>1,052</u>	<u>(6,804)</u>	<u>366,889</u>
Reportable segment assets	<u>\$ 8,862,322</u>	<u>10,760,410</u>	<u>3,170,328</u>	<u>1,762,636</u>	<u>(3,178,314)</u>	21,377,382
Investment accounted for using the equity method						16,292
Total assets						<u>\$ 21,393,674</u>

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

	2020					
	Brand	Products	Channel	Investment	Reconciliation and elimination	Total
External revenue	\$ 8,430,020	10,413,530	3,400,480	6,600	-	22,250,630
Inter-segment revenue	<u>278,862</u>	<u>2,755,062</u>	<u>337,779</u>	<u>123,747</u>	<u>(3,495,450)</u>	-
Total revenue	<u>\$ 8,708,882</u>	<u>13,168,592</u>	<u>3,738,259</u>	<u>130,347</u>	<u>(3,495,450)</u>	<u>22,250,630</u>
Reportable segment operating income (loss)	<u>\$ 778,939</u>	<u>389,017</u>	<u>120,643</u>	<u>(2,992)</u>	<u>7,087</u>	<u>1,292,694</u>
Depreciation and amortization	<u>\$ 110,451</u>	<u>195,414</u>	<u>64,437</u>	<u>601</u>	<u>(7,046)</u>	<u>363,857</u>
Reportable segment assets	<u>\$ 9,198,869</u>	<u>9,419,184</u>	<u>2,846,686</u>	<u>267,089</u>	<u>(2,166,722)</u>	19,565,106
Investment accounted for using the equity method						<u>24,059</u>
Total assets						<u>\$ 19,589,165</u>

(3) Information by product and service

For information on products and services for the years ended December 31, 2021 and 2020, please refer to note 6(22).

(4) Geographic information

Sales to customers classified by location of customers is as follows, within which revenue is recognized based on the location of the customer and non-current assets are recognized based on the location of the asset.

A. Revenue from external customers:

For information on revenue from external customers for the years ended December 31, 2021 and 2020, please refer to note 6(22).

B. Non-current assets:

Area	December 31, 2021	December 31, 2020
Taiwan	\$ 1,500,392	1,349,662
China	739,129	653,692
Other countries	<u>253,804</u>	<u>340,554</u>
	<u>\$ 2,493,325</u>	<u>2,343,908</u>

(5) Information on major customers

	2021	2020
Customer A	<u>\$ 3,777,147</u>	<u>2,552,786</u>
Customer B	<u>\$ 2,581,149</u>	<u>2,069,060</u>

(Continued)

Unizyx Holding Corporation and Subsidiaries
Loans to other parties
For the year ended December 31, 2021

Table 1

(In Thousands of New Taiwan Dollars)

Number (Note 1)	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance (Note 4)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 2)	Transaction amount for business between two parties	Reasons for short-term financing	Loss allowance	Collateral		Individual funding loan limits (Note 3)	Maximum limit of fund financing (Note 3)	Note
													Item	Value			
0	Unizyx	MitraStar	Other receivables – related parties	Yes	800,000	800,000	800,000	1%	2	-	Operating Capital	-	-	-	907,029	3,628,117	Note 7
0	Unizyx	ZNet	"	Yes	500,000	500,000	-	1%	2	-	Operating Capital	-	-	-	907,029	3,628,117	Note 7
						1,300,000	800,000										
1	Zyxel	ZNet IN	"	Yes	14,059	13,638	13,638	-	2	-	Operating Capital	-	-	-	427,949	1,711,797	Note 7
1	Zyxel	Others (Note 6)	"	Yes	146,950	-	-	-	2	-	Operating Capital	-	-	-	427,949	1,711,797	Note 7
						13,638	13,638										
2	ZNet	ZNet IN	"	Yes	36,772	36,772	36,772	-	2	-	Operating Capital	-	-	-	195,219	780,876	Notes 5 and 7
2	ZNet	ZNet SHA	"	Yes	5,338	-	-	-	2	-	Operating Capital	-	-	-	195,219	780,876	Note 7
						36,772	36,772										

Note 1: The numbers denote the following:

- 0 represents Unizyx
- 1 represents Zyxel
- 2 represents ZNet

Investees are listed in accordance with names and in sequential order starting with 1.

Note 2: Purposes of fund financing for the borrower:

- 1. For those companies with business transaction with the Company, please fill in 1.
- 2. For those companies with short-term financing needs, please fill in 2.

- Note 3: The policies for the limit on total financing amount and the financing limit for any individual entity are prescribed as follows:
The total financing amount shall not exceed 40% of the lender's net worth, which is based on its latest audited or reviewed parent-company-only financial statements. The financing limit for any individual entity varies with different purposes of fund financing, listed as follows:
1. For those borrowers with business transaction with the lender, the amount of each fund financing shall not exceed the higher amount of the total purchases from, or sales to, the borrower in the most recent year or in the current year.
 2. For those borrowers with short-term financing needs, the amount of each funding financing shall not exceed 10% of the lender's net worth, which is based on its latest audited or reviewed parent-company-only financial statements.
- Note 4: The ending balance is the valid loan amount approved by the Board of Directors.
- Note 5: The ending balance included the amount of credit balance of investments accounted for using the equity method amounting to \$262,215.
- Note 6: Financings with amounts less than \$10,000 were included herein.
- Note 7: The inter-company transactions and balances had been eliminated in the consolidated financial statements.

Unizyx Holding Corporation and Subsidiaries
Guarantees and endorsements for other parties
For the year ended December 31, 2021

Table 2

(In Thousands of New Taiwan Dollars)

Number	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 3)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 3)	Guarantee provided by parent company	Guarantee provided by a subsidiary	Guarantee provided to subsidiaries in Mainland China
		Name	Relationship with the Company (Note 2)										
0	Unizyx	MitraStar	2	4,535,146	2,410,700	2,409,920	1,422,660	-	26.57 %	4,535,146	Y	N	N
0	Unizyx	ZNet	2	4,535,146	1,860,000	1,860,000	100,000	-	20.51 %	4,535,146	Y	N	N
						4,269,920	1,522,660						
1	ZyAS	ZyIT	2	4,535,146	35,020	31,320	-	-	0.35 %	4,535,146	N	N	N
1	ZyAS	ZyUK	2	4,535,146	39,127	38,046	-	-	0.42 %	4,535,146	N	N	N
						69,366	-						

Note 1: The numbers denote the following:

0 represents Unizyx

1 represents ZyAS

Investees are listed in accordance with names and in sequential order starting with 1.

Note 2: The relation between guarantor and guarantee and their endorsement should be disclosed as one of the following:

1. A company with which it does business.
2. A company in which the public company directly and indirectly holds more than 50% of the voting shares.
3. A company that directly and indirectly holds more than 50 % of the voting shares in the public company.
4. A company in which the public company holds, directly or indirectly, 90% or more of the voting shares.
5. A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
6. A company that all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.
7. Companies in the same industry provide among themselves joint and several securities for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: The policies for the limit on the total amount of guarantees and endorsements are prescribed as follows:

1. The total amount of guarantees and endorsements provided by each guarantor to any specific party or subsidiary shall not exceed 50% of Unizyx's net worth. The total amount of guarantees and endorsements provided by each guarantor and Company's subsidiary shall not exceed 50% of Unizyx's net worth. The total amount of guarantees and endorsements provided by each guarantor and Company's subsidiary to any specific-party shall not exceed 50% of Unizyx's net worth. If the total amount of guarantees and endorsements provided by each guarantee and Company's subsidiary exceed 50% of Unizyx's net worth, the Company should disclose its necessity and rationality at the shareholder's meeting.
2. For those companies with business transactions, except for the abovementioned rules of limit, the amount of each guarantee and endorsement shall not exceed the transaction amount between two parties, which is the higher amount of the sales or purchases.

Unizyx Holding Corporation and Subsidiaries
Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures)
For the year ended December 31, 2021

Table 3

(In Thousands of New Taiwan Dollars; In Thousands of Shares)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest percentage of ownership during the year (%)	Note
				Shares/ Units	Carrying value	Percentage of ownership (%)	Fair Value		
Unizyx	Stock: ZQAM	Other related party	Financial assets at fair value through other comprehensive income – non current	2,263	<u>9,262</u>	10 %	9,262	13 %	
Zyxel	iShares Semiconductor ETF	-	Financial assets at fair value through profit or loss – current	1	19,830	-	19,830	-	
Zyxel	Stock: Alphabet Inc. Class C	-	"	-	9,051	-	9,051	-	
Zyxel	ADR: Taiwan Semiconductor Manufacturing Co., Ltd.	-	"	2	7,889	-	7,889	-	
Zyxel	Stock: Realtek Semiconductor Corp.	-	"	8	4,640	-	4,640	-	
Zyxel	Stock: MediaTek Inc.	-	"	3	3,570	-	3,570	-	
Zyxel	Yuanta/P-shares Taiwan Top 50 ETF	-	"	2	<u>291</u>	-	291	-	
					<u>45,271</u>				
Zyxel	Stock: Ubiik Inc.	-	Financial assets at fair value through other comprehensive income – non current	956	15,657	8 %	15,657	8 %	
Zyxel	Stock: Lionic Corp	-	"	500	794	2 %	794	3 %	
Zyxel	Stock: Global Channel Resource Pte. Ltd.	-	"	600	-	8 %	-	8 %	
Zyxel	Stock: Zowie Technology Corp.	-	"	19	-	-	-	-	
Zyxel	Stock: Aetas Technology Inc.	-	"	296	-	1 %	-	1 %	
					<u>16,451</u>				

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest percentage of ownership during the year (%)	Note
				Shares/ Units	Carrying value	Percentage of ownership (%)	Fair Value		
ZNet	iShares Semiconductor ETF	-	Financial assets at fair value through profit or loss – current	-	5,419	-	5,419	-	
ZNet	ADR: Taiwan Semiconductor Manufacturing Co., Ltd.	-	"	1	2,617	-	2,617	-	
ZNet	Yuanta/P-shares Taiwan Top 50 ETF	-	"	13	1,892	-	1,892	-	
ZNet	Stock: Taiwan Semiconductor Manufacturing Co., Ltd.	-	"	2	1,230	-	1,230	-	
ZNet	Stock: MediaTek Inc.	-	"	1	1,190	-	1,190	-	
					12,348				
MitraStar	iShares Semiconductor ETF	-	Financial assets at fair value through profit or loss – current	1	10,778	-	10,778	-	
MitraStar	Stock: Microsoft Corporation	-	"	1	9,793	-	9,793	-	
MitraStar	Stock: Goldman Sachs Group, Inc.	-	"	1	7,942	-	7,942	-	
MitraStar	ADR: Taiwan Semiconductor Manufacturing Co., Ltd.	-	"	2	7,713	-	7,713	-	
MitraStar	Stock: Realtek Semiconductor Corp.	-	"	8	4,640	-	4,640	-	
MitraStar	Stock: Skyworks Solutions, Inc.	-	"	1	3,727	-	3,727	-	
MitraStar	Stock: MediaTek Inc.	-	"	3	3,570	-	3,570	-	
					48,163				

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest percentage of ownership during the year (%)	Note
				Shares/ Units	Carrying value	Percentage of ownership (%)	Fair Value		
Zychamp	iShares MSCI Taiwan ETF	-	Financial assets at fair value through profit or loss – current	6	10,299	-	10,299	-	
Zychamp	Yuanta/P-shares Taiwan Top 50 ETF	-	"	25	3,638	-	3,638	-	
Zychamp	Stock: Meta Platforms, Inc.	-	"	-	3,259	-	3,259	-	
Zychamp	KraneShares CSI China Internet ETF	-	"	2	1,778	-	1,778	-	
Zychamp	Stock: MediaTek Inc.	-	"	1	1,190	-	1,190	-	
Zychamp	CTBC MSCI China Free 50 ex A and B ETF	-	"	50	1,037	-	1,037	-	
Zychamp	Stock: Holtek Semiconductor Inc.	-	"	5	<u>562</u>	-	562	-	
					<u>21,763</u>				
Zychamp	Stock: Unizyx	Final parent company	Financial assets at fair value through other comprehensive income – non current	8,146	285,526	2 %	285,526	2 %	Note
Zychamp	Stock: Homeyen Networks Co., Ltd.	-	"	169	-	11 %	-	11 %	
Zychamp	Stock: Essence Technology Solution, Inc.	-	"	91	-	3 %	-	3 %	
Zychamp	Stock: Handlink Technologies Inc.	-	"	296	-	1 %	-	1 %	
Zychamp	Stock: L7 Networks Inc.	-	"	1	-	1 %	-	1 %	
Zychamp	Stock: Accfast Technology Corp.	-	"	113	-	5 %	-	5 %	
					<u>285,526</u>				

Note: The inter-company transactions and balances had been eliminated in the consolidated financial statements.

Unizyx Holding Corporation and Subsidiaries

Related-party transactions for purchases and sales with amounts exceeding the lower of NTS\$100 million or 20% of the capital stock

For the year ended December 31, 2021

Table 4

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase /Sale	Amount	Percentage of total purchases / sales	Payment terms	Unit price	Payment terms	Ending balance (Note 3)	Percentage of total notes / accounts receivable (payable)	
Zyxel	ZyAS	Subsidiary to subsidiary	Sales	4,253,402	45 %	150 days after delivery	Note 1		1,973,487	47 %	Note 5
Zyxel	ZyUSA	Subsidiary to subsidiary	Sales	2,555,570	27 %	135 days after delivery	Note 1		1,033,353	24 %	Note 5
Zyxel	ZyIT	Subsidiary to subsidiary	Sales	757,145	8 %	180 days after delivery	Note 1		601,021	14 %	Note 5
Zyxel	ZNet AS	Subsidiary to subsidiary	Sales	194,261	2 %	90 days after delivery	Note 1		65,116	2 %	Note 5
Zyxel	ZyBR	Subsidiary to subsidiary	Sales	132,743	1 %	180 days after delivery	Note 1		219,761	5 %	Note 4 and 5
Zyxel	ZyFX	Subsidiary to other related-party	Purchase	(246,489)	(3)%	90 days after receipt	Note 2		(177,757)	(7)%	
ZNet	ZNet AS	Subsidiary to subsidiary	Sales	1,740,826	72 %	90~150 days after delivery	Note 1		784,319	80 %	Note 5
ZNet	ZyTPE	Subsidiary to subsidiary	Sales	240,755	10 %	60~90 days after delivery	Note 1		33,953	3 %	Note 5
ZNet	ZyUSA	Subsidiary to subsidiary	Sales	152,324	6 %	135 days after delivery	Note 1		38,983	4 %	Note 5
MitraStar	Zyxel	Subsidiary to subsidiary	Sales	4,595,705	27 %	90 days after delivery	Note 1		1,439,802	39 %	Note 5
MitraStar	Monetics	Subsidiary to subsidiary	Sales	731,047	4 %	45~140 days after delivery	Note 1		189,655	5 %	Note 5
MitraStar	ZNet	Subsidiary to subsidiary	Sales	144,640	1 %	90 days after delivery	Note 1		55,705	2 %	Note 5
MitraStar	XSquare	Subsidiary to subsidiary	Sales	153,820	1 %	90 days after delivery	Note 1		-	-	Note 5

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase /Sale	Amount	Percentage of total purchases / sales	Payment terms	Unit price	Payment terms	Ending balance (Note 3)	Percentage of total notes / accounts receivable (payable)	
MitraStar	Wuxi MSTC	Subsidiary to subsidiary	Processing and purchase	(6,384,400)	39 %	90 days after receipt		Note 2	-	-	Note 5
MitraStar	Zyxel	Subsidiary to subsidiary	Purchase	(926,927)	6 %	90 days after receipt		Note 2	-	-	Note 5
MitraStar	XSquare	Subsidiary to subsidiary	Purchase	(168,188)	1 %	90 days after receipt		Note 2	(8,383)	-	Note 5
ZyAS	ZyDE	Subsidiary to subsidiary	Sales	558,622	14 %	30~120 days after delivery		Note 1	149,430	15 %	Note 5
ZyAS	ZyCZ	Subsidiary to subsidiary	Sales	231,955	6 %	120~180 days after delivery		Note 1	122,265	12 %	Note 5
ZyAS	ZyUK	Subsidiary to subsidiary	Sales	224,612	6 %	30~120 days after delivery		Note 1	58,846	6 %	Note 5
ZyAS	ZyTR	Subsidiary to subsidiary	Sales	146,851	4 %	130 days after delivery		Note 1	6,017	1 %	Note 5

Note 1: The selling prices of Zyxel and ZNet to its related parties are determined based on the market price, with the payment term of 30~180 days after delivery; however, the collection of payment is currently depended on the capital status of the subsidiaries. The selling prices of MitraStar to its related parties are determined based on the market price, with the payment term of EOM 45~140 days; however, the collection of payment is currently depended on the capital status of the subsidiaries. The selling prices of ZyAS to its related parties are determined based on the market price, with the payment term of 21~180 days after delivery; however, the collection of payment is currently depended on the capital status of the subsidiaries.

