

Unizyx

TSE Code - 3704

Unizyx Holding Corporation

Annual Report 2022



Printed on April 17, 2023



Taiwan Stock
Exchange Market
Observation Post
System

<http://mops.twse.com.tw>



Unizyx
annual report
is available at

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

I. Spokesperson and Deputy Spokesperson

Spokesperson: Woei Lo

Title: Senior Vice President

Tel: (03) 578-8838 ext: 81818

Email: Woei.Lo@unizyx.com.tw

Deputy Spokesperson: Jason Pu

Title: Senior Manager

Tel: (03) 578-8838 ext: 81810

Email: Jason.Pu@unizyx.com.tw

II. Headquarters, Branch and Plant

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

Tel: (03) 578-8838

Branch: none

Plant: none

Brand: Zyxel Communications Corporation

11F., No. 223, Sec. 3, Beixin Rd., Xindian Dist., New Taipei City

Zyxel Communications Corporation Science Park Branch Office

No.2, Industry E. Rd. IX, Science Park, Hsin-chu, Taiwan

Channel: Zyxel Networks Corporation

11F., No. 225, Sec. 3, Beixin Rd., Xindian Dist., New Taipei City

OEM: MitraStar Technology Corporation

No. 6, Innovation Road II, Hsinchu Science Park, Hsin-chu, Taiwan

III. Stock Transfer Agent

Name: Shareholding Agency Service Dept., Mega Securities

Address: 1F, No. 95, Sec. 2, Zhongxiao E. Rd., Taipei City

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

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

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

Tel: (03) 579-9955

V. Overseas Securities Exchange: none

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

Note: The English version is a translation of the Chinese version. If there is any discrepancy between the Chinese version and English version, the Chinese version shall prevail.

Contents

I. Letter to Shareholders	1
II. Company Profile.....	4
1. Date of Incorporation.....	4
2. Company History.....	4
III. Corporate Governance Report.....	7
1. Organization	7
2. Directors.....	9
3. Management Team	16
5. Information Regarding Independent Auditors.....	72
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	73
7. Information Regarding Top Ten Shareholders with Relationship as Defined under Statement of Financial Accounting Standards (SFAS) No. 6	74
8. Ownership of Shares in Affiliated Enterprises.....	75
IV. Capital Overview	77
1. Capital and Shares.....	77
2. Issuance of Corporate Bonds	83
3. Issuance of Preferential Shares.....	83
4. Issuance of Global Depositary Receipts.....	83
5. Status of Employee Stock Options	84
6. Status of New Shares Issuance in Connection with Mergers and Acquisitions	86
7. Financing Plans and Implementation.....	86
V. Operational Highlights.....	87
1. Business Activities	87
2. Market and Sales Overview.....	96
3. Employee Overview	102
4. Environmental Protection Expenditure.....	103
5. Labor Relations.....	103
6. Information Disclosure of Cyber Security Management.....	109
7. Important Contracts.....	112
VI. Financial Information.....	113
1. Five-Year Financial Summary	113
2. Five-Year Financial Analysis.....	117
3. Audit Committee’s Review Report	119
4. Consolidated Financial Statements and Independent Auditors’ Report	119
5. Parent Company Only Financial Statements and Independent Auditors’ Report:	119

Contents

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	119
VII. Review of Financial Conditions and Operating Results, and Risk Management	120
1. Financial Position	120
2. Operating Results	121
3. Cash Flow	122
4. Major Capital Expenditure Items	122
5. Investment Policy in the Most Recent Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year	122
6. Analysis of Following Issues for the Most Recent Year until Publication Date of the Annual Report for Risk Management	123
7. Other Important Notes.	127
VIII. Special Disclosure	128
1. Summary of Affiliated Companies.....	128
2. Private Placement Securities for the Most Recent Year Until the Date of Publication of the Annual Report.	130
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.....	131
4. Other Supplementary Information.	131
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	131

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 2022:

The operating revenue in Unizyx’s 2022 consolidated statement of comprehensive income is NTD30.52 billion, the gross profit NTD6.99 billion, the gross margin 22.90%, operating expenses are NTD5.14 billion, net income is NTD1.63 billion, and EPS NTD3.87.

(1) Outcome of performance:

Unit: NTD thousand

Item	2022	2021
Operating revenue	30,515,803	25,681,970
Gross profit	6,987,954	6,060,518
Operating income	1,847,262	1,425,434
Income (loss) before income taxes	1,992,303	1,438,064
Net income	1,626,931	1,095,459

(2) Analysis on profitability:

Item	2022	2021	
Return on total assets %	6.95	5.46	
Return on attributable to shareholders of the parent %	16.92	12.50	
As a percentage of paid-in capital %	Operating Income	46.16	31.42
	Income (Loss) before income taxes	49.79	31.70
Net income %	5.33	4.27	
Basic earnings per share/NTD	3.87	2.49	

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 Communications Corporation (hereinafter referred to as “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’s brand promise is “Keeping service providers ahead of the competition” It dedicates to developing comprehensive, reliable solutions that accelerate and satisfy the advent of next-generation fixed and mobile broadband technology. Zyxel aims 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. Looking to 2023, the supply chain problems affected by the pandemic will be normalized again. MitraStar will continue to optimize the deployment of capacities and maintain the partnerships with customers and the supply chain. ZNet is committed to the channel business management, providing customers with localized sales and services, while actively expanding the extent of brand services, and planning products and solutions satisfying customers’ needs.

Zyxel provides solutions, rather than products, to meet the needs of service providers, while MitraStar seeks more clients for one technology to expand quantity and scale. Zyxel and MitraStar work together to expand their business and support each other. They jointly contribute to the R&D of broadband access equipment, pursue operational optimization and technological interoperability, increase the return on investment of technologies, and enhance operating efficiency. Zyxel focus on product R&D, positioning itself in the areas of new generation high-performance fixed and mobile broadband technology and digital home multimedia, and provide faster service and better performing products to telecom service providers. ZNet actively positions the cloud networking management, 5G, network security, and smart home living field, providing complete commercial and home solutions; in terms of the operating strategies, it also focuses on the management of Managed Service Providers (MSP) and Value-added Resellers, and continuously launches software subscription licensing services to increase user loyalty.

Zyxel is actively developing 10G active and passive fiber (PON) broadband access network solutions to help telecom service providers meet the challenges of serving high demand for bandwidth and provide users with real Multi-gig services. Except for the active investments in the 10G optical fiber user equipment market, the focus will be on the promotion and sales of All-In-One Whitebox OLT central office terminal equipment in the future. As 5G is formally operated commercially, Zyxel has launched the complete 5G NR Fixed Wireless Access (FWA) product portfolio, including outdoor, indoor, and portable products, which has been chosen by many European leading mobile telecom service providers. Meanwhile, excellent software research and development capabilities are adopted to launch the MPro Mesh® solution.

To respond to climate change issues, Zyxel has made it a core target to launch low-carbon green products aligning with the environmental protection trends in recent years. Zyxel plans to launch the WiFi 7 MPro Mesh® solution in 2023, implementing the concept of green products from the shell material, mechanism design, software functions to packaging materials. Through the specific implementation of ESG and the innovation of green products, the Company further grasps the world trends and advantages.

Furthermore, in terms of development of the networking solutions for business application, ZNet combines the popularity of cloud services to provide products and services that can meet the networking needs of businesses and home users. By successfully launching the Nebula smart cloud networking management solution in Taiwan, ZNet has not only made the Nebula cloud management platform support its popular ATP firewalls and USG FLEX firewalls, but also provided SMEs and MSPs with more comprehensive information security protection. Additionally, ZNet continues to release various WiFi 6/6E commercial wireless access points, switches and 5G/LTE mobile routers to meet the deployment needs of SMEs or SOHO users in any environment.

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.
2022.01	Zyxel has joined the Open Networking Foundation (ONF) as a member to drive transformation of optical fiber access and edge network infrastructure.
2022.07	Zyxel Whitebox OLT participated in the ONF continuous certification program and obtained VOLTHA certification.
2022.07	ZNet's XS3800 aggregation switch has been recognized by the UK Network Computing Award for winning the Best Network Infrastructure Product Award.
2022.09	ZNet won the Best Remote Management and Monitoring Brand Award (Europe's Top

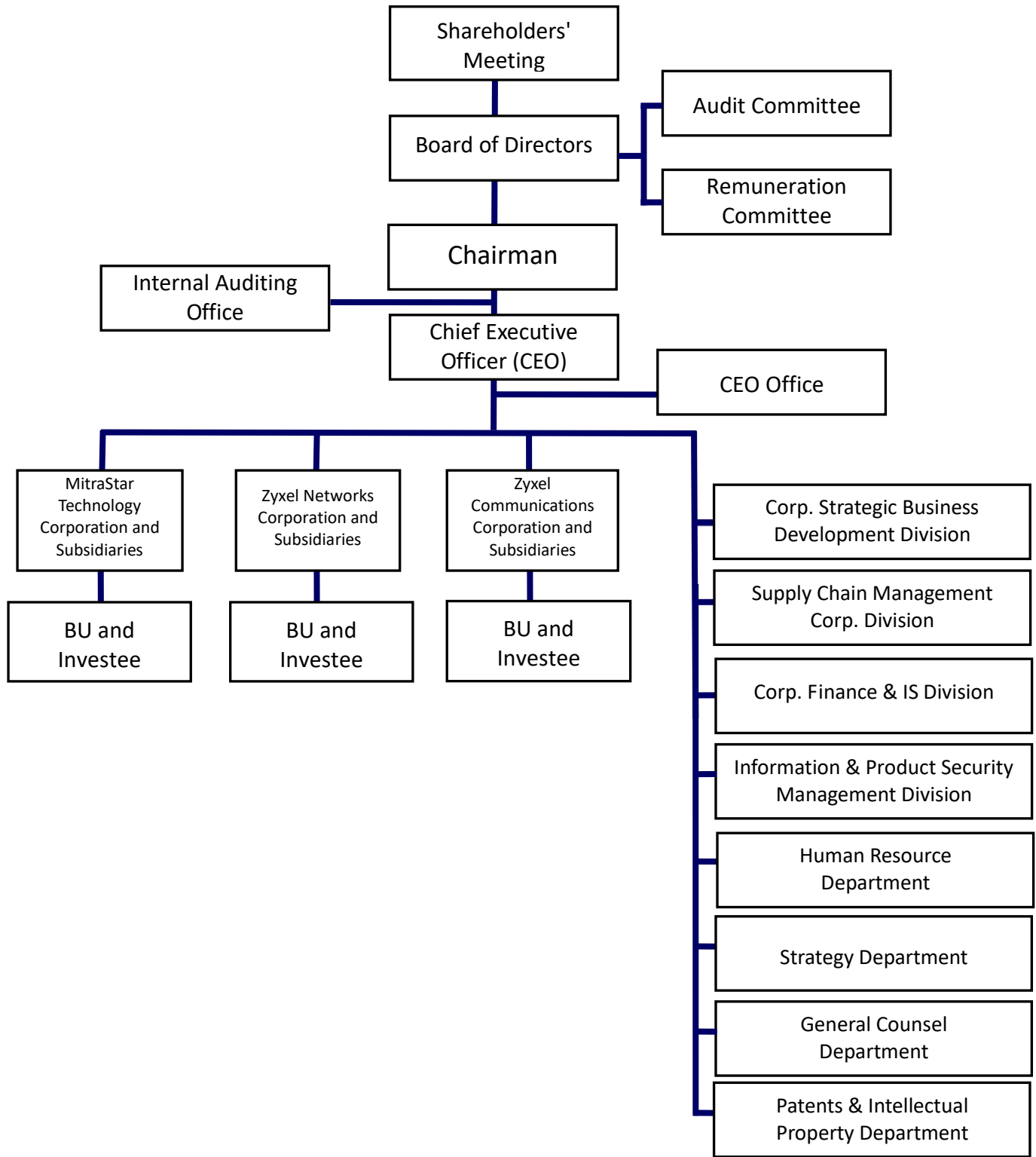
<u>Year/Month</u>	<u>Key Milestones</u>
	PSA/RMM Vendor) at the 2022 MSP Innovation Awards in Europe.
2022.10	ZNet's SecuReporter information security solution was awarded the Best Remote Monitoring Security Solution at the 2022 UK Computing Security Awards.
2022.10	ZNet won the ChannelPro SMB All-Star in the United States, becoming the only Taiwanese brand to win the award for a second time.
2022.10	Unizyx's sustainability report won the Taiwan Corporate Sustainability Award in the Sustainability Report Segment with the Gold Award.
2022.11	Zyxel launched the Company's first MPro Mesh™ WiFi 6E gateway and wireless network signal extender for the North American market.
2022.11	Zyxel was selected for the "2022 Best Taiwan Global Brands " and received the award for the Potential Star, it is the only networking brand to have been selected.
2022.11	Zyxel won the 2023 Taiwan Excellence Award again, and its innovative strength is recognized significantly.

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.
Information & Product Security Management Division	Establishing the Group's information and product security policies, providing resources and reviewing key information security measurements, and in charge of planning, coordinating, implementing, reviewing and improving the information and product security management system.
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, 2023

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 71~80 years old	2022/6/15	3	2010/06/17	100,173,833	22.00	89,981,358	22.34	15,098,525	3.75	-	-	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	Ping-Jie Chu	Father And Daughter	-

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	2022/5/15	3	2019/06/12	2,252,051	0.49	2,072,909	0.51	-	-	-	-	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 Zyxel 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, Zyll Solutions Corporation	-	-	-	-
Director	R.O.C.	Yuh-Long Chen	Male 71-80 years old	2022/5/15	3	2010/6/17	8,498,178	1.87	7,579,611	1.88	1,554,076	0.39	-	-	Ph.D., Institute of Electronics, National Chiao-Tung University Superintendent, National Chung-Shan Institute of Science & Technology(NCSIST)	-	-	-	-	
Director	R.O.C.	Ping-Chin Li	Male 71-80 years old	2022/5/15	3	2022/6/15	645,122	0.14	579,482	0.14	185,839	0.05	-	-	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, Zyll Solutions Corporation - Representative, ZyFX Technologies Inc. Director, Ardomus Networks Corp. - Representative, ZyFX Technologies Inc.	-	-	-	-
Director	R.O.C.	Wayne Huang	Male 51-60 years old	2022/5/15	3	2022/6/15	213,243	0.05	363,851	0.09	494	0.00	-	-	Master, Electrical Engineering, National Chengkung University General Manager, MitraStar Technology Corporation Technician, National Chung-Shan Institute of Science and Technology	Director/ President, MitraStar- Representative of Unizyx Legal Representative/ President, Wuxi Genezys Technology Ltd. (Genezys)- Representative of MSTC Chairman, XSquare - Representative of MitraStar Advisor, ITRI	-	-	-	-

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.	Ping-Jie Chu	Female 31-40 years old	2022/6/15	3	2022/6/15	3,505,444	0.77	3,156,772	0.78	-	-	-	-	MS in Finance, Business Administration College, Washington University in St. Louis, the U.S.A Special Assistant, Unizyx Holding Corporation Deputy CEO, Zyxel Foundation	Special Assistant, Unizyx Deputy CEO, Zyxel Foundation	Chairman	Shun-I Chu	Father And Daughter	-
Independent director	R.O.C.	Feng Chian	Male 71-80 years old	2022/6/15	3	2013/6/18	-	-	-	-	-	-	-	-	Institute of Electronics National Chiao Tung University	-	-	-	-	-
Independent director	R.O.C.	Chin-Tang Liu	Male 61-70 years old	2022/6/15	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.	-	-	-	-
Independent director	R.O.C.	Chin-Liang Wang	Male 61-70 years old	2022/6/15	3	2010/10/4	-	-	-	-	-	-	-	-	Ph.D., Institute of Electronics, National Chiao-Tung University Distinguished Professor, Department of Electrical Engineering and Institute of Communications Engineering, National Tsing Hua University Technology Advisor, Metanoia Communications Inc. Advisor, Tze-Chiang Foundation of Science & Technology Director, MediaTek Foundation	Technology Advisor, Metanoia Communications Inc.	-	-	-	-

2.2 Information about Directors

2.2.1 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 9-11, 2.1 Information of Directors for their professional qualification and experience.		0
Director	Gordon Yang				0
Director	Yuh-Long Chen				0
Director	Ping-Chin Li				0
Director	Wayne Huang				0
Director	Ping-Jie Chu				0
Independent director	Feng Chian			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	Chin-Tang Liu			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.	2
Independent director	Chin-Liang Wang				0

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

2.2.2 Diversity and independence of the board of directors

2.2.2.1 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 (44%), independent directors (33%), directors less than 60 years old (12%), directors from 60 to 69 years old (44%), directors more than 70 years old (44%), directors whose term of office less than 3 years (44%), and directors whose term of office ranging from 4 years to 10 years (33%). The average term of board members was 5 years.

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	✓	✓	✓	✓	✓	✓	✓
Ping- Chin Li	Male	R.O.C.	Electrical Engineering	✓	✓	✓	✓	✓	✓	✓
Wayne Huang	Male	R.O.C.	Electrical Engineering	✓	✓	✓	✓	✓	✓	✓
Ping-Jie Chu	Female	R.O.C.	Finance	✓	✓	✓	✓	✓	✓	✓
Feng Chian	Male	R.O.C.	Electronics	✓		✓	✓	✓	✓	✓
Chin-Tang Liu	Male	R.O.C.	Accounting	✓	✓	✓		✓	✓	✓
Chin-Liang Wang	Male	R.O.C.	Electronics	✓		✓	✓	✓	✓	✓

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

2.2.2.2 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.

2.3 Remuneration Paid to directors

December 31, 2022/ 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 or 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			Unizyx	Consolidated Entities			Unizyx	Consolidated Entities			Unizyx	Consolidated Entities						
Chairman	Shun-I Chu																						
Director	Gordon Yang																						
Director	Yuh-Long Chen																						
Director	Lien-Pin Pai (Note3)																						
Director	Representative of ZYXEL Foundation: Ping-Chin Li (Note3)	-	-	-	-	12,000	12,000	1,632	1,702	13,632 0.84%	13,702 0.85%	15,782	25,593	28	96	55	-	55	-	29,497 1.82%	39,446 2.44%	N/A	
Director	Che-Ho Wei (Note3)																						
Director	Ping-Chin Li																						
Director	Wayne Huang																						
Director	Ping-Jie Chu																						
Independent director	K.C. Shih (Note3)																						
Independent director	Feng Chian	-	-	-	-	5,881	5,881	1,716	1,716	7,597 0.47%	7,597 0.47%	-	-	-	-	-	-	-	-	7,597 0.47%	7,597 0.47%	N/A	
Independent director	Chin-Tang Liu																						
Independent director	Chin-Liang Wang																						
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 2022 was provided as an expense amount.

Note 2: The Company has the net profit after tax in 2022; 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.

Note 3: The term of Director, Lien-Pin Pai, Representative of ZYXEL Foundation: Ping-Chin Li, Che-Ho Wei and K.C. Shih is expired on June 15, 2022.

Remuneration Range for Each Director in the Company	Name			
	Sum of the First 4 Items (A+B+C+D)		Sum of the First 7 Items (A+B+C+D+E+F+G)	
	Unizyx	Consolidated Entities	Unizyx	Consolidated Entities
Lower than 1,000,000	-	-	-	-
NT\$1,000,000 (inclusive)~ NT\$2,000,000 (exclusive)	Lien-Pin Pai, Representative of ZYXEL Foundation: Ping-Chin Li, Che-Ho Wei, Ping-Chin Li, Wayne Huang, Ping-Jie Chu, K.C. Shih, Chin-Liang Wang	Lien-Pin Pai, Representative of ZYXEL Foundation: Ping-Chin Li, Che-Ho Wei, Ping-Chin Li, Wayne Huang, Ping-Jie Chu, K.C. Shih, Chin-Liang Wang	Lien-Pin Pai, Representative of ZYXEL Foundation: Ping-Chin Li, Che-Ho Wei, Ping-Chin Li, Wayne Huang, Ping-Jie Chu, K.C. Shih, Chin-Liang Wang	Lien-Pin Pai, Che-Ho Wei, Ping-Jie Chu, K.C. Shih, Chin-Liang Wang
NT\$2,000,000 (inclusive)~ NT\$3,500,000 (exclusive)	Shun-I Chu, Gordon Yang, Yuh-Long Chen, Feng Chian, Chin-Tang Liu	Shun-I Chu, Gordon Yang, Yuh-Long Chen, Feng Chian, Chin-Tang Liu	Yuh-Long Chen, Feng Chian, Chin-Tang Liu	Yuh-Long Chen, Wayne Huang, Feng Chian, Chin-Tang Liu
NT\$3,500,000 (inclusive)~ NT\$5,000,000 (exclusive)	-	-	-	-
NT\$5,000,000 (inclusive)~ NT\$10,000,000 (exclusive)	-	-	Shun-I Chu	Shun-I Chu, Representative of ZYXEL Foundation: Ping-Chin Li, Ping-Chin Li
NT\$10,000,000 (inclusive)~ NT\$15,000,000 (exclusive)	-	-	Gordon Yang	Gordon Yang
NT\$15,000,000 (inclusive)~ NT\$30,000,000 (exclusive)	-	-	-	-
NT\$30,000,000 (inclusive)~ NT\$50,000,000 (exclusive)	-	-	-	-
NT\$50,000,000 (inclusive)~ NT\$100,000,000 (exclusive)	-	-	-	-
NT\$100,000,000 or More	-	-	-	-
Total	21,229	21,229	37,094	47,043

3. Management Team

3.1 Information about Management Team

April 17, 2023

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	2,072,909	0.51	-	-	-	-	MBA, Claremont Graduate University	Please refer to the information on page 10 for details.	-	-	-	-
Senior Vice President	R.O.C.	Woei Lo	Male	2010/08/16	229,197	0.06	-	-	-	-	PhD Degree, Department of Management Science, National Chiao-Tung University	Senior Vice President, Zyxel Chief operating officer/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, 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	-	-	-	-	-	-	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	9,852	9,852	191	191	6,365	6,365	166	-	166	-	16,574 1.02%	16,574 1.02%	N/A
Senior Vice President	Woei Lo													
Senior Manager, Internal Auditing Office	Jessica Chen													

Note 1: The severance pay in 2022 was provided as an expense amount.

Note 2: The Company has a net profit after tax for 2022; According to the Articles of Incorporation, no less than 0.01% of the profit shall be allocated as employee compensation.

Compensation Range for Each General Manager and Vice President in the Company	Name	
	Unizyx	Consolidated Entities
Lower than NT\$1,000,000	-	-
NT\$1,000,000 (inclusive)~ NT\$2,000,000 (exclusive)	Jessica Chen	Jessica Chen
NT\$2,000,000 (inclusive)~ NT\$3,500,000 (exclusive)	-	-
NT\$3,500,000 (inclusive)~ NT\$5,000,000 (exclusive)	Woei Lo	Woei Lo
NT\$5,000,000 (inclusive)~ NT\$10,000,000 (exclusive)	-	-
NT\$10,000,000 (inclusive)~ NT\$15,000,000 (exclusive)	Gordon Yang	Gordon Yang
NT\$15,000,000 (inclusive)~ NT\$30,000,000 (exclusive)	-	-
NT\$30,000,000 (inclusive)~ NT\$50,000,000 (exclusive)	-	-
NT\$50,000,000 (inclusive)~ NT\$100,000,000 (exclusive)	-	-
NT\$100,000,000 or More	-	-
Total	16,574	16,574

3.3 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	-	166	166	0.01%
Senior Vice President	Woei Lo				
Senior Manager, Internal Auditing Office	Jessica Chen				

3.4 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.

3.4.1 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 (%)			
	2022		2021	
	Unizyx	Consolidated Entities	Unizyx	Consolidated Entities
Director	2.29%	2.91%	3.11%	3.56%
Supervisor	-	-	-	-
President and Vice Presidents	1.02%	1.02%	1.59%	1.59%

3.4.2 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 5th Board of Directors was held at the annual shareholders' meeting on June 15, 2022. The newly elected directors held the position on reelection (the new term of office commences from June 15, 2022 until June 14, 2025). A total of 7 meetings of the Board of Directors were held in 2022. The attendance of directors is stated as follows:

Title	Name	Attendance in Person	Attendance by Proxy	Attendance Rate (%)	Remarks
Chairman	Shun-I Chu	7	-	100%	Reelected on 2022/06/15
Director	Gordon Yang	7	-	100%	Reelected on 2022/06/15
Director	Yuh-Long Chen	7	-	100%	Reelected on 2022/06/15
Director	ZYXEL Foundation Representative: Ping-Chin Li	3	-	100%	Term expired
Director	Lien-Pin Pai	3	-	100%	Term expired
Director	Che-Ho Wei	3	-	100%	Term expired
Director	Ping-Chin Li	4	-	100%	Elected on 2022/06/15
Director	Wayne Huang	4	-	100%	Elected on 2022/06/15
Director	Ping-Jie Chu	4	-	100%	Elected on 2022/06/15
Independent director	K.C. Shih	3	-	100%	Term expired
Independent director	Feng Chian	7	-	100%	Reelected on 2022/06/15
Independent director	Chin-Tang Liu	7	-	100%	Reelected on 2022/06/15
Independent director	Chin-Liang Wang	4	-	100%	Elected on 2022/06/15

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 14, 2022, 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 2021 compensation to Chairman and managerial officers.
- B. On March 14, 2022, except Director Gordon Yang, abstained from voting due to conflict of interest concerns. All other Board members in attendance voted in favor of the 19th proposal for lifting the non-competition restriction on Unizyx's managerial officers.
- C. On March 14, 2022, 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 20th proposal for lifting the non-competition restriction on Unizyx's directors.
- D. On May 4, 2022, except Director Shun-I Chu, Director Gordon Yang, Director Ping-Chin Li, Director Chin-Tang Liu 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 4th proposal for lifting the non-competition restriction on Unizyx's directors.
- E. On November 7, 2022, except Director Shun-I Chu and Director Gordon Yang, abstained from voting due to conflict of interest concerns. All other Board members in attendance voted in favor of the 4th proposal for 2023 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 2022 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 13, 2023.

- 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 2022 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 6 meetings of the Audit Committee were held in 2022. The attendance of independent directors is stated as follows:

Title	Name	Attendance in Person	Attendance by Proxy	Attendance Rate (%)	Remarks
Independent director (Convener)	Chin-Tang Liu	6	-	100%	Reelected on 2022/06/15
Independent director	Feng Chian	6	-	100%	Reelected on 2022/06/15
Independent director	K.C. Shih	3	-	100%	Term expired
Independent director	Chin-Liang Wang	3	-	100%	Elected on 2022/06/15

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
February 7, 2022	11th Meeting of 1st Committee	Approved the amendments to the "Internal Control Systems".	None of the independent directors has expressed opposition or qualified opinions.
		Approved the capital reduction by cancelling the share capital of the Company with the 11th repurchase of treasury shares.	
		Approved the Company's repurchase of treasury shares to protect Company's reputation and shareholders' equity.	

Date	Meeting	Resolution	Opinion of All Independent Directors and the Company's Response to Independent Directors
March 14,2022	12th Meeting of 1st Committee	Approved the independent auditors' independence and competence evaluation.	
		Approved the 2021 Business report and financial statements.	
		Approved the 2021 Internal Control System Statement.	
		Approved the 2021 Earning Distribution	
		Approved the Company's capital reduction with cash payment.	
		Approved the current-year endorsement or guarantee limits on behalf of invested companies.	
		Approved for established the matters related to the exercised the employee stock options in the Fourth Quarter of 2021 converting share capital.	
		Approved Unizyx's additional loan to the subsidiary, MitraStar Technology Corporation.	
		Approved Unizyx's additional loan to the subsidiary, Zyxel Networks Corporation.	
		Approved the amendments to the "Procedures for Derivatives Trading."	
		Approved the amendments to the "Procedures for Acquisition or Disposal of Assets".	
		Approved to lift the non-competition restriction on Unizyx's directors.	
May 4, 2022	13th Meeting of 1st Committee	Approved the First Quarter of 2022 consolidated financial statements.	
		Approved the 12th repurchase of treasury shares and cancel the company's share capital.	
		Approved for established the matters related to the exercised the employee stock options in the First Quarter of 2022 converting share capital.	
		Approved to lift the non-competition restriction for the 5th term of directors	

Date	Meeting	Resolution	Opinion of All Independent Directors and the Company's Response to Independent Directors
August 8, 2022	1st Meeting of 2nd Committee	Approved the Second Quarter of 2022 consolidated financial statements.	None of the independent directors has expressed opposition or qualified opinions.
		Approved the record date for 2021 earnings distribution	
		Approved the record date of capital reduction, the plan for replacement of share certificates and record date of share replacement.	
		Approved for established the matters related to the exercised the employee stock options in the Second Quarter of 2022 converting share capital.	
		Approved Unizyx's additional loan to the subsidiary, MitraStar Technology Corporation.	
		Approved the current-year endorsement or guarantee limits on behalf of invested companies.	
September 29, 2022	2nd Meeting of 2nd Committee	Approved for established the matters related to the exercised the employee stock options in the Third Quarter of 2022 converting share capital.	
November 7, 2022	3rd Meeting of 2nd Committee	Approved to formulate the general principles of the company's pre-approved non-assurance service policy.	
		Approved the professional fees of the independent auditors retained by Unizyx.	
		Approved the Third Quarter of 2022 consolidated financial statements.	
		Approved 2023 internal audit plan.	
		Approved Unizyx's additional loan to the subsidiary, Zyxel Communications Corporation.	

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 May 4, 2022, 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 4th 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. 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.
- B. Communication between internal audit officers and independent directors:
1. Internal audit officers regularly send audit reports and tracking reports to independent directors. If the independent directors have any suggestions or questions after receiving the audit report, they will communicate with internal audit officers irregularly.
 2. Internal audit officers report the annual internal audit plan and implementation to the Audit Committee quarterly.
- C. Communication between independent auditors and independent directors :
- Independent auditors attend the Audit Committee quarterly, report audit results, and discuss discoveries in the audit.
- D. Others: In the event of major exception occurred, or matters that independent directors, internal audit officers and independent auditors consider necessary to communicate independently, meetings may be held at any time.
- E. The independent directors asked the internal and independent auditors in the separate communication meeting whether they encountered obstacles during the audit process, and the auditors replied that there was no relevant matter during the audit process.

Communication between independent directors and independent auditors as well as internal audit officers in 2022:

Date	Attendees	Items	Results
2022.03.14 Audit Committee	Independent Director- Feng Chian Independent Director - K.C. Shih Independent Director - Chin-Tang Liu Internal Audit Officer- Jessica Chen CPA- An-Chih Cheng CPA- Ji-Long Yu	Audit Results and Internal Control Audits of the 2021 Consolidated Financial Statements and Parent-Company-Only 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 audit)	
		Report for 2021 internal control system self-inspection result	
		2021 Internal Control System Statement	
		Report for the First Quarter of 2022 Internal Audit	
2022.05.04 Audit Committee	Independent Director- Feng Chian Independent Director - K.C. Shih Independent Director - Chin-Tang Liu Internal Audit Officer- Jessica Chen CPA- An-Chih Cheng	Review results of the First Quarter of 2022 Consolidated Financial Statement	Acknowledged.
		Communicate with governance units (to discuss and communicate the impacts posed by new and amended laws and regulations, and discoveries in the audit)	
		Report for the Second Quarter of 2022 Internal Audit	

Date	Attendees	Items	Results
2022.08.08 Audit Committee	Independent Director - Chin-Tang Liu Independent Director- Feng Chian Independent Director - Chin-Liang Wang Internal Audit Officer- Jessica Chen CPA- An-Chih Cheng CPA- Ji-Long Yu	Review results of the Second Quarter of 2022 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 audit)	
		Report for the Third Quarter of 2022 Internal Audit	
2022.11.07 Audit Committee	Independent Director - Chin-Tang Liu Independent Director- Feng Chian Independent Director - Chin-Liang Wang Internal Audit Officer- Jessica Chen CPA- An-Chih Cheng CPA- Ji-Long Yu	Review results of the Third Quarter of 2022 Consolidated Financial Statements	Acknowledged.
		2022 communication matters in the Group's audit at the end of the period.	
		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)	
		Report for the Fourth Quarter of 2022 Internal Audit	
		2023 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)	Feng Chian	Please refer to pages 9-11, 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.	0
Independent director	Chin-Tang Liu		Is the independent director serving as a director, supervisor, or employee of any company having certain relationships with the Company: no.	2
Independent director	Chin-Liang Wang		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

4.3.2 Remuneration Committee meeting

A total of 2 Remuneration Committee meetings have been convened in 2022. The attendance is stated as follows:

Title	Name	Attendance in Person	Attendance by Proxy	Attendance Rate (%)	Remarks
Member (Convener)	Feng Chian	2	-	100%	Reelected on 2022/06/23
Committee Member	K.C. Shih	1	-	100%	Term expired
Committee Member	Chin-Tang Liu	2	-	100%	Reelected on 2022/06/23
Committee Member	Chin-Liang Wang	1	-	100%	Elected on 2022/06/23

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 2022 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 14, 2022	7 th Meeting of 4 th Committee	2021 compensation to Chairman and managerial officers.	Approved by all of the Committee members	Approved by all attending directors in the Board meeting
		2021 remuneration to employees and directors.		
		Contribution rates of 2022 remuneration to employees and directors.		
November 7, 2022	1 st Meeting of 5 th Committee	2023 compensation projections for Unizyx's Chairman and managerial officers.		

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 prevent them from insider trading with undisclosed information.	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>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>✓</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 “2.2.2.1 Diversification of Board” in the annual report.</p> <p>(II) Other functional committees will be established depending on the Company's actual needs.</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 2022 performance appraisal have been reported to the Board of Directors in the first quarter of 2023, and such results shall be served as the basis for the remuneration of individual directors and the nomination for re-election. 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</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>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 competence of CPAs at least once a year, and requires CPAs to provide a "Statement of Independence" and "Audit Quality Indicators (AQIs)." The following five aspects and 13 AQI indicators are evaluated. Confirming that the firm has sufficient auditing capabilities, experience, and effective quality control. The audit and review tasks also comply with the provisions related to the independence of the Bulletin of Norm of Professional Ethics for Certified Public Accountants of the Republic of China No.10, and there has been no violation resulting in any impact on the independence of the accounting firm.</p> <ol style="list-style-type: none"> 1. Professionalism <ol style="list-style-type: none"> (1) Experience in audits (2) Hours trained (3) Turnover rate (4) Professional support 2. Quality control <ol style="list-style-type: none"> (1) Workloads of the CPAs (2) Input to the audit (3) Engagement quality control review (EQCR) (4) Supportive capability to QC 3. Independence <ol style="list-style-type: none"> (1) Non-audit service (2) Familiarity to customers 4. Supervision <ol style="list-style-type: none"> (1) Deficiencies and dispositions regarding external inspection (2) Improvement required by the competent authority 	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	
			in correspondence 5. Innovation capability (1) Innovative planning or initiatives	
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 2022:</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. (3) Regular communications among the independent directors, internal audit officers or CPAs, to understand the Company's financial performance. (4) Assist in providing information required by directors to perform their duties and arrange continuing education for directors. 	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>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> <p>Continuing education of the Chief Corporate Governance Officer:</p> <table border="1"> <thead> <tr> <th>Date</th> <th>Host by</th> <th>Training / Speech title</th> <th>Hours</th> </tr> </thead> <tbody> <tr> <td>January 24, 2022</td> <td>Accounting Research and Development Foundation</td> <td>Legal liability and practices analysis of the Company's "Competition for Operational Rights"</td> <td>3 hours</td> </tr> </tbody> </table>	Date	Host by	Training / Speech title	Hours	January 24, 2022	Accounting Research and Development Foundation	Legal liability and practices analysis of the Company's "Competition for Operational Rights"	3 hours	
Date	Host by	Training / Speech title	Hours									
January 24, 2022	Accounting Research and Development Foundation	Legal liability and practices analysis of the Company's "Competition for Operational Rights"	3 hours									

Assessment Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons												
	Yes	No	Summary													
			<table border="1"> <thead> <tr> <th>Date</th> <th>Host by</th> <th>Training / Speech title</th> <th>Hours</th> </tr> </thead> <tbody> <tr> <td>January 25, 2022</td> <td>Accounting Research and Development Foundation</td> <td>Common internal control management deficiencies and practices analysis</td> <td>6 hours</td> </tr> <tr> <td>March 8, 2022</td> <td>Accounting Research and Development Foundation</td> <td>Improve corporate’s strategy capability by ESG</td> <td>3 hours</td> </tr> </tbody> </table>	Date	Host by	Training / Speech title	Hours	January 25, 2022	Accounting Research and Development Foundation	Common internal control management deficiencies and practices analysis	6 hours	March 8, 2022	Accounting Research and Development Foundation	Improve corporate’s strategy capability by ESG	3 hours	
Date	Host by	Training / Speech title	Hours													
January 25, 2022	Accounting Research and Development Foundation	Common internal control management deficiencies and practices analysis	6 hours													
March 8, 2022	Accounting Research and Development Foundation	Improve corporate’s strategy capability by ESG	3 hours													
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 stakeholders’ questions on corporate responsibilities?	✓		<p>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.</p> <p>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.</p> <p>Please refer to Unizyx’s Sustainability Reports, and the Chapter and Section of Communications to Stakeholders on the official website for details.</p> <p>The communication status with stakeholders for this year has been reported to the Board of Directors on August 8, 2022.</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	
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, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?	✓		(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 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.	No material deviation.
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	✓		(I) Employee rights and employee wellness: please refer to the description of "Labor Relations" in this annual report. (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. (III) Supplier relations: The Company has established the procurement policy and guidelines for supplier management, specifying the Company’s procurement	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	
relations policies, and purchasing insurance for directors)?			<p>principles and spirit that serve as standards for procurement personnel to perform procurement business; meanwhile, the strategies and targets of supplier management is established to create the highest value of the Company, and establish a good partnership with suppliers.</p> <p>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 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 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</p>	

Assessment Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons								
	Yes	No	Summary									
			<p>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. The Group values the protection and control of confidential commercial information and has established the "Procedures for Classifying and Managing Confidential Documents" to regulate the appropriate storage methods and related protection measures meeting the classification of confidential documents, to assist the management of the Company's trade secrets and internal confidential documents. It is responsible for conducting surveys, calculations, and analyses of customer satisfaction with after-sales service every year, and notifying the customer feedback information to relevant departments for improvement and review, as well as reporting the improvement status to customers.</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 4, 2022. The insurance amount for 2022 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.</p> <p>For the 9th Term of Corporate Governance Evaluation (evaluation year: 2022), the improvements of the Company are described as follows:</p> <table border="1"> <thead> <tr> <th>Indicator Content</th> <th>Description</th> </tr> </thead> <tbody> <tr> <td>2.2 Did the company adopt a board diversity policy and disclose the specific management objectives as well as the status of implementation of the diversity policy on the company’s website and in the annual report?</td> <td>The related information has been disclosed on the company’s website and in the annual report.</td> </tr> <tr> <td>2.11 Were the company’s interim financial reports all approved by the Audit Committee and submitted to the board for discussion and resolution?</td> <td>The interim financial reports are all approved by the Audit Committee.</td> </tr> <tr> <th>Indicator Content</th> <th>Description</th> </tr> </tbody> </table>					Indicator Content	Description	2.2 Did the company adopt a board diversity policy and disclose the specific management objectives as well as the status of implementation of the diversity policy on the company’s website and in the annual report?	The related information has been disclosed on the company’s website and in the annual report.	2.11 Were the company’s interim financial reports all approved by the Audit Committee and submitted to the board for discussion and resolution?	The interim financial reports are all approved by the Audit Committee.	Indicator Content	Description
Indicator Content	Description											
2.2 Did the company adopt a board diversity policy and disclose the specific management objectives as well as the status of implementation of the diversity policy on the company’s website and in the annual report?	The related information has been disclosed on the company’s website and in the annual report.											
2.11 Were the company’s interim financial reports all approved by the Audit Committee and submitted to the board for discussion and resolution?	The interim financial reports are all approved by the Audit Committee.											
Indicator Content	Description											

Assessment Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
2.25 Did all of the company's independent directors complete the number of hours of continuing education required by the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies?				During the year, all directors have completed their continuing education.
3.2 Did the company release material information in English and Chinese at the same time?				From this year, the material information in English and Chinese are released at the same time.
4.5 Did the company obtain a third-party verification or assurance for its sustainability report?				The 2021 Sustainability Report of the Company is verified by DNV Business Assurance Co., Ltd.
4.7 Did the company upload the English version of its sustainability report to the MOPS and the company website?				The English version of its sustainability report has been uploaded to the MOPS and the company website.

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>"Unizyx Sustainability Committee" takes "Unizyx Sustainability Policy" as the highest guiding principle for sustainable development, and it is the highest-level management and executive organization for planning, implementing and supervising sustainable development strategies. The “Steering Committee” is the strategic guidance unit, chaired by the chairman of Unizyx as the chairman, and the presidents of Unizyx and three companies serve as members of the "Steering Committee."</p> <p>In October 2022, the former Chief Operating Officer of Zyxel was appointed as the dedicated Chief Sustainability Officer, and the "Sustainability Office" was established to supervise the sustainability tasks and report to the Board of Directors, as well as guide the implementation of various sustainability tasks in subsidiaries.</p> <p>Via the Committee consisting of members from each subsidiary, with clear organizational divisions, sufficient authorization from executives, and under the leadership and full support of senior management, various sustainable development tasks are implemented from top to bottom with every employee.</p> <p>The “Sustainability Committee” holds regular monthly meetings to establish the roadmap for corporate responsibility, and review the implementation of related affairs with continuous improvement. The Committee also reports to the Board of Directors each quarter regarding annual sustainable development plans and task results every year. The Board of Directors must review the feasibility and progress of the strategies, and make recommendations to urge.</p> <p>The content of the 2022 annual report includes (1) completed projects of the 2021 sustainable development tasks; (2) key</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	
			projects for the 2022 sustainable development plan; (3) Implementation results of the "Investigation Plan on Issues of Concern to Stakeholders"; (4) TCFD: Risks and opportunities of financial impacts of climate change.	
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 from January 2022 to December 2022, 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 responding strategies are as shown in the following table:</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							
			<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 operation unit regularly reports strategic issues to the board of directors, 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 operation unit regularly reports strategic issues to the board of directors, 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. 	
Aspect	Category of risk	Mitigation measure								
Corporate governance	Operational risks	<ul style="list-style-type: none"> • The operation unit regularly reports strategic issues to the board of directors, 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. 								

Promoted Item	Implementation			Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons				
	Yes	No	Summary					
			<table border="1"> <tr> <td>Financial risks</td> <td>In consideration of the Group’s higher proportions of export sales, the Group keeps controlling the market information and exchange rate trends and evaluates the risk over the 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 operation.</td> </tr> <tr> <td>Information Security Risk</td> <td> <ul style="list-style-type: none"> • The cross-function “Information Security Committee” is established. • Improving the information awareness and professional knowledge of employees. • Enhancing the information safety management, to ensure the confidentiality, completeness and availability of information assets. • Through asset identification, and verification of threats and vulnerabilities, administrators fully understand where the risks are and seek to reduce risks to a tolerable extent. • Obtaining the ISO 27001:2013 certification. </td> </tr> </table>	Financial risks	In consideration of the Group’s higher proportions of export sales, the Group keeps controlling the market information and exchange rate trends and evaluates the risk over the 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 operation.	Information Security Risk	<ul style="list-style-type: none"> • The cross-function “Information Security Committee” is established. • Improving the information awareness and professional knowledge of employees. • Enhancing the information safety management, to ensure the confidentiality, completeness and availability of information assets. • Through asset identification, and verification of threats and vulnerabilities, administrators fully understand where the risks are and seek to reduce risks to a tolerable extent. • Obtaining the ISO 27001:2013 certification. 	
Financial risks	In consideration of the Group’s higher proportions of export sales, the Group keeps controlling the market information and exchange rate trends and evaluates the risk over the 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 operation.							
Information Security Risk	<ul style="list-style-type: none"> • The cross-function “Information Security Committee” is established. • Improving the information awareness and professional knowledge of employees. • Enhancing the information safety management, to ensure the confidentiality, completeness and availability of information assets. • Through asset identification, and verification of threats and vulnerabilities, administrators fully understand where the risks are and seek to reduce risks to a tolerable extent. • Obtaining the ISO 27001:2013 certification. 							

Promoted Item	Implementation			Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons					
	Yes	No	Summary						
			<table border="1"> <tr> <td rowspan="2" style="writing-mode: vertical-rl; transform: rotate(180deg);">Economy aspect</td> <td style="writing-mode: vertical-rl; transform: rotate(180deg);">Supply chain risks</td> <td> <ul style="list-style-type: none"> • Establish a sustainable supply chain partnership. • Establish the raw material price risk management mechanism • Prudentially assess and actively develop new sources of materials to prevent the monopoly by a few suppliers. • Establish a safe inventory. • Via the business intelligence collection or market surveys, the market conditions are understood for early responses. </td> </tr> <tr> <td style="writing-mode: vertical-rl; transform: rotate(180deg);">Technology risks</td> <td> <ul style="list-style-type: none"> • Grasping market trends and understanding customers’ needs, for early positioning of new products and developing core technologies. • Engaging related technology R&D to increase the energy and investment of R&D. • Establishing the “Managerial Procedures of Project Risks” to conduct the risk management plans during the planning of new products. </td> </tr> </table>	Economy aspect	Supply chain risks	<ul style="list-style-type: none"> • Establish a sustainable supply chain partnership. • Establish the raw material price risk management mechanism • Prudentially assess and actively develop new sources of materials to prevent the monopoly by a few suppliers. • Establish a safe inventory. • Via the business intelligence collection or market surveys, the market conditions are understood for early responses. 	Technology risks	<ul style="list-style-type: none"> • Grasping market trends and understanding customers’ needs, for early positioning of new products and developing core technologies. • Engaging related technology R&D to increase the energy and investment of R&D. • Establishing the “Managerial Procedures of Project Risks” to conduct the risk management plans during the planning of new products. 	
Economy aspect	Supply chain risks	<ul style="list-style-type: none"> • Establish a sustainable supply chain partnership. • Establish the raw material price risk management mechanism • Prudentially assess and actively develop new sources of materials to prevent the monopoly by a few suppliers. • Establish a safe inventory. • Via the business intelligence collection or market surveys, the market conditions are understood for early responses. 							
	Technology risks	<ul style="list-style-type: none"> • Grasping market trends and understanding customers’ needs, for early positioning of new products and developing core technologies. • Engaging related technology R&D to increase the energy and investment of R&D. • Establishing the “Managerial Procedures of Project Risks” to conduct the risk management plans during the planning of new products. 							

Promoted Item	Implementation			Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons										
	Yes	No	Summary											
			<table border="1"> <tr> <td rowspan="3">Environment Aspect</td> <td>Business risks</td> <td> <ul style="list-style-type: none"> Via the business intelligence collection or market surveys, the market conditions are understood for early responses. To respond to the evolutions of the Sino-US trade war, the capacity allocations are optimized, and enhance the partnerships with customers and the supply chain. </td> </tr> <tr> <td>Disaster risks</td> <td> <ul style="list-style-type: none"> Optimizing capacity allocations. Enhancing the partnerships with customers and the supply chain. </td> </tr> <tr> <td>Climate change risks</td> <td> <ul style="list-style-type: none"> Identifying the risks and opportunities of climate change, and formulating the responding measures, evaluating operational shocks and financial impacts, while presenting the disclosure of climate change information. Managing carbon emissions and promoting the GHS inventory and energy-saving measures. </td> </tr> <tr> <td>Social Aspect</td> <td>Human resource risk</td> <td> <ul style="list-style-type: none"> Effective human resource management mechanism with introduction of performance evaluation procedures. Enhancing talent recruitment and training channels. Compliant with HR management procedures. </td> </tr> </table>	Environment Aspect	Business risks	<ul style="list-style-type: none"> Via the business intelligence collection or market surveys, the market conditions are understood for early responses. To respond to the evolutions of the Sino-US trade war, the capacity allocations are optimized, and enhance the partnerships with customers and the supply chain. 	Disaster risks	<ul style="list-style-type: none"> Optimizing capacity allocations. Enhancing the partnerships with customers and the supply chain. 	Climate change risks	<ul style="list-style-type: none"> Identifying the risks and opportunities of climate change, and formulating the responding measures, evaluating operational shocks and financial impacts, while presenting the disclosure of climate change information. Managing carbon emissions and promoting the GHS inventory and energy-saving measures. 	Social Aspect	Human resource risk	<ul style="list-style-type: none"> Effective human resource management mechanism with introduction of performance evaluation procedures. Enhancing talent recruitment and training channels. Compliant with HR management procedures. 	
Environment Aspect	Business risks	<ul style="list-style-type: none"> Via the business intelligence collection or market surveys, the market conditions are understood for early responses. To respond to the evolutions of the Sino-US trade war, the capacity allocations are optimized, and enhance the partnerships with customers and the supply chain. 												
	Disaster risks	<ul style="list-style-type: none"> Optimizing capacity allocations. Enhancing the partnerships with customers and the supply chain. 												
	Climate change risks	<ul style="list-style-type: none"> Identifying the risks and opportunities of climate change, and formulating the responding measures, evaluating operational shocks and financial impacts, while presenting the disclosure of climate change information. Managing carbon emissions and promoting the GHS inventory and energy-saving measures. 												
Social Aspect	Human resource risk	<ul style="list-style-type: none"> Effective human resource management mechanism with introduction of performance evaluation procedures. Enhancing talent recruitment and training channels. Compliant with HR management procedures. 												

Promoted Item	Implementation			Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
<p>III. Environmental Topic</p> <p>(I) Has the Company set an environmental management system designed to industry characteristics?</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 obtain ISO14064 certificate and track the performance of emission reduction, and the results are disclosed in the Sustainability Report and on the official website.	No material deviation.
<p>(II) Is the Company committed to improving energy utilization efficiency and to the use of renewable materials with low environmental impact?</p>	✓		(II) The Group sets targets for the efficiency of resource utilization every year and tracks the results. Unizyx is a low energy-intensive company, the improvements for the utilization and efficiency of power resource are mainly the energy saving of office illumination and air-conditioning, including: replacing with energy-saving lamps, replacing old ice machines and promoting energy-saving activities. Meanwhile, as there is no water required for the manufacturing process, water resource conservation is mainly in the water-saving facilities for daily water uses and promotions. Based on the SBTi absolute-based emission reduction approach, the annual carbon reduction target is 4.2% (corresponding to within temperature rise of 1.5°C).	No material deviation.
<p>(III) Does the Company evaluate current and future climate change potential risks and opportunities and take measures to respond the climate related issues?</p>	✓		(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	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>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 from climate change and their financial impact have been disclosed in the Group's sustainability report. Meanwhile, it has also initiated the scenario analysis and financial estimation of major risks/opportunities, to further understand the impact of climate change on the Group under different climate scenarios as a self-inspection; at the same time, the financial impact is estimated to adopt adaptive approaches and countermeasures.</p>	

Promoted Item	Implementation			Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons																											
	Yes	No	Summary																												
(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 volume</p> <p>In 2022, the Taiwan plants of Unizyx, and the plants of its subsidiaries, MitraStar and Zyxel, completed the ISO14064-1 inventory and third-party verification. The 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> <th colspan="2">Category 3</th> </tr> <tr> <th>2022</th> <th>2021</th> <th>2022</th> <th>2021</th> <th>2022</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>MistraStar</td> <td>370.68</td> <td>427.34</td> <td>4,692.64</td> <td>4,431.94</td> <td>813.15</td> <td>814.88</td> </tr> <tr> <td>Zyxel</td> <td>176.74</td> <td>163.72</td> <td>1,176.84</td> <td>1,172.99</td> <td>352.40</td> <td>345.62</td> </tr> </tbody> </table> <p>The Group has set a long-term carbon reduction target as reducing carbon emissions by 4.2% per year (corresponding to within temperature rise of 1.5°C), to achieve net zero in 2050. It has launched a carbon reduction program and the implementation schedule and strategies are planned. Scope 3 inventory and calculation has been introduced</p>	Site	Category 1		Category 2		Category 3		2022	2021	2022	2021	2022	2021	MistraStar	370.68	427.34	4,692.64	4,431.94	813.15	814.88	Zyxel	176.74	163.72	1,176.84	1,172.99	352.40	345.62	No material deviation.
Site	Category 1		Category 2		Category 3																										
	2022	2021	2022	2021	2022	2021																									
MistraStar	370.68	427.34	4,692.64	4,431.94	813.15	814.88																									
Zyxel	176.74	163.72	1,176.84	1,172.99	352.40	345.62																									

Promoted Item	Implementation			Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons												
	Yes	No	Summary													
			<p>into the GHG inventory, for conducting the Science Based Target initiative (SBTi), and the plans to build renewable energy and purchase green power have been evaluated, to move towards the target of net zero gradually.</p> <p>The Group takes the information on the GHG emissions in the plants as the basis for the management of the emissions in the plants. By referring to the ISO 14064-1 GHG inventory standards, the GHG inventory is conducted, to inventory the GHG emissions every year, for grasping the use and emission of GHG, with the reduction actions taken, to review the effectiveness of the overall carbon reduction through the results of GHG inventory verified by a third party. For GHG reduction targets, the direct emissions (Scope 1) include emergency power generators, fuels for official vehicles; indirect emission sources (Scope 2 and Scope 3), include the purchased power and other emission sources for the carbon reduction.</p> <p>2. Water usage</p> <p>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.</p> <p>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>2022</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>MitraStar</td> <td>40,556</td> <td>39,394</td> </tr> <tr> <td>Zyxel</td> <td>11,978</td> <td>11,228</td> </tr> <tr> <td>Total</td> <td>52,534</td> <td>49,622</td> </tr> </tbody> </table> <p>Unizyx’s water resource management continuously</p>	Year	2022	2021	MitraStar	40,556	39,394	Zyxel	11,978	11,228	Total	52,534	49,622	
Year	2022	2021														
MitraStar	40,556	39,394														
Zyxel	11,978	11,228														
Total	52,534	49,622														

Promoted Item	Implementation			Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons																				
	Yes	No	Summary																					
			<p>implements the daily water saving measures.</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.</p> <p>Waste generation volume/recycle rate in the most recent three years:</p> <table border="1"> <thead> <tr> <th>Year</th> <th>2022</th> <th>2021</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>General Commercial waste (tons)</td> <td>39.85</td> <td>50.18</td> <td>41.51</td> </tr> <tr> <td>Hazardous Business waste (tons)</td> <td>25.26</td> <td>15.32</td> <td>13.12</td> </tr> <tr> <td>Recycling waste(tons)</td> <td>634.99</td> <td>554.87</td> <td>323.56</td> </tr> <tr> <td>Percentage of Recycled Waste (%)</td> <td>94%</td> <td>93%</td> <td>89%</td> </tr> </tbody> </table>	Year	2022	2021	2020	General Commercial waste (tons)	39.85	50.18	41.51	Hazardous Business waste (tons)	25.26	15.32	13.12	Recycling waste(tons)	634.99	554.87	323.56	Percentage of Recycled Waste (%)	94%	93%	89%	
Year	2022	2021	2020																					
General Commercial waste (tons)	39.85	50.18	41.51																					
Hazardous Business waste (tons)	25.26	15.32	13.12																					
Recycling waste(tons)	634.99	554.87	323.56																					
Percentage of Recycled Waste (%)	94%	93%	89%																					
<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>	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>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> <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 </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 	
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 									

Promoted Item	Implementation			Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<p>better track the groups with potential health risks regularly</p> <ul style="list-style-type: none"> • Being employee need-oriented, the health-improving activities and assisting programs to employees are promoted. 	
			<p>No discrimination</p> <p>The “Company Recruitment Guideline” specify the principle of no discrimination regardless of religions, races, classes, languages, 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.</p>	
			<p>Forced labor prohibited</p> <p>Complying with governmental laws, international regulations and the Company’s principles for corporate social responsibility practices, to eliminate forced labor in any form.</p>	
			<p>Child labor prohibited</p> <p>The Company’s recruitment process document specifies that the Company only accepts job candidates aged 18 or older, and inspects the job candidates.</p>	
			<p>Complaint filing mechanism for implementing human rights</p> <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 	

Promoted Item	Implementation			Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<p>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.</p> <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></p> <p>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.</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>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 2022, our female employees constituted 43% of the total employees and the female employees holding managerial positions 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</p>	

Promoted Item	Implementation			Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<p>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> <p><u>The employees’ remunerations reflect the operating performance:</u></p> <p>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>	
(III) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?	✓		<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. 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>	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?	✓		<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 questionnaire, the response rate is $\geq 80\%$, and the satisfaction with activities is 4 points or $\geq 90\%$.</p> <p><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 2022 was 97%.</p> <p>(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.”</p>	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?	✓		<p>(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.</p> <p>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</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>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.</p> <p>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.</p>	
(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>(VI) The Company has established the "Supplier Sustainability Policy," specifying to emphasize the sustainable value of the supply chain, to improve the suppliers’ capabilities of sustainable supply chain, and to work with suppliers as sustainable development partners, for jointly creating a responsible supply chain industry, as the supplier's sustainability policy.</p> <p>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. 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</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	
			suppliers in continuous improvement.	
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?	✓		The Company's sustainability report is prepared pursuant to the sustainability reporting standards framework (2016), the Global Reporting Initiative (GRI), which describes the materiality analysis results, disclosures and feedbacks in the content, while referring to the structures of the Sustainability Accounting Standard Board (SASB) and Task Force on Climate related Financial Disclosures (TCFD) for disclosure. The comparison table of the above-mentioned disclosure structure are provided in the appendix at the end of the report as the reference. Meanwhile, the sustainability report and the implementation of sustainable development are disclosed on the sustainability page of Unizyx’s website and the MOPs. The Company's sustainability report has obtained the assurance of a third-party verification unit.	No material deviation.
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.				
VII. Other important information to facilitate a better understanding of the company’s implementation of sustainable development: (I) Community relationship 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. (II) Green products: 1. 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. 2. The Company's exclusive product carbon footprint and environmental footprint calculation platform is developed, to present the environmental impacts caused by product development and manufacturing as the indicators such as carbon footprint and water footprint, to assist customers to analyze the statistical data early for the strategic planning of product specifications or marketing activities, and help us and our customers to quickly respond to				

Promoted Item	Implementation			Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
environmental issues highly concerned internationally such as climate change and net zero.				

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>(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>	No material variance.
<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>(II) The Company appoints the "Unizyx Sustainability Committee-Corporate Governance Team" as the management organization for commercial ethics and ethical management, responsible for coordinating the establishment, supervision and implementation of the internal ethical management policies and regulations in Unizyx, and regularly reviewing its promotion and compliance every year to report to the Board of Directors. Implementation in 2022: directors and managerial officers have signed a statement of compliance with the ethical management policy; employees have conducted ethical risk assessments, and completed ethical education and training with a completion rate higher than 99%. These were reported to the Board of Directors on March 13, 2023.</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	
(III) Whether the company has established policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?	✓		(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 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. The "Procedures for Stakeholder’s Appeal and Whistleblowing" regulates all internal and external whistleblowing, to be handled by the appeal review team. Each appeal is established as an individual case, and recorded or retained in the manner of writing, electronic files, or system approval construction. Shall any major violation is discovered from an investigation, the Internal Auditing Office shall take the initiative to report to the independent directors or supervisor, and give appropriate rewards to the whistleblower when the violation is verified as truth.	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	
(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?	✓		(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.	No material variance.
(V) Does the company provide internal and external ethical conduct training programs	✓		(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 completion rate of employee integrity-related education reached over 99% in 2022.	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>	✓		<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</p>	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>	✓		<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.</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	
(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” and “Code of Ethical Conduct”. 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 137.

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
June 15, 2022	<ol style="list-style-type: none">1. Proposal to ratify the 2021 business report and financial statements. Implementation status: Resolved to approve.2. Proposal to ratify the 2021 earning distribution. Implementation status: Resolved to approve. The cash dividend was distributed for NTD 0.5 per share in 2021, for NTD 225,339,428 in total.3. Approved the proposal of capital reduction with cash payment. Implementation status: Resolved to approve. The Company intended to decrease the capital and return the share payment, for total NTD 450,678,850, and 45,067,885 shares would be cancelled.4. Proposal of amendments to the "Articles of Incorporation". Implementation status: Resolved to approve. On July 8, 2022, the MOEA approved to register the change (Jing-Shou-Shang-Zhi No.11101117850) and updated at the Company's website.5. Approved the proposal to amend the "Procedures for Derivatives

Date	Major Resolutions of Shareholders' Meetings
	<p>Trading.” Implementation status: Resolved to approve. The same was uploaded to the MOPS on June 24, 2022, and updated on Unizyx’s website.</p> <p>6. Approved the proposal to amend the “Procedures for Acquisition or Disposal of Assets.” Implementation status: Resolved to approve. The same was uploaded to the MOPS on June 24, 2022, and updated on Unizyx’s website.</p> <p>7. Approved the proposal to lift the non-competition restriction on the directors of the 4th term. Implementation status: Resolved to approve, and the announcement is made pursuant to subparagraph 21, paragraph 1, Article 4 of the “Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities”.</p> <p>8. Approved the proposal to re-elect directors of the 5th term. Implementation status: The re-election for the directors of the 5th term was completed, and the announcement is made pursuant to subparagraph 6, paragraph 1, Article 4 of the “Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities”. The term of office for the elected directors (independent directors included) is from June 15, 2022 to June 14, 2025.</p> <p>9. Approved the proposal to lift the non-competition restriction on the directors of the 5th term. Implementation status: Resolved to approve, and the announcement is made pursuant to subparagraph 21, paragraph 1, 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
February 7, 2022 13 th Meeting of 4 th Board	<p>1. Discussed Items:</p> <p>(1) Resolved to approve the proposal of the establishment of the Repurchase Procedures of Treasury Shares.</p> <p>(2) Resolved to approve the proposal of amendments to the internal control system.</p> <p>(3) Resolved to approve the proposal of the capital reduction by cancelling the share capital of the Company with the 11th repurchase of treasury shares.</p> <p>(4) Resolved to approve the proposal of the Company’s repurchase of treasury shares to protect Company’s reputation and shareholders’ equity.</p>
March 14, 2022 14 th Meeting of 4 th Board	<p>1. Discussed Items:</p> <p>(1) Resolved to approve the proposal of the independent auditors’ competence and independence evaluation.</p> <p>(2) Resolved to approve the proposal of 2021 remuneration to employees and directors.</p>

Date	Major Resolutions of Board of Directors' Meeting
	<p>(3) Resolved to approve the proposal of 2021 business report and financial statements.</p> <p>(4) Resolved to approve the proposal of 2022 business plan.</p> <p>(5) Resolved to approve the proposal of 2021 Internal Control System Statement.</p> <p>(6) Resolved to approve the proposal of 2021 compensation to Chairman and managerial officers.</p> <p>(7) Resolved to approve the proposal of the 2021 earning distribution.</p> <p>(8) Resolved to approve the proposal of the Company's capital reduction with cash payment.</p> <p>(9) Resolved to approve the proposal of contribution rates of 2022 remuneration to employees and directors.</p> <p>(10) Resolved to approve the proposal of the current-year endorsement or guarantee limits on behalf of invested companies.</p> <p>(11) Resolved to approve the proposal of the current-year financial institution credit limit.</p> <p>(12) Resolved to approve the proposal of establishing the matters related to the employee stock options exercised in the Fourth Quarter of 2021 for converting share capital.</p> <p>(13) Resolved to approve the proposal of Unizyx's additional loan to the subsidiary, MitraStar Technology Corporation.</p> <p>(14) Resolved to approve the proposal of removal of loaning of funds to the subsidiary, Zyxel Networks Corporation.</p> <p>(15) Resolved to approve the proposal of amending the "Articles of Incorporation".</p> <p>(16) Resolved to approve the proposal of amending the "Principles for Corporate Social Responsibility Practice".</p> <p>(17) Resolved to approve the proposal of amending the "Procedures for Derivatives Trading".</p> <p>(18) Resolved to approve the proposal of amending the "Procedures for Acquisition or Disposal of Assets".</p> <p>(19) Resolved to approve the proposal of lifting the non-competition restriction on Unizyx's managerial officers.</p> <p>(20) Resolved to approve the proposal of lifting the non-competition restriction on the directors.</p> <p>(21) Resolved to approve the proposal of full re-election of directors and independent directors.</p> <p>(22) Resolved to approve the proposal of nomination for the directors (independent directors included) for the 5th Term.</p> <p>(23) Resolved to approve the proposal of the 2022 general shareholders' meeting date, location and agenda.</p> <p>(24) Resolved to approve the proposal of accepting the 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>
May 4, 2022 15 th Meeting of 4 th Board	<p>1. Discussed Items:</p> <p>(1) Resolved to approve the proposal of the First Quarter of 2022 consolidated financial statements.</p>

Date	Major Resolutions of Board of Directors' Meeting
	<p>(2) Resolved to approve the proposal of capital reduction by cancelling the share capital of the Company with the 12th repurchase of treasury shares.</p> <p>(3) Resolved to approve the proposal of establishing the matters related to the employee stock options exercised in the First Quarter of 2022 for converting share capital.</p> <p>(4) Resolved to approve the proposal of lifting the non-competition restriction on the directors of the 5th term.</p>
June 23, 2022 1 st Meeting of 5 th Board	<p>1. Discussed Items:</p> <p>(1) Resolved to approve the proposal of electing the chairman for the directors of the 5th Term.</p> <p>(2) Resolved to approve the proposal of appointing the members of the "Remuneration Committee" of the 5th Term.</p> <p>(3) Resolved to approve the proposal of the contract for industry-academy collaboration and academic feedback mechanism with National Tsing Hua University.</p>
August 8, 2022 2 nd Meeting of 5 th Board	<p>1. Discussed Items:</p> <p>(1) Resolved to approve the proposal of the Second Quarter of 2022 consolidated financial statements.</p> <p>(2) Resolved to approve the proposal of establishing the record dates related to the dividends paid from the 2021 earning distribution.</p> <p>(3) Resolved to approve the proposal of establishing the matters related to record date of capital reduction, plan for replacement of share certificates, and the record date of share replacement.</p> <p>(4) Resolved to approve the proposal of establishing the matters related to the employee stock options exercised in the Second Quarter of 2022 for converting share capital.</p> <p>(5) Resolved to approve the proposal of Unizyx's additional loan to the subsidiary, MitraStar Technology Corporation.</p> <p>(6) Resolved to approve the proposal of the current-year endorsement or guarantee limits on behalf of invested companies.</p>
September 29, 2022 3 rd Meeting of 5 th Board	<p>1. Discussed Items:</p> <p>(1) Resolved to approve the proposal of establishing the matters related to the employee stock options exercised in the Third Quarter of 2022 for converting share capital.</p>
November 7, 2022 4 th Meeting of 5 th Board	<p>1. Discussed Items:</p> <p>(1) Resolved to approve the proposal of establish the pre-approved generic principles for the non-assurance service policy.</p> <p>(2) Resolved to approve the proposal of professional fees of the independent auditors retained by Unizyx.</p> <p>(3) Resolved to approve the proposal of the Third Quarter of 2022 consolidated financial statements.</p> <p>(4) Resolved to approve the proposal of 2023 compensation projections for Unizyx's Chairman and managerial officers.</p> <p>(5) Resolved to approve the proposal of 2023 internal audit plan.</p> <p>(6) Resolved to approve the proposal of Unizyx's additional loan to the subsidiary, Zyxel Communications Corporation.</p> <p>(7) Resolved to approve the proposal of amending the "Rules of</p>

Date	Major Resolutions of Board of Directors' Meeting
	<p>Procedure for Board of Directors Meetings".</p> <p>(8) Resolved to approve the proposal of amending the "Procedures for Ethical Management and Guidelines for Conduct".</p> <p>(9) Resolved to approve the proposal of amending the "Procedures for Handling Material Inside Information".</p>
<p>March 13, 2023 5th Meeting of 5th Board</p>	<p>1. Retroactive Recognition Items: (1) Resolution passed for the assignment of executives.</p> <p>2. Discussed Items: (1) Resolved to approve the proposal of the independent auditors' competence and independence evaluation. (2) Resolved to approve the proposal of 2022 remuneration to employees and directors. (3) Resolved to approve the proposal of 2022 business report and financial statements. (4) Resolved to approve the proposal of 2023 business plan. (5) Resolved to approve the proposal of 2022 Internal Control System Statement. (6) Resolved to approve the proposal of 2022 compensation to Chairman and managerial officers. (7) Resolved to approve the proposal of the 2022 earning distribution. (8) Resolved to approve the proposal of contribution rates of 2023 remuneration to employees and directors. (9) Resolved to approve the proposal of the current-year endorsement or guarantee limits on behalf of invested companies. (10) Resolved to approve the proposal of the current-year financial institution credit limit. (11) Resolved to approve the proposal of establishing the matters related to the employee stock options exercised in the Fourth Quarter of 2022 for converting share capital. (12) Resolved to approve the proposal of amending the "Articles of Incorporation". (13) Resolved to approve the proposal of amending the "Corporate Governance Best-Practice Principles". (14) Resolved to approve the proposal of amending the "Procedures for Loaning Funds to Others". (15) Resolved to approve the proposal of the 2023 general shareholders' meeting date, location and agenda.</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, 2022~December 31, 2022	2,714	575	3,289	-
	Ji-Long Yu	January 1, 2022~December 31, 2022				

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: none.