Note 2: There is no significant difference between the payment term of MitraStar for its related parties and that of the third parties. The prices of processing are determined based on the mutual agreement between MitraStar and Wuxi MSTC. There is no significant difference between the payment term and pricing of Zyxel for its related parties and that of the third parties except for products with no transaction with other vendors to compare.

Note 3: The ending balance abovementioned included the amounts for financing that were classified as other accounts receivable – related parties.

Note 4: The ending balance included the amount of credit balance of investments accounted for using the equity method amounting to \$449,195.

Note 5: The inter-company transactions and balances had been eliminated in the consolidated financial statements.

Unizyx Holding Corporation and Subsidiaries
Receivables from related parties with amounts exceeding the lower of NTS\$100 million or 20% of the capital stock
For the year ended December 31, 2021

Table 5

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Ending balance (Note 2)	Turnover rate	Overdue		Amounts received in subsequent period (Note 1)	Loss allowance	Note
					Amount	Action taken			
Unizyx	MitraStar	Parent company to subsidiary	815,273	Note 4	-	-	-	-	Note 5
Zyxel	ZyAS	Subsidiary to subsidiary	1,973,487	3	66,071	Enhanced Collecting	643,393	-	Note 5
Zyxel	ZyUSA	Subsidiary to subsidiary	1,033,353	3	-	-	271,338	-	Note 5
Zyxel	ZyIT	Subsidiary to subsidiary	601,021	1	238,648	Enhanced Collecting	217,854	-	Note 5
Zyxel	ZyBR	Subsidiary to subsidiary	219,761	1	170,261	Enhanced Collecting	75,719	-	Notes 3 and 5
ZNet	ZNet AS	Subsidiary to subsidiary	784,319	2	286,758	Enhanced Collecting	326,389	-	Note 5
MitraStar	Zyxel	Subsidiary to subsidiary	1,439,802	4	-	-	1,195,328	-	Note 5
MitraStar	Monetics	Subsidiary to subsidiary	189,655	8	26,282	Enhanced Collecting	113,904	-	Note 5
ZyAS	ZyDE	Subsidiary to subsidiary	149,430	5	-	-	137,334	-	Note 5
ZyAS	ZyCZ	Subsidiary to subsidiary	122,265	2	-	-	50,941	-	Note 5

Note 1: Information as of February 28, 2022.

Note 2: The abovementioned ending balance included the amount for financing, which was recognized as other accounts receivable—related parties.

Note 3: The abovementioned ending balance included the amount of credit balance of investments accounted for using the equity method amounting to \$449,195.

Note 4: The ending balance included the receivable from related parties for the financing purpose amounting to \$800,000.

Note 5: The inter-company transactions and balances had been eliminated in the consolidated financial statements.

Unizyx Holding Corporation and Subsidiaries
Business relationships and significant intercompany transactions
For the year ended December 31, 2021

Table 6

(In Thousands of New Taiwan Dollars)

Number (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	Unizyx	MitraStar	1	Other receivables — related parties	800,000		4 %
1	Zyxel	ZyAS	3	Operating revenues	4,253,402	150 days after delivery	17 %
1	Zyxel	ZyUSA	3	Operating revenues	2,555,570	135 days after delivery	10 %
1	Zyxel	ZyIT	3	Operating revenues	757,145	180 days after delivery	3 %
1	Zyxel	Others (Note 3)	3	Operating revenues	571,322	30~180 days after delivery	2 %
1	Zyxel	ZyAS	3	Accounts receivable — related parties, net	1,973,487		9 %
1	Zyxel	ZyUSA	3	Accounts receivable — related parties, net	1,033,353		5 %
1	Zyxel	ZyIT	3	Accounts receivable — related parties, net	601,021		3 %
1	Zyxel	ZyBR	3	Accounts receivable — related parties, net	219,761		1 %
2	ZNet	ZNet AS	3	Operating revenues	1,740,826	90~150 days after delivery	7 %
2	ZNet	Others (Note 3)	3	Operating revenues	549,960	30~180 days after delivery	2 %
2	ZNet	ZNet AS	3	Accounts receivable — related parties, net	784,319		4 %
3	MitraStar	Zyxel	3	Operating revenues	4,595,705	90 days after delivery	18 %
3	MitraStar	Monetics	3	Operating revenues	731,047	45~140 days after delivery	3 %
3	MitraStar	Others (Note 3)	2 and 3	Operating revenues	299,776	60~90 days after delivery	1 %
3	MitraStar	Wuxi MSTC	3	Cost of goods sold	6,384,400	90 days after receipt	25 %
3	MitraStar	Zyxel	3	Cost of goods sold	926,927	90 days after receipt	4 %
3	MitraStar	Zyxel	3	Accounts receivable — related parties, net	1,439,802		7 %
3	MitraStar	Others (Note 3)	3	Accounts receivable — related parties, net	363,260		2 %

Number (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
4	ZyAS	ZyDE	3	Operating revenues	558,622	30~120 days after delivery	2 %
4	ZyAS	Others (Note 3)	3	Operating revenues	773,165	21~180 days after delivery	3 %
4	ZyAS	Others (Note 3)	3	Accounts receivable—related parties, net	406,046		2 %

Note 1: The numbers denote the following:

0 represents Unizyx

1 represents Zyxel

2 represents ZNet

3 represents MitraStar

4 represents ZyAS

Investees are listed by names and numbered starting with 1.

Note 2: The nature of relationship is as follows:

1 represents parent company to subsidiary

2 represents subsidiary to parent company

3 represents subsidiary to subsidiary

Note 3: Other transactions with the amount that less than 1% of the consolidated net revenue or total assets were not disclosed.

Unizyx Holding Corporation and Subsidiaries
Information on investees (excluding information on investees in Mainland China)
For the year ended December 31, 2021

Table 7

(In Thousands of New Taiwan Dollars/Foreign Currency; In Thousands of Shares)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Highest percentage of ownership during the year	Net income (losses) of investee	Share of profits/ losses of investee	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of ownership	Carrying value				
Unizyx	Zyxel	Taiwan	Development, manufacturing and sales of communications and networking products	3,431,516	3,431,516	72,450	100	3,973,827	100 %	679,583	678,736	Subsidiary, notes 1 and 6
Unizyx	MitraStar	Taiwan	Development, manufacturing and sales of communications and networking products	3,337,920	3,337,920	316,800	100	3,580,255	100 %	260,556	201,262	Subsidiary, notes 1 and 6
Unizyx	ZNet	Taiwan	Development and sales of communications and networking products	1,710,098	1,200,100	108,888	94	1,819,035	100 %	242,014	253,592	Subsidiary, notes 1 and 6
Unizyx	Black Cat	Taiwan	Development and sales of information security products, and consultant management services	10,000	10,000	2,200	67	20,120	67 %	(5,345)	(3,563)	Subsidiary and note 6
								<u>9,393,237</u>			<u>1,130,027</u>	
Zyxel	ZyUSA	U.S.A.	Sales and marketing	271,810 (USD 9,506)	271,810 (USD 9,506)	9,807	100	286,026	100 %	63,164	Note 2	Subsidiary and note 6
Zyxel	Zychamp	Taiwan	Investment activities	540,000	540,000	8,902	100	333,506	100 %	142	Note 2	Subsidiary and note 6
Zyxel	ZyTR	Turkey	Sales and marketing	362,862 (USD 11,977)	362,862 (USD 11,977)	29,137	100	197,762	100 %	63,418	Note 2	Subsidiary and note 6
Zyxel	ZyAS	Denmark	Sales and marketing	501,390 (EUR 11,980)	501,390 (EUR 11,980)	20,712	100	389,191	100 %	83,200	Note 2	Subsidiary and note 6

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Highest percentage of ownership during the year	Net income (losses) of investee	Share of profits/ losses of investee	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of ownership	Carrying value				
Zyxel	Gemini	Germany	Development of communications and networking products	Note 4	154,320 (EUR 4,000)	-	-	-	100 %	2,193	Note 2	Subsidiary and note 6
Zyxel	ShareTech	Taiwan	Development, manufacturing and sales of communications and networking products	10,950	10,950	848	38	13,851	38 %	6,234	Note 2	Associate
Zyxel	Ardomus	Taiwan	Development and sales of network digital control products	48,411	48,411	4,841	48	2,441	48 %	(18,506)	Note 2	Associate
Zyxel	ZyBR	Brazil	Sales and marketing	53,373 (USD 1,668)	53,373 (USD 1,668)	5,849	100	(449,195)	100 %	(44,702)	Note 2	Subsidiary and note 6
ZyAS	ZyDE	Germany	Sales and marketing	67,461 (EUR 1,525)	67,461 (EUR 1,525)	-	100	119,725	100 %	6,729	Note 2	Subsidiary and note 6
ZyAS	ZyUK	United Kingdom	Sales and marketing	319,542 (EUR 6,450)	319,542 (EUR 6,450)	5,375	100	51,734	100 %	4,467	Note 2	Subsidiary and note 6
ZyAS	ZyIT	Italy	Sales and marketing	78,335 (EUR 2,336)	78,335 (EUR 2,336)	10	100	45,281	100 %	6,133	Note 2	Subsidiary and note 6
ZyAS	Gemini	Germany	Development of communications and networking products	31,565 (EUR 976) Note 4	-	-	100	31,198	100 %	2,193	Note 2	Subsidiary and note 6
ZyAS	ZyCZ	Czech Republic	Sales and marketing	66,283 (EUR 1,543)	66,283 (EUR 1,543)	19,000	100	17,976	100 %	3,016	Note 2	Subsidiary and note 6
ZyAS	ZyES	Spain	Sales and marketing	2,165 (EUR 53)	2,165 (EUR 53)	3	100	3,572	100 %	1,310	Note 2	Subsidiary and note 6
								773,582				
								269,486				

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Highest percentage of ownership during the year	Net income (losses) of investee	Share of profits/ losses of investee	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of ownership	Carrying value				
MitraStar	Bluebell	British Virgin Islands	Investment activities	1,519,277 (USD 45,150)	1,519,277 (USD 45,150)	32,856	100	1,917,286	100 %	132,341	Note 2	Subsidiary and note 6
MitraStar	XSquare	Taiwan	Development and sales of communications and networking products	137,960	50,000	13,796	92	<u>102,512</u>	100 %	(31,207)	Note 2	Subsidiary and note 6
								<u>2,019,798</u>	-			
ZNet	ZNet AS	Denmark	Sales and marketing	415,320 (EUR 12,000)	415,320 (EUR 12,000)	20,712	100	261,578	100 %	89,834	Note 2	Subsidiary and note 6
ZNet	ZyTPE	Taiwan	Development and sales of communications and networking products	Note 3	Note 3	6,000	100	111,079	100 %	34,408	Note 2	Subsidiary and note 6
ZNet	ZNet TH	Thailand	Sales and marketing	74,969 (USD 2,389)	74,969 (USD 2,389)	8,000	100	55,475	100 %	3,908	Note 2	Subsidiary and note 6
ZNet	ZNet KR	South Korea	Sales and marketing	11,127 (USD 390)	11,127 (USD 390)	72	65	21,322	65 %	(164)	Note 2	Subsidiary and note 6
ZNet	ZNet EE	Estonia	Sales and marketing	- Note 5	88 (EUR 3)	-	-	-	100 %	-	Note 2	Note 5
ZNet	ZNet IN	India	Sales and marketing	17,176 (USD 568)	17,176 (USD 568)	8,470	100	<u>(262,215)</u>	100 %	5,621	Note 2	Subsidiary and note 6
								<u>187,239</u>				
ZNet AS	ZNet FR	France	Sales and marketing	122,449 (EUR 3,603)	122,449 (EUR 3,603)	10	100	88,497	100 %	2,169	Note 2	Subsidiary and note 6
ZNet AS	ZNet BNL	Netherlands	Sales and marketing	54,089 (EUR 1,350)	54,089 (EUR 1,350)	14	100	45,056	100 %	1,489	Note 2	Subsidiary and note 6
ZNet AS	ZNet RUS	Russia	Sales and marketing	28 (EUR 1)	28 (EUR 1)	-	100	<u>2,364</u>	100 %	590	Note 2	Subsidiary and note 6
								<u>135,917</u>				

- Note 1: The share of the investee company's loss comprises the share of subsidiary's loss after the elimination of unrealized gross profit on inter-company sales transactions.
- Note 2: The share of profits/losses of the investee company is not disclosed herein as such amount is already included in the share of profits/losses of the investor company.
- Note 3: The issued capital of ZyTPE comprised of \$50,000 capital increase by cash and \$60,000 capital increase by retained earnings. In March 2019, \$50,000 capital was returned to the investor.
- Note 4: In October 2021, Zyxel sold the holding shares in Gemini to ZyAS with the carrying amount of the investment in Gemini.
- Note 5: ZNet EE was liquidated in July 2021.
- Note 6: The inter-company transactions and balances had been eliminated in the consolidated financial statements.

Unizyx Holding Corporation and Subsidiaries
Information on investment in Mainland China
For the year ended December 31, 2021

Table 8

(In Thousands of New Taiwan Dollars)

(1) Information on investment in Mainland China

Name of investee	Main businesses and products	Issued Capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of investee	Direct/indirect shareholding (%) by the Company	Highest percentage of ownership during the year	Share of profits/losses of investee (Note 6)	Carrying amount as of December 31, 2021	Accumulated repatriation of investment income
					Out-flow	Inflow							
Tianjin Huagin	Sales of communications and networking products and technical consulting service	44,375	Note 1	42,156	-	-	42,156	(75)	ZNet directly holds 95%	95 %	(71)	1,535	-
ZNet SHA	Sales of communications, networking products and technical consulting service	266,259	Note 1	266,259	-	-	266,259	2,718	ZNet directly holds 100%	100 %	3,051 (Note 7)	4,938	-
Wuxi MSTC	Manufacturing and sales of communications and networking products and technical consulting service	1,013,953	Note 2	1,013,953	-	-	1,013,953	132,622	MitraStar indirectly holds 100%	100 %	132,622	1,976,291	-
Genezys	Development of communications and networking products	209,806	Note 3	209,806	-	-	209,806	6,463	MitraStar indirectly holds 100%	100 %	6,463	244,477	-
Monetics	Sales of communications, networking products and network technology transfer service	360,658	Note 3 and 4	282,403	-	-	282,403	25,667	MitraStar indirectly holds 100%	100 %	25,667	232,610	-
Beijing HuaqinWorld	Sales of communications, networking products and network technology transfer and consulting service	236,860	Note 5	-	-	-	-	-	MitraStar indirectly holds 49%	49 %	-	-	-

(2) Limitation on investment in Mainland China

Company	Accumulated investment amount remitted from Taiwan to Mainland China as of December 31, 2021	Approved investment amount by Ministry of Economic Affairs Investment Commission	Limitation on investment in Mainland China in accordance with regulations of Ministry of Economic Affairs Investment Commission (Note 8)
ZNet	308,415	308,415	1,178,948
MitraStar	1,506,162	1,584,417	2,209,918

Note 1: Direct investment in the company in Mainland China by ZNet.

Note 2: Indirect investment in Mainland China through an existing investee company (Bluebell) in a third region.

Note 3: Direct investment in the company in Mainland China by MitraStar.

Note 4: The issued capital of Monetics amounting to \$78,255 was invested by Bluebell through self-funding. In May 2019, 50% ownership of Monetics was transferred to MitraStar due to adjustment of organizational structure.

Note 5: The investment in Beijing HuaqinWorld was invested by Genezys through self-funding, which is not applicable for the calculation of limitation on the investment in Mainland China. However, Beijing HuaqinWorld went out of business, hence, the carrying amount of the investment had been fully recognized a loss.

Note 6: The amounts were calculated based on the financial statements of the investee company audited by the parent company's auditors in accordance with the materiality standards.

Note 7: The amount comprises the share of ZNet SHA's loss amounting to \$2,718 after the elimination of unrealized gross profit on inter-company sales transactions.

Note 8: In accordance with the Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China amended on August 29, 2008, the limitation on investment in Mainland China shall not exceed 60% of the Company's net worth as of December 31, 2021.