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	2022		As of April 17, 2023	
		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	(10,192,475)	(5,087,394)	-	-
Director/CEO	Gordon Yang	270,858	-	50,000	-
Director	Yuh-Long Chen	(918,567)	-	-	-
Director	Lien-Pin Pai (Note 1)	-	-	-	-
Director	Representative of ZYXEL Foundation: Ping-Chin Li (Note 1)	-	-	-	-
Representative of institution shareholder	Ping-Chin Li (Note 1)	-	-	-	-
Director	Che-Ho Wei (Note 1)	-	-	-	-
Director	Ping-Chin Li (Note 2)	(65,640)	-	-	-
Director	Wayne Huang (Note 2)	100,608	-	50,000	-
Director	Ping-Jie Chu (Note 2)	(356,672)	-	8,000	-
Independent director	K.C. Shih (Note 1)	-	-	-	-
Independent director	Feng Chian	-	-	-	-
Independent director	Chin-Tang Liu	-	-	-	-
Independent director	Chin-Liang Wang (Note 2)	-	-	-	-
Senior Vice President	Woei Lo	113,197	-	-	-
Senior Manager, Audit Office	Jessica Chen	(15,000)	-	-	-

Note 1: Director Lien-Pin Pai, ZYXEL Foundation, Che-Ho Wei, and independent director K.C. Shih resigned after the shareholder meeting on June 15, 2022.

Note 2: Director Ping-Chin Li, Wayne Huang, Ping-Jie Chu, and independent director Chin-Liang Wang were newly elected as directors at the shareholder meeting on June 15, 2022

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, 2023

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	89,981,358	22.34	15,098,525	3.75	-	-	Zychamp Investment Co., Ltd. - Lien-Pin Pai ZYXEL Foundation	Chairman/ President Spouse Chairman	-
ZyFX Technologies Inc.	20,052,067	4.98	-	-	-	-	- ZYXEL Foundation	Parent and Subsidiary	-
Lien-Pin Pai	15,098,525	3.75	89,981,358	22.34	-	-	- Shun-I Chu	Spouse	-
Yuh-Long Chen	7,579,611	1.88	1,554,076	0.39	-	-	-	-	-
Zychamp Investment Co., Ltd.	7,317,397	1.82	-	-	-	-	- Shun-I Chu	Chairman/ President	-
ZYXEL Foundation	5,389,512	1.34	-	-	-	-	- Shun-I Chu	Chairman	-
Citibank Taiwan in custody for Polunin Emerging Markets Small Cap Fund, LLC	4,990,093	1.24	-	-	-	-	-	-	-
National Yang Ming Chiao Tung University	4,492,310	1.12	-	-	-	-	-	-	-
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	4,203,819	1.04	-	-	-	-	-	-	-
Li-Ling Hsu	3,979,885	0.99	-	-	-	-	-	-	-

8. Ownership of Shares in Affiliated Enterprises

As of December 31, 2022

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%	490	1%	109,368	95%
Black Cat	2,200	67%	440	14%	2,640	81%
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	-	-	92,456	100%	92,456	100%
ZyIT	-	-	10	100%	10	100%
ZNet RUS	-	-	-	100%	-	100%
Ardomus Networks Corporation	-	-	6,841	48%	6,841	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 128~129 of the annual report.

IV. Capital Overview

1. Capital and Shares

1.1 Source of Capital

April 17, 2023, 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
04/2022	10	700,000	7,000,000	450,679	4,506,789	Exercise of Employee Stock Options and Reduction of treasury shares	-	April 18, 2022, Jing-Shou-Shang-Zhi No. 11101052880
05/2022	10	700,000	7,000,000	442,397	4,423,969	Exercise of Employee Stock Options and Reduction of treasury shares	-	May 19, 2022, Jing-Shou-Shang-Zhi No. 11101085660
08/2022	10	700,000	7,000,000	397,525	3,975,250	Exercise of Employee Stock Options and Capital Reduction	-	August 16, 2022, Jing-Shou-Shang-Zhi No. 11101158550
10/2022	10	700,000	7,000,000	397,869	3,978,690	Exercise of Employee Stock Options	-	October 12, 2022, Jing-Shou-Shang-Zhi No. 11101192420
03/2023	10	700,000	7,000,000	400,172	4,001,720	Exercise of Employee Stock Options	-	March 27, 2023, Jing-Shou-Shang-Zhi No. 11230052250

April 17, 2023 Unit: shares

Type of share	Authorized capital			Remarks
	Outstanding shares (listed)	Unissued shares	Total	
common stock	402,736,970	297,263,030	700,000,000	Listed

Note: Outstanding shares include 2,565 thousand shares of Employee Stock Options. The related registration procedures are still in progress.

1.2 Shareholder structure

April 17, 2023

Shareholder structure Quantity	Government agencies	Financial institutions	Other Juridical person	Domestic Natural Persons	Foreign Institutions and Natural Persons	Total
Number of shareholders	0	16	181	41,641	173	42,011
Shareholdings	0	1,350,359	45,292,660	291,336,615	64,757,336	402,736,970
Holding percentage (%)	0%	0.33%	11.25%	72.34%	16.08%	100.00%

1.3 Distribution of Equity

Par value NTD 10 per share

April 17, 2023

Shareholding classes	Number of shareholders	Shareholdings	Holding percentage (%)
1 to 999	20,862	6,736,034	1.67%
1,000 to 5,000	15,551	35,756,057	8.88%
5,001 to 10,000	3,037	23,301,772	5.79%
10,001 to 15,000	754	9,411,038	2.34%
15,001 to 20,000	557	9,973,999	2.48%
20,001 to 30,000	442	10,575,621	2.63%
30,001 to 40,000	203	7,076,469	1.76%
40,001 to 50,000	130	5,908,920	1.47%
50,001 to 100,000	220	15,861,280	3.94%
100,001 to 200,000	129	18,096,796	4.49%
200,001 to 400,000	65	18,605,394	4.62%
400,001 to 600,000	25	12,480,741	3.10%
600,001 to 800,000	13	9,210,502	2.29%
800,001 to 1,000,000	6	5,433,556	1.35%
Over 1,000,001	37	214,308,791	53.19%
Total	42,011	402,736,970	100.00%

1.4 List of Major Shareholders

April 17, 2023

Major shareholder's name	Shares	Shareholdings	Holding percentage (%)
Shun-I Chu		89,981,358	22.34%
ZyFX Technologies Inc.		20,052,067	4.98%
Lien-Pin Pai		15,098,525	3.75%
Yuh-Long Chen		7,579,611	1.88%
Zychamp Investment Co., Ltd.		7,317,397	1.82%
ZYXEL Foundation		5,389,512	1.34%
Citibank Taiwan in custody for Polunin Emerging Markets Small Cap Fund, LLC		4,990,093	1.24%
National Yang Ming Chiao Tung University		4,492,310	1.12%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds		4,203,819	1.04%
Li-Ling Hsu		3,979,885	0.99%

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

Unit: NTD/share

Item		Year	2022	2021	As of March 31, 2023
Market price per share (Note 1)	Highest		35.80	46.55	38.26
	Lowest		22.90	21.75	41.25
	Average		29.63	31.67	34.70
Net value per share (Note 2)	Before distribution		25.08	20.50	—
	After distribution		Note 8	19.99	—
Earnings per share	Weighted average shares (thousand shares)		417,800	440,430	—
	Earnings per share (Note 3)	Before adjustment	3.87	2.49	—
		After adjustment	Note 8	—	—
Dividends per share	Cash dividend		Note 8	0.5	—
	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	7.66	12.72	—
		After adjustment	Note 8	—	—
	Price / dividend Ratio (Note 6)		Note 8	63.34	—
	Cash dividend Yield (Note 7)		Note 8	1.58%	—

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 one ten thousandth (1/10000) of the profit as the employee bonus and an amount not more than two percent (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.

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 paid-in 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.

A portion of the undistributed prior-period earnings shall be reclassified to special earnings reserve to account for cumulative changes to the net reduction of other shareholders' equity pertaining to prior periods. If there is still insufficient, an equivalent amount of special reserve shall be allocated from the after-tax net profit in the period, plus items other than the after-tax net profit in the period, that are included in the undistributed current-period earnings.

The dividend policy of Unizyx is based on its profit condition, future operating development, and assurance of stockholders' equity. Considering the common stock, capital structure, operating status, and earnings, Unizyx may distribute the 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 approved by the shareholders' meeting that complies with Unizyx's balanced and stable dividend policy.

At least 10% of the current year's earnings, after deducting special surplus, shall be appropriated as shareholder dividends, preferably in the form of cash, with stock dividends being the other alternative, according to Income Tax Act. Distribution of stock dividends should be no more than 50% of total dividends.

1.6.2 Implementation

The shareholders' meeting is proposing to distribute cash dividends with the 2022 undistributed earnings of NTD 500,215 thousand, NTD 1.25 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 no more than 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 2022 was approved by the Board on March 13, 2023; the remuneration to employees is NTD 166 thousand, and NTD 17,881 thousand to directors. The aforesaid remunerations are paid in cash, and no variance from the recognized amount in the 2022 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:

The remunerations to employees, directors, and supervisors for 2021 was approved by the Board on March 15, 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.

1.9 Shares Repurchase:

1.9.1 Shares Repurchase(Completed)

April 17, 2023

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 shares have been canceled	10,000,000 shares have been canceled
Cumulative Number of Shares Held by Company	0	0
Ratio of the Cumulative Number of Shares Held by the Company to the Total Number of the Company's Issued Shares (%)	0%	0%

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, 2023

Employee Stock Options Granted	2018 1 st Employee stock options	2020 1 st Employee stock options
Date Approval by Regulatory Authority And Total Units	November 20, 2018 19,018,000 units	August 21, 2020 15,000,000 units
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)
Number Of Units Left	0 unit	0 unit
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	15,511,000 shares	4,052,500 shares
Value of Shares Exercised	187,686,700	102,528,250
Shares Unexercised (Note)	1,143,000 shares	10,369,000 shares
Adjusted Price Per Share In Unexercised Options	12	25.3
Percentage of shares unexercised to issued common shares (%)	0.29%	2.59%
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, 2023

	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	0.53%	1,280	12 and 12.20 and 25.3	15,488	0.32%	825	2018 ESOP NT\$12	20,873	0.21%
	Senior Vice President	Woei Lo										
	Senior Manager	Jessica Chen										
Employee	President	Wayne Huang	3,411	0.85%	2,200	12 and 12.20 and 25.3	9,689	0.55%	1,211	2020 ESOP NT\$25.30	43,008	0.30%
	Chief Sustainability 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 March 27, 2023.

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	2022	2021
Broadband access equipment	77.39%	77.36%
Equipment for business	13.13%	12.48%
Others	9.48%	10.16%
Total	100.00%	100.00%

1.2 Overview of the Industry

1.2.1 Current status and development of the industry

After the global pandemic, demand for remote services derived to avoid the physical contacts; online shopping, learning, communication, and entertainment have developed rapidly, deepening consumers' experience in using the Internet, and the data transmitted via networks have increased significantly, accelerating the development of the high-speed broadband network. Meanwhile, technologies such as 5G, optical fiber networks, and WiFi6 have also entered a mature stage, and with the encouragement of broadband network policies from various governments, a wave of replacement for the new-generation Internet communication equipment will be driven.

In addition, the Market Intelligence & Consulting Institute (MIC) released the top ten trends of 2023, among which, the net zero responding to ESG sustainable development, de-sinicization and G-speed generation opportunities will be the development trends to be faced in 2023.

(1) ESG net zero transformation has become an issue emphasized globally

ESG has become an important global trend, among which, the net zero transformation is an issue not to be ignored. The trade barriers and carbon border tax in the international net zero regulations will affect the competitiveness and future investment decisions of enterprises. To meet the net-zero emission goals of international brand customers, industries in Taiwan, as a part of the global network supply chain, need to face the requirements of net-zero carbon reduction and cyber security together with them, and respond and position as early as possible.

(2) Continuous de-sinicization and G-speed generation opportunities

The Sino-US trade war started by the United States has evolved into a technology war, and the order-shifting effect benefitting Taiwanese netcom manufacturers has not yet

faded. The Market Intelligence & Consulting Institute (MIC) said that in the next few years, European and North American countries will maintain the principle of de-sinicization, and invest heavily in the new generation of high-speed infrastructure networks, to stimulate more new technologies and products to debut. In 2023, the continuous launches of new generations of NG PON ONU, 5G FWA CPE, and WiFi 7 router will bring business opportunities for Taiwan netcom manufacturers. In recent years, Taiwanese manufacturers' strategy to directly approach service providers has worked. During the pandemic, benefitting from the network construction policies of various countries, revenues have grown significantly, and the proportion of non-China manufacturing locations and shipments has increased.

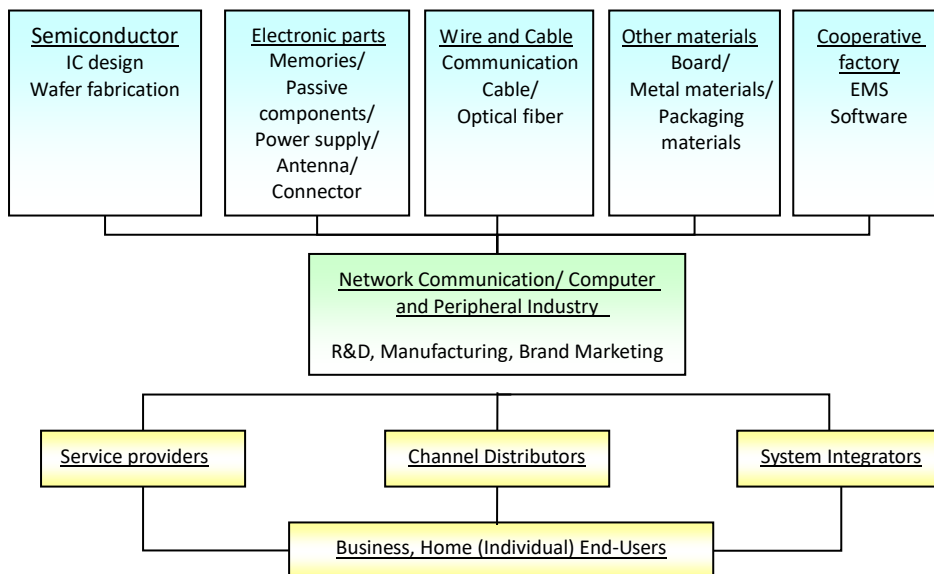
(3) Governments of various countries propose broadband subsidy policies to accelerate infrastructure upgrades

Currently, the governments of various countries are budgeting for the acceleration of infrastructure construction upgrades, and the construction of network broadband is deemed as a demonstration of national strength. The long-term momentum will remain unchanged. According to TrendForce's research, the U.S. Federal Communications Commission (FCC) provides the Rural Digital Opportunity Fund (RDOF) with subsidies of US\$9 billion to cable, fixed wireless, and satellite providers. EU proposes the goal to achieve 100Mbps network speed for European households by 2025. For the vision of digital transformation by 2030, the European household network speed needs to reach Gbps speed, while accelerating the 5G network coverage of cities and transportation routes, with the research to make FWA the realization of national broadband goals.

(4) Supply chain issues

In 2023, the information and communication industry in Taiwan will face many major issues. The Market Intelligence & Consulting Institute (MIC) pointed out that in the short term, the changes in inventory adjustment must be coped with; for the mid-term, it is to keep the supply chain away from the impacts of natural disasters and man-made ordeals that generate unexpected disruptions; for the mid-to long term, it is how to maintain market momentum amid changes.

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



1.2.3 Various development trends of products

(1) 5G

RCR Wireless USA provides forecasts from news websites of the wireless

communications industry. For the 5G trend in 2023, as 5G has now covered many markets, a new stage of telecom transformation will be embarked to. Fully automated industries, 5G independent networking will be expanded and promoted, and early metaverse experience, have not be realized.

(2) WiFi 6 networking terminals

Emerging WiFi technologies evolve and develop toward the standards such as WiFi 6, WiFi 6E, and WiFi 7. Based on 802.11ax technology, WiFi 6 claims the maximum network speed of up to 9.6Gbps, which is ideal for indoor wireless area connection applications such as 5G or 10G optical fiber technology. Europe, North America and China regard WiFi 6 as one of the key technologies to increase the speed of indoor connectivity, meeting the requirement for the speed and immediacy of wireless networks for AR and VR applications, 4K and 8K TVs, remote teaching and work applications. IDC's research report also showed that the global enterprise WLAN market grew strongly in the first quarter of 2022, with an annual revenue growth of 17.1%, to US\$1.95 billion, demonstrating that the growth of the enterprise WLAN market has been driven by the WiFi 6 standard that has become an important driving force for growth for the enterprise WLAN market, and the household WLAN market continuously adopts WiFi 6.

(3) Fixed wireless access (FWA)

According to TrendForce research, due to the expansion of 5G coverage and the growing market demand for fixed wireless access (FWA) services, shipments of 5G FWA equipment reached 7.6 million units in 2022, an increase of 111% from the previous year; for 2023, the 5G FWA device shipments are estimated to be 13 million units.

MIC analyzed that governments of various countries regard FWA as one of the means to upgrade broadband. According to the latest survey by the Groupe Speciale Mobile Association (GSMA) in October 2022, there were already 172 countries and 504 service providers and mobile operators providing FWA Internet services; the 5G FWA services have been launched in more than 40 different countries by 80 operators with the successive opening of frequency bands in various countries and investments of mobile service providers.

(4) 10G PON

With the explosion of IP traffic and the continuous commercialization of 5G, the demand for large bandwidth applications drives broadband networks 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 10G 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 10G PON fiber broadband services.

1.2.4 Competition

The Group continues to invest in VDSL, G.fast, GPON, 5G, cell sites, cloud-based networks, network security protection, and digital home convergence products. Facing the development trend of Multi-gigabits high-speed networks, we develop XGS-PON, WiFi 6/6E/7 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, to maintain the leading position.

In response to the changes in the China-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, an authentic service system, and 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 the networks getting more IPs, optical fiber, mobility and multimedia, the Group actively develops 10G PON and other related technologies through a complete R&D positioning, including VDSL/VDSL2+ plus bonding, Vectoring, G.Fast; among which, XGS -PON end-to-end solution (E2E solution) enhances the deployment flexibility of service providers with a complete product mix, solving the challenges of the high bandwidth demand from 4K streaming, HD TV, virtual reality (VR) and augmented reality (AR), and provide the real 10G service for families.

(2) Smart home living

Smart home 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. In response to the increasing demand for home network, the Group provides various WiFi 6 networking products, including Multy M1 whole home WiFi systems, dual-band WiFi 6 wireless routers and dual-band WiFi 6 wireless network adapter, allowing home users, students studying at home or hybrid workers to upgrade to WiFi 6 in an affordable way to obtain the best connection quality, and easily enjoy the audio-visual entertainment, online learning or remote work at home.

(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 and indoor terminals, portable mobile routers, and dual-mode module products, allowing users to obtain faster, simpler audio-video and data services.

The Group launched the first LTE Cat.18 router 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 service providers 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 2021 Taiwan Excellence Awards. The NR7101 5G NR outdoor router was also adopted by leading service providers in Nordic, which successfully entering the Nordic 5G FWA market. In addition, the Group also launched two new 5G routers, namely Nebula NR7101 and Nebula NR5101, and one Nebula LTE3301-PLUS 4G LTE router in 2022 supporting the Nebula smart cloud networking management function providing SMBs with a high-performance networking solution that offers flexible deployment, stability and security, and easy control.

(4) Wireless local area network

WiFi 7(11be) 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 complete WiFi 7/6/6E product portfolio includes DSL, Ethernet, active fiber, passive fiber network gateways, access points, and WiFi extenders provides the home users with faster multi-gig wireless speeds. While the connection speed is increasing, how to improve the coverage of the wireless network in the user's home through the hottest Mesh technology, to realize high-speed connection to WiFi at every corner, has also become one of the topics receiving attention from the Internet communication industry. The MPro Mesh® solution launched by the Group by adopting its excellent software R&D capabilities, supports WiFi 7/6 and EasyMesh industry standards, and seamlessly connects wireless network extenders with WiFi 7/6 home gateways. Combining the remote management technology and the app easy-to-operate, there is no dead end for WiFi transmission at users' homes. The Group also launched various WiFi 6 APs, ranging from entry-level affordable models to high-end commercial models, to meet the different application needs of SMEs. Among them, the WiFi 6 access point NWA50AX won the 2023 Taiwan Excellence Award as soon as it was launched.

(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 specialized industries, the Group's "Nebula Smart 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 platform management. The solution has three main features: automatic installation, unified cloud management and control, and pay-as-you-go pricing. These features help SMEs shift their network administration to the cloud addressing issues such as insufficient IT manpower, administration and maintenance, and costs. Additionally, the solution provides free cloud management, advanced businesses licenses, and lifetime packages, with a licensing scheme that meets the different expansion needs of businesses. To respond to the demand for remote and hybrid working models brought about by the post-pandemic era, various network products supporting Nebula were launched in 2022. There include WiFi 6E access points such as WAX640S-A6E, WAX620D-6E and NWA220AX-6E, as well as WiFi 6 access points like NWA90AX and WAX630S, GS1915 switches, and 5G Nebula NR7101, Nebula NR5101, and 4G LTE Nebula LTE3301-PLUS mobile routers. Through Zyxel's unique Nebula cloud networking ecosystem, SMBs, chain stores or SOHO/Self-employed individuals can easily access real-time network information remotely with a simple and integrated management platform. This is convenient for the centralized control of various networking devices such as switches, wireless access points, firewalls, and 5G/LTE mobile routers. The high-performance network solution offers flexible deployment, stability, and security as well as easy control for SMBs.

(6) Mobile communication inbuilding coverage 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 indoor coverage solutions (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 of 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 hotels, hospitals, department stores and office buildings, and makes management easier.

(7) Cyber 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 firewall series effectively protects small and medium-sized businesses from zero-day attacks, and the recently launched USG FLEX firewall series combines connection quality and security. ZNet's full range of firewall products has won the Excellence in Information Security Testing (EIST) Award from ICSA Labs for 20 consecutive years. Only five major international players in the world have received this honor.

In addition, to meet the needs of remote/hybrid office models and help SMBs and Managed Service Providers (MSP) to possess more comprehensive network defense capabilities, ZNet, a subsidiary of the Group, has continued to make its Nebula smart cloud networking platform supports various ATP smart firewall and USG FLEX firewall popular in Europe and North America, providing well-rounded cloud-based services.

As remote working has gradually become the norm, SMBs need to provide a secure network environment for employees working remotely. With the increasing cyber attacks, the Group also provides cloud-based Astra security services for SMBs. Astra can be installed on multiple terminal devices (e.g. mobile phones, tablets, and laptops). Including Dark Web Monitor, IP/URL Reputation and Web Filtering, among other functions, it is convenient for network administrators to help protect for remote users from phishing and attacks exploiting vulnerabilities. The Astra service can also be combined with the Group's range of firewalls and cloud-based security services, providing SMBs with a uniform and consistent approach to protecting their business.

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

Year	2022	2021
Item		
R&D expenditures (A)	1,872,953	1,718,432
Net operating revenue (B)	30,515,803	25,681,970
(A)/(B)	6.14%	6.69%

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

<u>Month/Year</u>	<u>Key Milestone</u>
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 Open Broadband Access Network
July 2021	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 service provider grade 5G NR indoor router obtaining EasyMesh R2 certification in the world.
June 2022	ZNet continues to launch various latest WiFi 6 and WiFi 6E access points. The NWA50AX is tailor-made for small businesses and SOHO users and has won the 31st Taiwan Excellence Award as a recognition.
November 2022	Zyxel launched the Company's first MPro Mesh™ WiFi 6E gateway and wireless network signal extender for the North American market.

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 business group 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, they will continue to position in emerging markets, including Central and South America, Africa, Türkiye as well as the Southeast Asia Market including Thailand, Vietnam, and the Philippines. 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 cultivating 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.

The Nebula smart cloud networking management solution developed by ZNet has also continued to grow since its launch in 2016 and has driven all hardware sales. In particular, more information security products were included in the Nebula cloud management platform in 2020, which is an important milestone of the Nebula platform. Through Zyxel's unique Nebula cloud networking ecosystem, SMBs, chain operators or SOHO/Self-employed individuals are allowed to easily access the most real-time network information remotely with a simple and integrated management platform, which is convenient for the centralized control of various network devices such as switches, access points, firewalls, and 5G/LTE mobile routers, ZNet insists the customer-oriented brand spirit to provide the high-performance network solution with flexible deployment, stability and security, and easy control for SMBs. To strengthen the integration of cloud-based services and charging systems, ZNet launched the Circle system in 2021 to support MSP payment management, which has become an important starting point for the Group to move from hardware to software subscription services. In addition, ZNet launched its self-operated e-commerce platform "Zyxel Shop" for the first time in 2022, allowing customers to purchase hardware devices directly on the official platform. Zyxel Shop is convenient for users to directly place orders, pay, track and return products. In particular, it provides exclusive discounts, fast delivery and complete after-sales customer service, it is especially attractive to SMBs who have budget concerns.

(2) OEM:

Grasp the technological development trends and market demands, adjust the product mix as necessary and emphasize the deep cultivation of multiple wireless technologies

with the increasing demand for WiFi 6 wireless efficiency. Facing the development trend of Multi-gigabits high-speed networks, we are actively developing the latest technologies such as 10G 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 development continuously, to catch the grand market opportunities of 5G.

As the impacts of the pandemic on the supply chain are normalized again, we still faced orders from customers cautiously; the changes in inventory adjustment are coped with, and it is to keep the supply chain away from the impacts of natural disasters and man-made ordeals that generate unexpected disruptions. MitraStar will continue the deployment for optimal capacity to enhance the resilience of supply chain, while maintaining the close partnerships with our clients and supply chain, to utilize our strength in capacity for achieving the best holistic gross profits.

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, businesses to home users. We are optimistic about the future demand for business network equipment for wireless connection and cloud, so we will be more actively positioning toward the business networking devices from the telecommunications market. Not only we will increase the proportion of business networking devices in revenue, but also will focus more on providing better services for SMBs with a more comprehensive range of products and services, including new laptops and desktops that will be equipped with WiFi 6. From computers, tablets, and smartphones to various wearable devices, products are stimulating consumers to pursue high-speed networks, and also drive the upgrade of commercial products and the demand for Multi-gigabit switches and POE equipment.

Meanwhile, in response to the increasing demands of home users for home wireless networks in the post-pandemic era, not only the transmission should be stable and the coverage should be wide with faster speed, but related products and software applications will be planned to further increase the proportion of home wireless network products.

After the restructuring, the clear segregation 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:

Exert the experience and strength accumulated by the product research and development team during many years, continue to invest in research and development to master the new generations of key technologies and maintain product quality.

Optimize manufacturing procedures and capacity allocation, integrate internal resources, and continuously optimize design and material selection, while increasing the efficiency of processes and improving manufacturing automation, to enhance process standards, lower manufacturing costs, and demonstrate high-efficiency and high-quality production/manufacturing capabilities.

Actively develop new customers, expand customers' needs, maintain a keen observation of global market trends, and establish the revenue scale. Regarding 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, develop more value-added businesses, establish stable growth and long-term partnerships, and increase 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

In 2023, it is expected that 5G FWA, PON and WiFi 6/6E will continue to drive the revenue growth.

Furthermore, benefiting from the wave of fixed network upgrades in Europe, the PON business has been driven; and service providers' promotion of 5G FWA, and business has grown significantly. The channel operations will also be benefitted from the continuous growth of demands from SMEs for information security products and cloud-based network communication products.

Governments of various countries expand infrastructure investment to revive the economy. U.S. President Biden announced a \$1.2 trillion infrastructure bill for infrastructure programs, which will allocate \$65 billion for broadband network infrastructure, seeking to combine fiber optic networks, satellite communications, and 5G technologies to create high-speed broadband infrastructure. Since the US market is the largest export destination of the netcom products as a whole from Taiwan, it is expected to bring the most direct order opportunities to Taiwan.

(1) 5G

The industry research firm TrendForce observed: In 2023, with the upgrade of netcom equipment such as small base stations and 5G FWA, and the promotion of 5G private networks by enterprises, it is forecasted that the 5G market will reach US\$14.5 billion in 2023, and rise to US\$37 billion by 2026, with a compound annual growth rate of 11.0%; during the period, the growth is mainly driven by metaverse-related applications further stimulating the demand for 5G networks.

(2) WiFi 6 devices

Since the performance of WiFi 6 products is indeed making people feel the upgrade, the WiFi market will gradually be replaced by WiFi 6. According to the Market Intelligence & Consulting Institute (MIC), in terms of WiFi technology, the mainstream standard will be WiFi 6, and develop towards WiFi 7 with higher-speed, which will drive the device replacement wave after wave. By 2026, WiFi 6 will still account for 72.1% of the total, and WiFi 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 driven 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, continues 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 the 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) Appreciation to R&D and production quality

The Group has three design and R&D centers around the world, and a 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.

②Complete 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.

③Superior 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 important factors 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 a complete telecommunications central office and user equipment. In recent years, it has established business marketing and technical support service offices in emerging countries.

⑤ Green products launched to cope with the Net-Zero trend

To cope with the global Net-Zero trend, green products are designed and developed actively; from the design of the product soft- and hardware, suppliers, manufacturing, packaging, logistics to recycle, the carbon emission and carbon footprint at each stage during the life cycle of products are strictly reviewed, to implement the energy-saving and sustainability philosophy with the up-and downstream of the supply chain, sales partners, and customers.

(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 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, education, hospitality 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 in 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; Maxlinear
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	2022				2021			
	Company Name	Amount	(%)	Relation with issuer	Company Name	Amount	(%)	Relation with issuer
1	Client A	4,700,488	15.40	N/A	Client A	3,777,147	14.71	N/A
2	Client B	1,643,796	5.39	N/A	Client B	2,581,149	10.05	N/A
	Other	24,171,519	79.21		Other	19,323,674	75.24	
	Total	30,515,803	100.00		Total	25,681,970	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	2022			2021		
	Production Capacity	Production Quantity	Production Amount	Production Capacity	Production Quantity	Production Amount
Broadband equipment	19,713	17,459	17,491,715	15,254	13,995	14,297,039
Equipment for business	269	239	282,738	782	657	237,596
Others	2,390	2,120	1,790,405	107	94	269,205
Total	22,372	19,818	19,564,858	16,143	14,746	14,803,840

2.6 Sales volume and value for the past two years

Unit: thousand pieces/ NTD thousand

Major product	2022				2021			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Broadband equipment	585	393,867	879,781	23,222,708	72	178,714	1,091,349	19,688,162
Equipment for business	99	484,092	730	3,522,946	53	298,363	612	2,907,438
Others (Note)	2,338	284,831	10,441	2,607,359	1,131	908,028	3,528	1,701,265
Total	3,022	1,162,790	890,952	29,353,013	1,256	1,385,105	1,095,489	24,296,865

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		2022	2021	As of March 31, 2023
Number of employees	R&D	1,023	1,017	1,013
	Manufacturing	412	408	418
	Marketing	746	705	741
	Management	373	390	361
	Direct employees	612	404	655
	Total	3,166	2,924	3,188
Average age		37.35	37.56	37.47
Average years of service		6.21	6.74	6.24
Distribution of academic background (%)	PhD	0.28%	0.34%	0.28%
	Master	31.49%	35.60%	31.09%
	College and under	68.26%	64.06%	68.66%

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 2022 was paid pursuant to the rate fixed by Hsinchu Science Park, for total NTD 547,669.