Unizyx Holding Corporation
Parent-Company-Only Financial Statements
With Independent Auditors' Report
For the Years Ended December 31, 2021 and 2020

Address: 3F, No. 363, Section 2, Gongdao 5th Rd, Hsinchu City, Taiwan
Telephone: (03)578-8838

The independent auditors' report and the accompanying parent-company-only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent-company-only financial statements, the Chinese version shall prevail.



安侯建業聯合會計師事務所

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Independent Auditors' Report

To the Board of Directors of Unizyx Holding Corporation:

Opinion

We have audited the financial statements of Unizyx Holding Corporation (“the Company”), which comprise the balance sheets as of December 31, 2021 and 2020, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent-company-only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent-company-only financial statements of the current period. These matters were addressed in the context of our audit of the parent-company-only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgment, the key audit matters that should be disclosed in this report are as follows:

Evaluation of investments accounted for using the equity method

Please refer to Note 4(7) “Summary of significant accounting policies— Investment in associates” , Note 4(8) “Summary of significant accounting policies— Investment in subsidiaries”, and Note 6(3) “Explanation of significant accounts— Investments accounted for using the equity method” to the parent-company-only financial statements.

Description of key audit matters:

The investments in subsidiaries accounted for using the equity method constituted 84% of total assets of the Company, wherein the amount is material. As a result, the evaluation of investments accounted for using the equity method is our key audit matter.



How the matter was addressed in our audit:

Our principal audit procedures included: recalculating the shares of profit or loss of associates and subsidiaries in accordance with ownership percentage of shares; physically counting the securities and certificates of long-term equity investment; discussing with the management about the evaluation of subsidiary-related significant matters, as well as understanding the reasonableness of the subsidiary's valuation of impairment for accounts receivable and inventories; considering the adequacy of the Company's disclosures on its accounts.

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

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

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

Those charged with governance (including the audit committee) are responsible for overseeing the Company's financial reporting process.

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

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

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

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



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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are An-Chih Cheng and Chi-Lung Yu.

KPMG

Taipei, Taiwan (Republic of China)

March 14, 2022

Notes to Readers

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

The independent auditors' report and the accompanying parent-company-only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent-company-only financial statements, the Chinese version shall prevail.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)
Unizyx Holding Corporation
Balance Sheets
December 31, 2021 and 2020
(Expressed in thousands of New Taiwan Dollars)

	December 31, 2021		December 31, 2020			December 31, 2021		December 31, 2020	
Assets	Amount	%	Amount	%	Liabilities and Equity	Amount	%	Amount	%
Current assets:					Current liabilities:				
Cash and cash equivalents (note 6(1))	\$ 780,306	7	191,849	3	Payroll and bonus payable	\$ 35,710	-	19,448	-
Accounts receivable, net (note 7)	40,795	-	38,584	-	Compensation payable due to directors (note 6(13))	15,028	-	-	-
Other receivables—related parties (notes 6(8) and 7)	921,597	9	21,271	-	Other payables—related parties (note 7)	427	-	498	-
Other financial assets—current	4,001	-	31	-	Income tax payable (note 6(8))	108,957	1	6,206	-
Other current assets, others	<u>1,009</u>	-	<u>1,002</u>	-	Other current liabilities, others	<u>16,246</u>	-	<u>7,337</u>	-
	<u>1,747,708</u>	<u>16</u>	<u>252,737</u>	<u>3</u>		<u>176,368</u>	<u>1</u>	<u>33,489</u>	<u>-</u>
Non-current assets:					Non-current liabilities:				
Financial assets at fair value through other comprehensive income—non-current (note 6(2))	9,262	-	9,262	-	Bonds payable (note 6(6))	1,896,234	17	-	-
Investments accounted for using the equity method (note 6(3))	9,393,237	84	8,050,929	97	Net defined benefit liabilities (note 6(7))	<u>12,979</u>	-	<u>5,496</u>	-
Property, plant and equipment, net (note 6(4))	4,805	-	4,121	-		<u>1,909,213</u>	<u>17</u>	<u>5,496</u>	-
Intangible assets (note 6(5))	103	-	215	-	Total liabilities	<u>2,085,581</u>	<u>18</u>	<u>38,985</u>	<u>-</u>
Deferred income tax assets (note 6(8))	<u>758</u>	-	<u>754</u>	-	Equity (note 6(9)):				
	<u>9,408,165</u>	<u>84</u>	<u>8,065,281</u>	<u>97</u>	Capital stock	4,536,148	41	4,476,438	54
Total assets	<u>\$ 11,155,873</u>	<u>100</u>	<u>8,318,018</u>	<u>100</u>	Capital surplus	3,680,924	33	3,827,886	46
					Retained earnings	1,513,771	14	447,480	5
					Other equity	(462,103)	(4)	(351,910)	(4)
					Treasury stock	<u>(198,448)</u>	<u>(2)</u>	<u>(120,861)</u>	<u>(1)</u>
					Total equity	<u>9,070,292</u>	<u>82</u>	<u>8,279,033</u>	<u>100</u>
					Total liabilities and equity	<u>\$ 11,155,873</u>	<u>100</u>	<u>8,318,018</u>	<u>100</u>

See accompanying notes to the parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

Unizyx Holding Corporation

Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

(Expressed in thousands of New Taiwan Dollars, except for earnings per share)

	2021		2020	
	Amount	%	Amount	%
Revenues:				
Service revenues (notes 6(12) and 7)	\$ 154,821	12	130,347	14
Shares of profit of subsidiaries and associates accounted for using the equity method (note 6(3))	1,130,027	88	816,677	86
Interest income (note 7)	5,144	-	254	-
Other income	163	-	42	-
	<u>1,290,155</u>	<u>100</u>	<u>947,320</u>	<u>100</u>
Expenses:				
General and administrative expenses (notes 6(7), (10), (13) and 7)	194,279	15	133,339	14
Interest expense	7,178	1	-	-
Loss on disposal of property, plant and equipment	35	-	-	-
	<u>201,492</u>	<u>16</u>	<u>133,339</u>	<u>14</u>
Income (loss) before income taxes	1,088,663	84	813,981	86
Income tax expenses (benefits) (note 6(8))	(8,037)	(1)	(13,963)	(2)
Net income (loss)	<u>1,096,700</u>	<u>85</u>	<u>827,944</u>	<u>88</u>
Other comprehensive income (loss):				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit plans (note 6(7))	(7,466)	(1)	(2,473)	-
Shares of remeasurements of the defined benefit plans of subsidiaries accounted for using the equity method	(3,480)	-	(15,621)	(2)
Shares of unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income of subsidiaries accounted for using the equity method (note 6(9))	(1,286)	-	9,068	1
Total items that will not reclassified subsequently to profit or loss	<u>(12,232)</u>	<u>(1)</u>	<u>(9,026)</u>	<u>(1)</u>
Items that may be reclassified subsequently to profit or loss				
Shares of exchange differences on translation of foreign financial statements of subsidiaries accounted for using the equity method	(160,463)	(12)	127,811	13
Income tax related to components of other comprehensive income to be reclassified to profit or loss (note 6(8))	32,093	2	(25,562)	(3)
Total items that may be reclassified subsequently to profit or loss	<u>(128,370)</u>	<u>(10)</u>	<u>102,249</u>	<u>10</u>
Other comprehensive income for the year	<u>(140,602)</u>	<u>(11)</u>	<u>93,223</u>	<u>9</u>
Total comprehensive income for the year	<u>\$ 956,098</u>	<u>74</u>	<u>921,167</u>	<u>97</u>
Earnings per share (New Taiwan Dollars) (note 6(11)):				
Basic earnings per share	\$ <u>2.49</u>		\$ <u>1.91</u>	
Diluted earnings per share	\$ <u>2.45</u>		\$ <u>1.90</u>	

See accompanying notes to the parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)
Unizyx Holding Corporation
Statements of Changes in Equity
For the years ended December 31, 2021 and 2020
(Expressed in thousands of New Taiwan Dollars)

	Capital stock			Retained earnings				Exchange differences on translation of foreign financial statements	Total other equity interest		Treasury stock	Total equity	
	Common stock	Advance receipts for share capital	Total share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (Accumulated deficits)		Total	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income			Total
Balance at January 1, 2020	\$ 4,411,773	-	4,411,773	3,755,876	279,833	200,347	(842,550)	(362,370)	(395,821)	(67,406)	(463,227)	(120,861)	7,221,191
Net income (loss) for the period	-	-	-	-	-	-	827,944	827,944	-	-	-	-	827,944
Other comprehensive income (loss) for the period	-	-	-	-	-	-	(18,094)	(18,094)	102,249	9,068	111,317	-	93,223
Total comprehensive income (loss) for the period	-	-	-	-	-	-	809,850	809,850	102,249	9,068	111,317	-	921,167
Share-based payments	-	-	-	37,563	-	-	-	-	-	-	-	-	37,563
Exercise of employee stock options	-	64,665	64,665	14,226	-	-	-	-	-	-	-	-	78,891
Changes in ownership interests in subsidiaries accounted for using the equity method	-	-	-	20,221	-	-	-	-	-	-	-	-	20,221
Balance at December 31, 2020	4,411,773	64,665	4,476,438	3,827,886	279,833	200,347	(32,700)	447,480	(293,572)	(58,338)	(351,910)	(120,861)	8,279,033
Net income (loss) for the period	-	-	-	-	-	-	1,096,700	1,096,700	-	-	-	-	1,096,700
Other comprehensive income (loss) for the period	-	-	-	-	-	-	(10,946)	(10,946)	(128,370)	(1,286)	(129,656)	-	(140,602)
Total comprehensive income	-	-	-	-	-	-	1,085,754	1,085,754	(128,370)	(1,286)	(129,656)	-	956,098
Appropriation and distribution of retained earnings:													
Legal reserve used to offset accumulated deficits	-	-	-	-	(32,700)	-	32,700	-	-	-	-	-	-
Reorganization	-	-	-	-	-	-	(19,463)	(19,463)	19,463	-	19,463	-	-
Exercise of disgorgement	-	-	-	2	-	-	-	-	-	-	-	-	2
Cash dividends distributed from capital surplus	-	-	-	(223,822)	-	-	-	-	-	-	-	-	(223,822)
Share-based payments	-	-	-	41,124	-	-	-	-	-	-	-	-	41,124
Changes in ownership interests in subsidiaries accounted for using the equity method	-	-	-	(15,041)	-	-	-	-	-	-	-	-	(15,041)
Exercise of employee stock options	78,235	(18,525)	59,710	12,203	-	-	-	-	-	-	-	-	71,913
Disposal of the Company's share by subsidiaries recognized as treasury share transactions	-	-	-	34,510	-	-	-	-	-	-	-	16,022	50,532
Cash dividends received by subsidiaries from the parent company	-	-	-	4,062	-	-	-	-	-	-	-	-	4,062
Purchase of treasury stocks	-	-	-	-	-	-	-	-	-	-	-	(93,609)	(93,609)
Balance at December 31, 2021	<u>\$ 4,490,008</u>	<u>46,140</u>	<u>4,536,148</u>	<u>3,680,924</u>	<u>247,133</u>	<u>200,347</u>	<u>1,066,291</u>	<u>1,513,771</u>	<u>(402,479)</u>	<u>(59,624)</u>	<u>(462,103)</u>	<u>(198,448)</u>	<u>9,070,292</u>

See accompanying notes to the parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)
Unizyx Holding Corporation

Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in thousands of New Taiwan Dollars)

	2021	2020
Cash flows from operating activities:		
Income (loss) before income tax	\$ 1,088,663	813,981
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	940	489
Amortization expense	112	112
Interest expense	7,178	-
Interest income	(5,144)	(254)
Share-based payments	6,018	4,008
Share of gains of subsidiaries and associates accounted for using the equity method	(1,130,027)	(816,677)
Loss on disposal of property, plant and equipment	35	-
Total adjustments to reconcile profit (loss)	(1,120,888)	(812,322)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Accounts receivable	(2,211)	(458)
Other receivables – related parties	20,570	(1,782)
Other financial assets and other current assets	(7)	324
Total changes in operating assets	18,352	(1,916)
Changes in operating liabilities:		
Other payables – related parties	(71)	(6,285)
Accrued expenses and other current liabilities	33,606	(1,496)
Net defined benefit liabilities	17	(169)
Total changes in operating liabilities	33,552	(7,950)
Total changes in operating assets and liabilities	51,904	(9,866)
Total adjustments	(1,068,984)	(822,188)
Cash inflow (outflow) generated from operations	19,679	(8,207)
Interest received	1,174	226
Dividends received	239,240	-
Income taxes refunded (paid)	(10,113)	1,826
Net cash flows from (used in) operating activities	249,980	(6,155)
Cash flows from investing activities:		
Acquisition of investments accounted for using the equity method	(509,998)	-
Acquisition of property, plant and equipment	(2,367)	(3,448)
Proceeds from disposal of property, plant and equipment	708	-
Increase in other receivables – related parties	(800,000)	-
Net cash flows used in investing activities	(1,311,657)	(3,448)
Cash flows from financing activities:		
Proceeds from issuing bonds (deducting issuance costs)	1,895,650	-
Cash dividends distributed from capital surplus	(223,822)	-
Exercise of employee stock options	71,913	78,891
Purchase of treasury stocks	(93,609)	-
Exercise of disgorgement	2	-
Net cash flows from financing activities	1,650,134	78,891
Net increase cash and cash equivalents	588,457	69,288
Cash and cash equivalents at the beginning of period	191,849	122,561
Cash and cash equivalents at the end of period	\$ 780,306	191,849

See accompanying notes to the parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)
Unizyx Holding Corporation

Notes to the Parent-Company-Only Financial Statements

For the years ended December 31, 2021 and 2020

(expressed in thousands of New Taiwan Dollars unless otherwise specified)

1. Company history

Unizyx Holding Corporation (hereinafter refer to as the “Company or Unizyx”) was incorporated on August 16, 2010. The Company was set up through a share swap with Zyxel Communications Corp. (“Zyxel”). The shares of Unizyx have been authorized by the Financial Supervisory Commission, R.O.C. (“FSC”) and are traded on the Taiwan Stock Exchange (TSE). The address of its registered office and principal place of business is 3F, No. 363, Sec. 2, Gongdao 5th Rd., Hsinchu City, Taiwan. The Company’s main activity is investment.

As approved by the Company’s and Zyxel’s Board of Directors meeting on October 15, 2010, MitraStar Technology Corp. (“MitraStar”), an OEM/ODM Business Unit of Zyxel, was spun off from Zyxel and became a 100%-held subsidiary of the Company on January 1, 2011. Zyxel and MitraStar will focus on and optimize their operations in different areas of the communication product value chain, with one focusing on Zyxel brand communication product marketing and sales, and the other concentrating on communication technology development and product manufacturing. The focused and optimized operation of each subsidiary is expected to increase the overall efficiency of the Zyxel group. Zyxel spun off net operating assets amounting to \$3,530,734 to MitraStar and exchanged one share of MitraStar’s common stock valued at New Taiwan Dollars (TWD) 10 per share for each share of Zyxel’s stock valued at TWD 10.51 per share. The Company acquired 336,081 thousand shares of MitraStar’s new issued common stock, and Zyxel and MitraStar became 100%-held subsidiaries of the Company.

Zyxel was incorporated on August 16, 1989, at the Hsinchu Science-based Industrial Park. The shares of Zyxel were traded on the TSE beginning on August 12, 1999. Zyxel’s main activities include the research, development, production and sale of high-speed multi-mode modems and application-specific chipsets (ASICs), secure telephones, network modems, digital video coders and decoders, wide area networks (WANs), local area networks (LANs), and integrated service digital network (ISDN) equipment. In addition, it provides related consulting and design services and imports and exports related products. The stock of Zyxel stopped being publicly traded on September 2, 2010, as approved by the Securities and Futures Bureau.

MitraStar was incorporated on November 12, 2010, at the Hsinchu Science-based Industrial Park. MitraStar’s main activities included manufacturing of wired communication equipment and apparatus, electronic parts and components, restrained telecom radio frequency equipment and materials, computer and computing peripheral equipment, data storage media and duplicating, wholesaling of computer software, restrained telecom radio frequency equipment and materials importing, software design services, digital information supply services, etc.

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

As approved by the Company's and Zyxel's Board of Directors meeting on February 26, 2019, in order to improve market competitiveness and increase the overall operating efficiency, Zyxel Networks Corporation ("ZNet") and its subsidiary Zyxel Networks A/S ("ZNet AS") were spun off from Zyxel and its subsidiary to become 100%-held subsidiaries of Unizyx on April 1, 2019. Zyxel spun off its channel business related net operating assets amounting to \$1,200,000 to ZNet, and exchanged one share of ZNet's common stock valued at TWD 10 per share for each share of Zyxel's stock valued at TWD 16.56 per share. Unizyx acquired 72,450 thousand shares of ZNet's new issued common stock in total, and Zyxel and ZNet were 100%-held subsidiaries of the Company.

2. Approval date and procedures of the financial statements:

The parent-company-only financial statements were authorized for issue by the Board of Directors on March 14, 2022.

3. New standards, amendments and interpretations adopted:

- (1) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by FSC which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its parent-company-only financial statements, from January 1, 2021:

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2"

The Company has initially adopted the following new amendments, which do not have a significant impact on its parent-company-only financial statements, from April 1, 2021:

- Amendments to IFRS 16 "Covid-19-Related Rent Concessions beyond June 30, 2021"

- (2) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its parent-company-only financial statements:

- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"
- Amendments to IAS 16 "Property, Plant and Equipment—Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts—Cost of Fulfilling a Contract"

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Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

- (3) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The new and amended standard, which have yet to be endorsed by the FSC, are as follows:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

As of the reporting date, except for IFRS 17 “ Insurance Contracts” and its related amendments are not relevant to the Company, the Company is evaluating the impact of its initial adoption of the remaining standards or interpretations on its financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

4. Summary of significant accounting policies:

The significant accounting policies presented in the parent-company-only financial statements are summarized as follows. Except for those described individually, the significant accounting policies have been applied consistently to all the periods presented in the parent-company-only financial statements.

- (1) Statement of compliance

The accompanying parent-company-only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers in the Republic of China.

- (2) Basis of preparation

A. Basis of measurement

The parent-company-only financial statements have been prepared on a historical cost basis except for the net defined benefit liability, which is recognized based on the fair value of the plan assets, less, the present value of the defined benefit obligation.

B. Functional and presentation currency

New Taiwan Dollars is the Company’s functional currency, which is also the Company’s presentation currency. Unless otherwise noted, all financial information presented in TWD has been rounded to the nearest thousand.

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Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

(3) Foreign currencies

A. Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period (hereinafter referred as “ the reporting date”), monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Exchange differences are generally recognized in profit or loss.

B. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into TWD at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into TWD at the average rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reclassified to non-controlling interests. When the Company disposes of only part of investment in an associate or joint venture that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

An entity shall classify an asset as current when:

- A. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- B. It is held primarily for the purpose of trading;
- C. It is expected to be realized within twelve months after the reporting period; or
- D. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

An entity shall classify a liability as current when:

- A. It is expected to be settled in the normal operating cycle;
- B. It is held primarily for the purpose of trading;
- C. It is due to be settled within twelve months after the reporting period; or
- D. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(5) Cash and cash equivalents

Cash and cash equivalents comprise cash, cash in bank, and time deposits with maturities of less than three months. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Time deposits with maturities of less than three months are used for short term cash commitments instead of investment or other purposes, and are classified as cash and cash equivalents.

(6) Financial instruments

Accounts receivable are recognized when they are originated. All other financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue. An accounts receivable without a significant financing component is initially measured at the transaction price.

A. Financial assets

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

On initial recognition, a financial asset is classified as measured at amortized cost. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(a) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

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Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(b) Fair value through other comprehensive income (FVTOCI)

Equity investments at FVTOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

(c) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents and accounts receivable).

The Company measures loss allowances at an amount equal to ECL, except for the following which are measured by 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date ; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 180 days past due or the borrower is unlikely to pay its credit obligations to the Company in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred. Evidence that a financial assets is credit-impaired includes the following observable data :

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The Company recognizes the amount of expected credit losses (or reversal) in profit or loss as an impairment gain or loss.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. Furthermore, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

(d) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

B. Financial liabilities and equity instruments

(a) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(b) Equity instruments

Equity instruments refer to residual interests of the assets after the deduction of all the debts for any contracts. Equity instruments issued are recognized as the amount of consideration received less the direct cost of issuance.

(c) Treasury stocks

When the Company's shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury stocks. When treasury stocks are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

(d) Financial liabilities

Other financial liabilities (including from related parties) and bonds payable are initially measured at fair value plus transaction costs that are directly attributed; which are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

(e) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(f) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(7) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The parent-company-only financial statements include the Company's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align their accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

Unrealized gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate.

When the Company's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

(8) Investments in subsidiaries

When preparing the parent-company-only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, profit, other comprehensive income and equity in the parent-company-only financial statements are equivalent to those of the profit, other comprehensive income and equity which are contributed to the owners of the parent in the consolidated financial statements.

The changes in the parent's ownership interest in its subsidiaries that do not result in a loss of control are accounted as equity transactions.

(9) Property, plant and equipment

A. Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

B. Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

C. Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

The estimated useful lives, for the current and comparative years, of office equipment and others are 5 years.

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

(10) Intangible assets

A. Recognition and measurement

Intangible assets of the Company, including computer software, are measured at cost less accumulated amortization and any accumulated impairment losses.

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

B. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

C. Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets or 5 years from the date that they are available for use.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(11) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, deferred tax assets and employee benefits, measured at fair value, less costs) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

For non-financial assets except for goodwill, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(12) Revenue recognition

A. Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

(a) Rendering of services

The Company recognizes revenue from providing services in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. The proportion of services provided is determined based on the rendered services to date as a proportion of the total estimated rendered services of the transaction.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by the management.

(b) Financing components

The Company does not expect to have any contracts where the period between the transfer of the services to the customer and payment by the customer, exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(13) Employee benefits

A. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

B. Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

C. Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(14) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The Company's grant date of a share-based payment award is the date which the Company informs its employee of the exercise price and number of exercised shares.

(15) Income tax

Income taxes comprise current taxes and deferred taxes. Except for items related to business combinations or items recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

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Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

Deferred tax assets and liabilities are offset if the following criteria are met:

- A. the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- B. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (a) the same taxable entity; or
 - (b) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

In accordance with the Article 40 of Business Mergers and Acquisitions Act, the Company has been assigned as the taxpayer to file a combined corporate income tax return and the 5% surtax on undistributed earnings of the Company, Zyxel, MitraStar and ZNet from 2011.

The Company, Zyxel, MitraStar and ZNet firstly calculated their respective income tax provision according to IAS 12 "Income Taxes" and reconciled the difference between the separate income tax returns and the combined final business income tax return. The differences were allocated to all combined entities on a reasonable, systematic and consistent basis and consequently to current year's income tax expense and deferred income tax expenses.

(16) Earnings per share

The Company discloses basic and diluted earnings per share attributable to its ordinary equity holders. The calculation of basic earnings per share is based on the profit attributable to its ordinary shareholders divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to its ordinary shareholders divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as employee stock options and employee compensation.

(17) Operating segment information

The Company has disclosed operating segment information in consolidated financial statements. Hence, this information is not required to be disclosed in these parent-company-only financial statements.

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Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

5. Major sources of accounting judgments, estimations and assumptions of uncertainty:

The preparation of the parent-company-only financial statements based on the Regulations Governing the Preparation of Financial Reports by Securities Issuers in the Republic of China requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and reported amount of assets, liabilities, income and expense. Actual results may differ from these estimates.

Management continues to monitor the accounting assumptions, estimates and judgments. Management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

There were no critical assumptions and estimates in applying accounting policies that may have significant effect on the amounts recognized in the parent-company-only financial statements.

Accounting policies and disclosures of the Company include the fair value measurement for financial or non-financial assets and liabilities. The Company determines the fair value using the independent data sources which reflect the current market condition and confirming the data available are independent, reliable, in consistent with other sources and represent the exercisable price. The Company also periodically assesses the evaluation model, performs retrospective tests, and updates inputs with any other necessary fair value adjustment for the evaluation model in order to ensure the reasonableness of the valuation.

The Company evaluates its assets and liabilities using the observable market inputs. The hierarchy of the fair value depends on the valuation techniques used, and the different levels have been defined as follows:

- (1) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- (2) Level 2: inputs (other than quoted prices) included within Level 1 that are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- (3) Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

When there is a transfer between levels of the fair value hierarchy, the Company recognizes the transfer at the reporting date. For the assumptions used in fair value measurement, please refer to note 6(14) of the financial instruments.

6. Explanation of significant accounts

- (1) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Demand deposits	\$ 484,306	106,849
Cash equivalents—time deposits	296,000	85,000
	\$ 780,306	191,849

Please refer to note 6(14) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Company.

(Continued)

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Notes to the Parent-Company-Only Financial Statements

(2) Financial assets at fair value through other comprehensive income

	December 31, 2021	December 31, 2020
Unlisted stocks	\$ 9,262	9,262

The Company designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represented those investments that the Company intended to hold for long-term strategic purposes.

The investment in ZQAM Communications Corporation (ZQAM) was classified as financial assets at fair value through other comprehensive income – non-current since October 2020; please refer to note 6(3).

- A. For fair value and market risk; Please refer to note 6(14).
- B. For the sensitivity analysis of the financial instruments mentioned above, if the fair value of the securities which are measured at fair value through other comprehensive income had increased or decreased by 10% at the reporting date, the Company's other comprehensive income before income taxes would have increased or decreased by both \$926 for the years ended December 31, 2021 and 2020.
- C. The Company's financial assets at fair value through other comprehensive income mentioned above were not pledged as collateral.

(3) Investments accounted for using the equity method

A summary of the Company's financial information for investments accounted for using the equity method at the reporting date was as follows:

	December 31, 2021	December 31, 2020
Subsidiaries	\$ 9,393,237	8,050,929

A. Subsidiaries:

Please refer to consolidated financial statements for the years ended December 31, 2021 for subsidiaries information.

The shares of the profits (losses) of subsidiaries accounted for using the equity method amounted to \$1,130,027 and \$826,707 for the years ended December 31, 2021 and 2020, respectively.

B. Associates:

There was no individually significant associate for the Company. The following table summarized the amounts recognized by the Company and included in the parent-company only financial statements:

	2021	2020
Net gain (loss) attributable to the Company	\$ -	(10,030)

(Continued)

Unizyx Holding Corporation
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In October 2020, ZQAM increased its authorized share capital by cash, in which the Company did not subscribe for additional shares, resulting in the Company's percentage of ownership in ZQAM to decrease from 42% to 13%. Thereafter, the Company lost the significant influence on ZQAM, resulting in the Company to recognize the fair value of ZQAM amounting to \$9,262 as financial assets at fair value through other comprehensive income – non-current at the date of its loss of significant influence.

The Company's investments accounted for using the equity method mentioned above were not pledged as collateral.

(4) Property, plant and equipment

Property, plant and equipment consisted of office and transportation equipment. The cost and depreciation of the property, plant and equipment of the Company were as follows:

	2021	2020
Cost:		
Balance at January 1	\$ 5,029	1,581
Additions for the period	2,367	3,448
Disposal for the period	(1,239)	-
Balance at December 31	\$ 6,157	5,029
Depreciation:		
Balance at January 1	\$ 908	419
Depreciation for the period	940	489
Disposal for the period	(496)	-
Balance at December 31	\$ 1,352	908
Carrying amounts:		
Balance at December 31	\$ 4,805	4,121

The Company's property, plant and equipment mentioned above were not pledged as collateral.

(5) Intangible assets

The cost of computer software was presented under intangible assets. The cost and amortization of intangible assets of the Company were as follows:

	2021	2020
Costs:		
Balance at January 1 (Balance at December 31)	\$ 560	560
Amortization:		
Balance at January 1	\$ 345	233
Amortization for the period	112	112
Balance at December 31	\$ 457	345
Carrying amounts:		
Balance at December 31	\$ 103	215

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

The Company's intangible assets mentioned above were not pledged as collateral.

(6) Bonds payable

The details of the Company's bonds payable were as follows:

	December 31, 2021
Unsecured corporate bonds	\$ 1,900,000
Discount on bonds payable	(3,766)
	\$ 1,896,234

On May 10, 2021, the Company's Board of Directors resolved the issuance of first unsecured corporate bond in 2021, which Mega International Commercial Bank was engaged to issue on August 5, 2021, with fair value amounting to \$1,900,000, at fixed coupon rate of 0.85%, with maturity of 5 years, and with maturity date on August 5, 2026.

(7) Employee benefits

A. Defined benefit plans

The Company's reconciliations in the present value of the defined benefit obligations and fair value of plan assets were as follows:

	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	\$ 34,358	26,485
Fair value of plan assets	(21,379)	(20,989)
Net defined benefit liabilities	\$ 12,979	5,496

The Company makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive an annual payment based on years of service and average salary for the six months prior to retirement.

(a) Composition of plan assets

The Company contributes to pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Fund, Ministry of Labor. Minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$21,379 at the reporting date. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Fund.

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

The accumulated employee retirement reserve provided by the Company is sufficient to support the payment, therefore, the Company ceased to contribute to its pension fund from January 1, 2022 to December 31, 2022 after obtaining an approval from the authority, and the Company expects to prolong the cease in the future. Thus, the Company does not expect to make any defined benefit plan contribution to its pension fund in the following year after the reporting date.

(b) Movements in present value change of defined benefit obligation

The movements in present value of the defined benefit obligation of the Company were as follows:

	<u>2021</u>	<u>2020</u>
Defined benefit obligation at January 1	\$ 26,485	23,177
Current interest cost	166	232
Remeasurements of the net defined benefit liabilities (assets)		
— Actuarial losses (gains) arising from changes in experience adjustment	7,252	2,566
— Actuarial losses (gains) arising from changes in demographic assumption	455	-
— Actuarial losses (gains) arising from changes in financial assumptions	-	510
Defined benefit obligation at December 31	<u>\$ 34,358</u>	<u>26,485</u>

(c) Movements of defined benefit plan assets

The movements in fair value of the defined benefit plan assets of the Company were as follows:

	<u>2021</u>	<u>2020</u>
Fair value of plan assets at January 1	\$ 20,989	19,985
Interest income	132	201
Remeasurements of the net defined benefit liabilities (assets)		
— Return on plan assets (excluding current interest)	241	603
Contribution to the plan	17	200
Fair value of plan assets at December 31	<u>\$ 21,379</u>	<u>20,989</u>

(d) Effect of the asset ceiling

There was no effect on the asset ceiling for the years of 2021 and 2020.

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

(e) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

	<u>2021</u>	<u>2020</u>
Net interest on the net defined benefit liability (assets)	\$ <u>34</u>	<u>31</u>

(f) Remeasurements of net defined benefit liabilities (assets) recognized in other comprehensive income

The Company's remeasurements of net defined benefit liabilities (assets) recognized in other comprehensive income were as follows:

	<u>2021</u>	<u>2020</u>
Accumulated amount at January 1	\$ 5,421	7,894
Recognized during the period	(7,466)	(2,473)
Accumulated amount at December 31	\$ <u>(2,045)</u>	<u>5,421</u>

(g) Actuarial assumptions

The Company's key actuarial assumptions at the reporting date were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount rate	0.625%	0.625%
Future salary increase rate	2.00%	2.00%

The weighted-average duration of the defined benefit obligation is 11.91 years.

(h) Sensitivity analysis

If there was a change in the actuarial assumptions as of December 31, 2021 and 2020, the impact on the present value of the defined benefit obligation would be as follows:

	<u>Impact on present value of defined benefit obligations</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
December 31, 2021		
Discount rate	\$ (585)	605
Future salary increase rate	585	(568)
December 31, 2020		
Discount rate	\$ (343)	355
Future salary increase rate	342	(333)

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

Reasonably possible changes at the reporting date in one of the relevant actuarial assumptions, assuming all other variables remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the parent company only balance sheets.

There were no changes in the method and assumptions used in calculating the sensitivity analysis for 2021 and 2020.

B. Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance, Ministry of Labor (the Bureau of Labor Insurance) in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations thereafter.

The Company's pension costs under the defined contribution method were \$4,461 and \$3,659 for the years ended December 31, 2021 and 2020, respectively. Payment was made to the Bureau of Labor Insurance.