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 24 hours 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 2022 are described as following :

Type of course		Session	Attendees	Hours	Total expenses (NTD thousand)
Internal training	Orientation	204	10,731	132,825	8,997
	Management training	22	436	14,063	
	Professional training	115	7,663	8,148	
	Other trainings	52	8,583	7,794	
External trainings		89	194	4,136	

5.1.4 Continuing education and trainings of managerial officers

Managerial officer	Date	Host by	Training / Speech title	Hours
Gordon Yang (Director and CEO)	2022/05/12	Taiwan Stock Exchange	International Twin Peak Online Forum	2 hours
	2022/05/20	Securities and Futures Institute	2022 Promotional Session for Preventing Insider Trading	3 hours
	2022/10/07	Accounting Research and Development Foundation	Trends of ESG information disclosure and related regulations	3 hours
Woei Lo (Senior Vice President and Corporate Governance Officer)	2022/01/17	Accounting Research and Development Foundation	The supervision practice of the "substantive review of financial reports" and related regulations and common defects of corporates	6 hours
	2022/01/18		Common litigations of the "commercial contract execution" by corporates and practice of internal control management	6 hours
	2022/01/24		Legal responsibility of "fighting for management authority" and case study	3 hours
	2022/01/25		Common defect of internal control management for corporates and the practical case study	6 hours
	2022/03/08		Improve the corporate strategy capability with ESG	3 hours
Jessica Chen (Senior Manager, Audit Office)	2022/09/22	The Institute of Internal Auditors, R.O.C.	Risk-oriented internal audit approaches and practice	6 hours
	2022/12/06	The Institute of Internal Auditors, R.O.C.	Fraud-detecting technologies and technology application in the digital era	6 hours

5.1.5 Continuing education and training of directors

Director	Date	Host by	Training / Speech title	Hours
Shun-I Chu (Director)	2022/05/12	Taiwan Stock Exchange	International Twin Peak Online Forum	2 hours
	2022/10/21	Securities and Futures Institute	2022 Promotional Session for Preventing Insider Trading	3 hours
	2022/12/27	Greater China Financial and Economic Development Association	New mindset for the digital transformation	3 hours

Director	Date	Host by	Training / Speech title	Hours
Yuh-Long Chen (Director)	2022/03/09	Taiwan Institute of Directors	Leader Academy Forum: Reactivate in the New Reality - See the Digital New Taiwan	3 hours
	2022/07/27	Taiwan Stock Exchange	Promotional session of the industrial topics in the sustainable development roadmap	2 hours
	2022/08/18	Taiwan Institute of Directors	SAP NOW Taiwan, co-create the sustainable smart enterprises	3 hours
	2022/10/06	Taiwan Stock Exchange	Release of 2022 reference guidelines for exercise of powers by independent directors and audit committee and promotional session	3 hours
	2022/10/19	Taiwan Corporate Governance Association	The 18th (2022) Corporate Governance Summit Forum - Enhance the Functions of Directors and Implement the Corporate Sustainable Governance	3 hours
Ping-Chin Li (Director)	2022/05/12	Taiwan Stock Exchange	International Twin Peak Online Forum	2 hours
	2022/10/14	Securities and Futures Institute	2022 Promotional Session for Preventing Insider Trading	3 hours
	2022/12/27	Greater China Financial and Economic Development Association	New mindset for the digital transformation	3 hours
Wayne Huang (Director)	2022/07/27	Taiwan Stock Exchange	Promotional session of the industrial topics in the sustainable development roadmap	2 hours
	2022/10/07	Accounting Research and Development Foundation	Trends of ESG information disclosure and related regulations	3 hours
	2022/11/13	Taiwan Stock Exchange	Cathay Sustainable Finance and Climate Change Summit	3 hours
	2022/11/21	Greater China Financial and Economic Development Association	Corporate circular economy and sustainable development	3 hours
	2022/11/30	Greater China Financial and Economic Development Association	AI mindset and digital transformation	3 hours
Ping-Jie Chu (Director)	2022/07/20	The Institute of Internal Auditors, R.O.C.	How to apply the digital technologies to explore and improve the operating process and fraud-detection - discussion of audit practice	6 hours
	2022/07/27	Taiwan Stock Exchange	Promotional session of the industrial topics in the sustainable development roadmap	2 hours
	2022/08/18	Taiwan Institute of Directors	SAP NOW Taiwan, co-create the sustainable smart enterprises	3 hours
	2022/10/20	Computer Audit Association	Continuous audit and monitoring of information securities: application of configuration security management	6 hours
	2022/10/21	Securities and Futures Institute	2022 Promotional Session for Preventing Insider Trading	3 hours
Feng Chian (Independent director)	2022/01/18	Taiwan Corporate Governance Association	Prevent the contingency - importance of the risk management for corporates	3 hours

Director	Date	Host by	Training / Speech title	Hours
	2022/07/22	Taiwan Corporate Governance Association	Roles assumed by independent director in the enterprise operation and corporate governance	3 hours
Chin-Tang Liu (Independent director)	2022/02/25	Taiwan Corporate Governance Association	2022 global and Taiwan economic outlook	1 hour
	2022/05/20	Securities and Futures Institute	2022 Promotional Session for Preventing Insider Trading	3 hours
	2022/07/07	Taiwan Corporate Governance Association	The net-zero carbon reduction pathway for the TWSE and TPEX listed companies	1 hour
	2022/07/27	Taiwan Stock Exchange	Promotional session of the industrial topics in the sustainable development roadmap	2 hours
	2022/07/29	Taiwan Corporate Governance Association	Corporate governance and regulations of securities	3 hours
	2022/10/07	Taiwan Stock Exchange	Release of 2022 reference guidelines for exercise of powers by independent directors and audit committee and promotional session	3 hours
	2022/11/08	Taiwan Corporate Governance Association	Battle of operation right and case study	3 hours
	2022/12/22	Taiwan Corporate Governance Association	The origin, prevention and responsibility of directors of dispute over operation right	1 hour
Chin-Liang Wang (Independent director)	2022/07/28	Taiwan Institute for Sustainable Energy	2022 Net-Zero and Sustainable Development Forum - Afternoon Session	2 hours
	2022/10/21	Securities and Futures Institute	2022 Promotional Session for Preventing Insider Trading	3 hours
	2022/12/29	Greater China Financial and Economic Development Association	Observe the global tax reform with easy understanding of the profound theories (BEPS 2.0)	3 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

Dedicated Information Security Organization: We have a dedicated chief information security officer responsible for coordinating the planning of information security strategies. In 2014, an information security team was formed based on the information security organization structure developed according to ISO27001 to map out information security strategies and goals, monitor information security incidents, carry out information security activities and projects, and organizerelvant dissemination and training sessions.

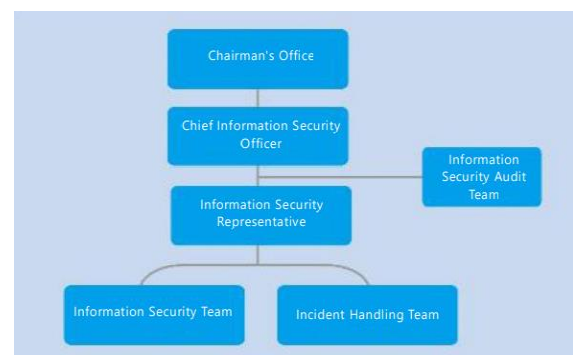
Direct Subordination to the Chairman's Office: In response to rising information security threats, in addition to the Product Security Incident Response Team (PSIRT) formed in 2017, a virtual team comprising members from different teams started to function as a formal unit titled "Unizyx PSIRT Committee" in 2021. The Information and Product Security Management Departments are subordinate to the "Information and Product Security Management Division". The departments and division are in direct subordination to the Chairman's Office and are responsible for continuously monitoring potential external threats and giving immediate response to safety issues.

Monitoring by the Board of Directors: The implementation of information security is reviewed regularly on an annual basis. Management review meetings are also held in an effort to unceasingly promote and improve he information security management system. With the aim of ensuring the continuous and effective operation of the internal information security management mechanism, a report on information security work plans and their implementation is made to the Board of Directors at least once a year.

Information Security Organization



Information Security Committee



6.2 Cyber Security Policy

Unizyx'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 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 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 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 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.

In an effort to monitor potential external threats continuously and cope with security issues immediately, Unizyx has formed the “Product Security Incident Response Team” (PSIRT). The team maps out and executes product safety control measures, identifies procedures and guidelines required to be improved together with our product safety representatives, and makes flexible and continuous revisions. It has established safety framework design principles and carried out source code security testing and product safety verification to solve root problems and integrate product design with information security.

The Company joins the CVE Community as a CVE Numbering Authority (CNA) of the MITRE’s Common Vulnerabilities and Exposures (CVE) Program to not only self-manage, but also analyze product vulnerabilities. We hope to facilitate the internalization of product safety and accelerate the achievement of security by design with an external force obtained by acquiring the international membership. Compliance with the safety design principles is required throughout the R&D process to ensure the confidentiality, integrity and availability of the Company's information security management system.

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 2022 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., Quanjia Technology Engineering Co., Ltd. and Cheong Sum Engineering Co., Ltd.	2015~2022	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 Item		Financial data for the last five years				
		2022	2021	2020	2019	2018
Current asset		23,347,123	18,004,613	16,408,405	12,305,624	14,304,550
Property, plant and equipment		1,891,464	1,699,145	1,592,121	1,639,267	1,763,447
Intangible assets		343,892	361,893	259,758	124,792	117,081
Other assets		1,480,559	1,328,023	1,328,881	1,416,141	934,194
Total assets		27,063,038	21,393,674	19,589,165	15,485,824	17,119,272
Current liabilities	Before distribution	14,402,082	9,524,329	10,581,538	7,638,014	9,528,262
	After distribution	Note	9,749,668	10,805,360	7,638,014	9,528,262
Non-current liabilities		2,646,701	2,649,736	701,396	605,842	284,676
Total liabilities	Before distribution	17,048,783	12,174,065	11,282,934	8,243,856	9,812,938
	After distribution	Note	12,399,404	11,506,756	8,243,856	9,812,938
Equity attributable to shareholders of the parent		9,851,772	9,070,292	8,279,033	7,221,191	7,241,236
Capital stock		4,001,720	4,536,148	4,476,438	4,411,773	4,411,773
Capital surplus	Before distribution	3,489,988	3,680,924	3,827,886	3,755,876	3,725,204
	After distribution	Note	3,680,924	3,604,064	3,755,876	3,725,204
Retained earnings	Before distribution	2,946,870	1,513,771	447,480	-362,370	-439,594
	After distribution	Note	1,288,432	447,480	-362,370	-439,594
Other equities		-490,256	-462,103	-351,910	-463,227	-335,286
Treasury shares		-96,550	-198,448	-120,861	-120,861	-120,861
Non-controlling interest		162,483	149,317	27,198	20,777	65,098
Total Equity	Before distribution	10,014,255	9,219,609	8,306,231	7,241,968	7,306,334
	After distribution	Note	8,994,270	8,082,409	7,241,968	7,306,334

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				
	2022	2021	2020	2019	2018
Operating revenue	30,515,803	25,681,970	22,250,630	24,026,346	22,222,727
Gross profit	6,987,954	6,060,518	5,780,099	5,090,526	4,169,778
Operating income (loss)	1,847,262	1,425,434	1,292,694	175,810	-758,792
Non-operating income (expenses)	145,041	12,630	-116,806	-213,824	122,830
Income (loss) before income taxes	1,992,303	1,438,064	1,175,888	-38,014	-635,962
Net income (loss) from operations of continued segment	1,626,931	1,095,459	831,001	101,978	-601,383
Net income from operations of discontinued segments	—	—	—	—	—
Net income (loss)	1,626,931	1,095,459	831,001	101,978	-601,383
Other comprehensive income for the year	13,966	-142,429	93,387	-133,637	-81,893
Total comprehensive income for the year	1,640,897	953,030	924,388	-31,659	-683,276
Net income (loss) attributable to Shareholders of the parent company	1,618,460	1,096,700	827,944	106,753	-596,490
Net income (loss) attributable to Non-controlling interests	8,471	-1,241	3,057	-4,775	-4,893
Total comprehensive income attributable to Shareholders of the parent company	1,630,285	956,098	921,167	-24,310	-679,743
Total comprehensive income attributable to Non-controlling interests	10,612	-3,068	3,221	-7,349	-3,533
Earnings per share	3.87	2.49	1.91	0.25	-1.38

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

Condensed balance sheets

Unit: NTD thousand

Year		Financial data for the last five years				
		2022	2021	2020	2019	2018
Item						
Current asset		1,818,108	1,747,708	252,737	163,842	132,868
Property, plant and equipment		7,022	4,805	4,121	1,162	1,245
Intangible assets		31,804	103	215	327	439
Other assets		10,275,528	9,403,257	8,060,945	7,094,042	7,138,875
Total assets		12,132,462	11,155,873	8,318,018	7,259,373	7,273,427
Current liabilities	Before distribution	373,143	176,368	33,489	34,990	28,542
	After distribution	Note	401,707	257,311	34,990	28,542
Non-current liabilities		1,907,547	1,909,213	5,496	3,192	3,649
Total liabilities	Before distribution	2,280,690	2,085,581	38,985	38,182	32,191
	After distribution	Note	2,310,920	262,807	38,182	32,191
Equity attributable to shareholders of the parent		9,851,772	9,070,292	8,279,033	7,221,191	7,241,236
Capital stock		4,001,720	4,536,148	4,476,438	4,411,773	4,411,773
Capital surplus	Before distribution	3,489,988	3,680,924	3,827,886	3,755,876	3,725,204
	After distribution	Note	3,680,924	3,604,064	3,755,876	3,725,204
Retained earnings	Before distribution	2,946,870	1,513,771	447,480	-362,370	-439,594
	After distribution	Note	1,288,432	447,480	-362,370	-439,594
Other equities		-490,256	-462,103	-351,910	-463,227	-335,286
Treasury shares		-96,550	-198,448	-120,861	-120,861	-120,861
Non-controlling interests		—	—	—	—	—
Total Equity	Before distribution	9,851,772	9,070,292	8,279,033	7,221,191	7,241,236
	After distribution	Note	8,844,953	8,055,211	7,221,191	7,241,236

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				
	2022	2021	2020	2019	2018
Operating revenue	1,914,155	1,290,155	947,320	237,797	153,827
Gross profit	1,914,155	1,290,155	947,320	237,797	153,827
Operating income (loss)	1,639,745	1,088,663	813,981	113,579	-586,154
Non-operating income (expense)	—	—	—	—	—
Income (loss) before income taxes	1,639,745	1,088,663	813,981	113,579	-586,154
Net income (loss) from operations of continued segment	1,618,460	1,096,700	827,944	106,753	-596,490
Net income from operations of discontinued segments	—	—	—	—	—
Net income (loss)	1,618,460	1,096,700	827,944	106,753	-596,490
Other comprehensive income for the year	11,825	-140,602	93,223	-131,063	-83,253
Total comprehensive income for the year	1,630,285	956,098	921,167	-24,310	-679,743
Net income (loss) attributable to Shareholders of the parent company	1,618,460	1,096,700	827,944	106,753	-596,490
Net income (loss) attributable to Non-controlling interests	—	—	—	—	—
Total comprehensive income attributable to Shareholders of the parent company	1,630,285	956,098	921,167	-24,310	-679,743
Total comprehensive income attributable to Non-controlling interests	—	—	—	—	—
Earnings per share	3.87	2.49	1.91	0.25	-1.38

1.3 Five-Year Auditors' Opinions

Year	Accounting firm	Name of CPA	Audit opinion
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
2022	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				
		2022	2021	2020	2019	2018
Item						
Capital structure analysis (%)	Debt ratio	63.00	56.90	57.60	53.23	57.32
	Long-term fund to property, plant and equipment ratio	669.37	698.55	565.76	478.74	573.94
Liquidity Analysis (%)	Current ratio	162.11	189.04	155.07	161.11	150.13
	Quick Ratio	104.11	121.07	103.99	109.39	96.95
	Times interest earned	28.42	50.36	51.44	0.01	-19.86
Operating performance analysis	Average collection turnover (times)	4.36	4.51	4.21	4.09	3.81
	Days sales outstanding	83.71	80.93	86.70	89.24	95.80
	Average inventory turnover (times)	3.31	3.53	3.93	4.61	4.53
	Average payment turnover (times)	3.95	3.64	3.58	4.44	4.16
	Average inventory turnover days	110.27	103.39	92.87	79.17	80.57
	Property, plant and equipment turnover (times)	17.00	15.61	13.77	14.12	12.03
	Total assets turnover (times)	1.26	1.25	1.27	1.47	1.41
Profitability analysis	Return on total assets (%)	6.95	5.46	4.84	0.81	-3.66
	Return on equity attributable to shareholders of the parent (%)	16.92	12.50	10.69	1.40	-7.87
	Pre-tax income to paid-in capital (%)	49.79	31.70	26.27	-0.86	-14.42
	Net margin (%)	5.33	4.27	3.73	0.42	-2.71
	Earnings per share (NTD)	3.87	2.49	1.91	0.25	-1.38
Cash flow	Cash flow ratio (%)	3.27	2.16	14.62	31.07	-24.54
	Cash flow adequacy ratio (%)	26.43	37.73	86.33	74.33	-11.00
	Cash reinvestment ratio (%)	1.76	-0.11	14.43	25.59	-26.02
Leverage	Operating leverage	3.53	3.93	3.98	23.65	-3.85
	Financial leverage	1.04	1.02	1.02	1.28	0.96

Difference analysis for changes over 20% in the past two years:

1. Times interest earned decreased 43.57%, mainly due to increase in interest expense.
2. Return on total assets increased 27.29%, return on equity attributable to shareholders of the parent increased 35.36%, net margin increased 24.82% and EPS increased 55.42%, mainly due to increase in net income.
3. Pre-tax income to paid-in capital increased 57.07%, mainly due to increase in net profit before tax.
4. Cash flow ratio increased 51.39%, mainly due to increase in cash provided by operating activities.
5. Cash flow adequacy ratio decreased 29.95%, mainly due to increase in inventory for the past five years.
6. Cash reinvestment ratio decreased 1,700%, mainly due to increase in cash from operating activities.

2.2 Parent company only financial analysis

Year		Financial analysis for the last five years				
		2022	2021	2020	2019	2018
Item						
Capital structure analysis (%)	Debt ratio	18.80	18.69	0.47	0.53	0.44
	Long-term fund to property, plant and equipment ratio	167,466.17	228,501.66	201,032.01	621,719.71	581,918.55
Liquidity analysis (%)	Current ratio	487.24	990.94	754.66	468.25	465.52
	Quick Ratio	486.69	990.78	753.80	466.50	464.63
	Times interest earned	97.62	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 (%)	14.02	11.32	10.63	1.47	-7.84
	Return on equity attributable to shareholders of the parent (%)	17.11	12.64	10.68	1.48	-7.87
	Pre-tax income to paid-in capital (%)	40.98	24.00	18.18	2.57	-13.29
	Net margin (%)	84.57	85.02	87.40	44.90	-388.46
	Earnings per share (NTD)	3.87	2.49	1.91	0.25	-1.38
Cash flow	Cash flow ratio (%)	234.58	141.74	-18.38	95.16	125.74
	Cash flow adequacy ratio (%)	241.26	109.58	100.96	35.55	61.58
	Cash reinvestment ratio (%)	5.53	0.24	-0.07	0.46	0.50
Leverage	Operating leverage	1.14	1.16	1.14	1.92	0.85
	Financial leverage	1.01	1.01	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"> 1.Long-term fund to property, plant and equipment ratio decreased 26.71%, mainly due to increase in net property, plant and equipment. 2.Current ratio decreased 50.83% and quick ratio decreased 50.88%, mainly due to increase in current liabilities. 3.Times interest earned decreased 36.06%, mainly due to increase in interest expense. 4.Return on total assets increased 23.85%, return on equity attributable to shareholders of the parent increased 35.36% and EPS increased 55.42%, mainly due to increase in net income. 5.Pre-tax income to paid-in capital increased 70.75%, mainly due to increase in net profit before tax. 6.Cash flow ratio decreased 65.50%, cash flow adequacy ratio increased 120.17% and cash reinvestment ratio increased 2,204.17%, mainly due to increase in cash 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 Margin = 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 136 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	2022	2021	Difference	
			Amount	%
Current assets	23,347,123	18,004,613	5,342,510	29.67%
Property, plant and equipment	1,891,464	1,699,145	192,319	11.32%
Intangible assets	343,892	361,893	-18,001	-4.97%
Other assets	1,480,559	1,328,023	152,536	11.49%
Total assets	27,063,038	21,393,674	5,669,364	26.50%
Current liabilities	14,402,082	9,524,329	4,877,753	51.21%
Non-current liabilities	2,646,701	2,649,736	-3,035	-0.11%
Total liabilities	17,048,783	12,174,065	4,874,718	40.04%
Capital stock	4,001,720	4,536,148	-534,428	-11.78%
Capital surplus	3,489,988	3,680,924	-190,936	-5.19%
Retained earnings	2,946,870	1,513,771	1,433,099	94.67%
Other equities	-490,256	-462,103	-28,153	-6.09%
Treasury shares	-96,550	-198,448	101,898	51.35%
Non-controlling interests	162,483	149,317	13,166	8.82%
Total equity	10,014,255	9,219,609	794,646	8.62%

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

- (1) The current assets and total assets increased from the previous period, mainly due to increase in accounts receivable and inventories.
- (2) The current liabilities and total liabilities increased from the previous period, mainly due to increase in short term borrowings and accounts payable.
- (3) Retained earnings increased from the previous period, mainly due to increase in the profit for the period.
- (4) Treasury shares decreased from the previous period, mainly due to the cancellation of treasury shares in the current period.

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

2. Operating Results

Unit: NTD thousand

Item \ Year	2022	2021	Difference	%
Net operating revenue	30,515,803	25,681,970	4,833,833	18.82%
Operating costs	23,527,849	19,621,452	3,906,397	19.91%
Gross profit	6,987,954	6,060,518	927,436	15.30%
Operating expenses	5,140,692	4,635,084	505,608	10.91%
Operating income (loss)	1,847,262	1,425,434	421,828	29.59%
Non-operating income (expenses)	145,041	12,630	132,411	1048.38%
Income (loss) before income taxes	1,992,303	1,438,064	554,239	38.54%
Net income (loss)	1,626,931	1,095,459	531,472	48.52%
Other comprehensive income for the year	13,966	-142,429	156,395	109.81%
Total comprehensive income for the year	1,640,897	953,030	687,867	72.18%
Net income (loss) attributable to Shareholders of the parent company	1,618,460	1,096,700	521,760	47.58%
Net profit (loss) attributable to Non-controlling interests	8,471	-1,241	9,712	782.59%
Total comprehensive income attributable to Shareholders of the parent company	1,630,285	956,098	674,187	70.51%
Total consolidated income attributable to Non-controlling interests	10,612	-3,068	13,680	445.89%

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

- (1) Operating income, income before income taxes, net income, total comprehensive income for the year, net income attributable to shareholders of the parent company, total comprehensive income attributable to shareholders of the parent company and total consolidated income attributable to Non-controlling interests for the period increased, mainly due to increase in gross profit.
- (2) Non-operating income for the period increased, mainly due to decrease in currency exchange loss.
- (3) Other comprehensive incomes for the period increased, mainly due to increase in currency exchange profit arising from the translation of foreign operations.

2. Sales volume forecast and the basis thereof for the next year: the financial forecast is not prepared and thus not applicable.

3. Future effect upon the company's financial operations: no material effect.

4. Response: not applicable.

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
5,293,484	471,311	275,549	6,040,344	—	—

(1) Cash inflow from operating activities of NTD 471,311 thousand, mainly from the operating profit of the period.

(2) Cash inflow from investment and financial activities of NTD 275,549 thousand, mainly due to increase in short term borrowings for NTD 1,585,250 thousand, acquisition of property, plant and equipment for NTD 435,145 thousand, capital reduction for NTD 442,389 thousand and repurchase of treasury shares for NTD 312,483.

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
6,040,344	2,121,592	-1,889,430	6,272,506	—	—

(1) Cash inflow from operating activities of NTD 2,121,592 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 1,889,430 thousand, mainly from decrease in short term borrowings and dividend distribution.

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 2022 will increase or decrease by NT\$2,014 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, 2022 are stated as follows:

	<u>Depreciation</u>	<u>Appreciation</u>
2022	\$ -27,303	\$ 27,303

(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, but also involve the active deployment of new generation of high-bandwidth optical fiber fixed-line broadband network. The company will focus on strengthening the cultivation of mobile communications while also actively investing in cloud and information security network related fields. These steps are essential for achieving technological goals rapidly and maintaining 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) Mobile Broadband solutions for service providers, businesses and homes.
- (5) Service providers' wireless networking solutions.
- (6) Service providers' optical fiber broadband network solutions.
- (7) Wireless networking solutions for business and home and switching 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, 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 2023, 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 132.

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
			Currency	Amount	
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	1,156,830	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
			Currency	Amount	
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	92,456	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 133~135.

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	11,325,622	7,089,429	4,236,193	11,523,961	421,800	618,639	8.54
MitraStar	3,168,000	13,098,339	8,681,870	4,416,469	21,592,081	976,691	901,933	2.85
ZNet	1,156,830	3,818,897	1,653,114	2,165,783	3,520,979	155,057	238,812	2.07
Black Cat	33,000	35,930	4,273	31,657	16,868	1,814	1,480	0.45
ZyAS	91,008	3,215,263	2,562,810	652,453	4,878,245	65,790	58,631	2.83
ZyUSA and subsidiary Flatworld	291,936	2,906,426	2,454,456	451,970	4,568,235	34,662	26,569	2.71
Zychamp	89,015	295,424	10,273	285,151	-	-409	4,465	0.50

Name of affiliate (Note)	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income	Net income (after tax)	Earnings per share
ZyTR	47,834	218,628	79,704	138,924	306,949	-10,238	17,649	0.61
ZyTPE	60,000	191,646	75,660	115,986	375,836	43,161	35,040	5.84
Gemini	818	45,772	11,269	34,503	-	1,980	1,968	-
ZNet KR	13,530	42,534	9,573	32,961	59,966	-918	-4,196	-38.14
ZNet AS	91,008	2,137,804	1,587,029	550,775	3,345,896	77,552	48,226	2.33
ZNet TH	71,528	100,810	24,497	76,313	111,094	4,641	6,162	0.77
ZNet FR	4,908	82,500	17,949	64,551	352	3,305	2,309	230.86
ZNet IN	31,415	64,690	364,140	-299,450	40,483	-4,475	-40,492	-4.78
ZyDE	818	605,752	478,047	127,705	587,475	765	-769	-
ZyCZ	24,457	361,403	338,872	22,531	547,764	2,133	-806	-0.04
ZyUK	199,359	296,087	240,061	56,026	578,744	3,885	2,873	0.53
ZNet BNL	44,172	51,914	3,770	48,144	-	1,452	945	70.01
ZyES	98	141,727	136,589	5,138	258,053	1,240	799	265.81
ZyBR	539,719	157,149	109,993	47,156	112,203	-48,413	39,179	0.42
ZyIT	327	544,318	491,283	53,035	948,968	2,802	1,878	187.77
ZNet RUS	21	465	-3,155	3,620	188	227	628	6,281.33
Bluebell	1,009,023	2,227,008	62,480	2,164,528	-	-205	218,702	6.66
XSquare	150,000	156,981	95,572	61,409	431,040	-63,933	-50,054	-3.34
Tianjin Huagin	46,065	3,455	1,861	1,594	-	-490	-48	-
ZNet SHA	261,035	9,146	3,637	5,509	9,092	344	-74	-
Monetics	359,307	343,864	104,923	238,941	878,787	2,651	2,873	-
Genezys	205,757	305,261	54,565	250,696	219,401	4,388	2,628	-
Wuxi MSTC	918,229	5,878,267	3,654,911	2,223,356	15,125,616	264,703	218,526	-

Note: It's a long-term investment recognized with equity method. For the full names of the affiliates, please refer to pages 128~129 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:

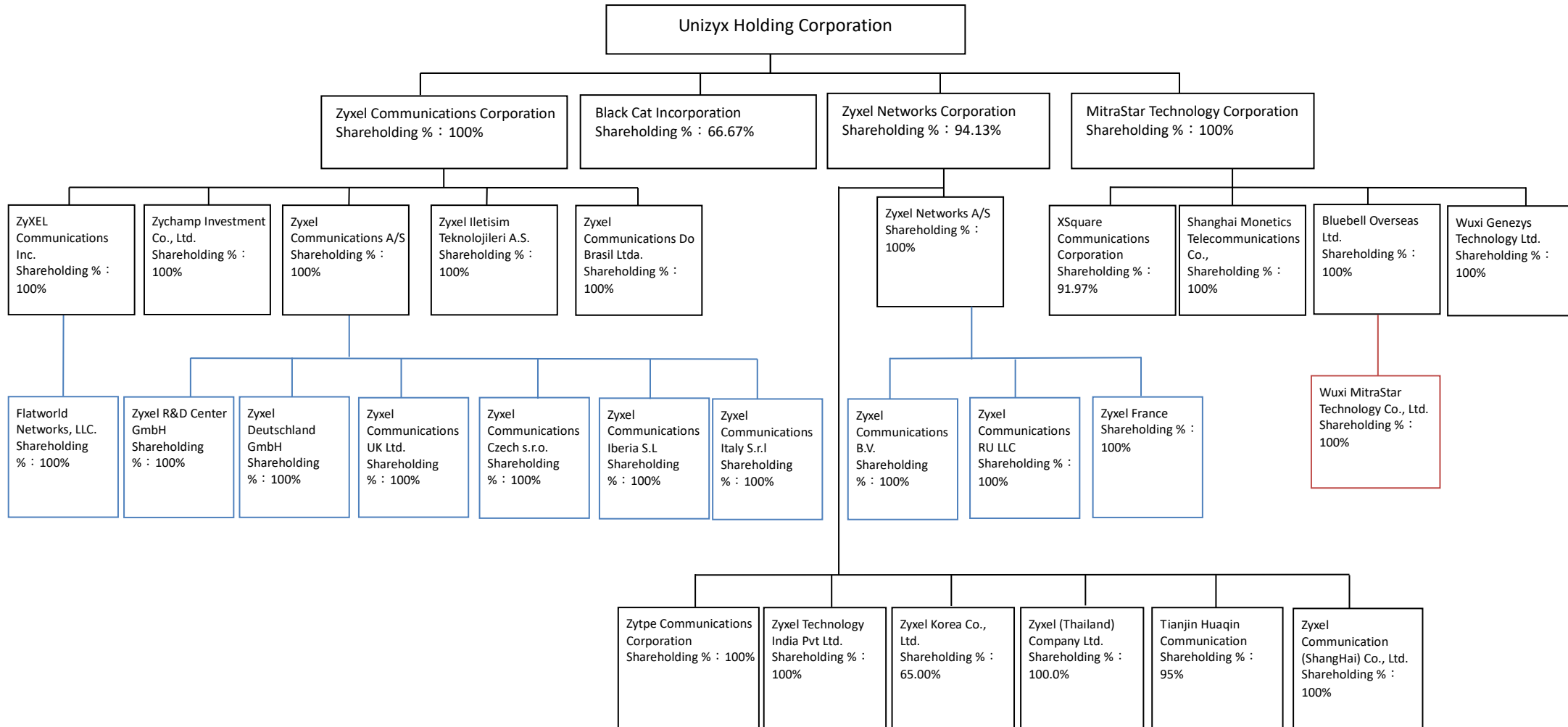
April 17, 2023 NTD thousand; Share; %

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
Zychamp 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; shareholding reduction due to capital reduction in 2022	-	-	-	As of December 31, 2022 7,317,397 shares; NT\$96,550 thousand	N/A	N/A	N/A
				Current year as of the printing date of the annual report	-	-	-	7,317,397 shares; NT\$96,550 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
 Subsidiary chart
 Date : Dec 31, 2022



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

As of December 31, 2022 ; Unit:NT\$(USD,EUR)/Thousands Shares/%

Name of affiliate (Note)	Title	Name of Representative	Shareholding	
			Shares (Investment Amount)	%
Zyxel	Chairman Director Director/President Supervisor	Gordon Yang Shun-I Chu Karsten Gewecke Jason Pu	— — — — Unizyx holds 72,450 shares	— — — — 100
MitraStar	Chairman Director Director/President Supervisor	Gordon Yang Shun-I Chu Wayne Huang Richard Hsu	— — — — Unizyx holds 316,800 shares	— — — — 100
ZNet	Chairman/ President Director Director Supervisor	Gordon Yang Shun-I Chu Wei Lo Chin-Yi Shen	Holds 450 shares — Holds 30 shares Holds 10 shares Unizyx holds 108,888 shares	1 — — — 94
Black Cat	Chairman Director Director/President Supervisor	Shun-I Chu Wei Lo Edward Yu Jason Pu	Holds 220 shares — Holds 220 shares — Unizyx holds 2,200 shares	7 — 7 — 67
ZyAS	Director Director Director President	Gordon Yang Shun-I Chu Torben Thomasen Karsten Gewecke	— — — — Zyxel holds 20,712 shares	— — — — 100
ZyUSA	Director/President Director Director	Hou-I Chu Shun-I Chu Gordon Yang	— — — — Zyxel holds 9,807 shares	— — — — 100
Zychamp	Chairman/President Director Directors Supervisor	Shun-I Chu Wei Lo Judy Hsu Jason Pu	— — — — Zyxel holds 8,902 shares	— — — — 100
ZyTR	Chairman Director Director President	Shun-I Chu Wei Lo Gordon Yang Karsten Gewecke	— — — — Zyxel holds 29,137 shares	— — — — 100
ZyTPE	Chairman Director/President Director Supervisor	Shun-I Chu Chao-Huei Liao Ping-Chin Li Jason Pu	— — — — ZNet holds 6,000 shares	— — — — 100
Gemini	Director/President	Karsten Gewecke	— ZyAS invests EUR 4,000	— 100

Name of affiliate (Note)	Title	Name of Representative	Shareholding	
			Shares (Investment Amount)	%
ZNet KR	Director Director Director/President	Gordon Yang Gary Chen Sanghyun Kim	— — — Holds 38 shares ZNet holds 72 shares	— — — 35 65
ZNet AS	Director Director Director President	Shun-I Chu Gordon Yang Torben Thomasen Jean Marc Guignier	— — — — ZNet holds 20,712 shares	— — — — 100
ZyTH	Chairman Director Director President	Shun-I Chu Gordon Yang Sarochinee Wattanabupha Crowley Wu	— — — — ZNet holds 8,000 shares	— — — — 100
ZNet FR	Legal Representative	Jean Marc Guignier	— ZNet AS holds 10 shares	— 100
ZyIN	Director Director Director President	Shun-I Chu Gordon Yang Manasa Kumar Roul Gary Chen	— — — — ZNet holds 8,470 shares	— — — — 100
ZyDE	Director/President	Karsten Gewecke	— ZyAS invests EUR 1,525	— 100
ZyCZ	Legal Representative	Karsten Gewecke	— ZyAS holds 19,000 shares	— 100
ZyUK	Director Director Director/President	Shun-I Chu Gordon Yang Karsten Gewecke	— — — ZyAS holds 5,375 shares	— — — 100
ZyBNL	Director Director Director/President	Shun-I Chu Gordon Yang Jean Marc Guignier	— — — ZNet AS holds 14 shares	— — — 100
ZyES	Director/President	Karsten Gewecke	— ZyAS holds 3 shares	— 100
ZyBR	Director President	Shun-I Chu Gilmar De Farias (agent)	— — Zyxel holds 92,456 shares	— — 100
ZyIT	Chairman Director Director Director/President	Jean-Marc Guignier Gordon Yang Fabrizio Bonelli Karsten Gewecke	— — — — ZyAS holds 10 shares	— — — — 100
ZyRUS	Director	Denis Yurievich Tyapaev	— 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

Name of affiliate (Note)	Title	Name of Representative	Shareholding	
			Shares (Investment Amount)	%
Tianjin Huagin	Chairman Director/President Supervisor	Cheng Chang Shun-I Chu Jason Pu	Invests USD 75	5
			—	—
			—	—
			ZNet invests USD 1,247	95
ZySHA	Chairman Legal Representative/President	Shun-I Chu Gordon Yang	—	—
			—	—
			ZNet invests USD 8,500	100
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 128~129 for the full names of the affiliates

Unizyx Holding Corporation

Audit Committee's Review Report

Unizyx's 2022 Business Report, Financial Statements and proposal for earnings distribution were prepared and submitted by the Board of Directors. The Financial Statements were audited by Ah-Chih Cheng and Ji-Long Yu, CPA of 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 2023 Annual Shareholders' Meeting

Chin-Tang Liu, Convener of the Audit Committee

March 13, 2023

Unizyx Holding Corporation

Internal Control System Statement

Date: March 13, 2023

Based on the findings of a self-assessment, the Company states the following with regard to its internal control system during the year 2022:

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, 2022, 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 13, 2023, 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, 2022 and 2021

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, 2022 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 13, 2023



安侯建業聯合會計師事務所

KPMG

新竹市科學園區300091展業一路11號
No. 11, Prosperity Road I, Hsinchu Science Park,
Hsinchu, 300091, Taiwan (R.O.C.)