(8) Income tax

A. Income tax expense (benefit)

The amounts of income tax expense (benefit) were as follows:

	<u>2021</u>	<u>2020</u>
Current tax expense (benefit)		
Current period	\$ (8,033)	(14,991)
Adjustment for prior periods	<u>-</u>	<u>1,782</u>
	<u>(8,033)</u>	<u>(13,209)</u>
Deferred tax expense (benefit)		
Origination and reversal of temporary differences	<u>(4)</u>	<u>(754)</u>
Income tax expense (benefit)	<u><u>\$ (8,037)</u></u>	<u><u>(13,963)</u></u>

The amounts of income tax expense (benefit) recognized in other comprehensive income were as follows:

	<u>2021</u>	<u>2020</u>
Exchange differences on translation of foreign financial statements	<u><u>\$ (32,093)</u></u>	<u><u>25,562</u></u>

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

Reconciliations of income tax expense (benefit) and profit (loss) before income tax expense were as follows:

	<u>2021</u>	<u>2020</u>
Profit (loss) before income taxes	\$ <u>1,088,663</u>	<u>813,981</u>
Income tax using the Company's domestic tax rate	217,733	162,796
Investment (gain) loss of domestic subsidiaries and associates recognized using the equity method	(226,005)	(163,335)
Prior-year adjustments	-	1,782
Capital reduction to eliminate accumulated losses of the investee	-	(14,506)
Adjustments of permanent differences and others	<u>235</u>	<u>(700)</u>
	<u>\$ (8,037)</u>	<u>(13,963)</u>

B. Deferred tax assets and liabilities

Changes in the amount of deferred tax assets were as follows:

	<u>January 1, 2020</u>	<u>Recognized in income statement</u>	<u>Recognized in other comprehensive income</u>	<u>December 31, 2020</u>	<u>Recognized in income statement</u>	<u>Recognized in other comprehensive income</u>	<u>December 31, 2021</u>
Others	\$ -	754	-	754	4	-	758

C. Combined corporate income tax returns

The following is the reconciliation from the Company's current income tax expense, deferred income tax expense (benefit), deferred income tax assets, net, and payables to related parties under IAS 12 "Income Taxes" to the combined corporate tax returns. The related balances were computed for filing the final corporate income tax returns, with the Company being the taxpayer:

	<u>2021</u>				
	<u>Current income tax expenses (benefit)</u>	<u>Deferred income tax expenses (benefit)</u>	<u>Deferred income tax assets, net</u>	<u>Other receivables — related parties</u>	<u>Income tax payable (Income tax refund receivable)</u>
Amounts computed under IAS 12	\$ -	(8,037)	8,791	-	(4,607)
Adjustments	<u>(8,033)</u>	<u>8,033</u>	<u>(8,033)</u>	<u>121,597</u>	<u>113,564</u>
Amounts computed for filing the combined corporate income tax returns	<u>\$ (8,033)</u>	<u>(4)</u>	<u>758</u>	<u>121,597</u>	<u>108,957</u>

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

A loss carryforward amounting to \$8,033 incurred by the Company in 2021 was used by the other affiliated companies by filing the combined corporate income tax returns with other affiliated companies, resulting in a reduction in the deferred income tax assets amounting to \$8,033; meanwhile, the tax payable generated from other affiliated companies amounting to \$113,564 would be paid by the Company. Therefore, the other receivable amounting to \$121,597 was recognized in other receivables – related parties.

	2020				
	Current income tax expenses (benefit)	Deferred income tax expenses (benefit)	Deferred income tax assets, net	Other receivables —related parties	Income tax payable
Amounts computed under IAS 12	\$ 1,782	(15,745)	15,745	-	-
Adjustments	<u>(14,991)</u>	<u>14,991</u>	<u>(14,991)</u>	<u>21,197</u>	<u>6,206</u>
Amounts computed for filing the combined corporate income tax returns	<u><u>\$ (13,209)</u></u>	<u><u>(754)</u></u>	<u><u>754</u></u>	<u><u>21,197</u></u>	<u><u>6,206</u></u>

A loss carryforward amounting to \$14,991 incurred by the Company in 2020 was used by the other affiliated companies by filing the combined corporate income tax returns with other affiliated companies, resulting in a reduction in the deferred income tax assets amounting to \$14,991; meanwhile, the tax payable generated from other affiliated companies amounting to \$6,206 would be paid by the Company. Therefore, the other receivable amounting to \$21,197 was recognized in other receivables – related parties.

D. Examination and approval

The income tax returns of the Company had been examined and assessed by the tax authority through 2018.

(9) Capital and other equity

A. Common stock

On August 16, 2010, the Company was set up through Zyxel’s share swap, and the total share capital was \$5,170,483. As of December 31, 2021 and 2020, the Company’s authorized common stock amounted to \$7,000,000 with par value of \$10 TWD per share, of which \$520,000 was for use as employee stock options, convertible preferred stock, or convertible corporate bonds. The issued common stock amounted to \$4,490,008 and \$4,411,773 as of December 31, 2021 and 2020, respectively.

As of December 31, 2021 and 2020, because the related registration procedures were still in progress, the new shares of common stock arising from the exercise of employee stock options amounting to \$46,140 and \$64,665 were recognized as advance receipts for share capital, respectively.

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Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

B. Capital surplus

The details of the Company's capital surplus were as follows:

	December 31, 2021	December 31, 2020
Additional paid-in capital	\$ 3,309,840	3,513,099
Treasury stock transactions	243,075	204,503
Employee stock options	110,408	77,644
Others	17,601	32,640
	\$ 3,680,924	3,827,886

- (a) When the Company was set up through Zyxel's share swap on August 16, 2010, the amount of net assets in excess of the par value calculated by the share swap method was \$4,089,976, which was recorded as additional paid-in capital.
- (b) According to Article 30 of the Business Mergers and Acquisitions Act, the additional paid-in capital of the holding company transferred from unappropriated retained earnings of a company through a share swap with other companies is not affected by the restriction of Article 241(i) of the Company Act. According to Article 47 of the Financial Holding Company Act and Ruling No. 0910003413, if the additional paid-in capital resulting from the share swap is originated from previous unappropriated earnings of subsidiaries, it can be appropriated as cash dividends or capitalized in the current year; also the capitalization ratio is not restricted by Article 8 of the Securities and Exchange Act Enforcement Rules. Further, according to Ruling No. 0910016280, since this additional paid-in capital is not generated from the holding company's operations, there is no remuneration of the Board of Directors and bonus to employees. As of December 31, 2021 and 2020, the additional paid-in capital generated from Zyxel's unappropriated earnings before the share swap was \$1,139,082.
- (c) In accordance with the R.O.C. Company Act, realized capital surplus can only be reclassified as share capital or distributed as cash dividends after offsetting losses. The aforementioned capital surplus include share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital surplus to be reclassified under share capital shall not exceed 10 % of the actual share capital amount.
- (d) As approved by the shareholders' meeting on July 1, 2021, the Company distributed cash dividends amounting to \$223,822 by using the capital surplus. The information will be available on the Market Observation Post system website.

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

C. Retained earnings

(a) Legal reserve

If the Company generates profit for the year, the distribution of the legal reserve, either by new shares or by cash, shall be resolved in the shareholders' meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25 % of the paid-in capital.

(b) Special reserve

In accordance with Ruling No. 1010012865 issued by the Financial Supervisory Commission on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special reserve during earnings distribution. The amount to be reclassified should be equal to the current-period total net debit balance of other equity components of the shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special reserve (and does not qualify for earnings distribution) to account for cumulative changes to other equity components of the shareholders' equity pertaining to prior periods. Any subsequent reversals pertaining to the net debit balance of other equity components of the shareholders' equity shall qualify for additional distributions.

(c) Distribution of earnings

Pursuant to regulations promulgated by the FSC, a special reserve equivalent to the total amount of items that are accounted for as deductions from stockholders' equity shall be set aside from current earnings, and not distributed. The special reserve shall be made available for appropriation to the extent of reversal of deductions from stockholders' equity in subsequent periods.

According to the articles of incorporation, in years of earnings, the Company has to offset any accumulated deficit, pay income tax, and appropriate 10% of the balance as a legal reserve before distribution of earnings, unless the amount in the legal reserve is already equal to or greater than the total paid-in capital. Thereafter, an amount shall be set aside or reversed as a special reserve in accordance with related laws, regulations, or provisions of the competent authorities. Distribution of the remaining profit after setting aside the abovementioned amounts, together with the balance of the unappropriated retained earnings of the previous year, shall be proposed by the Board of Directors to be approved at the shareholders' meeting.

The dividend policy of the Company is based on the Company's profit condition, future operating development, and assurance of stockholders' equity. Considering the common stock, capital structure, operating status, and earnings, the Company may distribute dividends in the form proposed by the Board of Directors, including stock issuance based on retained earnings and/or cash dividends. The dividend distribution must be through a resolution passed by the Board of Directors that complies with the Company's balanced and stable dividend policy.

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

The appropriated earnings will preferably be distributed in the form of cash dividends, with distribution of stock dividends being the other alternative. Distribution of stock dividends should be no more than 50% of total dividends.

On June 12, 2020, the resolution of loss off-setting proposal for the years of 2019 was approved by shareholders' meeting of the Company. Furthermore, on July 1, 2021, the resolution of loss off-setting proposal for the year of 2020 to offset accumulated deficits by using the legal reserve amounting to \$32,700 was approved by shareholders' meeting of the Company. The related information is available on the Market Observation Post System website.

On March 14, 2022, the earnings distribution proposal for the year of 2021 was approved by the Board of Directors of the Company. The plan to distribute the 2021 earnings will need to be approved in the shareholders' meeting of the Company. The information will be available on the Market Observation Post System website.

D. Treasury stock

In the second quarter of 2021, the Company recognized the gain on disposal of the Company shares held by Zychamp amounting to \$34,510 in capital surplus generated from treasury stock transactions. As of December 31, 2021 and 2020, the Company's shares held by Zychamp amounted to 8,146 and 9,391 thousand shares, and original costs were \$104,839 and \$120,861; the market values were \$285,526 and \$358,276, respectively.

As approved by the Board of Directors of the Company on November 3, 2021, in order to maintain the credit of the Company and shareholders' equity, the Company had a plan on repurchasing 20,000 thousand shares of treasury stocks in accordance with the related regulations of stock exchange. The Company had repurchased 2,936 thousand shares of treasury stocks, with the cost of which amounted to \$93,609, from November 4 to December 31 in 2021.

E. Other equity

(a) Exchange differences on translation of foreign financial statements

	<u>2021</u>	<u>2020</u>
Balance at January 1	\$ (293,572)	(395,821)
Foreign exchange differences (net of tax) of subsidiaries	(128,370)	102,249
Reorganization	<u>19,463</u>	<u>-</u>
Balance at December 31	<u>\$ (402,479)</u>	<u>(293,572)</u>

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

- (b) Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income

	2021	2020
Balance at January 1	\$ (58,338)	(67,406)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income of subsidiaries (net of tax)	(1,286)	9,068
Balance at December 31	\$ (59,624)	(58,338)

(10) Share-based payment

A. The Company

The Company registered and issued 15,000 thousand and 19,018 thousand units of employee stock options in August 2020 and November 2018, respectively. Each unit can be exercised to purchase one share of the Company. The duration of both plans is 5 years, and the plans were approved by the FSC. As of December 31, 2021, the information related to the employee stock options was as follows:

Type	Authorization date	Grant date	Issued units (in thousands)	Grant period	Exercise price per share (TWD)	Adjusted exercise price per share (TWD)
Employee stock options in 2020	Aug. 21, 2020	Sep. 22, 2020	15,000	Service periods between 2 to 3 years	24.7	24.2
Employee stock options in 2018	Nov 20, 2018	Nov 21, 2018	19,018	Service periods between 2 to 3 years	12.2	12.0

The estimated fair value of the options granted were \$5.4 (TWD) and \$2.1~\$3.1 (TWD) at the date of grant using the Black-Scholes option pricing model. The Company granted to its employees 1,696 thousand and 1,063 thousand units of employee stock options, and the Company recognized compensation cost amounting to \$3,260 and \$3,227 for the years ended December 31, 2021 and 2020, respectively. Furthermore, the Company granted to the employees of subsidiaries 13,304 thousand and 17,955 thousand units of employee stock options, and subsidiaries recognized compensation cost amounting to \$19,600 and \$22,544 in the years of 2021 and 2020, respectively. Weighted-average assumptions were as follows:

	2020 stock option	2018 stock option
Expected dividend yield	3.08%	3.08%
Expected volatility	40.256%~46.059%	36.108%~44.619%
Risk-free interest rate	0.1899%~0.2381%	0.608%~0.688%
Expected life	2~3 years	2~3 years

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

Information related to employee stock options granted to the employees of the Company, MitraStar, Zyxel and ZNet was as follows:

(a) Employee stock options in 2020

<u>Employee stock options</u>	<u>2021</u>		<u>2020</u>	
	<u>Options (in thousands)</u>	<u>Weighted- average exercise price (TWD)</u>	<u>Options (in thousands)</u>	<u>Weighted- average exercise price (TWD)</u>
Outstanding at beginning of year	15,000	\$ 24.7	-	\$ -
Granted	-	-	15,000	24.7
Exercised	-	-	-	-
Forfeited	(124)	-	-	-
Outstanding at end of year	<u>14,876</u>	24.2	<u>15,000</u>	24.7
Exercisable at end of year	<u>-</u>		<u>-</u>	

As of December 31, 2021 and 2020, the weighted-average remaining contractual life for outstanding option award were 3.73 and 4.73 years, respectively.

(b) Employee stock options in 2018

<u>Employee stock options</u>	<u>2021</u>		<u>2020</u>	
	<u>Options (in thousands)</u>	<u>Weighted- average exercise price (TWD)</u>	<u>Options (in thousands)</u>	<u>Weighted- average exercise price (TWD)</u>
Outstanding at beginning of year	10,497	\$ 12.2	17,328	\$ 12.2
Granted	-	-	-	-
Exercised	(5,971)	12.0	(6,466)	12.2
Forfeited	(274)	-	(365)	-
Outstanding at end of year	<u>4,252</u>	12.0	<u>10,497</u>	12.2
Exercisable at end of year	<u>4,252</u>		<u>2,015</u>	

As of December 31, 2021 and 2020, the weighted-average remaining contractual life for outstanding option awards was 1.89 and 2.89 years, respectively.

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Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

B. ZNet

As approved by the Board of Directors meeting in November 2021, ZNet issued new shares by cash. In accordance with the R.O.C. Company Act, ZNet reserved 6,429 thousand new shares for subscription by the employees of ZNet, the Company and affiliated companies. The duration of the plan is 0.12 years. The estimated fair value of the options granted was \$1.4 (TWD) at the date of grant using the Black-Scholes option pricing model. ZNet granted the Company's employees 665 thousand new shares for subscription. The Company recognized compensation costs and a credit balance of investments accounted for using the equity method amounting to \$937 in the year of 2021.

As approved by the Board of Directors meeting in November, 2020 and 2019, ZNet issued 7,000 thousand and 6,000 thousand units of employee stock options, respectively. Each unit can be exercised to purchase one share of ZNet. The duration of both plans is 5 years.

The estimated fair value of the options granted ranges from \$3.3 and \$3.9 (TWD) at the date of grant using the Black-Scholes option pricing model, respectively. ZNet granted the Company's employees 805 thousand and 281 thousand units of employee stock options, and the Company recognized compensation cost amounting to \$1,821 and \$781 in the year of 2021 and 2020, respectively. Furthermore, ZNet granted to its, Zyxel and ZyTPE's employees 6,195 thousand and 5,337 thousand units of employee stock options, and recognized compensation cost amounting to \$16,443 and \$11,011 in the years of 2021 and 2020.

As of December 31, 2021, the related information was as follows:

<u>Type</u>	<u>Grant date</u>	<u>Issued units (in thousands)</u>	<u>Grant period</u>	<u>Exercise price per share (TWD)</u>	<u>Adjusted exercise price per share (TWD)</u>
New shares reserved for subscription by employees in 2021	Nov. 10, 2021	6,429	Service periods 0.12 years	14.0	14.0
Employee stock options in 2020	Nov. 10, 2020	7,000	Service periods 2 years	14.0	14.0
Employee stock options in 2019	Nov. 8, 2019	5,618	Service periods 2 years	14.0	14.0

Weighted-average assumptions were as follows:

	<u>2021 new share subscription</u>	<u>2020 stock option</u>	<u>2019 stock option</u>
Expected dividend yield	-	-	-
Expected volatility	0.2885%	40.000%	40.408%
Risk-free interest rate	0.2179%	0.1923%	0.5432%
Expected life	0.12 years	2 years	2 years

(Continued)

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Notes to the Parent-Company-Only Financial Statements

Information related to share-based payments of ZNet was as follows:

(a) New shares reserved for subscription by employees

	2021	
	Options (in thousands)	Weighted average exercise price (TWD)
<u>New shares reserved for subscription by employees</u>		
Outstanding at beginning of year	-	\$ -
Granted	665	14.0
Exercised	(665)	14.0
Forfeited	-	-
Outstanding at end of year	<u>-</u>	-
Exercisable at end of year	<u>-</u>	-

(b) Employee stock options in 2020

	2021		2020	
	Options (in thousands)	Weighted average exercise price (TWD)	Options (in thousands)	Weighted average exercise price (TWD)
<u>Employee stock options</u>				
Outstanding at beginning of year	805	\$ 14.0	-	\$ -
Granted	-	-	805	14.0
Exercised	-	-	-	-
Employee transferred out	(25)	-	-	-
Forfeited	-	-	-	-
Outstanding at end of year	<u>780</u>	14.0	<u>805</u>	14.0
Exercisable at end of year	<u>-</u>	-	<u>-</u>	-

As of December 31, 2021 and 2020, the weighted-average remaining contractual life for outstanding option award were 3.86 and 4.86 years, respectively.