電話 Tel + 886 3 579 9955
傳真 Fax + 886 3 563 2277
網址 Web kpmg.com/tw

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, 2022 and 2021, 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, 2022 and 2021, 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 Standards on Auditing of 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 Unizyx Holding Corporation and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. 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, 2022 and 2021, 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 Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and 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 13, 2023

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, 2022 and 2021
(Expressed in thousands of New Taiwan Dollars)

	December 31, 2022		December 31, 2021			December 31, 2022		December 31, 2021	
	Amount	%	Amount	%		Amount	%	Amount	%
Assets					Liabilities and Equity				
Current assets:					Current liabilities:				
Cash and cash equivalents (note 6(1))	\$ 6,040,344	22	5,293,484	25	Short-term borrowings (note 6(11))	\$ 3,131,230	12	1,557,000	7
Financial assets at fair value through profit or loss— current (note 6(2))	128,308	-	147,076	1	Short-term notes and bills payable (note 6(12))	200,000	1	200,000	1
Financial assets at amortized cost— current (notes 6(3) and 8)	22,277	-	281,149	1	Financial liabilities at fair value through profit or loss— current (note 6(2))	105,448	-	124	-
Notes and accounts receivable, net (note 6(5))	8,327,466	31	5,520,935	26	Contract liabilities— current (notes 6(21) and 7)	827,495	3	175,314	1
Accounts receivable— related parties, net (note 7)	122,021	-	21,995	-	Notes and accounts payable	6,788,608	25	4,820,240	23
Other receivables— related parties (note 7)	3,375	-	3,071	-	Accounts payable— related parties (note 7)	122,608	-	181,775	1
Inventories (note 6(6))	8,001,198	30	6,212,269	29	Payroll and bonus payable	968,599	4	867,201	4
Other financial assets— current	35,929	-	28,415	-	Other payables— related parties (note 7)	4,106	-	8,618	-
Other current assets, others	666,205	3	496,219	2	Income tax payable	319,677	1	179,272	1
	<u>23,347,123</u>	<u>86</u>	<u>18,004,613</u>	<u>84</u>	Provision for warranty obligations— current (note 6(14))	456,506	2	495,545	3
Non-current assets:					Lease liabilities— current (note 6(15))	44,265	-	39,181	-
Financial assets at fair value through other comprehensive income— non-current (note 6(4))	28,979	-	25,713	-	Other current liabilities, others	1,433,540	5	1,000,059	4
Financial assets at amortized cost— non-current (notes 6(3) and 8)	104,563	-	104,659	-		<u>14,402,082</u>	<u>53</u>	<u>9,524,329</u>	<u>45</u>
Investments accounted for using the equity method (note 6(7))	37,208	-	16,292	-	Non-current liabilities:				
Property, plant and equipment (note 6(8))	1,891,464	7	1,699,145	8	Bonds payable (note 6(13))	1,897,056	7	1,896,234	9
Right-of-use assets (note 6(9))	427,554	2	418,997	2	Deferred income tax liabilities (note 6(17))	334,368	1	339,904	1
Intangible assets (note 6(10))	343,892	1	361,893	2	Lease liabilities— non-current (note 6(15))	404,052	2	399,908	2
Deferred income tax assets (note 6(17))	591,094	3	547,606	3	Net defined benefit liabilities (note 6(16))	10,491	-	12,979	-
Refundable deposits (note 8)	162,321	1	135,391	1	Guarantee deposits received	734	-	711	-
Net defined benefit assets (note 6(16))	103,515	-	66,075	-		<u>2,646,701</u>	<u>10</u>	<u>2,649,736</u>	<u>12</u>
Other non-current assets	25,325	-	13,290	-	Total liabilities	<u>17,048,783</u>	<u>63</u>	<u>12,174,065</u>	<u>57</u>
	<u>3,715,915</u>	<u>14</u>	<u>3,389,061</u>	<u>16</u>	Equity (note 6(18)):				
Total assets	<u>\$ 27,063,038</u>	<u>100</u>	<u>21,393,674</u>	<u>100</u>	Equity attributable to the shareholders of the parent company:				
					Capital stock	4,001,720	14	4,536,148	21
					Capital surplus	3,489,988	13	3,680,924	17
					Retained earnings	2,946,870	11	1,513,771	7
					Other equity	(490,256)	(2)	(462,103)	(2)
					Treasury stock	(96,550)	-	(198,448)	(1)
						<u>9,851,772</u>	<u>36</u>	<u>9,070,292</u>	<u>42</u>
					Non-controlling interests	162,483	1	149,317	1
					Total equity	<u>10,014,255</u>	<u>37</u>	<u>9,219,609</u>	<u>43</u>
					Total liabilities and equity	<u>\$ 27,063,038</u>	<u>100</u>	<u>21,393,674</u>	<u>100</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 Comprehensive Income

For the years ended December 31, 2022 and 2021

(Expressed in thousands of New Taiwan Dollars, except for earnings per share)

	2022		2021	
	Amount	%	Amount	%
Operating revenues (notes 6(21) and 7)	\$ 30,515,803	100	25,681,970	100
Cost of goods sold (notes 6(6) and 7)	<u>23,527,849</u>	<u>77</u>	<u>19,621,452</u>	<u>76</u>
Gross profit	<u>6,987,954</u>	<u>23</u>	<u>6,060,518</u>	<u>24</u>
Operating expenses (note 7):				
Selling and marketing	2,267,354	8	2,021,928	8
General and administrative	958,008	3	893,502	3
Research and development	1,872,953	6	1,718,432	7
Expected credit loss (note 6(5))	<u>42,377</u>	<u>-</u>	<u>1,222</u>	<u>-</u>
Total operating expenses	<u>5,140,692</u>	<u>17</u>	<u>4,635,084</u>	<u>18</u>
Operating income	<u>1,847,262</u>	<u>6</u>	<u>1,425,434</u>	<u>6</u>
Non-operating income (expenses):				
Other income (notes 6(22) and 7)	57,769	-	73,430	-
Other gains and losses (note 6(22))	205,676	-	171,074	1
Shares of profit (loss) of associates accounted for using the equity method, net (note 6(7))	(10,773)	-	(6,585)	-
Interest income	65,917	-	16,351	-
Interest expense (note 6(22))	(72,659)	-	(29,133)	-
Foreign exchange loss, net (note 6(24))	<u>(100,889)</u>	<u>-</u>	<u>(212,507)</u>	<u>(1)</u>
	<u>145,041</u>	<u>-</u>	<u>12,630</u>	<u>-</u>
Income (loss) before income taxes	1,992,303	6	1,438,064	6
Income tax expenses (note 6(17))	<u>365,372</u>	<u>1</u>	<u>342,605</u>	<u>2</u>
Net income (loss)	<u>1,626,931</u>	<u>5</u>	<u>1,095,459</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(16))	40,172	-	(11,069)	-
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (note 6(18))	<u>3,266</u>	<u>-</u>	<u>(1,286)</u>	<u>-</u>
Total items that will not be reclassified subsequently to profit or loss	<u>43,438</u>	<u>-</u>	<u>(12,355)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign financial statements	(32,066)	-	(162,198)	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(17))	<u>2,594</u>	<u>-</u>	<u>32,124</u>	<u>-</u>
Total items that may be reclassified subsequently to profit or loss	<u>(29,472)</u>	<u>-</u>	<u>(130,074)</u>	<u>-</u>
Other comprehensive income for the year	<u>13,966</u>	<u>-</u>	<u>(142,429)</u>	<u>-</u>
Total comprehensive income for the year	<u>\$ 1,640,897</u>	<u>5</u>	<u>953,030</u>	<u>4</u>
Net income (loss) attributable to:				
Shareholders of the parent company	\$ 1,618,460	5	1,096,700	4
Non-controlling interests	<u>8,471</u>	<u>-</u>	<u>(1,241)</u>	<u>-</u>
	<u>\$ 1,626,931</u>	<u>5</u>	<u>1,095,459</u>	<u>4</u>
Total comprehensive income attributable to:				
Shareholders of the parent company	\$ 1,630,285	5	956,098	4
Non-controlling interests	<u>10,612</u>	<u>-</u>	<u>(3,068)</u>	<u>-</u>
	<u>\$ 1,640,897</u>	<u>5</u>	<u>953,030</u>	<u>4</u>
Earnings per share (New Taiwan Dollars) (note 6(20)):				
Basic earnings per share	\$	<u>3.87</u>	\$	<u>2.49</u>
Diluted earnings per share	\$	<u>3.84</u>	\$	<u>2.45</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, 2022 and 2021

(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					Non-controlling interests	Total equity	
	Share capital			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	Subtotal of equity attributable to the shareholders of the parent				
	Common stock	Advance receipts for share capital	Total share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (Accumulated deficits)					Total			Total
Balance at January 1, 2021	\$ 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
Cash dividends distributed from capital surplus	-	-	-	(223,822)	-	-	-	-	-	-	-	-	(223,822)	-	(223,822)
Reorganization	-	-	-	-	-	-	(19,463)	(19,463)	19,463	-	19,463	-	-	-	-
Changes in ownership interests in subsidiaries accounted for using the equity method	-	-	-	(15,041)	-	-	-	-	-	-	-	-	(15,041)	15,041	-
Share-based payments	-	-	-	41,124	-	-	-	-	-	-	-	-	41,124	9,106	50,230
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 by subsidiaries 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
Net income (loss) for the period	-	-	-	-	-	-	1,618,460	1,618,460	-	-	-	-	1,618,460	8,471	1,626,931
Other comprehensive income (loss) for the period	-	-	-	-	-	-	39,978	39,978	(31,419)	3,266	(28,153)	-	11,825	2,141	13,966
Total comprehensive income (loss) for the period	-	-	-	-	-	-	1,658,438	1,658,438	(31,419)	3,266	(28,153)	-	1,630,285	10,612	1,640,897
Appropriation and distribution of retained earnings:															
Legal reserve	-	-	-	-	106,629	-	(106,629)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	110,193	(110,193)	-	-	-	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	-	-	(225,339)	(225,339)	-	-	-	-	(225,339)	-	(225,339)
Capital reduction	(450,678)	-	(450,678)	-	-	-	-	-	-	-	-	8,289	(442,389)	-	(442,389)
Changes in ownership interests in subsidiaries accounted for using the equity method	-	-	-	(105)	-	-	-	-	-	-	-	-	(105)	105	-
Changes in ownership interests in associates accounted for using the equity method	-	-	-	13,826	-	-	-	-	-	-	-	-	13,826	-	13,826
Share-based payments	-	-	-	34,729	-	-	-	-	-	-	-	-	34,729	505	35,234
Cash dividends received by subsidiaries from the parent company	-	-	-	4,144	-	-	-	-	-	-	-	-	4,144	-	4,144
Exercise of employee stock options	68,720	(23,110)	45,610	33,202	-	-	-	-	-	-	-	-	78,812	6,008	84,820
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	-	-	(312,483)	(312,483)	-	(312,483)
Retirement of treasury stock	(129,360)	-	(129,360)	(276,732)	-	-	-	-	-	-	-	406,092	-	-	-
Cash dividends paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,064)	(4,064)
Balance at December 31, 2022	\$ 3,978,690	23,030	4,001,720	3,489,988	353,762	310,540	2,282,568	2,946,870	(433,898)	(56,358)	(490,256)	(96,550)	9,851,772	162,483	10,014,255

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, 2022 and 2021

(Expressed in thousands of New Taiwan Dollars)

	2022	2021
Cash flows from operating activities:		
Income (loss) before income tax	\$ 1,992,303	1,438,064
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	301,659	273,734
Amortization expense	112,117	93,155
Expected credit loss	42,377	1,222
Provision for warranties and after service cost	17,441	21,454
Provision of allowance for sales discounts	79,492	66,833
Net profit on financial assets or liabilities at fair value through profit or loss	(208,634)	(162,875)
Interest expense	72,659	29,133
Interest income	(65,917)	(16,351)
Dividend income	(11,619)	(2,830)
Share-based payments	35,234	50,230
Share of loss of associates accounted for using the equity method	10,773	6,585
Loss (gain) on disposal of property, plant and equipment	17	(2,397)
Provision (reversal) of inventory obsolescence loss	197,528	(35,515)
Others	33	2,111
Total adjustments to reconcile profit (loss)	583,160	324,489
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets or liabilities at fair value through profit or loss	365,516	81,725
Notes and accounts receivable (including related parties)	(2,952,805)	308,466
Other receivables – related parties	(304)	2,888
Inventories	(2,042,095)	(1,245,722)
Other operating assets	(130,965)	385,435
Total changes in operating assets	(4,760,653)	(467,208)
Changes in operating liabilities:		
Notes and accounts payable (including related parties)	1,909,201	(777,349)
Other payables – related parties	(4,512)	(37,871)
Net defined benefit assets and liabilities	244	122
Other operating liabilities	1,052,283	(186,197)
Total changes in operating liabilities	2,957,216	(1,001,295)
Total changes in operating assets and liabilities	(1,803,437)	(1,468,503)
Total adjustments	(1,220,277)	(1,144,014)
Cash inflow generated from operations	772,026	294,050
Interest received	63,154	15,908
Dividends received	13,825	3,768
Interest paid	(68,843)	(22,534)
Income taxes paid	(308,851)	(85,843)
Net cash flows from operating activities	471,311	205,349

(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, 2022 and 2021

(Expressed in thousands of New Taiwan Dollars)

	2022	2021
Cash flows from investing activities:		
Acquisition of financial assets at amortized cost	(397,577)	(892,574)
Proceeds from repayments of financial assets at amortized cost	667,759	1,139,766
Acquisition of financial assets at fair value through profit or loss	(284,181)	(304,723)
Proceeds from disposal of financial assets at fair value through profit or loss	251,391	192,564
Acquisition of investments accounted for using equity method	(20,000)	-
Net cash outflow from acquisition of subsidiaries	-	(8,755)
Acquisition of property, plant and equipment	(435,145)	(379,636)
Proceeds from disposal of property, plant and equipment	859	35,714
Increase in refundable deposits	(26,930)	(3,701)
Acquisition of intangible assets	(74,254)	(183,994)
Proceeds from disposal of intangible assets	-	280
Increase in other non-current assets	(24,076)	(17,047)
Net cash flows used in investing activities	(342,154)	(422,106)
Cash flows from financing activities:		
Increase in short-term borrowings	20,289,090	14,819,598
Decrease in short-term borrowings	(18,703,840)	(14,876,384)
Increase in short-term notes and bills payable	1,220,000	1,390,000
Decrease in short-term notes and bills payable	(1,220,000)	(1,490,000)
Proceeds from issuing bonds (deducting issuance costs)	-	1,895,650
Increase in guarantee deposits received	20	178
Payment of lease liabilities	(44,257)	(46,440)
Cash dividends distributed from capital surplus	-	(219,760)
Cash dividends paid	(221,195)	-
Capital reduction payments to shareholders	(442,389)	-
Exercise of employee stock options	84,820	71,913
Purchase of treasury shares	(312,483)	(93,609)
Proceeds from disposal of treasury shares	-	50,532
Increase in non-controlling interests	-	102,040
Cash dividends paid to non-controlling interests	(4,064)	(1,000)
Exercise of disorgement	-	2
Net cash flows from financing activities	645,702	1,602,720
Effect of exchange rate changes on cash and cash equivalents	(27,999)	(170,638)
Net increase in cash and cash equivalents	746,860	1,215,325
Cash and cash equivalents at the beginning of period	5,293,484	4,078,159
Cash and cash equivalents at the end of period	\$ 6,040,344	5,293,484

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, 2022 and 2021
(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 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 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, 2022 and 2021, 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 13, 2023.

3. New standards, amendments and interpretations adopted

- (1) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the 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, 2022:

- 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"

- (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, 2023, would not have a significant impact on its consolidated financial statements.

- 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"

(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 not 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”
- Amendments to IFRS16 “Requirements for Sale and Leaseback Transactions”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”

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, 2022</u>	<u>December 31, 2021</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 %	94 %	

(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, 2022</u>	<u>December 31, 2021</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 İletisim 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 %	92 %	
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 %	
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 %	

(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, 2022</u>	<u>December 31, 2021</u>	
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	Zyxel R&D Center GmbH(Gemini)	Development of communications and networking products	100 %	100 %	
ZNet AS	Zyxel Communications B.V. (ZNet BNL)	Sales and marketing	100 %	100 %	
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

Note: 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.

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

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

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

ZNet EE was liquidated in July 2021.

(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.

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.

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

(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.

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.

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

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
- 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.

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

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).

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

12-month ECL are the portion of ECL 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 ECL is the maximum contractual period over which the Company is exposed to credit risk.

(Continued)

Unizyx Holding Corporation and subsidiaries

Notes to the Consolidated Financial Statements

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.

ECL 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). ECL 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;
- 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.

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

(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.

(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.

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

(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.

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.

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

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.

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: 20 to 41 years.
- (b) Building improvements: 4 to 18 years.
- (c) Machinery, and research and development equipment: 3 to 12 years.

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

- (d) Office equipment and others: 3 to 12 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 4 to 41 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.

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.

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

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.

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.

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

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.

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 2 to 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).

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

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.

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.

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

(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(14).

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.

(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.

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

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.

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.

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

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.

(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.

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, 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.

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.

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

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.

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.

(Continued)

Unizyx Holding Corporation and subsidiaries

Notes to the Consolidated Financial Statements

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.

(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).

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

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(24) of the financial instruments.

6. Explanation of significant accounts

(1) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Petty cash, demand deposits, and checking accounts	\$ 2,325,485	2,235,149
Cash equivalents – time deposits	3,636,859	3,000,335
Cash equivalents – repurchased agreements	78,000	58,000
	\$ 6,040,344	5,293,484

Please refer to note 6(24) 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

	December 31, 2022	December 31, 2021
Listed stocks	\$ 64,255	54,364
Beneficiary certificates	57,177	54,962
Global depository receipts	6,652	18,219
	\$ 128,084	127,545

B. Non-hedging derivative financial instruments

	December 31, 2022	December 31, 2021
Financial assets at fair value through profit or loss:		
Forward exchange contracts	\$ 224	19,531
Financial liabilities at fair value through profit or loss:		
Forward exchange contracts	\$ 105,448	124

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.

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

The forward exchange contracts not settled as of December 31, 2022 and 2021 were as follows:

December 31, 2022		
Contract item	Maturity period	Contract amount (in thousands)
Sell EUR / Buy USD	2023.03~2023.07	EUR 70,000

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

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, 2022	December 31, 2021
Time deposits (over 3 months)	\$ -	260,651
Pledged time deposits	126,840	125,157
	\$ 126,840	385,808
Current	\$ 22,277	281,149
Non-current	\$ 104,563	104,659

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 interest rate and maturity date of the domestic time deposits the Company holds were as follows:

	December 31, 2022	December 31, 2021
Interest rate	-	0.35%~2.60%
Maturity period	-	2022.03~2022.11

B. For credit risk, please refer to note 6(24).

C. The Company's financial assets at amortized costs – current and non-current mentioned above were pledged as collateral; please refer to note 8.

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

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

	December 31, 2022	December 31, 2021
Non-listed stocks	\$ 28,979	25,713

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.

- A. For sensitivity analysis, fair value and market risk, please refer to note 6(24).
- B. 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, 2022	December 31, 2021
Notes receivable	\$ -	652
Letters of credit receivable	580,490	94,230
Accounts receivable	7,875,090	5,509,755
	8,455,580	5,604,637
Less: Provision for loss allowance	(128,114)	(83,702)
	\$ 8,327,466	5,520,935

As of January 1, 2021, the ending balance of notes and accounts receivable, net was \$5,841,093.

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.

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

The loss allowance provision were determined as follows:

	December 31, 2022		
	Gross carrying amount	Weighted-average credit loss rate (%)	Loss allowance provision
Current	\$ 7,118,961	-	-
Overdue 1~30 days	768,494	-	-
Overdue 31~60 days	262,074	-	-
Overdue 61~90 days	120,050	18.74	22,497
Overdue 91~180 days	82,566	19.49	16,092
Overdue 181~360 days	16,830	100.00	16,830
Overdue more than 361 days	86,605	83.94	72,695
Total	\$ 8,455,580		128,114
	December 31, 2021		
	Gross carrying amount	Weighted-average credit 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

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

	2022	2021
Balance at January 1	\$ 83,702	92,895
Impairment loss recognized	42,377	1,222
Amounts written off	(1,836)	(3,684)
Effect of movements in exchange rates	3,871	(6,731)
Balance at December 31	\$ 128,114	83,702

- 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, 2022	December 31, 2021
Raw materials	\$ 2,512,895	2,749,679
Work in process and semi-finished goods	883,342	463,939
Finished goods and merchandises	4,604,961	2,998,651
	\$ 8,001,198	6,212,269

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

	2022	2021
Inventories sold	\$ 23,312,880	19,635,513
Provision (reversal) of inventory obsolescence for the period	197,528	(35,515)
Provision for warranties and after service cost for the period	17,441	21,454
	\$ 23,527,849	19,621,452

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, 2022	December 31, 2021
Summarized information of the carrying amount of associates that were not individually material	\$ 37,208	16,292
	2022	2021
Net gain (loss) attributable to the Company	\$ (10,773)	(6,585)

Ardomus increased its authorized share capital by cash in 2022, wherein the Company failed to subscribe in proportion to its percentage of ownership by investing \$20,000, resulting in the Company's capital surplus to decrease by \$13,826 in 2022.

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

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

(8) Property, plant and equipment

	<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>
Cost:							
Balance at January 1, 2022	\$ 31,566	2,181,529	674,050	365,794	909,558	23,002	4,185,499
Additions for the period	-	18,554	173,150	67,924	104,655	70,862	435,145
Disposal for the period	-	(711)	(8,078)	(29,198)	(295,108)	-	(333,095)
Recognized as expenses	-	-	(44)	-	-	-	(44)
Reclassification	-	-	20,489	-	346	(21,027)	(192)
Effect of movements in exchange rates	3,455	14,260	8,936	1,255	14,024	129	42,059
Balance at December 31, 2022	<u>\$ 35,021</u>	<u>2,213,632</u>	<u>868,503</u>	<u>405,775</u>	<u>733,475</u>	<u>72,966</u>	<u>4,329,372</u>
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>
Depreciation:							
Balance at January 1, 2022	\$ -	1,113,149	453,146	165,939	754,120	-	2,486,354
Depreciation for the period	-	69,129	71,688	46,265	69,550	-	256,632
Disposal for the period	-	(711)	(7,594)	(28,999)	(294,915)	-	(332,219)
Effect of movements in exchange rates	-	6,951	6,566	1,042	12,582	-	27,141
Balance at December 31, 2022	<u>\$ -</u>	<u>1,188,518</u>	<u>523,806</u>	<u>184,247</u>	<u>541,337</u>	<u>-</u>	<u>2,437,908</u>
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>
Carrying amounts:							
Balance at December 31, 2022	<u>\$ 35,021</u>	<u>1,025,114</u>	<u>344,697</u>	<u>221,528</u>	<u>192,138</u>	<u>72,966</u>	<u>1,891,464</u>
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 January 1, 2021	<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>

The Company's property, plant and equipment mentioned above were not pledged as collateral.

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

(9) Right-of-use assets

	<u>Land</u>	<u>Building</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Total</u>
Cost:					
Balance at January 1, 2022	\$ 404,210	130,117	3,597	6,104	544,028
Additions for the period	387	60,381	1,545	1,145	63,458
Disposal for the period	(2,278)	(13,825)	(960)	(6,268)	(23,331)
Effect of movements in exchange rates	<u>112</u>	<u>3,838</u>	<u>74</u>	<u>-</u>	<u>4,024</u>
Balance at December 31, 2022	<u>\$ 402,431</u>	<u>180,511</u>	<u>4,256</u>	<u>981</u>	<u>588,179</u>
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	<u>(49)</u>	<u>(11,158)</u>	<u>(19)</u>	<u>-</u>	<u>(11,226)</u>
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>
Depreciation:					
Balance at January 1, 2022	\$ 50,419	67,764	2,046	4,802	125,031
Depreciation for the period	16,764	26,178	998	1,087	45,027
Disposal for the period	-	(5,531)	(960)	(5,856)	(12,347)
Effect of movements in exchange rates	<u>9</u>	<u>2,833</u>	<u>72</u>	<u>-</u>	<u>2,914</u>
Balance at December 31, 2022	<u>\$ 67,192</u>	<u>91,244</u>	<u>2,156</u>	<u>33</u>	<u>160,625</u>
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>
Carrying amount:					
Balance at December 31, 2022	<u>\$ 335,239</u>	<u>89,267</u>	<u>2,100</u>	<u>948</u>	<u>427,554</u>
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 January 1, 2021	<u>\$ 370,643</u>	<u>96,127</u>	<u>1,357</u>	<u>2,902</u>	<u>471,029</u>

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

(10) Intangible assets

	<u>Intellectual property</u>	<u>Trading rights</u>	<u>Computer software</u>	<u>Total</u>
Costs:				
Balance at January 1, 2022	\$ 216,232	207,110	261,009	684,351
Additions for the period	-	-	74,254	74,254
Disposal for the period	-	(49)	(17,480)	(17,529)
Reclassification	-	-	192	192
Effect of movements in exchange rates	<u>8,795</u>	<u>9,400</u>	<u>3,913</u>	<u>22,108</u>
Balance at December 31, 2022	<u>\$ 225,027</u>	<u>216,461</u>	<u>321,888</u>	<u>763,376</u>
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>
Amortization:				
Balance at January 1, 2022	\$ 43,294	163,625	115,539	322,458
Amortization for the period	35,360	17,341	47,053	99,754
Disposal for the period	-	(49)	(17,480)	(17,529)
Effect of movements in exchange rates	<u>2,548</u>	<u>8,411</u>	<u>3,842</u>	<u>14,801</u>
Balance at December 31, 2022	<u>\$ 81,202</u>	<u>189,328</u>	<u>148,954</u>	<u>419,484</u>
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
Losing control of subsidiary	-	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>
Carrying amounts:				
Balance at December 31, 2022	<u>\$ 143,825</u>	<u>27,133</u>	<u>172,934</u>	<u>343,892</u>
Balance at December 31, 2021	<u>\$ 172,938</u>	<u>43,485</u>	<u>145,470</u>	<u>361,893</u>
Balance at January 1, 2021	<u>\$ 166,344</u>	<u>65,031</u>	<u>28,383</u>	<u>259,758</u>

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

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

(11) Short-term borrowings

	December 31, 2022	December 31, 2021
Unsecured borrowings	\$ 3,131,230	1,557,000
Range of interest rates at year end	1.89%~3.14%	0.83%~1.10%

(12) Short-term notes and bills payable

	December 31, 2022	December 31, 2021
Commercial papers payable	\$ 200,000	200,000
Range of interest rates at year end	2.06%	0.89%

(13) Bonds payable

	December 31, 2022	December 31, 2021
Unsecured corporate bonds	\$ 1,900,000	1,900,000
Discount on bonds payable	(2,944)	(3,766)
	\$ 1,897,056	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 face 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.

(14) Provision – current

	2022	2021
Balance at January 1	\$ 495,545	546,982
Provision for the period	17,441	21,454
Write-off for the period	(68,106)	(60,499)
Effect of movements in exchange rates	11,626	(12,392)
Balance at December 31	\$ 456,506	495,545

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

(15) Lease liabilities

Carrying amounts of lease liabilities were as follows:

	December 31, 2022	December 31, 2021
Current	<u>\$ 44,265</u>	<u>39,181</u>
Non-current	<u>\$ 404,052</u>	<u>399,908</u>

For the maturity analysis, please refer to note 6(24) “Financial instruments”.

The amounts recognized in profit or loss were as follows:

	2022	2021
Interest on lease liabilities	<u>\$ 4,870</u>	<u>5,194</u>
Expenses relating to short-term leases	<u>\$ 42,561</u>	<u>39,807</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 16,311</u>	<u>10,825</u>

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

	2022	2021
Total cash outflow for leases	<u>\$ 108,000</u>	<u>100,478</u>

A. Real estate leases

The Company leases land and buildings for its office space and factories. The leases of land and buildings typically run for a period of 17 to 50 years, and the leases of office run for 2 to 5 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 1 to 5 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

(16) 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, 2022	December 31, 2021
Present value of defined benefit obligations	\$ 238,288	257,274
Fair value of plan assets	(331,312)	(310,370)
Net defined benefit assets	<u>\$ (93,024)</u>	<u>(53,096)</u>

Details of recognized liabilities (assets) were as follows:

	December 31, 2022	December 31, 2021
Net defined benefit assets	\$ (103,515)	(66,075)
Net defined benefit liabilities	10,491	12,979
	<u>\$ (93,024)</u>	<u>(53,096)</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 \$331,312 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, 2023 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

	<u>2022</u>	<u>2021</u>
Defined benefit obligation at January 1	\$ 257,274	247,545
Current service cost	740	687
Current interest cost	1,843	1,782
Remeasurements of the net defined benefit assets (liabilities)		
– Actuarial losses (gains) arising from changes in experience adjustment	9,256	7,766
– Actuarial losses (gains) arising from changes in demographic assumption	-	6,584
– Actuarial losses (gains) arising from changes in financial assumptions	(25,002)	-
Paid from pension plan	<u>(5,823)</u>	<u>(7,090)</u>
Defined benefit obligation at December 31	<u>\$ 238,288</u>	<u>257,274</u>

(c) Movements of defined benefit plan assets

	<u>2022</u>	<u>2021</u>
Fair value of plan assets at January 1	\$ 310,370	311,832
Interest income	2,261	2,272
Remeasurements of the net defined benefit assets (liabilities)		
– Actuarial gains (losses) arising from changes in experience adjustment	24,426	3,281
Contribution to the plan	78	75
Paid from pension plan	<u>(5,823)</u>	<u>(7,090)</u>
Fair value of plan assets at December 31	<u>\$ 331,312</u>	<u>310,370</u>

(d) Effect of the asset ceiling

There was no effect on the asset ceiling for the years of 2022 and 2021.