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(c) Employee stock options in 2019

<u>Employee stock options</u>	<u>2021</u>		<u>2020</u>	
	<u>Options (in thousands)</u>	<u>Weighted average exercise price (TWD)</u>	<u>Options (in thousands)</u>	<u>Weighted average exercise price (TWD)</u>
Outstanding at beginning of year	260	\$ 14.0	281	\$ 14.0
Granted	-	-	-	-
Exercised	-	-	-	-
Employee transferred in	69	-	-	-
Forfeited	<u>-</u>	-	<u>(21)</u>	-
Outstanding at end of year	<u><u>329</u></u>	14.0	<u><u>260</u></u>	14.0
Exercisable at end of year	<u><u>329</u></u>		<u><u>-</u></u>	

As of December 31, 2021 and 2020, the weighted average remaining contractual life for outstanding option awards was 2.85 and 3.85 years, respectively.

(11) Earnings per share

Basic earnings per share

	<u>2021</u>	<u>2020</u>
Net income (loss) attributable to ordinary shareholders of the Company	<u>\$ 1,096,700</u>	<u>827,944</u>
Weighted-average number of shares outstanding during the year (in thousands of shares)	<u>440,430</u>	<u>432,651</u>
Basic earnings per share (TWD)	<u>\$ 2.49</u>	<u>1.91</u>

Diluted earnings per share

	<u>2021</u>	<u>2020</u>
Net income (loss) attributable to ordinary shareholders of the Company	<u>\$ 1,096,700</u>	<u>827,944</u>
Weighted average number of shares outstanding during the year (in thousands of shares)	440,430	432,651
Effect of potential dilutive ordinary shares (in thousands of shares)	<u>8,090</u>	<u>3,605</u>
Diluted earnings per share (TWD)	<u>\$ 2.45</u>	<u>1.90</u>

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

(12) Revenue from contracts with customers

The details of revenue were as follows:

	2021	2020
Primary geographical markets:		
Taiwan	\$ <u>154,821</u>	<u>130,347</u>
Major products lines:		
Service	\$ <u>154,821</u>	<u>130,347</u>

(13) Employee compensation and directors' remuneration

In accordance with the Company's Articles of Incorporation, the Company shall accrue its remuneration to employees and directors based on a certain percentage of the current-year's profit (profit before income taxes, excluding remuneration to employees and directors) less, accumulated deficit as follows: no less than 0.01% as employee remuneration and no more than 2% as directors' remuneration. The aforementioned employee remuneration will be distributed in cash or in the form of shares to the employees of the controlling companies and subsidiaries who meet certain criteria approved by the Board of Directors.

The remunerations to employees and directors recognized by the Company amounted to \$108 and \$15,028, respectively, for the year ended December 31, 2021. These amounts were calculated using the Company's net income before income tax without the remunerations to employees and directors for each period, multiplied by the proposed percentage which is stated under the Company's Article of Incorporation. These remunerations were expensed under operating expenses for each period. If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are accounted for as a change in accounting estimate and adjusted prospectively to the next year's profit or loss.

Furthermore, for the year ended December 31, 2020, the Company incurred accumulated deficits; therefore, no remuneration to employees and directors was accrued for the year then ended.

(14) Financial instruments

A. Credit risk

(a) Credit risk exposures

As of December 31, 2021 and 2020, the Company's maximum exposure to credit risk was mainly from the carrying amount of financial assets amounting to \$1,746,699 and \$251,735, respectively.

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

(b) Concentration of credit risk

The Company's potential credit risk is primarily derived from deposits with banks, cash equivalents, accounts receivable and other accounts receivable— related parties. As of December 31, 2021 and 2020, the Company maintained its cash and cash equivalents in two domestic financial institutions. Thus, credit risk is significantly concentrated. However, these financial institutions are creditworthy, and hence, the Company believes that there is no significant loss due to credit risk.

B. Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreement.

	<u>Book value</u>	<u>Cash flow of contract</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
December 31, 2021						
Non-derivative financial liabilities						
Payroll and bonus payable	\$ 35,710	(35,710)	(35,710)	-	-	-
Compensation payable due to directors	15,028	(15,028)	(15,028)	-	-	-
Other payables—related parties	427	(427)	(427)	-	-	-
Bonds payable	1,896,234	(1,980,750)	(16,150)	(16,150)	(1,948,450)	-
Accrued expense (recognized in other current liabilities, others)	15,343	(15,343)	(15,343)	-	-	-
	<u>\$ 1,962,742</u>	<u>(2,047,258)</u>	<u>(82,658)</u>	<u>(16,150)</u>	<u>(1,948,450)</u>	<u>-</u>
December 31, 2020						
Non-derivative financial liabilities						
Payroll and bonus payable	\$ 19,448	(19,448)	(19,448)	-	-	-
Other payables—related parties	498	(498)	(498)	-	-	-
Accrued expense (recognized in other current liabilities, others)	6,831	(6,831)	(6,831)	-	-	-
	<u>\$ 26,777</u>	<u>(26,777)</u>	<u>(26,777)</u>	<u>-</u>	<u>-</u>	<u>-</u>

C. Interest rate analysis

The Company's internal management was reported with the exposure to changes in interest rates of 0.25%, which is considered by management to be a reasonable change of interest rate.

If the interest rate had increased or decreased by 0.25%, the Company's net income before tax would have increased or decreased by \$1,211 and \$267 for the years ended December 31, 2021 and 2020, respectively, with all other variable factors remaining constant. This is mainly due to floating interest rates of the Company's cash and cash equivalents.

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

D. Fair value of financial instruments

(a) Categories of financial instruments and fair value

The carrying amounts of the Company's current non-derivative financial instruments were considered to approximate their fair value due to their short-term nature. This methodology applies to financial assets and financial liabilities at amortized cost, including cash and cash equivalents, receivables (including related parties), payables (including related parties) and other financial assets – current.

Disclosures of fair value are not required for the financial instruments mentioned above. Except for the above financial assets and financial liabilities at amortized cost, the carrying amount and fair value of other financial instruments of the Company as of December 31, 2021 and 2020 were as follows:

		December 31, 2021			
		Fair Value			
Carrying amount	Level 1	Level 2	Level 3	Total	
Financial assets at fair value through other comprehensive income – non-current	\$ 9,262	-	-	9,262	9,262
		December 31, 2020			
		Fair Value			
Carrying amount	Level 1	Level 2	Level 3	Total	
Financial assets at fair value through other comprehensive income – non-current	\$ 9,262	-	-	9,262	9,262

(b) Valuation techniques for financial instruments measured at fair value

Financial instruments without an active market held by the Company are measured at fair value according to the market approach; the fair value is assessed by using the price-equity ratio and price-earnings ratio of the competitors.

(c) Reconciliation of Level 3 fair values – equity investment without an active market

		2021
Financial assets at fair value through other comprehensive income – equity investment without an active market		
Balance at December 31, 2021 (same as balance at January 1, 2021)	\$	9,262

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

- (d) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company's financial instruments that use Level 3 inputs to measure the fair value include financial assets at fair value through other comprehensive income— equity investments.

The Company classified the equity investments without an active market as recurring level 3 fair values in the value hierarchy due to the use of significant unobservable inputs. The significant unobservable inputs of the equity investments without an active market are independent, therefore, there is no correlation between them.

Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income – equity investment without an active market	Market approach	<ul style="list-style-type: none"> • Price-equity ratio (December 31, 2021 and December 31, 2020 were 1.91 and 1.46) Discount for lack of marketability (December 31, 2021 and December 31, 2020 were 30%) 	<ul style="list-style-type: none"> • The higher the price-equity ratio, the higher the fair value • The higher the discount for lack of marketability, the lower the fair value

(15) Financial risk management

A. Overview

The Company is exposed to the following risks due to usage of financial instruments:

- (a) Credit risk
- (b) Liquidity risk
- (c) Market risk

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies, and processes for measuring and managing risk. For further information, please refer to the relevant notes.

B. Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The board is responsible for developing and monitoring the Company's risk management policies, and meets regularly for discussions.

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Board of Directors oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Board of Directors is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, and the results of which are reported to the Board of Directors.

C. Credit risk

Please refer to note 6(14).

As of December 31, 2021 and 2020, the Company had provided guarantees for its 100%-owned subsidiaries.

D. Liquidity risk

There is no liquidity risk of being unable to raise capital to settle contract obligations since the Company has sufficient capital and working capital to fulfill its contract obligations.

E. Market risk

The Company's service revenues and general administrative expenses are mainly denominated in TWD. As a result, the Company's assets and liabilities in foreign currency are not exposed to volatility of foreign currency exchange rates.

(a) Currency risk

TWD is the Company's functional currency, which is also used in the abovementioned transactions. Thus, there is no currency risk.

(b) Interest rate risk

The Company holds variable-rate financial assets and liabilities. Please refer to note 6(14) for interest rate risk.

(16) Capital management

The board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence and to sustain future development of the business. Capital consists of share capital, capital surplus, and retained earnings of the Company. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary stockholders.

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

The Company's debt-to-equity ratios at the reporting date were as follows:

	December 31, 2021	December 31, 2020
Total liabilities	\$ <u>2,085,581</u>	<u>38,985</u>
Total equity (adjusted capital)	\$ <u>9,070,292</u>	<u>8,279,033</u>
Debt-to-adjusted-capital ratio	<u>22.99%</u>	<u>0.47%</u>

Due to the issuance of first unsecured corporate bond in 2021, the debt-to equity ratio at December 31, 2021 increased. As of December 31, 2021, the Company has not changed its capital management method.

7. Related-party transactions

(1) Names and relationship with related parties

The followings are subsidiaries and related parties that have had transactions with the Company during the periods covered in the parent-company-only financial statements:

<u>Name of related party</u>	<u>Relationship with the Company</u>
Zyxel	The Company's subsidiary
MitraStar	The Company's subsidiary
ZNet	The Company's subsidiary
Black Cat Incorporation (Black Cat)	The Company's subsidiary
ZyChamp Investment Co., Ltd. (Zychamp)	Zyxel's subsidiary
Zyxel Communications Inc. (ZyUSA)	Zyxel's subsidiary
Zyxel Communications A/S (ZyAS)	Zyxel's subsidiary
Zyxel İletisim Teknolojileri A.S. (ZyTR)	Zyxel's subsidiary
Zyxel Communications Do Brasil Ltda. (ZyBR)	Zyxel's subsidiary
Ardomus Networks Corporation (Ardomus)	Formerly, it was Zyxel's subsidiary, but became Zyxel's associate since July 2020.
XSquare Communications Corporation (XSquare)	MitraStar's subsidiary (set up in May 2020)
Bluebell Overseas Ltd. (Bluebell)	MitraStar's subsidiary
Shanghai Monetics Telecommunications Corporation (Monetics)	MitraStar's subsidiary
Wuxi Genezys Technology Ltd. (Genezys)	MitraStar's subsidiary
Wuxi MitraStar Technology Co., Ltd. (Wuxi MSTC)	Bluebell's subsidiary
Zytpc Communications Corporation (ZyTPE)	ZNet's subsidiary
Zyxel Technology India Pvt Ltd. (ZNet IN)	ZNet's subsidiary

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

<u>Name of related party</u>	<u>Relationship with the Company</u>
Zyxel Online OU (ZNet EE)	Formerly, it was a subsidiary of ZNet, but liquidated in July, 2021
Zyxel Communications (Shanghai) Co., Ltd. (ZNet SHA)	ZNet's subsidiary
Zyxel Networks A/S(ZNet AS)	ZNet's subsidiary
Zyxel (Thailand) Company Ltd. (ZNet TH)	ZNet's subsidiary
Tianjin Huagin Communications Equipment Co., Ltd. (Tianjin Huagin)	ZNet's subsidiary
Zyxel Korea Co., Ltd.(ZNet KR)	ZNet's subsidiary
Zyxel Deutschland GmbH (ZyDE)	ZyAS's subsidiary
Zyxel Communications UK Ltd. (ZyUK)	ZyAS's subsidiary
Zyxel Communications Czech s.r.o. (ZyCZ)	ZyAS's subsidiary
Zyxel Communications Italy S.r.l (ZyIT)	ZyAS's subsidiary
Zyxel Communications Iberia S.L (ZyES)	ZyAS's subsidiary
Sphairon GmbH (a ZyXel Company) (Gemini)	Formerly, it was Zyxel's subsidiary, but became ZyAS's subsidiary since October, 2021
Zyxel Communications B.V. (ZNet BNL)	ZNet AS's subsidiary
Zyxel Communications RU LLC (ZNet RUS)	ZNet AS's subsidiary
Zyxel France (ZNet FR)	ZNet AS's subsidiary
ZYXEL Foundation	The chairman is the same as the Company's
ZyFX Technologies Inc. (ZyFX)	ZYXEL Foundation's subsidiary

(2) Significant related-party transactions

A. Operating revenues

The revenues on service related to finance service were as follows:

<u>Account Name</u>	<u>Related Party Category</u>	<u>2021</u>	<u>2020</u>
Service Revenue	Subsidiary – MitraStar	\$ 56,909	47,267
	Subsidiary – Zyxel	51,184	39,994
	Subsidiary – ZNet	39,528	35,886
	Other related parties	6,600	6,600
	Subsidiary	600	600
		<u>\$ 154,821</u>	<u>130,347</u>

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

B. Receivables from related parties

<u>Account Name</u>	<u>Related Party Category</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts receivable	Subsidiary – MitraStar	\$ 15,273	14,064
	Subsidiary – Zyxel	13,533	12,673
	Subsidiary – ZNet	10,098	9,958
	Other related parties	1,733	1,733
	Subsidiary	158	156
		<u>\$ 40,795</u>	<u>38,584</u>

C. Payables to related parties

<u>Account Name</u>	<u>Related Party Category</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other payables – related parties	Subsidiary	\$ 427	424

D. Endorsements

The endorsements provided to related parties were as follows:

<u>Related Party Category</u>	<u>2021</u>		<u>2020</u>	
	<u>Highest Balance</u>	<u>Ending Balance</u>	<u>Highest Balance</u>	<u>Ending Balance</u>
Subsidiary – MitraStar	\$ 2,410,700	2,409,920	2,026,625	2,015,120
Subsidiary – ZNet	\$ 1,860,000	1,860,000	1,434,050	1,432,400

E. Loans to related parties

The actual usages of loans to related parties were as follows:

<u>Related Party Category</u>	<u>2021</u>				<u>2020</u>			
	<u>Highest Balance</u>	<u>Ending Balance</u>	<u>Rate Ranges</u>	<u>Interest Income</u>	<u>Highest Balance</u>	<u>Ending Balance</u>	<u>Rate Ranges</u>	<u>Interest Income</u>
Subsidiary – MitraStar	\$ 800,000	800,000	1.00 %	3,134	-	-	-	-
Subsidiary – ZNet	500,000	-	1.00 %	841	-	-	-	-
	<u>\$ 1,300,000</u>	<u>800,000</u>		<u>3,975</u>	<u>-</u>	<u>-</u>		<u>-</u>

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

F. Others

<u>Account Name</u>	<u>Related Party Category</u>	<u>2021</u>	<u>2020</u>
Operating expense	Subsidiary	\$ <u>4,800</u>	<u>4,800</u>

The related parties distributed cash dividends amounting to \$239,240 to the Company for the year ended December 31, 2021. As of December 31, 2021, the aforementioned dividends had been received.

G. Tax combination

The Company and its subsidiaries, Zyxel, MitraStar and ZNet, filed their corporate income tax on a combined basis. The estimated income tax receivables and payables were as follows:

<u>Account Name</u>	<u>Related Party Category</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other receivables—related parties	Subsidiary—Zyxel	\$ 84,843	11,033
	Subsidiary—MitraStar	22,308	10,238
	Subsidiary—ZNet	14,446	-
		<u>\$ 121,597</u>	<u>21,271</u>
Other payables—related parties	Subsidiary—ZNet	\$ -	<u>74</u>

(3) Transactions with key management personnel

Key management personnel compensation comprised:

	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 42,283	21,417
Post-employment benefits	294	187
Share-based payment compensation	2,583	1,911
	<u>\$ 45,160</u>	<u>23,515</u>

Please refer to note 6(10) for further explanations related to share-based payment transactions.