(e) Expenses recognized in profit or loss

	<u>2022</u>	<u>2021</u>
Current service cost	\$ 740	687
Net interest on the net defined benefit liabilities (assets)	<u>(418)</u>	<u>(490)</u>
	<u>\$ 322</u>	<u>197</u>

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

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

	2022	2021
Accumulated amount at January 1	\$ (27,962)	(16,893)
Recognized during the period	40,172	(11,069)
Accumulated amount at December 31	\$ 12,210	(27,962)

- (g) Actuarial assumptions

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

	December 31, 2022	December 31, 2021
Discount rate	1.750%~2.000%	0.625%~0.750%
Future salary increase rate	3.000%~3.500%	2.000%~3.000%

The weighted-average duration of the defined benefit obligation is 14.16 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:

	Impact on present value of defined benefit obligations	
	Increase 0.25%	Decrease 0.25%
December 31, 2022		
Discount rate	\$ (6,305)	6,551
Future salary increase rate	6,344	(6,140)
December 31, 2021		
Discount rate	\$ (7,626)	7,945
Future salary increase rate	7,637	(7,375)

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 2022 and 2021.

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

B. Defined contribution plans

- (a) The Company's domestic subsidiaries allocated 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.
- (b) Other overseas subsidiaries established their defined benefit pension plans according to the rules of their local governments, and contributed to Labor Insurance and retirement provision based on their employees' salaries and wages. Except for the contribution of the year, the companies did not have other obligation.
- (c) The pension costs of the Company under the defined contribution method were \$185,354 and \$162,312 for the years ended December 31, 2022 and 2021, respectively.

(17) Income tax

A. Income tax expense

	2022	2021
Current tax expense		
Current period	\$ 417,471	263,925
Adjustment for prior periods	(5,669)	(7,566)
	411,802	256,359
Deferred tax expense		
Origination and reversal of temporary differences	\$ (46,430)	86,246
Income tax expense	\$ 365,372	342,605

The amounts of income tax benefit recognized in other comprehensive income of the Company were as follows:

	2022	2021
Exchange differences on translation of foreign financial statements	\$ (2,594)	(32,124)

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

Reconciliations of income tax expense and profit (loss) before income taxes were as follows:

	2022	2021
Profit (loss) before income taxes	\$ <u>1,992,303</u>	<u>1,438,064</u>
Income tax using Unizyx's domestic tax rate	398,461	287,613
Effect of tax rates in foreign jurisdiction	33,623	2,170
Investment (gain) loss of foreign subsidiaries recognized using the equity method	75,456	86,642
Prior-year adjustments	(5,669)	(7,566)
Effect of unrecognized deferred tax assets and liabilities	(20,171)	10,427
Effect of investment tax credit	(111,175)	(48,900)
Others	<u>(5,153)</u>	<u>12,219</u>
	\$ <u>365,372</u>	<u>342,605</u>

B. Deferred tax assets and liabilities

(a) Unrecognized deferred tax assets and liabilities

	December 31, 2022	December 31, 2021
Loss on overseas investment accounted for using the equity method	\$ 105,607	105,959
Loss carryforward	146,425	147,077
Allowance for inventory obsolescence	36,709	35,307
Gain on overseas investment accounted for using the equity method	<u>(116,177)</u>	<u>(95,608)</u>
	\$ <u>172,564</u>	<u>192,735</u>

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.

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

(b) Recognized deferred tax assets and liabilities

Deferred tax assets:

	January 1, 2021	Recognized in income statement	Recognized in other comprehensive income	December 31, 2021	Recognized in income statement	Recognized in other comprehensive income	December 31, 2022
Unrealized profit on intercompany sales	\$ 105,003	(11,265)	-	93,738	42,091	-	135,829
Provision for warranties and after service cost	98,102	(9,622)	-	88,480	5,772	-	94,252
Exchange differences on translation of foreign financial statements	57,564	-	25,684	83,248	-	4,344	87,592
Loss on overseas investment accounted for using the equity method	69,547	5,861	-	75,408	(348)	-	75,060
Allowance for inventory obsolescence	76,424	(17,605)	-	58,819	17,242	-	76,061
Temporary difference of subsidiary	47,819	(332)	-	47,487	(297)	-	47,190
Loss carryforward	1,836	9,066	-	10,902	12,051	-	22,953
Others	57,357	32,167	-	89,524	(37,367)	-	52,157
	<u>\$ 513,652</u>	<u>8,270</u>	<u>25,684</u>	<u>547,606</u>	<u>39,144</u>	<u>4,344</u>	<u>591,094</u>

Deferred tax liabilities:

	January 1, 2021	Recognized in income statement	Recognized in other comprehensive income	December 31, 2021	Recognized in income statement	Recognized in other comprehensive income	December 31, 2022
Gain on overseas investment accounted for using the equity method	\$ (228,364)	(85,544)	-	(313,908)	(2,086)	-	(315,994)
Net defined benefit assets	(10,522)	(22)	-	(10,544)	8	-	(10,536)
Exchange differences on translation of foreign financial statements	(6,440)	-	6,440	-	-	(1,750)	(1,750)
Others	(6,502)	(8,950)	-	(15,452)	9,364	-	(6,088)
	<u>\$ (251,828)</u>	<u>(94,516)</u>	<u>6,440</u>	<u>(339,904)</u>	<u>7,286</u>	<u>(1,750)</u>	<u>(334,368)</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
Notes to the Consolidated Financial Statements

As of December 31, 2022, the unused loss carryforwards and related expiration years of the Company's domestic subsidiaries were as follows:

Year of loss	Expiration year	Unused loss carryforward
2019 (assessed)	2029	\$ 8,965
2020 (filed and assessed)	2030	9,943
2021 (filed)	2031	43,427
2022 (estimated)	2032	62,266
		\$ 124,601

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, 2022, the tax effects of the unused loss on carryforwards amounted to \$144,458.

C. Examination and approval

The income tax returns of Unizyx, Zyxel, ZNet, and MitraStar had been examined and assessed by the tax authority through 2019.

(18) 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, 2022 and 2021, 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 \$3,978,690 and \$4,490,008 as of December 31, 2022 and 2021, respectively.

Unizyx reduced 10.17% of its capital by cancelling 45,068 thousand shares, at a par value of \$10 per share, amounting to \$450,678 thousand, with the capital reduction date set on August 8, 2022, based on the decision made during the shareholders' meeting held on June 15, 2022, and approved by the FSC on July 27, 2022. All relevant legal registration procedures have been completed as of the reporting date.

As of December 31, 2022 and 2021, the Company issued 4,561 and 5,971 thousand new common shares for the exercised employee stock options, with par value of \$10 per share, at the amounts of \$23,030 and \$46,140, respectively, recognized as advance receipts for share capital. The related registration procedures has yet to be completed as of the years then ended.

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

B. Capital surplus

	December 31, 2022	December 31, 2021
Additional paid-in capital	\$ 3,263,937	3,309,840
Treasury stock transactions	65,252	243,075
Employee stock options	129,476	110,408
Others	31,323	17,601
	\$ 3,489,988	3,680,924

- (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, 2022 and 2021, 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.

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

C. Retained earnings and dividends policy

According to the Articles of Incorporation, the earnings of Unizyx should first be used to offset against any accumulated deficit and pay income tax, then 10% of the profit must be set aside as legal reserve, unless the amount in the legal reserve is already equals to or greater than the total paid in capital. The remainder, thereafter, shall be set aside or reversed as a special reserve in accordance with related laws, regulations, or provisions of the competent authorities. Any remaining profit, 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 for distribution.

A portion of the undistributed prior-period earnings shall be reclassified to special earnings reserve to account for cumulative changes to the net reduction of other shareholders' equity pertaining to prior periods. If there is still insufficient, an equivalent amount of special reserve shall be allocated from the after-tax net profit in the period, plus items other than the after-tax net profit in the period, that are included in the undistributed current-period earnings. The amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

The dividend policy of Unizyx is based on its profit condition, future operating development, and assurance of stockholders' equity. Considering the common stock, capital structure, operating status, and earnings, Unizyx may distribute the 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 approved by the shareholders' meeting that complies with Unizyx's balanced and stable dividend policy.

At least 10% of the current year's earnings, after deducting special surplus, shall be appropriated as shareholder dividends, preferably in the form of cash, with stock dividends being the other alternative, according to Income Tax Act. Distribution of stock dividends should be no more than 50% of total dividends.

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.

Distribution of earnings of Unizyx for the year of 2021 were as follows:

Date of Board of Directors	March 14, 2022
Date of shareholders' meeting	June 15, 2022
Provision for legal reserve	<u>\$ 106,629</u>
Provision for special reserve	<u>\$ 110,193</u>
Cash dividends	<u>\$ 225,339</u>
Cash dividends per share (TWD)	<u>\$ 0.5</u>

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

The related information is available on the Market Observation Post System website.

On March 13, 2023, the earnings distribution proposal for the year of 2022 was approved by the Board of Directors of Unizyx. The plan to distribute the 2022 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. The Company's capital reduction by cash in October 2022 resulted in Unizyx's shares held by Zychamp to decrease by \$8,289. As of December 31, 2022 and 2021, Unizyx's shares held by Zychamp were 7,317 and 8,146 thousand shares, and original costs were \$96,550 and \$104,839; the market values were \$255,377 and \$285,526, respectively.

As approved by the Board of Directors of Unizyx on February 7, 2022 and November 3, 2021, in order to maintain the credit of the Company and shareholders' equity, Unizyx had a plan on repurchasing 10,000 and 20,000 thousand shares of treasury stock, respectively, in accordance with the related regulations of stock exchange. Unizyx had repurchased 10,000 and 2,936 thousand shares of treasury stock, with the cost \$312,483 and \$93,609, respectively, in the years of 2022 and 2021.

As approved by the Board of Directors of Unizyx on May 4, and February 7, 2022, Unizyx retired \$10,000 thousand and \$2,936 thousand shares of treasury stock repurchased in accordance with the Securities and Exchange Act, respectively.

E. Other equity

(a) Exchange differences on translation of foreign financial statements

	<u>2022</u>	<u>2021</u>
Balance at January 1	\$ (402,479)	(293,572)
Foreign exchange differences (net of tax)	(31,419)	(128,370)
Reorganization	-	19,463
Balance at December 31	<u>\$ (433,898)</u>	<u>(402,479)</u>

(b) Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income

	<u>2022</u>	<u>2021</u>
Balance at January 1	\$ (59,624)	(58,338)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income (net of tax)	3,266	(1,286)
Balance at December 31	<u>\$ (56,358)</u>	<u>(59,624)</u>

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

F. Non-controlling interests (net of tax)

	2022	2021
Balance at January 1	\$ 149,317	27,198
Amounts attributable to the non-controlling interests:		
Net income (loss)	8,471	(1,241)
Remeasurements of defined benefit plans	194	(123)
Exchange differences on translation of foreign financial statements (net after tax)	1,947	(1,704)
Share-based payments	505	9,106
Change in ownership interests in subsidiaries accounted for using equity method	105	15,041
Increase in non-controlling interests	-	102,040
Cash dividends paid by subsidiaries to non-controlling interests	(4,064)	(1,000)
Exercise of employee stock options	6,008	-
Balance at December 31	\$ 162,483	149,317

(19) 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 Company estimated fair value of the options at the date of grant using the Black-Scholes option pricing model. The recognized compensation costs were \$25,554 and \$22,863 for the years ended December 31, 2022 and 2021, respectively. 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	25.3
Employee stock options in 2018	Nov. 20, 2018	Nov. 21, 2018	19,018	Service periods between 2 to 3 years	12.2	12.0

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

Weighted-average assumptions were as follows:

<u>Type</u>	<u>Fair value on granted date (TWD)</u>	<u>Expected dividend yield (%)</u>	<u>Expected volatility (%)</u>	<u>Risk-free interest rate (%)</u>	<u>Expected life (year)</u>
Employee stock options in 2020	5.4	3.08	40.2560~46.0590	0.1899~0.2381	2~3
Employee stock options in 2018	2.1~3.1	3.08	36.1080~44.6190	0.6080~0.6880	2~3

Information related to employee stock options granted to employees was as follows:

(a) Employee stock options in 2020

	<u>2022</u>			<u>2021</u>		
	<u>Options (in thousands)</u>	<u>Weighted- average exercise price (TWD)</u>	<u>Weighted- average residual period (year)</u>	<u>Options (in thousands)</u>	<u>Weighted- average exercise price (TWD)</u>	<u>Weighted- average residual period (year)</u>
<u>Employee stock options</u>						
Outstanding at beginning of year	14,876	\$ 24.2		15,000	\$ 24.7	
Granted	-	-		-	-	
Exercised	(1,893)	25.3		-	-	
Forfeited	(300)	-		(124)	-	
Outstanding at end of year	<u>12,683</u>	25.3	2.73	<u>14,876</u>	24.2	3.73
Exercisable at end of year	<u>5,409</u>			<u>-</u>		

(b) Employee stock options in 2018

	<u>2022</u>			<u>2021</u>		
	<u>Options (in thousands)</u>	<u>Weighted- average exercise price (TWD)</u>	<u>Weighted- average residual period (year)</u>	<u>Options (in thousands)</u>	<u>Weighted- average exercise price (TWD)</u>	<u>Weighted- average residual period (year)</u>
<u>Employee stock options</u>						
Outstanding at beginning of year	4,252	\$ 12.0		10,497	\$ 12.2	
Granted	-	-		-	-	
Exercised	(2,668)	12.0		(5,971)	12.0	
Forfeited	(35)	-		(274)	-	
Outstanding at end of year	<u>1,549</u>	12.0	0.89	<u>4,252</u>	12.0	1.89
Exercisable at end of year	<u>1,549</u>			<u>4,252</u>		

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

B. ZNet

As approved by the Board of Directors 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. Each unit can be exercised to purchase one share of ZNet. The duration of the plan is 0.12 years. The Company estimated fair value of the options at granted date by using 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 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.

ZNet used the Black-Scholes option pricing model to estimate fair value of the options granted at the date of grant. ZNet granted the Company's employees 7,000 thousand and 5,618 thousand units of employee stock options, and the Company recognized compensation costs of \$9,680 and \$18,311 for the years ended December 31, 2022 and 2021, respectively.

As of December 31, 2022, the related information was as follows:

Type	Grant date	Issued units (in thousands)	Grant period	Exercise price per share (TWD)	Adjusted exercise price per share (TWD)
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	12.9
Employee stock options in 2019	Nov. 8, 2019	5,618	Service periods 2 years	14.0	12.9

Weighted-average assumptions were as follows:

Type	Fair value on granted date (TWD)	Expected dividend yield (%)	Expected volatility (%)	Risk-free interest rate (%)	Expected life (year)
New shares reserved for subscription by employees in 2021	1.4	-	0.2885	0.2179	0.12
Employee stock options in 2020	3.3	-	40.0000	0.1923	2
Employee stock options in 2019	3.9	-	40.4080	0.5432	2

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

Information related to share-based payments of ZNet granted to employees was as follows:

(a) New shares reserved for subscription by employees in 2021

<u>New shares reserved for subscription by employees</u>	<u>2022</u>		
	<u>Options (in thousands)</u>	<u>Weighted- average exercise price (TWD)</u>	<u>Weighted- average residual period (year)</u>
Outstanding at beginning of year	-	\$ -	
Granted	6,429	14.0	
Exercised	(6,429)	14.0	
Forfeited	-	-	
Outstanding at end of year	<u>-</u>	-	-
Exercisable at end of year	<u>-</u>		

(b) Employee stock options in 2020

<u>Employee stock options</u>	<u>2022</u>			<u>2021</u>		
	<u>Options (in thousands)</u>	<u>Weighted- average exercise price (TWD)</u>	<u>Weighted- average residual period (year)</u>	<u>Options (in thousands)</u>	<u>Weighted- average exercise price (TWD)</u>	<u>Weighted- average residual period (year)</u>
Outstanding at beginning of year	7,000	\$ 13.4		7,000	\$ 14.0	
Granted	-	-		-	-	
Exercised	-	-		-	-	
Forfeited	-	-		-	-	
Outstanding at end of year	<u>7,000</u>	12.9	2.86	<u>7,000</u>	13.4	3.86
Exercisable at end of year	<u>7,000</u>			<u>-</u>		

(c) Employee stock options in 2019

<u>Employee stock options</u>	<u>2022</u>			<u>2021</u>		
	<u>Options (in thousands)</u>	<u>Weighted- average exercise price (TWD)</u>	<u>Weighted- average residual period (year)</u>	<u>Options (in thousands)</u>	<u>Weighted- average exercise price (TWD)</u>	<u>Weighted- average residual period (year)</u>
Outstanding at beginning of year	4,713	\$ 13.4		5,136	\$ 14.0	
Granted	-	-		-	-	
Exercised	(366)	13.4		-	-	
Forfeited	(196)	-		(423)	-	
Outstanding at end of year	<u>4,151</u>	12.9	1.85	<u>4,713</u>	14.0	2.85
Exercisable at end of year	<u>4,151</u>			<u>4,713</u>		

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

(20) Earnings per share

A. Basic earnings per share

	2022	2021
Net income (loss) attributable to ordinary shareholders of Unizyx	<u>\$ 1,618,460</u>	<u>1,096,700</u>
Weighted-average number of shares outstanding during the year (in thousands of shares)	<u>417,800</u>	<u>440,430</u>
Basic earnings per share (TWD)	<u>\$ 3.87</u>	<u>2.49</u>

B. Diluted earnings per share

	2022	2021
Net income (loss) attributable to ordinary shareholders of Unizyx	<u>\$ 1,618,460</u>	<u>1,096,700</u>
Weighted-average number of shares outstanding during the year (in thousands of shares)	417,800	440,430
Effect of potential dilutive ordinary shares (in thousands of shares)	<u>3,254</u>	<u>8,090</u>
	<u>421,054</u>	<u>448,520</u>
Diluted earnings per share (TWD)	<u>\$ 3.84</u>	<u>2.45</u>

(21) Revenue from contracts with customers

A. The details of revenue were presented by segments as follows:

	2022				
	Brand	Product	Channel	Investment	Total
Primary geographical markets:					
United States	\$ 3,898,851	4,702,182	18,032	-	8,619,065
France	53,071	1,737,668	498,302	-	2,289,041
Other countries	<u>8,499,965</u>	<u>7,416,469</u>	<u>3,684,635</u>	<u>6,628</u>	<u>19,607,697</u>
	<u>\$ 12,451,887</u>	<u>13,856,319</u>	<u>4,200,969</u>	<u>6,628</u>	<u>30,515,803</u>
Major products lines:					
Broadband	\$ 10,802,389	12,392,435	421,751	-	23,616,575
Business	500,399	182,472	3,324,167	-	4,007,038
Others	<u>1,149,099</u>	<u>1,281,412</u>	<u>455,051</u>	<u>6,628</u>	<u>2,892,190</u>
	<u>\$ 12,451,887</u>	<u>13,856,319</u>	<u>4,200,969</u>	<u>6,628</u>	<u>30,515,803</u>

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

	2021				
	<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>

B. Contract balances

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Contract liabilities	<u>\$ 827,495</u>	<u>175,314</u>	<u>74,760</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, 2022 and 2021 that were included in the contract liability balances at the beginning of the periods were \$155,393 and \$65,292, respectively.

(22) Non-operating income and expenses

A. Other income

	<u>2022</u>	<u>2021</u>
Dividend income	\$ 11,619	2,830
Rental income	7,531	6,497
Government grant	3,078	17,553
Other income	<u>35,541</u>	<u>46,550</u>
	<u>\$ 57,769</u>	<u>73,430</u>

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

B. Other gains and losses

	2022	2021
Net gains on financial assets (liabilities) at fair value through profit or loss	\$ 208,634	162,875
Others	(2,958)	8,199
	\$ 205,676	171,074

C. Interest expense

	2022	2021
Interest expense from bank borrowings	\$ 50,817	16,761
Interest expense from lease liabilities	4,870	5,194
Interest expense from corporate bonds	16,972	7,178
	\$ 72,659	29,133

(23) 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 Unizyx's Board of Directors on March 13, 2023, and March 14, 2022, respectively, was as follows:

	2022	2021
Employee compensation	\$ 166	108
Directors' remuneration	\$ 17,881	15,028

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 in the following year.

The aforementioned amounts of the remunerations to employees and directors are the same as those of the 2021 financial report.

Information of the remunerations to employees and directors will be available on the Market Observation Post system website.

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

(24) Financial instruments

A. Credit risk

(a) Credit risk exposures

As of December 31, 2022 and 2021, the Company's maximum exposure to credit risk was mainly from the carrying amount of financial assets amounting to \$14,818,296 and \$11,389,099, 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 notes 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 note 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.

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

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, 2022						
Non-derivative financial liabilities						
Short-term borrowings	\$ 3,131,230	(3,146,185)	(3,146,185)	-	-	-
Short-term notes and bills payable	200,000	(200,000)	(200,000)	-	-	-
Notes and accounts payable	6,788,608	(6,788,608)	(6,788,608)	-	-	-
Accounts payable—related parties	122,608	(122,608)	(122,608)	-	-	-
Payroll and bonus payable	968,599	(968,599)	(968,599)	-	-	-
Other payables—related parties	4,106	(4,106)	(4,106)	-	-	-
Bonds payable	1,897,056	(1,964,600)	(16,150)	(16,150)	(1,932,300)	-
Lease liabilities (current and non-current)	448,317	(494,860)	(48,927)	(41,181)	(88,886)	(315,866)
Accrued expense (recognized in other current liabilities)	1,051,513	(1,051,513)	(1,051,513)	-	-	-
Guarantee deposits received	734	(734)	-	(734)	-	-
Derivative financial liabilities						
Financial liabilities at fair value through profit or loss—current						
Outflows	105,448	(105,443)	(105,443)	-	-	-
	<u>\$ 14,718,219</u>	<u>(14,847,256)</u>	<u>(12,452,139)</u>	<u>(58,065)</u>	<u>(2,021,186)</u>	<u>(315,866)</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)	-	-	-
Other payables—related parties	8,618	(8,618)	(8,618)	-	-	-
Bonds payable	1,896,234	(1,980,750)	(16,150)	(16,150)	(1,948,450)	-
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)	775,832	(775,832)	(775,832)	-	-	-
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>

The Company does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

C. Currency risk

(a) Exposure to currency risk

The Company's significant exposure to foreign currency risk was as follows:

	December 31, 2022			December 31, 2021		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
<u>Financial Assets</u>						
<u>Monetary items</u>						
USD	\$ 220,162	30.71	6,761,175	134,413	27.68	3,720,552
CNY	87,908	4.41	387,674	183,573	4.34	796,707
<u>Non-Monetary items</u>						
EUR	2,000	32.72	note	33,110	31.32	note
<u>Financial Liabilities</u>						
<u>Monetary items</u>						
USD	180,213	30.71	5,534,341	137,437	27.68	3,804,256
EUR	66,032	32.72	2,160,567	251	31.32	7,861
<u>Non-Monetary items</u>						
EUR	68,000	32.72	note	1,500	31.32	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, 2022 and 2021, 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.)

	2022	2021
Depreciation	\$ <u>(27,303)</u>	<u>35,257</u>
Appreciation	\$ <u>27,303</u>	<u>(35,257)</u>

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

(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:

	2022	2021
	\$ (100,889)	(212,507)

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 decreased or increased by \$2,014 and increased or decreased by \$1,695 for the years ended December 31, 2022 and 2021, 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. Sensitivity analysis

If the market price of the abovementioned financial assets-equity investment 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 reporting date</u>	2022		2021	
	Other comprehensive income (loss) before income taxes	Net income (loss) before income taxes	Other comprehensive income (loss) before income taxes	Net income (loss) before income taxes
Increase 10%	\$ 2,898	12,808	2,571	12,755
Decrease 10%	\$ (2,898)	(12,808)	(2,571)	(12,755)

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

F. 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, 2022 and 2021 were as follows:

	December 31, 2022				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss – current	\$ 128,308	128,084	224	-	128,308
Financial assets at fair value through other comprehensive income – non-current	28,979	-	-	28,979	28,979
	<u>\$ 157,287</u>	<u>128,084</u>	<u>224</u>	<u>28,979</u>	<u>157,287</u>
Financial liabilities at fair value through profit or loss – current	<u>\$ 105,448</u>	<u>-</u>	<u>105,448</u>	<u>-</u>	<u>105,448</u>
	December 31, 2021				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
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	25,713	-	-	25,713	25,713
	<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>

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

- (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, 2022 and 2021.
- (d) Reconciliation of Level 3 fair values—equity investment without an active market

	2022	2021
Financial assets at fair value through other comprehensive income		
Balance at January 1	\$ 25,713	26,999
Gains or losses recognized in other comprehensive income	<u>3,266</u>	<u>(1,286)</u>
Balance at December 31	<u><u>\$ 28,979</u></u>	<u><u>25,713</u></u>

- (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:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
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 ratios (December 31, 2022: 1.61~3.39 and December 31, 2021: 1.91~7.74) · Discount for lack of marketability (December 31, 2022 and December 31, 2021: 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

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

(25) 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.

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(24).

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.

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

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 depository 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.

(b) Interest rate risk

The Company holds variable-rate financial assets and liabilities. Please refer to note 6(24) for interest rate risk.

(26) 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, 2022	December 31, 2021
Total liabilities	\$ 17,048,783	12,174,065
Less: cash and cash equivalents	<u>(6,040,344)</u>	<u>(5,293,484)</u>
Net debt	<u>\$ 11,008,439</u>	<u>6,880,581</u>
Total equity (adjusted capital)	<u>\$ 10,014,255</u>	<u>9,219,609</u>
Debt-to-adjusted-capital ratio	<u>109.93%</u>	<u>74.63%</u>

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

The debit-to-capital ratio had increased on December 31, 2022 since the increased in short-term loan and accounts payable. Furthermore, as of December 31, 2022, the Company has not changed its capital management method.

(27) 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(9).

B. Reconciliations of liabilities arising from financing activities were as follows:

	January 1, 2022	Cash flow	Foreign exchange movement and others	December 31, 2022
Short-term borrowings	\$ 1,557,000	1,585,250	(11,020)	3,131,230
Short-term notes and bills payable	200,000	-	-	200,000
Lease liabilities (current and non-current)	439,089	(44,257)	53,485	448,317
Bonds payable	1,896,234	-	822	1,897,056
Guarantee deposits received	711	20	3	734
Total liabilities from financing activities	<u>\$ 4,093,034</u>	<u>1,541,013</u>	<u>43,290</u>	<u>5,677,337</u>
			Foreign exchange movement and others	
	January 1, 2021	Cash flow	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	<u>\$ 2,404,894</u>	<u>1,692,602</u>	<u>(4,462)</u>	<u>4,093,034</u>

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

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	ZyFX's subsidiary
Ardomus	The Company's associate
ShareTech Information Co., LTD (ShareTech)	The Company's associate

(2) Excluding that has been reported on other disclosures of the consolidated financial statements, the summary of significant related-party transactions as follows:

A. Operating Revenues

<u>Account Name</u>	<u>Related Party Category</u>	<u>2022</u>	<u>2021</u>
Sales of goods	Other related parties	\$ 213,502	31,544
	Associates	11,090	3,955
		<u>224,592</u>	<u>35,499</u>
Others	Other related parties	6,638	6,612
	Associates	489	85
		<u>7,127</u>	<u>6,697</u>
		<u>\$ 231,719</u>	<u>42,196</u>

Except for some products where prices offered to other customers cannot be compared and the payment terms can be extended if needed, there was no significant difference between the sales price of the Company for related parties and that of the third parties, with payment terms of 30~180 days.

As of December 31, 2022, the Company received a prepayment amount of \$1,457, recognized as contract liabilities- current.

B. Purchases

<u>Related Party Category</u>	<u>2022</u>	<u>2021</u>
Other related parties	<u>\$ 155,597</u>	<u>265,984</u>

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

The purchase price offered to related parties is not significantly different from that of the general purchase price, except that there is no general price to compare with due to the different specifications of some commodities. Furthermore, the collection period is 30~90 days, which is not significantly different from general transactions.

C. Other transactions

<u>Account Name</u>	<u>Related Party Category</u>	<u>2022</u>	<u>2021</u>
Operating Expenses/ Cost of goods sold	Other related parties	\$ <u>4,522</u>	<u>7,152</u>
Non-operating income	Other related parties	\$ <u>2,104</u>	<u>2,162</u>

The Company leased out offices to its related parties, with lease terms and prices determined based on mutual agreements. The payment term for rentals is 25 days after each quarter, with the related income being classified as non-operating income.

The cash capital increase of Ardopus resulted in the Company's investment increasing by \$20,000 in February 2022.

The related parties distributed cash dividends amounting to \$2,137 and \$1,182 to the Company for the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, the aforementioned dividends had been received.

D. Receivables from related parties

<u>Account Name</u>	<u>Related Party Category</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable — related parties	Other related parties	\$ 120,155	19,383
	Associates	<u>1,866</u>	<u>2,612</u>
		<u>\$ 122,021</u>	<u>21,995</u>
Other receivables — related parties	Other related parties	\$ 2,914	2,847
	Associates	<u>461</u>	<u>224</u>
		<u>\$ 3,375</u>	<u>3,071</u>

Receivables from related parties were not pledged as collateral and were assessed not to provide any loss allowance provision.

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

E. Payables to related parties

<u>Account Name</u>	<u>Related Party Category</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payable – related parties	Other related parties	\$ <u>122,608</u>	<u>181,775</u>
Other payables – related parties	Other related parties	\$ <u>4,106</u>	<u>8,618</u>

(3) Transactions with key management personnel

Key management personnel compensation comprised:

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 77,509	66,800
Post-employment benefits	1,126	966
Share-based payment compensation	<u>3,983</u>	<u>4,616</u>
	\$ <u>82,618</u>	<u>72,382</u>

Please refer to note 6(19) 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, 2022</u>	<u>December 31, 2021</u>
Financial assets at amortized cost – current and non-current	Contract fulfillment and warranty guarantee	\$ 106,579	104,949
Financial assets at amortized cost – current and non-current	Guarantee of rental of land from SIPA	20,261	20,208
Refundable deposits	Guarantee of quality assurance	<u>74,863</u>	<u>41,211</u>
		\$ <u>201,703</u>	<u>166,368</u>

9. Commitments and contingencies

(1) Significant commitments

A. The amounts of notes pledged at the bank by the Company for financing purposes were as follows:

<u>December 31, 2022</u>	<u>December 31, 2021</u>
\$ <u>7,229,375</u>	<u>5,957,280</u>

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

- B. The amounts of the Company's outstanding letters of credit to facilitate Company's purchases were as follows:

	(in thousands)	
	December 31, 2022	December 31, 2021
USD	\$ <u>172</u>	<u>-</u>

- 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, 2022	December 31, 2021
USD	\$ <u>4,178</u>	<u>5,758</u>
NTD	\$ <u>1,418</u>	<u>3,941</u>
EUR	\$ <u>1,865</u>	<u>1,670</u>
TRY	\$ <u>100</u>	<u>100</u>

- D. 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.
- E. The Company signed agency service agreements with certain companies and was required to pay commission fees in proportion to commissioned sales under the agreements.

(2) Contingencies liabilities

- A. 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.
- B. In April 2022, Atlas Global Technologies LLC asserted that both of Zyxel and ZNet's products infringed its certain patents and filed a lawsuit against to both companies. Zyxel and ZNet have 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

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

12. Other

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function By item	2022			2021		
	Classified as cost of goods sold	Classified as operating expenses	Total	Classified as cost of goods sold	Classified as operating expenses	Total
Employee benefits						
Salaries	566,085	2,938,790	3,504,875	484,159	2,696,825	3,180,984
Labor and health insurance	61,238	284,838	346,076	53,003	257,185	310,188
Pension	48,334	137,342	185,676	41,412	121,097	162,509
Others	33,769	101,609	135,378	26,573	83,269	109,842
Depreciation	124,680	176,979	301,659	101,097	172,637	273,734
Amortization	43,771	68,346	112,117	27,846	65,309	93,155

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, 2022 (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.

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

- (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		89,981,358	22.49 %
ZyFX Technologies Inc.		20,052,067	5.01 %

- 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

	2022					
	<u>Brand</u>	<u>Products</u>	<u>Channel</u>	<u>Investment</u>	<u>Reconciliation and elimination</u>	<u>Total</u>
External revenue	\$ 12,451,887	13,856,319	4,200,969	6,628	-	30,515,803
Inter-segment revenue	483,779	7,408,849	449,048	1,907,090	(10,248,766)	-
Total revenue	<u>\$ 12,935,666</u>	<u>21,265,168</u>	<u>4,650,017</u>	<u>1,913,718</u>	<u>(10,248,766)</u>	<u>30,515,803</u>
Reportable segment operating income (loss)	<u>\$ 477,811</u>	<u>1,191,938</u>	<u>273,771</u>	<u>(42,825)</u>	<u>(53,433)</u>	<u>1,847,262</u>
Depreciation and amortization	<u>\$ 94,833</u>	<u>245,085</u>	<u>77,783</u>	<u>2,418</u>	<u>(6,343)</u>	<u>413,776</u>
Reportable segment assets	<u>\$ 12,131,993</u>	<u>13,843,293</u>	<u>4,421,440</u>	<u>1,866,970</u>	<u>(5,237,866)</u>	27,025,830
Investment accounted for using the equity method						37,208
Total assets						<u>\$ 27,063,038</u>

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

	2021					
	Brand	Products	Channel	Investment	Reconciliation and elimination	Total
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>

(3) Information by product and service

For information on products and services for the years ended December 31, 2022 and 2021, please refer to note 6(21).

(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, 2022 and 2021, please refer to note 6(21).