8. Pledged assets: None

9. Commitments and contingencies

Please refer to note 7(2) for further explanations related to endorsements.

10. Losses due to major disasters: None

11. Subsequent events: None

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

12. Other

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function	2021	2020
	Classified as operating expenses	Classified as operating expenses
By item		
Employee benefits		
Salaries	134,479	97,719
Labor and health insurance	9,102	7,075
Pension	4,495	3,690
Remuneration of directors	18,376	3,348
Others	5,149	5,451
Depreciation	940	489
Amortization	112	112

The following provides information of the number of employees and employee benefits in 2021 and 2020, respectively:

	2021	2020
Number of employees	<u>\$ 100</u>	<u>82</u>
Number of directors who were not employees	<u>\$ 7</u>	<u>7</u>
Average employee benefit costs	<u>\$ 1,648</u>	<u>1,519</u>
Average employee salary expenses	<u>\$ 1,446</u>	<u>1,303</u>
Adjustment of average employee salary expenses	<u>11.0%</u>	
Remuneration of supervisors	<u>\$ -</u>	<u>-</u>

Remuneration policies for directors, managerial personnel and employee were as follows:

In accordance with Article 29 of the Company's Articles of Incorporation, directors' remuneration shall not exceed 2% of the current year's profits. The reasonable payment is determined by the board of directors, and personal performance, business result, industry business risks and market trends are used as evaluation criteria. The remuneration is also reviewed by the Compensation Committee, thereafter, submitted to the Board of Directors for resolution. Subjects to actual business condition, the remuneration formulation procedure to seek the balance between Company's sustainable operation and risk control, and related laws & regulations, will be reviewed as well.

The remuneration policy for employees shall be determined based on the assessment of the Company's business performance, contribution and future need of development strategy, as well as the level of remuneration for the same position prevailing in the same industry and the range of payment applicable to the authority of the same position in the Company. The remuneration is adjusted annually according to the business conditions, and the bonus is determined in accordance with the individual performance and growth ability.

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

The remuneration policy for the president shall be determined in accordance with the assessment of the Company's business performance, contribution, team's stability, future development, and social responsibility, as well as the level of remuneration for the same position prevailing in the same industry and the range of payment applicable to the authority of the same position in the Company. The remuneration is also reviewed by Remuneration Committee, thereafter, submitted to the Board of Directors for discussion based on the reasonable practice according to business conditions.

13. Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company:

- (i) Loans to other parties: Please refer to Table 1.
 - (ii) Guarantees and endorsements for other parties: Please refer to Table 2.
 - (iii) Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures): Please refer to Table 3.
 - (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
 - (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
 - (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
 - (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to Table 4.
 - (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to Table 5.
 - (ix) Trading in derivative instruments: None.
- (b) Information on investees (excluding information on investees in Mainland China): Please refer to Table 6.
- (c) Information on investment in Mainland China:
- (i) The names of investees in Mainland China, the main businesses and products, and other information: Please refer to Table 7.
 - (ii) Limitation on investment in Mainland China: Please refer to Table 7.

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

(iii) Significant transactions:

Please refer to “Information on significant transactions” for the significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of the consolidated financial statements.

(d) Major shareholders:

(in unit of shares)

Shareholder's Name	Shareholding	Shares	Percentage
Shun-I Chu		100,173,833	22.09 %

Note: (i) The information on major shareholders who hold 5 percent or more of the issuer's common stocks and preferred stocks, including treasury stocks, is quarterly provided by Taiwan Depository and Clearing Corp. The share capital disclosed on the financial report, and the actual numbers of dematerialized securities, may be different due to their discrepancies in calculation.

(ii) If the shareholder entrusts the shares to the trust, the shareholding will be disclosed by the trustee's account individually. As for those shareholders who are responsible for the declaration of insiders' shareholding with more than 10 percent in accordance with the Securities and Exchange Act, their shareholdings shall include their own shares and the trust in which they have the authority to decide the allocation of their trust assets. Please refer to the Market Observation Post System for information on the insiders' shareholding.

14. Segment information

Please refer to consolidated financial statements for the year ended December 31, 2021.

Unizyx Holding Corporation
Loans to other parties
For the year ended December 31, 2021

Table 1

(In Thousands of New Taiwan Dollars)

Number (Note 1)	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance (Note 4)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 2)	Transaction amount for business between two parties	Reasons for short-term financing	Loss allowance	Collateral		Individual funding loan limits (Note 3)	Maximum limit of fund financing (Note 3)	Note
													Item	Value			
0	Unizyx	MitraStar	Other receivables – related parties	Yes	800,000	800,000	800,000	1%	2	-	Operating Capital	-	-	-	907,029	3,628,117	
0	Unizyx	ZNet	"	Yes	500,000	500,000	-	1%	2	-	Operating Capital	-	-	-	907,029	3,628,117	
						1,300,000	800,000										
1	Zyxel	ZNet IN	"	Yes	14,059	13,638	13,638	-	2	-	Operating Capital	-	-	-	427,949	1,711,797	
1	Zyxel	Others (Note 6)	"	Yes	146,950	-	-	-	2	-	Operating Capital	-	-	-	427,949	1,711,797	
						13,638	13,638										
2	ZNet	ZNet IN	"	Yes	36,772	36,772	36,772	-	2	-	Operating Capital	-	-	-	195,219	780,876	Note 5
2	ZNet	ZNet SHA	"	Yes	5,338	-	-	-	2	-	Operating Capital	-	-	-	195,219	780,876	
						36,772	36,772										

Note 1: The numbers denote the following:

- 0 represents Unizyx
- 1 represents Zyxel
- 2 represents ZNet

Investees are listed in accordance with names and in sequential order starting with 1.

Note 2: Purposes of fund financing for the borrower:

- 1. For those companies with business transaction with the Company, please fill in 1.
- 2. For those companies with short-term financing needs, please fill in 2.

- Note 3: The policies for the limit on total financing amount and the financing limit for any individual entity are prescribed as follows:
The total financing amount shall not exceed 40% of the lender's net worth, which is based on its latest audited or reviewed parent-company-only financial statements. The financing limit for any individual entity varies with different purposes of fund financing, listed as follows:
1. For those borrowers with business transaction with the lender, the amount of each fund financing shall not exceed the higher amount of the total purchases from, or sales to, the borrower in the most recent year or in the current year.
 2. For those borrowers with short-term financing needs, the amount of each funding financing shall not exceed 10% of the lender's net worth, which is based on its latest audited or reviewed parent-company-only financial statements.
- Note 4: The ending balance is the valid loan amount approved by the Board of Directors.
- Note 5: The ending balance included the amount of credit balance of investments accounted for using the equity method amounting to \$262,215.
- Note 6: Financings with amounts less than \$10,000 were included herein.

Unizyx Holding Corporation
Guarantees and endorsements for other parties
For the year ended December 31, 2021

Table 2

(In Thousands of New Taiwan Dollars)

Number	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 3)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 3)	Guarantee provided by parent company	Guarantee provided by a subsidiary	Guarantee provided to subsidiaries in Mainland China
		Name	Relationship with the Company (Note 2)										
0	Unizyx	MitraStar	2	4,535,146	2,410,700	2,409,920	1,422,660	-	26.57 %	4,535,146	Y	N	N
0	Unizyx	ZNet	2	4,535,146	1,860,000	1,860,000	100,000	-	20.51 %	4,535,146	Y	N	N
						4,269,920	1,522,660						
1	ZyAS	ZyIT	2	4,535,146	35,020	31,320	-	-	0.35 %	4,535,146	N	N	N
1	ZyAS	ZyUK	2	4,535,146	39,127	38,046	-	-	0.42 %	4,535,146	N	N	N
						69,366	-						

Note 1: The numbers denote the following:

- 0 represents Unizyx
- 1 represents ZyAS

Investees are listed in accordance with names and in sequential order starting with 1.

Note 2: The relation between guarantor and guarantee and their endorsement should be disclosed as one of the following:

1. A company with which it does business.
2. A company in which the public company directly and indirectly holds more than 50% of the voting shares.
3. A company that directly and indirectly holds more than 50 % of the voting shares in the public company.
4. A company in which the public company holds, directly or indirectly, 90% or more of the voting shares.
5. A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
6. A company that all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.
7. Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: The policies for the limit on the total amount of guarantees and endorsements are prescribed as follows:

1. The total amount of guarantees and endorsements provided by each guarantor to any specific party or subsidiary shall not exceed 50% of Unizyx's net worth. The total amount of guarantees and endorsements provided by each guarantor and Company's subsidiary shall not exceed 50% of Unizyx's net worth. The total amount of guarantees and endorsements provided by each guarantor and Company's subsidiary to any specific-party shall not exceed 50% of Unizyx's net worth. If the total amount of guarantees and endorsements provided by each guarantee and Company's subsidiary exceed 50% of Unizyx's net worth, the Company should disclose its necessity and rationality at the shareholder's meeting.
2. For those companies with business transactions, except for the abovementioned rules of limit, the amount of each guarantee and endorsement shall not exceed the transaction amount between two parties, which is the higher amount of the sales or purchases.

Unizyx Holding Corporation
Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures)
For the year ended December 31, 2021

Table 3

(In Thousands of New Taiwan Dollars; In Thousands of Shares)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/ Units	Carrying value	Percentage of ownership (%)	Fair Value	
Unizyx	Stock: ZQAM	Other related party	Financial assets at fair value through other comprehensive income – non current	2,263	<u>9,262</u>	10 %	9,262	
Zyxel	iShares Semiconductor ETF	-	Financial assets at fair value through profit or loss – current	1	19,830	-	19,830	
Zyxel	Stock: Alphabet Inc. Class C	-	"	-	9,051	-	9,051	
Zyxel	ADR: Taiwan Semiconductor Manufacturing Co., Ltd.	-	"	2	7,889	-	7,889	
Zyxel	Stock: Realtek Semiconductor Corp.	-	"	8	4,640	-	4,640	
Zyxel	Stock: MediaTek Inc.	-	"	3	3,570	-	3,570	
Zyxel	Yuanta/P-shares Taiwan Top 50 ETF	-	"	2	<u>291</u>	-	291	
					<u>45,271</u>			
Zyxel	Stock: Ubiik Inc.	-	Financial assets at fair value through other comprehensive income – non current	956	15,657	8 %	15,657	
Zyxel	Stock: Lionic Corp	-	"	500	794	2 %	794	
Zyxel	Stock: Global Channel Resource Pte. Ltd.	-	"	600	-	8 %	-	
Zyxel	Stock: Zowie Technology Corp.	-	"	19	-	-	-	
Zyxel	Stock: Aetas Technology Inc.	-	"	296	-	1 %	-	
					<u>16,451</u>			

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/ Units	Carrying value	Percentage of ownership (%)	Fair Value	
ZNet	iShares Semiconductor ETF	-	Financial assets at fair value through profit or loss – current	-	5,419	-	5,419	
ZNet	ADR: Taiwan Semiconductor Manufacturing Co., Ltd.	-	"	1	2,617	-	2,617	
ZNet	Yuanta/P-shares Taiwan Top 50 ETF	-	"	13	1,892	-	1,892	
ZNet	Stock: Taiwan Semiconductor Manufacturing Co., Ltd.	-	"	2	1,230	-	1,230	
ZNet	Stock: MediaTek Inc.	-	"	1	1,190	-	1,190	
					<u>12,348</u>			
MitraStar	iShares Semiconductor ETF	-	Financial assets at fair value through profit or loss – current	1	10,778	-	10,778	
MitraStar	Stock: Microsoft Corporation	-	"	1	9,793	-	9,793	
MitraStar	Stock: Goldman Sachs Group, Inc.	-	"	1	7,942	-	7,942	
MitraStar	ADR: Taiwan Semiconductor Manufacturing Co., Ltd.	-	"	2	7,713	-	7,713	
MitraStar	Stock: Realtek Semiconductor Corp.	-	"	8	4,640	-	4,640	
MitraStar	Stock: Skyworks Solutions, Inc.	-	"	1	3,727	-	3,727	
MitraStar	Stock: MediaTek Inc.	-	"	3	3,570	-	3,570	
					<u>48,163</u>			

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/ Units	Carrying value	Percentage of ownership (%)	Fair Value	
Zychamp	iShares MSCI Taiwan ETF	-	Financial assets at fair value through profit or loss – current	6	10,299	-	10,299	
Zychamp	Yuanta/P-shares Taiwan Top 50 ETF	-	"	25	3,638	-	3,638	
Zychamp	Stock: Meta Platforms, Inc.	-	"	-	3,259	-	3,259	
Zychamp	KraneShares CSI China Internet ETF	-	"	2	1,778	-	1,778	
Zychamp	Stock: MediaTek Inc.	-	"	1	1,190	-	1,190	
Zychamp	CTBC MSCI China Free 50 ex A and B ETF	-	"	50	1,037	-	1,037	
Zychamp	Stock: Holtek Semiconductor Inc.	-	"	5	<u>562</u>	-	562	
					<u>21,763</u>			
Zychamp	Stock: Unizyx	Final parent company	Financial assets at fair value through other comprehensive income – non current	8,146	285,526	2 %	285,526	
Zychamp	Stock: Homeyen Networks Co., Ltd.	-	"	169	-	11 %	-	
Zychamp	Stock: Essence Technology Solution, Inc.	-	"	91	-	3 %	-	
Zychamp	Stock: Handlink Technologies Inc.	-	"	296	-	1 %	-	
Zychamp	Stock: L7 Networks Inc.	-	"	1	-	1 %	-	
Zychamp	Stock: Accfast Technology Corp.	-	"	113	-	5 %	-	
					<u>285,526</u>			

Unizyx Holding Corporation

Related-party transactions for purchases and sales with amounts exceeding the lower of NTS\$100 million or 20% of the capital stock

For the year ended December 31, 2021

Table 4

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase /Sale	Amount	Percentage of total purchases / sales	Payment terms	Unit price	Payment terms	Ending balance (Note 3)	Percentage of total notes / accounts receivable (payable)	
Zyxel	ZyAS	Subsidiary to subsidiary	Sales	4,253,402	45 %	150 days after delivery		Note 1	1,973,487	47 %	Note 4
Zyxel	ZyUSA	Subsidiary to subsidiary	Sales	2,555,570	27 %	135 days after delivery		Note 1	1,033,353	24 %	
Zyxel	ZyIT	Subsidiary to subsidiary	Sales	757,145	8 %	180 days after delivery		Note 1	601,021	14 %	
Zyxel	ZNet AS	Subsidiary to subsidiary	Sales	194,261	2 %	90 days after delivery		Note 1	65,116	2 %	
Zyxel	ZyBR	Subsidiary to subsidiary	Sales	132,743	1 %	180 days after delivery		Note 1	219,761	5 %	
Zyxel	ZyFX	Subsidiary to other related-party	Purchase	(246,489)	(3)%	90 days after receipt		Note 2	(177,757)	(7)%	
ZNet	ZNet AS	Subsidiary to subsidiary	Sales	1,740,826	72 %	90~150 days after delivery		Note 1	784,319	80 %	
ZNet	ZyTPE	Subsidiary to subsidiary	Sales	240,755	10 %	60~90 days after delivery		Note 1	33,953	3 %	
ZNet	ZyUSA	Subsidiary to subsidiary	Sales	152,324	6 %	135 days after delivery		Note 1	38,983	4 %	
MitraStar	Zyxel	Subsidiary to subsidiary	Sales	4,595,705	27 %	90 days after delivery		Note 1	1,439,802	39 %	
MitraStar	Monetics	Subsidiary to subsidiary	Sales	731,047	4 %	45~140 days after delivery		Note 1	189,655	5 %	
MitraStar	ZNet	Subsidiary to subsidiary	Sales	144,640	1 %	90 days after delivery		Note 1	55,705	2 %	
MitraStar	XSquare	Subsidiary to subsidiary	Sales	153,820	1 %	90 days after delivery		Note 1	-	-	

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase /Sale	Amount	Percentage of total purchases / sales	Payment terms	Unit price	Payment terms	Ending balance (Note 3)	Percentage of total notes / accounts receivable (payable)	
MitraStar	Wuxi MSTC	Subsidiary to subsidiary	Processing and purchase	(6,384,400)	39 %	90 days after receipt		Note 2	-	-	
MitraStar	Zyxel	Subsidiary to subsidiary	Purchase	(926,927)	6 %	90 days after receipt		Note 2	-	-	
MitraStar	XSquare	Subsidiary to subsidiary	Purchase	(168,188)	1 %	90 days after receipt		Note 2	(8,383)	-	
ZyAS	ZyDE	Subsidiary to subsidiary	Sales	558,622	14 %	30~120 days after delivery		Note 1	149,430	15 %	
ZyAS	ZyCZ	Subsidiary to subsidiary	Sales	231,955	6 %	120~180 days after delivery		Note 1	122,265	12 %	
ZyAS	ZyUK	Subsidiary to subsidiary	Sales	224,612	6 %	30~120 days after delivery		Note 1	58,846	6 %	
ZyAS	ZyTR	Subsidiary to subsidiary	Sales	146,851	4 %	130 days after delivery		Note 1	6,017	1 %	

Note 1: The selling prices of Zyxel and ZNet to its related parties are determined based on the market price, with the payment term of 30~180 days after delivery; however, the collection of payment is currently depended on the capital status of the subsidiaries. The selling prices of MitraStar to its related parties are determined based on the market price, with the payment term of EOM 45~140 days; however, the collection of payment is currently depended on the capital status of the subsidiaries. The selling prices of ZyAS to its related parties are determined based on the market price, with the payment term of 21~180 days after delivery; however, the collection of payment is currently depended on the capital status of the subsidiaries.