B. Non-current assets:

Area	December 31, 2022	December 31, 2021
Taiwan	\$ 1,581,341	1,500,392
China	889,469	739,129
Other countries	<u>217,425</u>	<u>253,804</u>
	<u>\$ 2,688,235</u>	<u>2,493,325</u>

(5) Information on major customers

	2022	2021
Customer A	<u>\$ 4,700,488</u>	<u>3,777,147</u>
Customer B	<u>\$ 1,643,796</u>	<u>2,581,149</u>

(Continued)

Unizyx Holding Corporation and Subsidiaries
Loans to other parties
For the year ended December 31, 2022

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	900,000	700,000	700,000	1%	2	-	Operating Capital	-	-	-	985,177	3,940,709	Note 6
0	Unizyx	Zyxel	"	Yes	500,000	500,000	500,000	1%	2	-	Operating Capital	-	-	-	985,177	3,940,709	Note 6
0	Unizyx	ZNet	"	Yes	500,000	-	-	1%	2	-	Operating Capital	-	-	-	985,177	3,940,709	
						1,200,000	1,200,000										
1	Zyxel	ZNet IN	"	Yes	15,873	15,131	15,131	-	2	-	Operating Capital	-	-	-	423,619	1,694,477	Note 6
1	Zyxel	ZyBR	"	Yes	184	-	-	-	2	-	Operating Capital	-	-	-	423,619	1,694,477	
						15,131	15,131										
2	ZNet	ZNet IN	"	Yes	38,764	29,132	29,132	-	2	-	Operating Capital	-	-	-	216,578	866,313	Notes 5 and 6

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 \$302,584.

Note 6: 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, 2022

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	4,925,886	2,594,610	2,200,000	-	-	22.33 %	4,925,886	Y	N	N
0	Unizyx	ZNet	2	4,925,886	1,860,000	1,300,000	104,704	-	13.20 %	4,925,886	Y	N	N
						3,500,000	104,704						
1	ZyAS	ZyIT	2	4,925,886	58,306	58,306	-	-	0.59 %	4,925,886	N	N	N
1	ZyAS	ZyUK	2	4,925,886	38,372	37,832	-	-	0.38 %	4,925,886	N	N	N
						96,138	-						

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, 2022 (excluding investment in subsidiaries, associates and joint ventures)
For the year ended December 31, 2022

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	10 %	
Zyxel	Stock: Microsoft Corporation	-	Financial assets at fair value through profit or loss – current	1	3,683	-	3,683	-	
Zyxel	Stock: Alphabet Inc. Class C	-	"	1	2,902	-	2,902	-	
Zyxel	ADR: Taiwan Semiconductor Manufacturing Co., Ltd.	-	"	1	<u>1,775</u>	-	1,775	-	
					<u>8,360</u>				
Zyxel	Stock: Ubiik Inc.	-	Financial assets at fair value through other comprehensive income – non current	1,147	18,321	7 %	18,321	7 %	
Zyxel	Stock: Lionic Corp	-	"	500	1,088	2 %	1,088	2 %	
Zyxel	Stock: Global Channel Resource Pte. Ltd.	-	"	600	308	8 %	308	8 %	
Zyxel	Stock: Zowie Technology Corp.	-	"	19	-	-	-	-	
Zyxel	Stock: Aetas Technology Inc.	-	"	296	-	1 %	-	1 %	
					<u>19,717</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	Yuanta Daily Taiwan 50 Bear -1X ETF	-	Financial assets at fair value through profit or loss – current	2,527	14,935	-	14,935	-	
ZNet	ProShares Short QQQ ETF	-	"	29	12,928	-	12,928	-	
ZNet	Cathay MSCI Taiwan ESG Sustainability High Dividend Yield ETF	-	"	511	8,263	-	8,263	-	
ZNet	Stock: Berkshire Hathaway Inc - Class B	-	"	-	3,794	-	3,794	-	
ZNet	Stock: Shin Kong Financial Holding Co., Ltd	-	"	216	1,894	-	1,894	-	
ZNet	Stock: Sampo Corporation	-	"	68	1,802	-	1,802	-	
ZNet	ADR: Taiwan Semiconductor Manufacturing Co., Ltd	-	"	1	1,798	-	1,798	-	
ZNet	Stock: Pan German Universal Motors Ltd.	-	"	8	1,696	-	1,696	-	
ZNet	Stock: Formosa Plastics Corporation	-	"	18	1,562	-	1,562	-	
ZNet	Stock: Yuanta Financial Holding Co., Ltd.	-	"	66	1,422	-	1,422	-	
ZNet	Stock: Sunrex Technology Corp.	-	"	36	1,370	-	1,370	-	
ZNet	Stock: Taiwan Shin Kong Security Co., Ltd.	-	"	33	1,290	-	1,290	-	
ZNet	Stock: Evergreen Marine Corporation	-	"	7	1,173	-	1,173	-	
ZNet	Stock: Wistron Corporation	-	"	37	1,088	-	1,088	-	

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	Stock: Taiwan Hon Chuan Enterprise Co., Ltd.	-	"	12	1,044	-	1,044	-	
ZNet	Stock: Zenitron Corporation.	-	"	34	984	-	984	-	
ZNet	Stock: Alltek Technology Corp.	-	"	27	964	-	964	-	
ZNet	Stock: CTBC Financial Holding Co., Ltd.	-	"	42	928	-	928	-	
ZNet	Stock: CHC Resources Corporation	-	"	20	920	-	920	-	
ZNet	Stock: Lelon Electronics Corp.	-	"	17	911	-	911	-	
ZNet	Stock: Chung Hung Steel Corporation.	-	"	34	910	-	910	-	
ZNet	Stock: Hon Hai Precision Industry Co., Ltd.	-	"	9	899	-	899	-	
ZNet	Stock: Pegatron Corporation	-	"	14	889	-	889	-	
ZNet	Stock: Unitech Computer Co., Ltd.	-	"	29	880	-	880	-	
ZNet	Stock: Powertech Technology Inc.	-	"	11	871	-	871	-	
ZNet	Stock: WPG Holdings Limited	-	"	18	866	-	866	-	
ZNet	Stock: China Bills Finance Corporation	-	"	59	856	-	856	-	
ZNet	Stock: Tripod Technology Corporation	-	"	9	846	-	846	-	
ZNet	Stock: Fitipower Integrated Technology Inc.	-	"	7	809	-	809	-	
ZNet	Stock: Hong Yi Fiber Ind. Co., Ltd.	-	"	46	807	-	807	-	
ZNet	Stock: Nuvoton Technology Corp.	-	"	7	805	-	805	-	

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	Stock: Quanta Computer Inc.	-	"	11	795	-	795	-	
ZNet	Stock: Arcadyan Technology Corporation	-	"	8	766	-	766	-	
ZNet	Stock: Micro-Star International Co., Ltd.	-	"	6	717	-	717	-	
ZNet	Stock: Da-Li Development Co., Ltd.	-	"	22	651	-	651	-	
ZNet	Stock: NAK Sealing Technologies Corporation.	-	"	6	633	-	633	-	
ZNet	Stock: Excelsior Medical Co., Ltd.	-	"	9	592	-	592	-	
ZNet	Stock: I Sheng Electric Wire & Cable Co., Ltd.	-	"	13	549	-	549	-	
ZNet	Stock: Shin Zu Shing Co., Ltd.	-	"	6	490	-	490	-	
ZNet	Stock: China Steel Structure Co., Ltd.	-	"	13	387	-	387	-	
ZNet	Stock: Ares international corp.	-	"	12	338	-	338	-	
ZNet	Stock: Creative Sensor Inc.	-	"	12	331	-	331	-	
ZNet	Stock: Yang Ming Marine Transport Corp.	-	"	5	328	-	328	-	
ZNet	Stock: Fusheng Precision Co., Ltd.	-	"	1	211	-	211	-	
					<u>76,992</u>				
MitraStar	Stock: Broadcom Inc.	-	Financial assets at fair value through profit or loss – current	-	6,439	-	6,439	-	
MitraStar	ADR: Taiwan Semiconductor Manufacturing Co., Ltd.	-	"	1	3,079	-	3,079	-	
					<u>9,518</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		
Zychamp	Yuanta Daily Taiwan 50 Bear -1X ETF	-	Financial assets at fair value through profit or loss – current	2,015	11,909	-	11,909	-	
Zychamp	ProShares Short QQQ ETF	-	"	20	9,142	-	9,142	-	
Zychamp	Stock: Berkshire Hathaway Inc - Class B	-	"	1	4,810	-	4,810	-	
Zychamp	Stock: Microsoft Corporation	-	"	-	2,976	-	2,976	-	
Zychamp	Stock: Alphabet Inc. Class C	-	"	1	2,452	-	2,452	-	
Zychamp	Stock: Jess-Link Products Co., Ltd.	-	"	27	1,080	-	1,080	-	
Zychamp	Stock: G.M.I. Technology Inc.	-	"	49	845	-	845	-	
					<u>33,214</u>				
Zychamp	Stock: Unizyx	Final parent company	Financial assets at fair value through other comprehensive income – non current	7,317	255,377	2 %	255,377	2 %	Note
Zychamp	Stock: Homeyen Networks Co., Ltd.	-	"	169	-	11 %	-	11 %	
Zychamp	Stock: Essence Technology Solution, Inc.	-	"	91	-	3 %	-	3 %	
Zychamp	Stock: Hannlync Technology Inc.	-	"	296	-	-	-	-	
Zychamp	Stock: L7 Networks Inc.	-	"	1	-	1 %	-	1 %	
Zychamp	Stock: Accfast Technology Corp.	-	"	113	-	5 %	-	5 %	
					<u>255,377</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, 2022

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	4,452,205	41 %	150 days after delivery	Note 1		2,247,813	35 %	Note 4
Zyxel	ZyUSA	Subsidiary to subsidiary	Sales	4,214,468	39 %	135 days after delivery	Note 1		2,126,890	33 %	Note 4
Zyxel	ZyIT	Subsidiary to subsidiary	Sales	637,973	6 %	180 days after delivery	Note 1		337,724	5 %	Note 4
Zyxel	ZyES	Subsidiary to subsidiary	Sales	278,593	3 %	150 days after delivery	Note 1		108,312	2 %	Note 4
Zyxel	ZNet AS	Subsidiary to subsidiary	Sales	239,326	2 %	90~150 days after delivery	Note 1		148,333	2 %	Note 4
ZNet	ZNet AS	Subsidiary to subsidiary	Sales	2,456,468	70 %	90~150 days after delivery	Note 1		1,014,617	74 %	Note 4
ZNet	ZyTPE	Subsidiary to subsidiary	Sales	235,984	7 %	60 days after delivery	Note 1		26,335	2 %	Note 4
ZNet	ZyUSA	Subsidiary to subsidiary	Sales	225,879	6 %	135 days after delivery	Note 1		113,435	8 %	Note 4
ZNet	Zyell	Subsidiary to subsidiary	Sales	202,045	6 %	90 days after delivery	Note 1		116,289	8 %	Note 4
MitraStar	Zyxel	Subsidiary to subsidiary	Sales	7,095,565	33 %	90 days after delivery	Note 1		2,348,059	34 %	Note 4
MitraStar	Monetics	Subsidiary to subsidiary	Sales	817,467	4 %	45~140 days after delivery	Note 1		78,568	1 %	Note 4
MitraStar	XSquare	Subsidiary to subsidiary	Sales	404,100	2 %	90~120 days after delivery	Note 1		73,581	1 %	Note 4
MitraStar	ZNet	Subsidiary to subsidiary	Sales	317,943	1 %	90 days after delivery	Note 1		42,576	1 %	Note 4
MitraStar	Wuxi MSTC	Subsidiary to subsidiary	Processing and purchase	(7,190,074)	36 %	90 days after receipt	Note 2		1,427,113	32 %	Note 4

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	Zyxel	Subsidiary to subsidiary	Purchase	(780,356)	4 %	90 days after receipt		Note 2	337,915	8 %	Note 4
MitraStar	XSquare	Subsidiary to subsidiary	Purchase	(415,107)	2 %	90 days after receipt		Note 2	60,483	1 %	Note 4
ZyAS	ZyUK	Subsidiary to subsidiary	Sales	554,089	11 %	30~120 days after delivery		Note 1	208,991	14 %	Note 4
ZyAS	ZyDE	Subsidiary to subsidiary	Sales	474,421	10 %	30~120 days after delivery		Note 1	69,515	5 %	Note 4
ZyAS	ZyCZ	Subsidiary to subsidiary	Sales	443,191	9 %	120~180 days after delivery		Note 1	281,268	19 %	Note 4
ZyAS	ZyTR	Subsidiary to subsidiary	Sales	235,115	5 %	130 days after delivery		Note 1	50,672	3 %	Note 4

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 and purchasing are determined based on the mutual agreement between MitraStar and Wuxi MSTC and Zyxel. 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 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 NT\$100 million or 20% of the capital stock
For the year ended December 31, 2022

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	725,632	Note 3	-	-	-	-	Note 4
Unizyx	Zyxel	Parent company to subsidiary	525,129	Note 3	-	-	-	-	Note 4
Zyxel	ZyAS	Subsidiary to subsidiary	2,288,918	2	-	-	791,807	-	Note 4
Zyxel	ZyUSA	Subsidiary to subsidiary	2,160,368	3	59,494	Enhanced Collecting	929,268	-	Note 4
Zyxel	ZyIT	Subsidiary to subsidiary	338,142	1	42,264	Enhanced Collecting	79,748	-	Note 4
Zyxel	ZNet AS	Subsidiary to subsidiary	149,354	2	15,709	Enhanced Collecting	105,519	-	Note 4
Zyxel	ZyES	Subsidiary to subsidiary	108,312	4	-	-	-	-	Note 4
ZNet	ZNet AS	Subsidiary to subsidiary	1,030,789	3	-	-	339,398	-	Note 4
ZNet	Zyell	Subsidiary to subsidiary	116,289	3	-	-	-	-	Note 4
ZNet	ZyUSA	Subsidiary to subsidiary	113,435	3	9,247	Enhanced Collecting	70,792	-	Note 4
MitraStar	Zyxel	Subsidiary to subsidiary	2,447,700	4	-	-	877,373	-	Note 4
ZyAS	ZyCZ	Subsidiary to subsidiary	281,268	2	-	-	53,328	-	Note 4
ZyAS	ZyUK	Subsidiary to subsidiary	208,991	4	-	-	203,449	-	Note 4
ZyAS	ZyIT	Subsidiary to subsidiary	106,394	-	-	-	-	-	Note 4
Wuxi MSTC	MitraStar	Subsidiary to subsidiary	1,427,113	10	-	-	2,640,716	-	Note 4

Note 1: Information as of February 28, 2023.

Note 2: The abovementioned ending balance included the amount for financing, which was recognized as other receivables—related parties.

Note 3: It didn't apply for days of turnover for the transaction main accrued by non-selling transaction.

Note 4: 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, 2022

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	725,632		3 %
0	Unizyx	Zyxel	1	Other receivables – related parties	522,129		2 %
1	Zyxel	ZyAS	3	Operating revenues	4,452,205	150 days after delivery	15 %
1	Zyxel	ZyUSA	3	Operating revenues	4,214,468	135 days after delivery	14 %
1	Zyxel	ZyIT	3	Operating revenues	637,973	180 days after delivery	2 %
1	Zyxel	Others (Note 3)	3	Operating revenues	704,627	30~180 days after delivery	2 %
1	Zyxel	ZyAS	3	Accounts receivable – related parties, net	2,247,813		8 %
1	Zyxel	ZyUSA	3	Accounts receivable – related parties, net	2,126,890		8 %
1	Zyxel	ZyIT	3	Accounts receivable – related parties, net	337,724		1 %
1	Zyxel	Others (Note 3)	3	Accounts receivable – related parties, net	383,914		1 %
2	ZNet	ZNet AS	3	Operating revenues	2,456,468	90~150 days after delivery	8 %
2	ZNet	Others (Note 3)	3	Operating revenues	714,376	30~180 days after delivery	2 %
2	ZNet	ZNet AS	3	Accounts receivable – related parties, net	1,014,617		4 %
2	ZNet	Others (Note 3)	3	Accounts receivable – related parties, net	203,959		1 %
3	MitraStar	Zyxel	3	Operating revenues	7,095,565	90 days after delivery	23 %
3	MitraStar	Monetics	3	Operating revenues	817,467	45~140 days after delivery	3 %
3	MitraStar	XSquare	3	Operating revenues	404,100	90~120 days after delivery	1 %
3	MitraStar	ZNet	3	Operating revenues	317,943	90 days after delivery	1 %
3	MitraStar	Wuxi MSTC	3	Cost of Goods Sold	7,190,074	90 days after receipt	24 %
3	MitraStar	Zyxel	3	Cost of Goods Sold	780,356	90 days after receipt	3 %

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
3	MitraStar	XSquare	3	Cost of Goods Sold	415,107	90 days after receipt	1 %
3	MitraStar	Others (Note 3)	2 and 3	Operating expenses	286,759		1 %
3	MitraStar	Zyxel	3	Accounts receivable – related parties, net	2,348,059		9 %
3	MitraStar	Others (Note 3)	2 and 3	Accounts receivable – related parties, net	194,729		1 %
3	MitraStar	Zyxel	3	Accounts payable – related parties, net	337,915		1 %
4	ZyAS	ZyUK	3	Operating revenues	554,089	30~120 days after delivery	2 %
4	ZyAS	ZyDE	3	Operating revenues	474,421	30~120 days after delivery	2 %
4	ZyAS	ZyCZ	3	Operating revenues	443,191	120~180 days after delivery	1 %
4	ZyAS	Others(Note 3)	3	Operating revenues	363,971	21~180 days after delivery	1 %
4	ZyAS	ZyCZ	3	Accounts receivable – related parties, net	281,268		1 %
4	ZyAS	Others(Note 3)	3	Accounts receivable – related parties, net	474,694		2 %
5	Wuxi MSTC	MitraStar	3	Accounts receivable – related parties, net	1,427,113		5 %

Note 1: The numbers denote the following:

- 0 represents Unizyx
- 1 represents Zyxel
- 2 represents ZNet
- 3 represents MitraStar
- 4 represents ZyAS
- 5 represents Wuxi MSTC

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, 2022

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, 2022			Highest percentage of ownership during the year(%)	Net income (losses) of investee	Share of profits/ losses of investee	Note
				December 31, 2022	December 31, 2021	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	3,946,541	100	618,639	600,360	Subsidiary, notes 1 and 4
Unizyx	MitraStar	Taiwan	Development, manufacturing and sales of communications and networking products	3,337,920	3,337,920	316,800	100	4,293,420	100	901,933	872,875	Subsidiary, notes 1 and 4
Unizyx	ZNet	Taiwan	Development and sales of communications and networking products	1,710,098	1,710,098	108,888	94	2,004,424	94	238,812	214,937	Subsidiary, notes 1 and 4
Unizyx	Black Cat	Taiwan	Development and sales of information security products, and consultant management services	10,000	10,000	2,200	67	<u>21,107</u>	67	1,480	<u>987</u>	Subsidiary and note 4
								<u>10,265,492</u>			<u>1,689,159</u>	

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Highest percentage of ownership during the year(%)	Net income (losses) of investee	Share of profits/ losses of investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of ownership (%)	Carrying value				
Zyxel	ZyAS	Denmark	Sales and marketing	501,390 (EUR 11,980)	501,390 (EUR 11,980)	20,712	100	551,886	100	58,631	Note 2	Subsidiary and note 4
Zyxel	Zychamp	Taiwan	Investment activities	540,000	540,000	8,902	100	285,151	100	4,464	Note 2	Subsidiary and note 4
Zyxel	ZyUSA	U.S.A.	Sales and marketing	271,810 (USD 9,506)	271,810 (USD 9,506)	9,807	100	258,514	100	26,569	Note 2	Subsidiary and note 4
Zyxel	ZyTR	Turkey	Sales and marketing	362,862 (USD 11,977)	362,862 (USD 11,977)	29,137	100	140,290	100	17,649	Note 2	Subsidiary and note 4
Zyxel	Ardomus	Taiwan	Development and sales of network digital control products	68,411	48,411	6,841	34	22,693	34	(38,700)	Note 2	Associate
Zyxel	ShareTech	Taiwan	Development, manufacturing and sales of communications and networking products	10,950	10,950	848	38	14,515	38	7,353	Note 2	Associate
Zyxel	ZyBR	Brazil	Sales and marketing	584,090 (USD 19,940)	53,373 (USD 1,668)	92,456	100	4,812	100	39,179	Note 2	Subsidiary and note 4
								<u><u>1,277,861</u></u>				

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Highest percentage of ownership during the year(%)	Net income (losses) of investee	Share of profits/ losses of investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of ownership (%)	Carrying value				
ZyAS	ZyDE	Germany	Sales and marketing	67,461 (EUR 1,525)	67,461 (EUR 1,525)	-	100	127,705	100	(769)	Note 2	Subsidiary and note 4
ZyAS	ZyUK	United Kingdom	Sales and marketing	319,542 (EUR 6,450)	319,542 (EUR 6,450)	5,375	100	56,026	100	2,873	Note 2	Subsidiary and note 4
ZyAS	ZyIT	Italy	Sales and marketing	78,335 (EUR 2,336)	78,335 (EUR 2,336)	10	100	53,035	100	1,878	Note 2	Subsidiary and note 4
ZyAS	Gemini	Germany	Development of communications and networking products	31,565 (EUR 976)	31,565 (EUR 976)	-	100	34,503	100	1,968	Note 2	Subsidiary and note 4
ZyAS	ZyCZ	Czech Republic	Sales and marketing	66,283 (EUR 1,543)	66,283 (EUR 1,543)	19,000	100	22,531	100	(806)	Note 2	Subsidiary and note 4
ZyAS	ZyES	Spain	Sales and marketing	2,165 (EUR 53)	2,165 (EUR 53)	3	100	5,138	100	799	Note 2	Subsidiary and note 4
								298,938				
MitraStar	Bluebell	British Virgin Islands	Investment activities	1,519,277 (USD 45,150)	1,519,277 (USD 45,150)	32,856	100	2,164,528	100	218,702	Note 2	Subsidiary and note 4
MitraStar	XSquare	Taiwan	Development and sales of communications and networking products	137,960	137,960	13,796	92	56,477	92	(50,054)	Note 2	Subsidiary and note 4
								2,221,005				

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Highest percentage of ownership during the year(%)	Net income (losses) of investee	Share of profits/ losses of investee	Note
				December 31, 2022	December 31, 2021	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	166,116	100	48,226	Note 2	Subsidiary and note 4
ZNet	ZyTPE	Taiwan	Development and sales of communications and networking products	Note 3	Note 3	6,000	100	115,898	100	35,040	Note 2	Subsidiary and note 4
ZNet	ZNet TH	Thailand	Sales and marketing	74,969 (USD 2,389)	74,969 (USD 2,389)	8,000	100	67,587	100	6,162	Note 2	Subsidiary and note 4
ZNet	ZNet KR	South Korea	Sales and marketing	11,127 (USD 390)	11,127 (USD 390)	72	65	18,413	65	(4,196)	Note 2	Subsidiary and note 4
ZNet	ZNet IN	India	Sales and marketing	17,176 (USD 568)	17,176 (USD 568)	8,470	100	<u>(302,584)</u>	100	(40,492)	Note 2	Subsidiary and note 4
								<u>65,430</u>				
ZNet AS	ZNet FR	France	Sales and marketing	122,449 (EUR 3,603)	122,449 (EUR 3,603)	10	100	88,192	100	2,309	Note 2	Subsidiary and note 4
ZNet AS	ZNet BNL	Netherlands	Sales and marketing	54,089 (EUR 1,350)	54,089 (EUR 1,350)	14	100	48,144	100	945	Note 2	Subsidiary and note 4
ZNet AS	ZNet RUS	Russia	Sales and marketing	28 (EUR 1)	28 (EUR 1)	-	100	<u>3,620</u>	100	628	Note 2	Subsidiary and note 4
								<u>139,956</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: 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, 2022

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, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	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, 2022	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	(48)	ZNet directly holds 95%	95 %	(46)	1,515	-
ZNet SHA	Sales of communications, networking products and technical consulting service	266,259	Note 1	266,259	-	-	266,259	(74)	ZNet directly holds 100%	100 %	85 (Note 7)	5,120	-
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	218,526	MitraStar indirectly holds 100%	100 %	218,526	2,223,356	-
Genezys	Development of communications and networking products	209,806	Note 3	209,806	-	-	209,806	2,628	MitraStar directly holds 100%	100 %	2,628	250,696	-
Monetics	Sales of communications, networking products and network technology transfer service	360,658	Note 3 and 4	282,403	-	-	282,403	2,873	MitraStar directly holds 100%	100 %	2,873	238,941	-
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, 2022	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	1,306,439
MitraStar	1,506,162	1,584,417	2,652,840

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 \$74 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, 2022 .

Unizyx Holding Corporation
Parent-Company-Only Financial Statements
With Independent Auditors' Report
For the Years Ended December 31, 2022 and 2021

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

KPMG

新竹市科學園區300091展業一路11號
No. 11, Prosperity Road I, Hsinchu Science Park,
Hsinchu, 300091, Taiwan (R.O.C.)

電話 Tel + 886 3 579 9955
傳真 Fax + 886 3 563 2277
網址 Web kpmg.com/tw

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, 2022 and 2021, 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, 2022 and 2021, 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 Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent-company-only Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. 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 85% 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 Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent-company-only financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and 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 13, 2023

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, 2022 and 2021
(Expressed in thousands of New Taiwan Dollars)

	December 31, 2022		December 31, 2021			December 31, 2022		December 31, 2021	
Assets	Amount	%	Amount	%		Amount	%	Amount	%
Current assets:									
Cash and cash equivalents (note 6(1))	\$ 310,713	2	780,306	7	Liabilities and Equity				
Accounts receivable, net (note 7)	65,842	1	40,795	-	Current liabilities:				
Other receivables – related parties (notes 6(8) and 7)	1,433,032	12	921,597	9	Payroll and bonus payable	\$ 49,183	-	35,710	-
Other financial assets – current (note 7)	3,016	-	4,001	-	Compensation payable due to directors (note 6(13))	17,881	-	15,028	-
Other current assets, others	5,505	-	1,009	-	Other payables – related parties (note 7)	1,360	-	427	-
	1,818,108	15	1,747,708	16	Income tax payable (note 6(8))	252,496	2	108,957	1
					Other current liabilities, others	52,223	1	16,246	-
Non-current assets:						373,143	3	176,368	1
Financial assets at fair value through other comprehensive income – non-current (note 6(2))	9,262	-	9,262	-	Non-current liabilities:				
Investments accounted for using the equity method (note 6(3))	10,265,492	85	9,393,237	84	Bonds payable (note 6(6))	1,897,056	16	1,896,234	17
Property, plant and equipment (note 6(4))	7,022	-	4,805	-	Net defined benefit liabilities (note 6(7))	10,491	-	12,979	-
Intangible assets (note 6(5))	31,804	-	103	-	Total liabilities	1,907,547	16	1,909,213	17
Deferred income tax assets (note 6(8))	774	-	758	-		2,280,690	19	2,085,581	18
	10,314,354	85	9,408,165	84	Equity (note 6(9)):				
					Capital stock	4,001,720	33	4,536,148	41
Total assets	\$ 12,132,462	100	11,155,873	100	Capital surplus	3,489,988	29	3,680,924	33
					Retained earnings	2,946,870	24	1,513,771	14
					Other equity	(490,256)	(4)	(462,103)	(4)
					Treasury stock	(96,550)	(1)	(198,448)	(2)
					Total equity	9,851,772	81	9,070,292	82
					Total liabilities and equity	\$ 12,132,462	100	11,155,873	100

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, 2022 and 2021

(Expressed in thousands of New Taiwan Dollars, except for earnings per share)

	2022		2021	
	Amount	%	Amount	%
Revenues:				
Service revenues (notes 6(12) and 7)	\$ 214,613	11	154,821	12
Shares of profit of subsidiaries and associates accounted for using the equity method (note 6(3))	1,689,159	88	1,130,027	88
Interest income (note 7)	9,946	1	5,144	-
Other income	437	-	163	-
	<u>1,914,155</u>	<u>100</u>	<u>1,290,155</u>	<u>100</u>
Expenses:				
General and administrative expenses (note 7)	257,438	13	194,279	15
Interest expense	16,972	1	7,178	1
Loss on disposal of property, plant and equipment	-	-	35	-
	<u>274,410</u>	<u>14</u>	<u>201,492</u>	<u>16</u>
Income (loss) before income taxes	1,639,745	86	1,088,663	84
Income tax expenses (benefits) (note 6(8))	21,285	1	(8,037)	(1)
Net income (loss)	<u>1,618,460</u>	<u>85</u>	<u>1,096,700</u>	<u>85</u>
Other comprehensive income (loss):				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit plans (note 6(7))	2,569	-	(7,466)	(1)
Shares of remeasurements of the defined benefit plans of subsidiaries accounted for using the equity method	37,409	2	(3,480)	-
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))	3,266	-	(1,286)	-
Total items that will not reclassified subsequently to profit or loss	<u>43,244</u>	<u>2</u>	<u>(12,232)</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	(39,274)	(2)	(160,463)	(12)
Income tax related to components of other comprehensive income to be reclassified to profit or loss (note 6(8))	7,855	-	32,093	2
Total items that may be reclassified subsequently to profit or loss	<u>(31,419)</u>	<u>(2)</u>	<u>(128,370)</u>	<u>(10)</u>
Other comprehensive income for the year	11,825	-	(140,602)	(11)
Total comprehensive income for the year	<u>\$ 1,630,285</u>	<u>85</u>	<u>956,098</u>	<u>74</u>
Earnings per share (New Taiwan Dollars) (note 6(11)):				
Basic earnings per share	<u>\$ 3.87</u>		<u>2.49</u>	
Diluted earnings per share	<u>\$ 3.84</u>		<u>2.45</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, 2022 and 2021
(Expressed in thousands of New Taiwan Dollars)

	Capital stock				Retained earnings				Exchange differences on translation of foreign financial statements		Total other equity interest		
	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	Treasury stock	Total equity	
Balance at January 1, 2021	\$ 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 (loss) for the period	-	-	-	-	-	-	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	-	-	-	-	-	-
Exercise of disgorgement	-	-	-	2	-	-	-	-	-	-	-	-	2
Cash dividends from capital surplus	-	-	-	(223,822)	-	-	-	-	-	-	-	-	(223,822)
Reorganization	-	-	-	-	-	-	(19,463)	(19,463)	19,463	-	19,463	-	-
Changes in ownership interests in subsidiaries accounted for using the equity method	-	-	-	(15,041)	-	-	-	-	-	-	-	-	(15,041)
Share-based payments	-	-	-	41,124	-	-	-	-	-	-	-	-	41,124
Cash dividends received by subsidiaries from the parent company	-	-	-	4,062	-	-	-	-	-	-	-	-	4,062
Disposal of the Company's share by subsidiaries recognized as treasury share transactions	-	-	-	34,510	-	-	-	-	-	-	16,022	-	50,532
Exercise of employee stock options	78,235	(18,525)	59,710	12,203	-	-	-	-	-	-	-	-	71,913
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	-	(93,609)	-	(93,609)
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
Net income (loss) for the period	-	-	-	-	-	-	1,618,460	1,618,460	-	-	-	-	1,618,460
Other comprehensive income (loss) for the period	-	-	-	-	-	-	39,978	39,978	(31,419)	3,266	(28,153)	-	11,825
Total comprehensive income (loss) for the period	-	-	-	-	-	-	1,658,438	1,658,438	(31,419)	3,266	(28,153)	-	1,630,285
Appropriation and distribution of retained earnings:													
Legal reserve	-	-	-	-	106,629	-	(106,629)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	110,193	(110,193)	-	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	-	-	(225,339)	(225,339)	-	-	-	-	(225,339)
Capital reduction	(450,678)	-	(450,678)	-	-	-	-	-	-	-	-	8,289	(442,389)
Changes in ownership interests in subsidiaries accounted for using the equity method	-	-	-	(105)	-	-	-	-	-	-	-	-	(105)
Changes in ownership interests in associates accounted for using the equity method	-	-	-	13,826	-	-	-	-	-	-	-	-	13,826
Share-based payments	-	-	-	34,729	-	-	-	-	-	-	-	-	34,729
Cash dividends received by subsidiaries from the parent company	-	-	-	4,144	-	-	-	-	-	-	-	-	4,144
Exercise of employee stock options	68,720	(23,110)	45,610	33,202	-	-	-	-	-	-	-	-	78,812
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	-	(312,483)	-	(312,483)
Retirement of treasury stock	(129,360)	-	(129,360)	(276,732)	-	-	-	-	-	-	-	406,092	-
Balance at December 31, 2022	\$ 3,978,690	23,030	4,001,720	3,489,988	353,762	310,540	2,282,568	2,946,870	(433,898)	(56,358)	(490,256)	(96,550)	9,851,772

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, 2022 and 2021

(Expressed in thousands of New Taiwan Dollars)

	2022	2021
Cash flows from operating activities:		
Income (loss) before income tax	\$ 1,639,745	1,088,663
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	1,233	940
Amortization expense	1,185	112
Interest expense	16,972	7,178
Interest income	(9,946)	(5,144)
Share-based payments	4,963	6,018
Share of profit of subsidiaries accounted for using the equity method	(1,689,159)	(1,130,027)
Loss on disposal of property, plant and equipment	-	35
Total adjustments to reconcile profit (loss)	(1,674,752)	(1,120,888)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Accounts receivable	(25,047)	(2,211)
Other receivables — related parties	118,410	20,570
Other financial assets and other current assets	(5,210)	(7)
Total changes in operating assets	88,153	18,352
Changes in operating liabilities:		
Other payables — related parties	23	(71)
Accrued expenses and other current liabilities	52,303	33,606
Net defined benefit liabilities	81	17
Total changes in operating liabilities	52,407	33,552
Total changes in operating assets and liabilities	140,560	51,904
Total adjustments	(1,534,192)	(1,068,984)
Cash inflow generated from operations	105,553	19,679
Interest received	10,931	1,174
Dividends received (treated as a reduction of equity-method investment cost)	880,976	239,240
Interest paid	(16,150)	-
Income taxes paid	(105,982)	(10,113)
Net cash flows from operating activities	875,328	249,980
Cash flows from investing activities:		
Acquisition of investments accounted for using the equity method	-	(509,998)
Acquisition of property, plant and equipment	(3,546)	(2,367)
Proceeds from disposal of property, plant and equipment	-	708
Increase in other receivables — related parties	(400,000)	(800,000)
Acquisition of intangible assets	(32,790)	-
Net cash flows used in investing activities	(436,336)	(1,311,657)
Cash flows from financing activities:		
Proceeds from issuing bonds (deducting issuance costs)	-	1,895,650
Cash dividends distributed from capital surplus	-	(223,822)
Cash dividends paid	(225,339)	-
Capital reduction payments to shareholders	(450,678)	-
Exercise of employee stock options	79,915	71,913
Purchase of treasury stocks	(312,483)	(93,609)
Exercise of disgorgement	-	2
Net cash flows from (used in) financing activities	(908,585)	1,650,134
Net increase (decrease) cash and cash equivalents	(469,593)	588,457
Cash and cash equivalents at the beginning of period	780,306	191,849
Cash and cash equivalents at the end of period	\$ 310,713	780,306

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, 2022 and 2021

(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 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 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 13, 2023.