Note 2: There is no significant difference between the payment term of MitraStar for its related parties and that of the third parties. The prices of processing are determined based on the mutual agreement between MitraStar and Wuxi MSTC. There is no significant difference between the payment term and pricing of Zyxel for its related parties and that of the third parties except for products with no transaction with other vendors to compare.

Note 3: The ending balance abovementioned included the amounts for financing that were classified as other accounts receivable—related parties.

Note 4: The ending balance included the amount of credit balance of investments accounted for using the equity method amounting to \$449,195.

Unizyx Holding Corporation
Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock
For the year ended December 31, 2021

Table 5

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Ending balance (Note 2)	Turnover rate	Overdue		Amounts received in subsequent period (Note 1)	Loss allowance	Note
					Amount	Action taken			
Unizyx	MitraStar	Parent company to subsidiary	815,273	Note 4	-	-	-	-	
Zyxel	ZyAS	Subsidiary to subsidiary	1,973,487	3	66,071	Enhanced Collecting	643,393	-	
Zyxel	ZyUSA	Subsidiary to subsidiary	1,033,353	3	-	-	271,338	-	
Zyxel	ZyIT	Subsidiary to subsidiary	601,021	1	238,648	Enhanced Collecting	217,854	-	
Zyxel	ZyBR	Subsidiary to subsidiary	219,761	1	170,261	Enhanced Collecting	75,719	-	Note 3
ZNet	ZNet AS	Subsidiary to subsidiary	784,319	2	286,758	Enhanced Collecting	326,389	-	
MitraStar	Zyxel	Subsidiary to subsidiary	1,439,802	4	-	-	1,195,328	-	
MitraStar	Monetics	Subsidiary to subsidiary	189,655	8	26,282	Enhanced Collecting	113,904	-	
ZyAS	ZyDE	Subsidiary to subsidiary	149,430	5	-	-	137,334	-	
ZyAS	ZyCZ	Subsidiary to subsidiary	122,265	2	-	-	50,941	-	

Note 1: Information as of February 28, 2022.

Note 2: The abovementioned ending balance included the amount for financing, which was recognized as other receivables – related parties.

Note 3: The abovementioned ending balance included the amount of credit balance of investments accounted for using the equity method amounting to \$449,195.

Note 4: The ending balance included the receivable from related parties for the financing purpose amounting to \$800,000.

Unizyx Holding Corporation
Information on investees (excluding information on investees in Mainland China)
For the year ended December 31, 2021

Table 6

(In Thousands of New Taiwan Dollars/Foreign Currency; In Thousands of Shares)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of ownership	Carrying value			
Unizyx	Zyxel	Taiwan	Development, manufacturing and sales of communications and networking products	3,431,516	3,431,516	72,450	100	3,973,827	679,583	678,736	Subsidiary and note 1
Unizyx	MitraStar	Taiwan	Development, manufacturing and sales of communications and networking products	3,337,920	3,337,920	316,800	100	3,580,255	260,556	201,262	Subsidiary and note 1
Unizyx	ZNet	Taiwan	Development and sales of communications and networking products	1,710,098	1,200,100	108,888	94	1,819,035	242,014	253,592	Subsidiary and note 1
Unizyx	Black Cat	Taiwan	Development and sales of information security products, and consultant management services	10,000	10,000	2,200	67	20,120	(5,345)	(3,563)	Subsidiary
								<u>9,393,237</u>		<u>1,130,027</u>	

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of ownership	Carrying value			
Zyxel	ZyUSA	U.S.A.	Sales and marketing	271,810 (USD 9,506)	271,810 (USD 9,506)	9,807	100	286,026	63,164	Note 2	Subsidiary
Zyxel	Zychamp	Taiwan	Investment activities	540,000	540,000	8,902	100	333,506	142	Note 2	Subsidiary
Zyxel	ZyTR	Turkey	Sales and marketing	362,862 (USD 11,977)	362,862 (USD 11,977)	29,137	100	197,762	63,418	Note 2	Subsidiary
Zyxel	ZyAS	Denmark	Sales and marketing	501,390 (EUR 11,980)	501,390 (EUR 11,980)	20,712	100	389,191	83,200	Note 2	Subsidiary
Zyxel	Gemini	Germany	Development of communications and networking products	Note 4	154,320 (EUR 4,000)	-	-	-	2,193	Note 2	Subsidiary
Zyxel	ShareTech	Taiwan	Development, manufacturing and sales of communications and networking products	10,950	10,950	848	38	13,851	6,234	Note 2	Associate
Zyxel	Ardomus	Taiwan	Development and sales of network digital control products	48,411	48,411	4,841	48	2,441	(18,506)	Note 2	Associate
Zyxel	ZyBR	Brazil	Sales and marketing	53,373 (USD 1,668)	53,373 (USD 1,668)	5,849	100	(449,195)	(44,702)	Note 2	Subsidiary
								<u>773,582</u>			

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of ownership	Carrying value			
ZyAS	ZyDE	Germany	Sales and marketing	67,461 (EUR 1,525)	67,461 (EUR 1,525)	-	100	119,725	6,729	Note 2	Subsidiary
ZyAS	ZyUK	United Kingdom	Sales and marketing	319,542 (EUR 6,450)	319,542 (EUR 6,450)	5,375	100	51,734	4,467	Note 2	Subsidiary
ZyAS	ZyIT	Italy	Sales and marketing	78,335 (EUR 2,336)	78,335 (EUR 2,336)	10	100	45,281	6,133	Note 2	Subsidiary
ZyAS	Gemini	Germany	Development of communications and networking products	31,565 (EUR 976) Note 4	-	-	100	31,198	2,193	Note 2	Subsidiary
ZyAS	ZyCZ	Czech Republic	Sales and marketing	66,283 (EUR 1,543)	66,283 (EUR 1,543)	19,000	100	17,976	3,016	Note 2	Subsidiary
ZyAS	ZyES	Spain	Sales and marketing	2,165 (EUR 53)	2,165 (EUR 53)	3	100	<u>3,572</u>	1,310	Note 2	Subsidiary
								<u>269,486</u>			
MitraStar	Bluebell	British Virgin Islands	Investment activities	1,519,277 (USD 45,150)	1,519,277 (USD 45,150)	32,856	100	1,917,286	132,341	Note 2	Subsidiary
MitraStar	XSquare	Taiwan	Development and sales of communications and networking products	137,960	50,000	13,796	92	<u>102,512</u>	(31,207)	Note 2	Subsidiary
								<u>2,019,798</u>			

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of ownership	Carrying value			
ZNet	ZNet AS	Denmark	Sales and marketing	415,320 (EUR 12,000)	415,320 (EUR 12,000)	20,712	100	261,578	89,834	Note 2	Subsidiary
ZNet	ZyTPE	Taiwan	Development and sales of communications and networking products	Note 3	Note 3	6,000	100	111,079	34,408	Note 2	Subsidiary
ZNet	ZNet TH	Thailand	Sales and marketing	74,969 (USD 2,389)	74,969 (USD 2,389)	8,000	100	55,475	3,908	Note 2	Subsidiary
ZNet	ZNet KR	South Korea	Sales and marketing	11,127 (USD 390)	11,127 (USD 390)	72	65	21,322	(164)	Note 2	Subsidiary
ZNet	ZNet EE	Estonia	Sales and marketing	Note 5	88 (EUR 3)	-	-	-	-	Note 2	Note 5
ZNet	ZNet IN	India	Sales and marketing	17,176 (USD 568)	17,176 (USD 568)	8,470	100	(262,215)	5,621	Note 2	Subsidiary
								187,239			
ZNet AS	ZNet FR	France	Sales and marketing	122,449 (EUR 3,603)	122,449 (EUR 3,603)	10	100	88,497	2,169	Note 2	Subsidiary
ZNet AS	ZNet BNL	Netherlands	Sales and marketing	54,089 (EUR 1,350)	54,089 (EUR 1,350)	14	100	45,056	1,489	Note 2	Subsidiary
ZNet AS	ZNet RUS	Russia	Sales and marketing	28 (EUR 1)	28 (EUR 1)	-	100	2,364	590	Note 2	Subsidiary
								135,917			

Note 1: The share of the investee company's loss comprises the share of subsidiary's loss after the elimination of unrealized gross profit on inter-company sales transactions.

Note 2: The share of profits/losses of the investee company is not disclosed herein as such amount is already included in the share of profits/losses of the investor company.

Note 3: The issued capital of ZyTPE comprised of \$50,000 capital increase by cash and \$60,000 capital increase by retained earnings. In March 2019, \$50,000 capital was returned to the investor.

Note 4: In October 2021, Zyxel sold the holding shares in Gemini to ZyAS with the carrying amount of investment in Gemini.

Note 5: ZNet EE was liquidated in July 2021.

Unizyx Holding Corporation
Information on investment in Mainland China
For the year ended December 31, 2021

Table 7

(In Thousands of New Taiwan Dollars)

(1) Information on investment in Mainland China

Name of investee	Main businesses and products	Issued Capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of investee	Direct/indirect shareholding (%) by the Company	Share of profits/losses of investee (Note 6)	Carrying amount as of December 31, 2021	Accumulated repatriation of investment income
					Out-flow	Inflow						
Tianjin Huagin	Sales of communications and networking products and technical consulting service	44,375	Note 1	42,156	-	-	42,156	(75)	ZNet directly holds 95%	(71)	1,535	-
ZNet SHA	Sales of communications, networking products and technical consulting service	266,259	Note 1	266,259	-	-	266,259	2,718	ZNet directly holds 100%	3,051 (Note 7)	4,938	-
Wuxi MSTC	Manufacturing and sales of communications and networking products and technical consulting service	1,013,953	Note 2	1,013,953	-	-	1,013,953	132,622	MitraStar indirectly holds 100%	132,622	1,976,291	-
Genezys	Development of communications and networking products	209,806	Note 3	209,806	-	-	209,806	6,463	MitraStar indirectly holds 100%	6,463	244,477	-
Monetics	Sales of communications, networking products and network technology transfer service	360,658	Note 3 and 4	282,403	-	-	282,403	25,667	MitraStar indirectly holds 100%	25,667	232,610	-
Beijing HuaqinWorld	Sales of communications, networking products and network technology transfer and consulting service	236,860	Note 5	-	-	-	-	-	MitraStar indirectly holds 49%	-	-	-

(2) Limitation on investment in Mainland China

Company	Accumulated investment amount remitted from Taiwan to Mainland China as of December 31, 2021	Approved investment amount by Ministry of Economic Affairs Investment Commission	Limitation on investment in Mainland China in accordance with regulations of Ministry of Economic Affairs Investment Commission (Note 8)
ZNet	308,415	308,415	1,178,948
MitraStar	1,506,162	1,584,417	2,209,918

Note 1: Direct investment in the company in Mainland China by ZNet.

Note 2: Indirect investment in Mainland China through an existing investee company (Bluebell) in a third region.

Note 3: Direct investment in the company in Mainland China by MitraStar.

Note 4: The issued capital of Monetics amounting to \$78,255 was invested by Bluebell through self-funding. In May 2019, 50% ownership of Monetics was transferred to MitraStar due to adjustment of organizational structure.

Note 5: The investment in Beijing HuaqinWorld was invested by Genezys through self-funding, which is not applicable for the calculation of limitation on the investment in Mainland China. However, Beijing HuaqinWorld went out of business, hence, the carrying amount of the investment had been fully recognized a loss.

Note 6: The amounts were calculated based on the financial statements of the investee company audited by the parent company's auditors in accordance with the materiality standards.

Note 7: The amount comprises the share of ZySHA's loss amounting to \$2,718 after the elimination of unrealized gross profit on inter-company sales transactions.

Note 8: In accordance with the Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China amended on August 29, 2008, the limitation on investment in Mainland China shall not exceed 60% of the Company's net worth as of December 31, 2021.

Unizyx Holding Corporation
Statement of cash and cash equivalents
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Demand deposits		\$ 484,306
Time deposits	Period : October 15, 2021~January 26, 2022 Interest rate : 0.05%~0.37%	<u>296,000</u>
		<u>\$ 780,306</u>

**Statement of changes in property, plant and
equipment**

Please refer to note 6(4) for further information of Property, plant and equipment.

Statement of changes in intangible assets

Please refer to note 6(5) for further information of Intangible assets.

Unizyx Holding Corporation
Statement of other current assets
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Income tax refund receivable	\$ 714
Others (other assets with the amount less than 5% of other current assets)	<u>295</u>
	<u>\$ 1,009</u>

Statement of other financial assets – current

<u>Item</u>	<u>Amount</u>
Interest receivable	<u>\$ 4,001</u>

Unizyx Holding Corporation

Statement of changes in investments accounted for using the equity method

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Name of investee	Balance as of December 31, 2020		Additions for this period		Shares of profits/ losses of investee	Cash dividends	Exchange differences on translation of foreign financial statements	Remeasurement of defined benefit plans of subsidiaries	Share-based payments	Unrealized gains(losses) from investments in equity instruments measured at fair value through other comprehensive income of subsidiaries	Other adjustment	Balance as of December 31, 2021			Method of valuation	Pledged as collateral
	Shares (thousand)	Carrying value	Shares (thousand)	Carrying value								Shares	Percentage of ownership%	Carrying value		
Zyxel	72,450	\$ 3,471,252	-	-	678,736	(173,880)	(72,257)	5,538	11,130	(1,286)	54,594 (note 1)	72,450	100.00	3,973,827	Equity method	No
MitraStar	316,800	3,445,868	-	-	201,262	(63,360)	(10,388)	(6,950)	10,769	-	3,054 (note 2)	316,800	100.00	3,580,255	Equity method	No
ZNet	72,460	1,108,126	36,428	509,998	253,592	-	(45,725)	(2,068)	13,207	-	(18,095) (note 2)	108,888	94.43	1,819,035	Equity method	No
Black Cat	1,000	25,683	1,200 (note 3)	-	(3,563)	(2,000)	-	-	-	-	-	2,200	66.67	20,120	Equity method	No
		<u>\$ 8,050,929</u>	<u>37,628</u>	<u>509,998</u>	<u>1,130,027</u>	<u>(239,240)</u>	<u>(128,370)</u>	<u>(3,480)</u>	<u>35,106</u>	<u>(1,286)</u>	<u>39,553</u>			<u>9,393,237</u>		

Note 1: The amount comprised the disposal of the Company's share by subsidiaries recognized as treasury share transaction amounting to \$50,532 and the cash dividends amounting to \$4,062 distributed from the Company.

Note 2: The amount comprised the adjustment due to non-proportional subscription in investees' increase in capital.

Note 3: The subsidiary issued new stock by capital surplus in November 2021. Therefore, the shares held by the Company increased by 1,200 thousand shares.

Unizyx Holding Corporation
Statement of other current liabilities
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Interest payable	\$ 6,593
Service fees payable	2,395
Business tax payable	2,259
Others (other liabilities with the amount less than 5% of other current liabilities)	4,999
	\$ 16,246

Statement of general and administrative expenses

Item	Amount
Payroll and bonus	\$ 135,255
Remuneration of directors	15,028
Service fees	14,081
Others (other expenses with the amount less than 5% of general and administrative expenses)	29,915
	\$ 194,279

Unizyx Holding Corporation

Responsible person: Shun-I Chu

Unizyx

Unizyx Holding Corporation

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