3. New standards, amendments and interpretations adopted

- (1) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the 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, 2022:

- 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"

- (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, 2023, would not have a significant impact on its parent-company-only financial statements:

- 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"

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

The new and amended standards, which have not 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"
- Amendments to IFRS 16 "Requirements for Sale and Leaseback Transactions"
- IFRS 17 "Insurance Contracts" and amendments to IFRS 17 "Insurance Contracts"

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”

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.

(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.

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

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.

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.

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

(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
- 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.

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

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

12-month ECL are the portion of ECL 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 ECL 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.

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

ECL 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). ECL 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.

(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.

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

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.

(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.

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

(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.

(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.

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

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.

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 3 to 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.

(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).

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

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.

(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.

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

(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.

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.

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

(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.

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.

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

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.

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.

(Continued)

Unizyx Holding Corporation
Notes to 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, 2022	December 31, 2021
Demand deposits	\$ 64,713	484,306
Cash equivalents — time deposits	246,000	296,000
	\$ 310,713	780,306

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.

- (2) Financial assets at fair value through other comprehensive income

	December 31, 2022	December 31, 2021
Non-listed 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.

- A. For the sensitivity analysis, fair value and market risk; Please refer to note 6(14).

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

- 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, 2022 and 2021.
- 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

	December 31, 2022	December 31, 2021
Subsidiaries	\$ 10,265,492	9,393,237

Please refer to consolidated financial statements for the years ended December 31, 2022 for subsidiaries information.

The shares of the profits of subsidiaries accounted for using the equity method amounted to \$1,689,159 and \$1,130,027 for the years ended December 31, 2022 and 2021, respectively.

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

(4) Property, plant and equipment

	2022	2021
Cost:		
Balance at January 1	\$ 6,157	5,029
Additions for the period	3,546	2,367
Disposal for the period	-	(1,239)
Reclassification	(96)	-
Balance at December 31	\$ 9,607	6,157
Depreciation:		
Balance at January 1	\$ 1,352	908
Depreciation for the period	1,233	940
Disposal for the period	-	(496)
Balance at December 31	\$ 2,585	1,352
Carrying amounts:		
Balance at December 31	\$ 7,022	4,805

The Company's property, plant and equipment mentioned above were not pledged as collateral.

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

(5) Intangible assets

	2022	2021
Costs:		
Balance at January 1	\$ 560	560
Additions for the period	32,790	-
Reclassification	96	-
Balance at December 31	<u><u>\$ 33,446</u></u>	<u><u>560</u></u>
Amortization:		
Balance at January 1	\$ 457	345
Depreciation for the period	1,185	112
Balance at December 31	<u><u>\$ 1,642</u></u>	<u><u>457</u></u>
Carrying amounts:		
Balance at December 31	<u><u>\$ 31,804</u></u>	<u><u>103</u></u>

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

(6) Bonds payable

	December 31, 2022	December 31, 2021
Unsecured corporate bonds	\$ 1,900,000	1,900,000
Discount on bonds payable	(2,944)	(3,766)
	<u><u>\$ 1,897,056</u></u>	<u><u>1,896,234</u></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 face 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, 2022	December 31, 2021
Present value of defined benefit obligations	\$ 33,679	34,358
Fair value of plan assets	(23,188)	(21,379)
Net defined benefit liabilities	<u><u>\$ 10,491</u></u>	<u><u>12,979</u></u>

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

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 \$23,188 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 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

	<u>2022</u>	<u>2021</u>
Defined benefit obligation at January 1	\$ 34,358	26,485
Current interest cost	214	166
Remeasurements of the net defined benefit liabilities (assets)		
— Actuarial losses (gains) arising from changes in experience adjustment	(581)	7,252
— Actuarial losses (gains) arising from changes in demographic assumption	(312)	455
Defined benefit obligation at December 31	<u>\$ 33,679</u>	<u>34,358</u>

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

(c) Movements of defined benefit plan assets

	<u>2022</u>	<u>2021</u>
Fair value of plan assets at January 1	\$ 21,379	20,989
Interest income	133	132
Remeasurements of the net defined benefit liabilities (assets)		
— Return on plan assets (excluding current interest)	1,676	241
Contribution to the plan	-	17
Fair value of plan assets at December 31	<u>\$ 23,188</u>	<u>21,379</u>

(d) Effect of the asset ceiling

There was no effect on the asset ceiling for the years of 2022 and 2021.

(e) Expenses recognized in profit or loss

	<u>2022</u>	<u>2021</u>
Net interest on the net defined benefit liability (assets)	<u>\$ 81</u>	<u>34</u>

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

	<u>2022</u>	<u>2021</u>
Accumulated amount at January 1	\$ (2,045)	5,421
Recognized during the period	<u>2,569</u>	<u>(7,466)</u>
Accumulated amount at December 31	<u>\$ 524</u>	<u>(2,045)</u>

(g) Actuarial assumptions

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate	1.750%	0.625%
Future salary increase rate	3.000%	2.000%

The weighted-average duration of the defined benefit obligation is 10.95 years.

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

(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:

	Impact on present value of defined benefit obligations	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
December 31, 2022		
Discount rate	\$ (483)	499
Future salary increase rate	482	(469)
December 31, 2021		
Discount rate	\$ (585)	605
Future salary increase rate	585	(568)

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 2022 and 2021.

B. Defined contribution plans

The Company allocated 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 under the defined contribution method were \$6,505 and \$4,461 for the years ended December 31, 2022 and 2021, respectively. Payment was made to the Bureau of Labor Insurance.

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

(8) Income tax

A. Income tax expense (benefit)

	2022	2021
Current tax expense (benefit)		
Current period	\$ 20,391	(8,033)
Adjustment for prior periods	910	-
	21,301	(8,033)
Deferred tax expense (benefit)		
Origination and reversal of temporary differences	(16)	(4)
Income tax expense (benefit)	\$ 21,285	(8,037)

The amounts of income tax expense (benefit) recognized in other comprehensive income were as follows:

	2022	2021
Exchange differences on translation of foreign financial statements	\$ (7,855)	(32,093)

Reconciliations of income tax expense (benefit) and profit (loss) before income tax expense were as follows:

	2022	2021
Profit (loss) before income taxes	\$ 1,639,745	1,088,663
Income tax using the Company's domestic tax rate	327,949	217,733
Investment (gain) loss of domestic subsidiaries and associates recognized using the equity method	(337,832)	(226,005)
Surtax on undistributed earnings	29,995	-
Prior-year adjustments	910	-
Adjustments of permanent differences and others	263	235
	\$ 21,285	(8,037)

B. Deferred tax assets and liabilities

Deferred tax assets:

	January 1, 2021	Recognized in income statement	Recognized in other comprehensive income	December 31, 2021	Recognized in income statement	Recognized in other comprehensive income	December 31, 2022
Others	\$ 754	4	-	758	16	-	774

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

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:

	2022				
	Current income tax expenses (benefit)	Deferred income tax expenses (benefit)	Deferred income tax assets, net	Other receivables – related parties	Income tax payable (Income tax refund receivable)
Amounts computed under IAS 12	\$ 30,664	(9,445)	10,203	-	28,827
Adjustments	(9,363)	9,429	(9,429)	233,032	223,669
Amounts computed for filing the combined corporate income tax returns	\$ 21,301	(16)	774	233,032	252,496

A loss carryforward amounting to \$9,429 incurred by the Company in 2022 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 of \$9,429, and an decrease in the investment tax credits of \$66. Meanwhile, the tax payable generated from other affiliated companies amounting to \$223,669 would be paid by the Company. Therefore, the other receivable amounting to \$233,032 was recognized in other receivables – related parties.

	2021				
	Current income tax expenses (benefit)	Deferred income tax expenses (benefit)	Deferred income tax assets, net	Other receivables – related parties	Income tax payable (Income tax refund receivable)
Amounts computed under IAS 12	\$ -	(8,037)	8,791	-	(4,607)
Adjustments	(8,033)	8,033	(8,033)	121,597	113,564
Amounts computed for filing the combined corporate income tax returns	\$ (8,033)	(4)	758	121,597	108,957

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.

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

D. Examination and approval

The income tax returns of the Company had been examined and assessed by the tax authority through 2019.

(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, 2022 and 2021, 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 \$3,978,690 and \$4,490,008 as of December 31, 2022 and 2021, respectively.

Unizyx reduced 10.17% of its capital by cancelling 45,068 thousand shares, at a par value of \$10 per share, amounting to \$450,678 thousand, with the capital reduction date set on August 8, 2022, based on the decision made during the shareholders' meeting held on June 15, 2022, and approved by the FSC on July 27, 2022. All relevant legal registration procedures have been completed as of the reporting date.

As of December 31, 2022 and 2021, the Company issued 4,561 and 5,971 thousand new common shares for the exercised employee stock options, with par value of \$10 per share, at the amounts of \$23,030 and \$46,140, respectively, recognized as advance receipts for share capital. The related registration procedures has yet to be completed as of the years then ended.

B. Capital surplus

	December 31, 2022	December 31, 2021
Additional paid-in capital	\$ 3,263,937	3,309,840
Treasury stock transactions	65,252	243,075
Employee stock options	129,476	110,408
Others	31,323	17,601
	\$ 3,489,988	3,680,924

(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.

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

- (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, 2022 and 2021, 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.

C. Retained earnings and dividends policy

According to the Articles of Incorporation, the earnings of Unizyx should first be used to offset against any accumulated deficit and pay income tax, then 10% of the profit must be set aside as legal reserve, unless the amount in the legal reserve is already equals to or greater than the total paid in capital. The remainder, thereafter, shall be set aside or reversed as a special reserve in accordance with related laws, regulations, or provisions of the competent authorities. Any remaining profit, 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 for distribution.

A portion of the undistributed prior-period earnings shall be reclassified to special earnings reserve to account for cumulative changes to the net reduction of other shareholders' equity pertaining to prior periods. If there is still insufficient, an equivalent amount of special reserve shall be allocated from the after-tax net profit in the period, plus items other than the after-tax net profit in the period, that are included in the undistributed current-period earnings. The amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

The dividend policy of Unizyx is based on its profit condition, future operating development, and assurance of stockholders' equity. Considering the common stock, capital structure, operating status, and earnings, Unizyx may distribute the 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 approved by the shareholders' meeting that complies with Unizyx's balanced and stable dividend policy.

At least 10% of the current year's earnings, after deducting special surplus, shall be appropriated as shareholder dividends, preferably in the form of cash, with stock dividends being the other alternative, according to Income Tax Act. Distribution of stock dividends should be no more than 50% of total dividends.

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.

Distribution of earnings of the Company for the year of 2021 were as follows:

Date of Board of Director	March 14, 2022
Date of shareholders' meeting	June 15, 2022
Provision for legal reserve	\$ <u>106,629</u>
Provision for special reserve	\$ <u>110,193</u>
Cash dividends	\$ <u>225,339</u>
Cash dividends per share (TWD)	\$ <u>0.5</u>

The related information is available on the Market Observation Post System website.

On March 13, 2023, the earnings distribution proposal for the year of 2022 was approved by the Board of Directors of the Company. The plan to distribute the 2022 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, 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. The Company's capital reduction by cash in October 2022 resulted in Unizyx's shares held by Zychamp to decrease by \$8,289. As of December 31, 2022 and 2021, the Company's shares held by Zychamp were 7,317 and 8,146 thousand shares, and original costs were \$96,550 and \$104,839; the market values were \$255,377 and \$285,526, respectively.

As approved by the Board of Directors of the Company on February 7, 2022 and November 3, 2021, in order to maintain the credit of the Company and shareholders' equity, Unizyx had a plan on repurchasing 10,000 and 20,000 thousand shares of treasury stock respectively, in accordance with the related regulations of stock exchange. The Company had repurchased 10,000 and 2,936 thousand shares of treasury stock, with the cost of \$312,483 and \$93,609, respectively, in the years of 2022 and 2021.

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

As approved by the Board of Directors of Unizyx on May 4, and February 7, 2022, Unizyx retired 10,000 thousand and 2,936 thousand shares of treasury stock repurchased in accordance with the Securities and Exchange Act, respectively.

E. Other equity

(a) Exchange differences on translation of foreign financial statements

	2022	2021
Balance at January 1	\$ (402,479)	(293,572)
Foreign exchange differences (net of tax) of subsidiaries	(31,419)	(128,370)
Reorganization	-	19,463
Balance at December 31	\$ (433,898)	(402,479)

(b) Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income

	2022	2021
Balance at January 1	\$ (59,624)	(58,338)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income of subsidiaries (net of tax)	3,266	(1,286)
Balance at December 31	\$ (56,358)	(59,624)

(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 Company estimated fair value of the options at the date of grant using the Black-Scholes option pricing model. The Company granted its employees 1,696 thousand and 1,063 thousand units of employee stock options. The compensation costs were \$3,933 and \$3,260 for the years ended December 31, 2022 and 2021, respectively. Furthermore, the Company granted the employees of its subsidiaries 13,304 thousand and 17,955 thousand units of employee stock options and the compensation costs were \$21,607 and \$19,600 in 2022 and 2021, respectively.

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

As of December 31, 2022, the information related to the employee stock options was as follows:

<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 2020	Aug. 21, 2020	Sep. 22, 2020	15,000	Service periods between 2 to 3 years	24.7	25.3
Employee stock options in 2018	Nov. 20, 2018	Nov. 21, 2018	19,018	Service periods between 2 to 3 years	12.2	12.0

Weighted-average assumptions were as follows:

<u>Type</u>	<u>Fair value on granted date (TWD)</u>	<u>Expected dividend yield (%)</u>	<u>Expected volatility (%)</u>	<u>Risk-free interest rate (%)</u>	<u>Expected life (year)</u>
Employee stock options in 2020	5.4	3.08	40.2560~46.0590	0.1899~0.2381	2~3
Employee stock options in 2018	2.1~3.1	3.08	36.1080~44.6190	0.6080~0.6880	2~3

Information related to employee stock options granted to the employees was as follows:

(a) Employee stock options in 2020

	<u>2022</u>			<u>2021</u>		
	<u>Options (in thousands)</u>	<u>Weighted-average exercise price (TWD)</u>	<u>Weighted-average residual period (year)</u>	<u>Options (in thousands)</u>	<u>Weighted-average exercise price (TWD)</u>	<u>Weighted-average residual period (year)</u>
Outstanding at beginning of year	14,876	\$ 24.2		15,000	\$ 24.7	
Granted	-	-		-	-	
Exercised	(1,893)	25.3		-	-	
Forfeited	(300)	-		(124)	-	
Outstanding at end of year	<u>12,683</u>	25.3	2.73	<u>14,876</u>	24.2	3.73
Exercisable at end of year	<u>5,409</u>			<u>-</u>		

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

(b) Employee stock options in 2018

	2022			2021		
	Options (in thousands)	Weighted- average exercise price (TWD)	Weighted- average residual period (year)	Options (in thousands)	Weighted- average exercise price (TWD)	Weighted- average residual period (year)
Employee stock options						
Outstanding at beginning of year	4,252	\$ 12.0		10,497	\$ 12.2	
Granted	-	-		-	-	
Exercised	(2,668)	12.0		(5,971)	12.0	
Forfeited	(35)	-		(274)	-	
Outstanding at end of year	<u>1,549</u>	12.0	0.89	<u>4,252</u>	12.0	1.89
Exercisable at end of year	<u>1,549</u>			<u>4,252</u>		

B. ZNet

As approved by the Board of Directors 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. Each unit can be exercised to purchase one share of ZNet. The duration of the plan is 0.12 years. The Company estimated fair value of the options at granted date by using 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 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 Company estimated fair value of the options at granted date by using Black-Scholes option pricing model. ZNet granted the Company's employees 805 thousand and 281 thousand units of employee stock options, and the Company recognized compensation costs of \$1,030 and \$1,821 in the years of 2022 and 2021, respectively. Furthermore, ZNet granted to its, Zyxel and ZyTPE's employees 6,195 thousand and 5,337 thousand units of employee stock options, and the recognized compensation costs amounted to \$8,159 and \$16,443 in the years of 2022 and 2021.

As of December 31, 2022, the related information was as follows:

Type	Grant date	Issued units (in thousands)	Grant period	Exercise price per share (TWD)	Adjusted exercise price per share (TWD)
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	12.9

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

Type	Grant date	Issued units (in thousands)	Grant period	Exercise price per share (TWD)	Adjusted exercise price per share (TWD)
Employee stock options in 2019	Nov. 8, 2019	5,618	Service periods 2 years	14.0	12.9

Weighted-average assumptions were as follows:

Type	Fair value on granted date (TWD)	Expected dividend yield (%)	Expected volatility (%)	Risk-free interest rate (%)	Expected life (year)
New shares reserved for subscription by employees in 2021	1.4	-	0.2885	0.2179	0.12
Employee stock options in 2020	3.3	-	40.0000	0.1923	2
Employee stock options in 2019	3.9	-	40.4080	0.5432	2

Information related to share-based payments of ZNet granted to the Company's employees was as follows:

(a) New shares reserved for subscription by employees in 2021

	2022	
	Options (in thousands)	Weighted average exercise price (TWD)
New shares reserved for subscription by employees		Weighted- average residual period (year)
Outstanding at beginning of year	-	-
Granted	665	14.0
Exercised	(665)	14.0
Forfeited	-	-
Outstanding at end of year	-	-
Exercisable at end of year	-	-

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

(b) Employee stock options in 2020

<u>Employee stock options</u>	2022			2021		
	<u>Options (in thousands)</u>	<u>Weighted average exercise price (TWD)</u>	<u>Weighted- average residual period (year)</u>	<u>Options (in thousands)</u>	<u>Weighted average exercise price (TWD)</u>	<u>Weighted- average residual period (year)</u>
Outstanding at beginning of year	780	\$ 13.4		805	\$ 14.0	
Granted	-	-		-	-	
Exercised	-	-		-	-	
Forfeited	-	-		-	-	
Employee transferred out	(50)	-		(25)	-	
Outstanding at end of year	<u>730</u>	12.9	2.86	<u>780</u>	13.4	3.86
Exercisable at end of year	<u>730</u>			<u>-</u>		

(c) Employee stock options in 2019

<u>Employee stock options</u>	2022			2021		
	<u>Options (in thousands)</u>	<u>Weighted average exercise price (TWD)</u>	<u>Weighted- average residual period (year)</u>	<u>Options (in thousands)</u>	<u>Weighted average exercise price (TWD)</u>	<u>Weighted- average residual period (year)</u>
Outstanding at beginning of year	329	\$ 13.4		260	\$ 14.0	
Granted	-	-		-	-	
Exercised	(71)	13.4		-	-	
Forfeited	(20)	-		-	-	
Employee transferred in	94	-		69	-	
Outstanding at end of year	<u>332</u>	12.9	1.85	<u>329</u>	13.4	2.85
Exercisable at end of year	<u>332</u>			<u>329</u>		

(11) Earnings per share

Basic earnings per share

	<u>2022</u>	<u>2021</u>
Net income (loss) attributable to ordinary shareholders of the Company	\$ <u>1,618,460</u>	<u>1,096,700</u>
Weighted-average number of shares outstanding during the year (in thousands of shares)	<u>417,800</u>	<u>440,430</u>
Basic earnings per share (TWD)	\$ <u>3.87</u>	<u>2.49</u>

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

Diluted earnings per share

	<u>2022</u>	<u>2021</u>
Net income (loss) attributable to ordinary shareholders of the Company	<u>\$ 1,618,460</u>	<u>1,096,700</u>
Weighted-average number of shares outstanding during the year (in thousands of shares)	417,800	440,430
Effect of potential dilutive ordinary shares (in thousands of shares)	<u>3,254</u>	<u>8,090</u>
	<u>421,054</u>	<u>448,520</u>
Diluted earnings per share (TWD)	<u>\$ 3.84</u>	<u>2.45</u>

(12) Revenue from contracts with customers

The details of revenue were as follows:

	<u>2022</u>	<u>2021</u>
Primary geographical markets:		
Taiwan	<u>\$ 214,613</u>	<u>154,821</u>
Major products lines:		
Service	<u>\$ 214,613</u>	<u>154,821</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 Company's Board of Directors on March 13, 2023, and March 14, 2022, respectively, was as follows:

	<u>2022</u>	<u>2021</u>
Employee compensation	<u>\$ 166</u>	<u>108</u>
Directors' remuneration	<u>\$ 17,881</u>	<u>15,028</u>

If there is a change in the proposed amounts after the annual financial statements are authorized for issue, the differences are accounted for as a change in accounting estimate and adjusted prospectively in the following year.

The aforementioned amounts of the remunerations to employees and directors charged against are the same as those of the 2021 financial report.

Information of the remunerations to employees and directors will be available on the Market Observation Post system website.

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

(14) Financial instruments

A. Credit risk

(a) Credit risk exposures

As of December 31, 2022 and 2021, the Company's maximum exposure to credit risk was mainly from the carrying amount of financial assets amounting to \$1,812,603 and \$1,746,699, respectively.

(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, 2022 and 2021, 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>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, 2022						
Non-derivative financial liabilities						
Payroll and bonus payable	\$ 49,183	(49,183)	(49,183)	-	-	-
Compensation payable due to directors	17,881	(17,881)	(17,881)	-	-	-
Other payables— related parties	1,360	(1,360)	(1,360)	-	-	-
Bonds payable	1,897,056	(1,964,600)	(16,150)	(16,150)	(1,932,300)	-
Accrued expense (recognized in other current liabilities, others)	51,265	(51,265)	(51,265)	-	-	-
	<u>\$ 2,016,745</u>	<u>(2,084,289)</u>	<u>(135,839)</u>	<u>(16,150)</u>	<u>(1,932,300)</u>	<u>-</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>

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

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 \$162 and \$1,211 for the years ended December 31, 2022 and 2021, respectively, with all other variable factors remaining constant. This is mainly due to floating interest rates of the Company's cash and cash equivalents.

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, 2022 and 2021 were as follows:

	December 31, 2022				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income— non-current	\$ 9,262	-	-	9,262	9,262
	December 31, 2021				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
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.

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

- (c) Reconciliation of Level 3 fair values—equity investment without an active market

	2022
Financial assets at fair value through other comprehensive income— equity investment without an active market	
Balance at December 31, 2022 (same as balance at January 1, 2022) \$	9,262

- (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:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
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, 2022 and December 31, 2021 were 1.92 and 1.91) • Discount for lack of marketability (December 31, 2022 and December 31, 2021 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.

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

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.

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, 2022 and 2021, 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.

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

(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.

The Company's debt-to-equity ratios at the reporting date were as follows:

	December 31, 2022	December 31, 2021
Total liabilities	<u>\$ 2,280,690</u>	<u>2,085,581</u>
Total equity (adjusted capital)	<u>\$ 9,851,772</u>	<u>9,070,292</u>
Debt-to-adjusted-capital ratio	<u>23.15%</u>	<u>22.99%</u>

As of December 31, 2022, 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
XSquare Communications Corporation (XSquare)	MitraStar's subsidiary
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
Zypte 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>2022</u>	<u>2021</u>
Service Revenue	Subsidiary – Zyxel	\$ 80,287	51,184
	Subsidiary – MitraStar	67,452	56,909
	Subsidiary – ZNet	59,632	39,528
	Other related parties	6,628	6,600
	Subsidiary	614	600
		<u>\$ 214,613</u>	<u>154,821</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, 2022</u>	<u>December 31, 2021</u>
Accounts receivable	Subsidiary – Zyxel	\$ 24,499	13,533
	Subsidiary – MitraStar	23,292	15,273
	Subsidiary – ZNet	16,115	10,098
	Other related parties	1,762	1,733
	Subsidiary	174	158
		<u>\$ 65,842</u>	<u>40,795</u>

C. Payables to related parties

<u>Account Name</u>	<u>Related Party Category</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other payables – related parties	Subsidiary	\$ 1,360	427

D. Endorsements

<u>Related Party Category</u>	<u>2022</u>		<u>2021</u>	
	<u>Ending Balance</u>	<u>Actual Usage Amount</u>	<u>Ending Balance</u>	<u>Actual Usage Amount</u>
Subsidiary – MitraStar	\$ 2,200,000	-	2,409,920	1,422,660
Subsidiary – ZNet	\$ 1,300,000	104,704	1,860,000	100,000

E. Loans to related parties

The actual usages of loans to related parties were as follows:

<u>Related Party Category</u>	<u>2022</u>	<u>2021</u>
	<u>Ending Balance</u>	<u>Ending Balance</u>
Subsidiary – MitraStar	\$ 700,000	800,000
Subsidiary – ZNet	500,000	-
	<u>\$ 1,200,000</u>	<u>800,000</u>

Interest revenue generated by loans to related parties amounted to \$8,167 and \$3,975 in 2022 and 2021, respectively. As of December 31, 2022 and 2021, the receivable amounts of interest revenue amounted to \$2,970 and \$3,975, respectively, and was recognized in other financial assets – current.

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

F. Others

<u>Account Name</u>	<u>Related Party Category</u>	<u>2022</u>	<u>2021</u>
Operating expense	Subsidiary	\$ <u>5,734</u>	<u>4,800</u>

The related parties distributed cash dividends amounting to \$880,976 and \$239,240 to the Company for the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022 and 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 were as follows:

<u>Account Name</u>	<u>Related Party Category</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other receivables –	Subsidiary – Zyxel	\$ 60,991	84,843
related parties	Subsidiary – MitraStar	122,811	22,308
	Subsidiary – ZNet	<u>49,230</u>	<u>14,446</u>
		<u>\$ 233,032</u>	<u>121,597</u>

(3) Transactions with key management personnel

Key management personnel compensation comprised:

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 42,999	42,283
Post-employment benefits	326	294
Share-based payment compensation	<u>2,246</u>	<u>2,583</u>
	<u>\$ 45,571</u>	<u>45,160</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 item	By function	2022	2021
		Classified as operating expenses	Classified as operating expenses
Employee benefits			
Salaries		178,758	134,479
Labor and health insurance		13,164	9,102
Pension		6,586	4,495
Remuneration of directors		21,229	18,376
Others		7,306	5,149
Depreciation		1,233	940
Amortization		1,185	112

The following provides information of the number of employees and employee benefits in 2022 and 2021, respectively:

	<u>2022</u>	<u>2021</u>
Number of employees	<u>\$ 141</u>	<u>100</u>
Number of directors who were not employees	<u>\$ 6</u>	<u>7</u>
Average employee benefit costs	<u>\$ 1,525</u>	<u>1,648</u>
Average employee salary expenses	<u>\$ 1,324</u>	<u>1,446</u>
Adjustment of average employee salary expenses	<u>(8.4)%</u>	<u>11.0%</u>
Remuneration of supervisors (note)	<u>\$ -</u>	<u>-</u>

Note: The Company has set up the Audit Committee to substitute supervisors.

Remuneration policies for directors, managerial personnel and employees 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 the Company's sustainable operation and risk control, and related laws & regulations, will be reviewed as well.

(Continued)

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

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.

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, 2022 (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.

Unizyx Holding Corporation
Notes to the Parent-Company-Only Financial Statements

(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.

(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		89,981,358	22.49 %
ZyFX Technologies Inc.		20,052,067	5.01 %

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, 2022.

Unizyx Holding Corporation
Loans to other parties
For the year ended December 31, 2022

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	900,000	700,000	700,000	1%	2	-	Operating Capital	-	-	-	985,177	3,940,709	
0	Unizyx	Zyxel	"	Yes	500,000	500,000	500,000	1%	2	-		-	-	-	985,177	3,940,709	
0	Unizyx	ZNet	"	Yes	500,000	-	-	1%	2	-	Operating Capital	-	-	-	985,177	3,940,709	
						1,200,000	1,200,000										
1	Zyxel	ZNet IN	"	Yes	15,873	15,131	15,131	-	2	-	Operating Capital	-	-	-	423,619	1,694,477	
1	Zyxel	ZyBR	"	Yes	184	-	-	-	2	-	Operating Capital	-	-	-	423,619	1,694,477	
						15,131	15,131										
2	ZNet	ZNet IN	"	Yes	38,764	29,132	29,132	-	2	-	Operating Capital	-	-	-	216,578	866,313	Note 5

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 \$302,584.

Unizyx Holding Corporation
Guarantees and endorsements for other parties
For the year ended December 31, 2022

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	4,925,886	2,594,610	2,200,000	-	-	22.33 %	4,925,886	Y	N	N
0	Unizyx	ZNet	2	4,925,886	1,860,000	1,300,000	104,704	-	13.20 %	4,925,886	Y	N	N
						3,500,000	104,704						
1	ZyAS	ZyIT	2	4,925,886	58,306	58,306	-	-	0.59 %	4,925,886	N	N	N
1	ZyAS	ZyUK	2	4,925,886	38,372	37,832	-	-	0.38 %	4,925,886	N	N	N
						96,138	-						

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
Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures)
For the year ended December 31, 2022

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	Stock: Microsoft Corporation	-	Financial assets at fair value through profit or loss – current	1	3,683	-	3,683	
Zyxel	Stock: Alphabet Inc. Class C	-	"	1	2,902	-	2,902	
Zyxel	ADR: Taiwan Semiconductor Manufacturing Co., Ltd.	-	"	1	<u>1,775</u>	-	1,775	
					<u>8,360</u>			
Zyxel	Stock: Ubiik Inc.	-	Financial assets at fair value through other comprehensive income – non current	1,147	18,321	7 %	18,321	
Zyxel	Stock: Lionic Corp	-	"	500	1,088	2 %	1,088	
Zyxel	Stock: Global Channel Resource Pte. Ltd.	-	"	600	308	8 %	308	
Zyxel	Stock: Zowie Technology Corp.	-	"	19	-	-	-	
Zyxel	Stock: Aetas Technology Inc.	-	"	296	-	1 %	-	
					<u>19,717</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	Yuanta Daily Taiwan 50 Bear -1X ETF	-	Financial assets at fair value through profit or loss – current	2,527	14,935	-	14,935	
ZNet	ProShares Short QQQ ETF	-	"	29	12,928	-	12,928	
ZNet	Cathay MSCI Taiwan ESG Sustainability High Dividend Yield ETF	-	"	511	8,263	-	8,263	
ZNet	Stock: Berkshire Hathaway Inc - Class B	-	"	-	3,794	-	3,794	
ZNet	Stock: Shin Kong Financial Holding Co., Ltd	-	"	216	1,894	-	1,894	
ZNet	Stock: Sampo Corporation	-	"	68	1,802	-	1,802	
ZNet	ADR: Taiwan Semiconductor Manufacturing Co., Ltd	-	"	1	1,798	-	1,798	
ZNet	Stock: Pan German Universal Motors Ltd.	-	"	8	1,696	-	1,696	
ZNet	Stock: Formosa Plastics Corporation	-	"	18	1,562	-	1,562	
ZNet	Stock: Yuanta Financial Holding Co., Ltd.	-	"	66	1,422	-	1,422	
ZNet	Stock: Sunrex Technology Corp.	-	"	36	1,370	-	1,370	
ZNet	Stock: Taiwan Shin Kong Security Co., Ltd.	-	"	33	1,290	-	1,290	
ZNet	Stock: Evergreen Marine Corporation	-	"	7	1,173	-	1,173	
ZNet	Stock: Wistron Corporation	-	"	37	1,088	-	1,088	
ZNet	Stock: Taiwan Hon Chuan Enterprise Co., Ltd.	-	"	12	1,044	-	1,044	
ZNet	Stock: Zenitron Corporation.	-	"	34	984	-	984	
ZNet	Stock: Alltek Technology Corp.	-	"	27	964	-	964	
ZNet	Stock: CTBC Financial Holding Co., Ltd.	-	"	42	928	-	928	
ZNet	Stock: CHC Resources Corporation	-	"	20	920	-	920	
ZNet	Stock: Lelon Electronics Corp.	-	"	17	911	-	911	

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	Stock: Chung Hung Steel Corporation.	-	"	34	910	-	910	
ZNet	Stock: Hon Hai Precision Industry Co., Ltd.	-	"	9	899	-	899	
ZNet	Stock: Pegatron Corporation	-	"	14	889	-	889	
ZNet	Stock: Unitech Computer Co., Ltd.	-	"	29	880	-	880	
ZNet	Stock: Powertech Technology Inc.	-	"	11	871	-	871	
ZNet	Stock: WPG Holdings Limited	-	"	18	866	-	866	
ZNet	Stock: China Bills Finance Corporation	-	"	59	856	-	856	
ZNet	Stock: Tripod Technology Corporation	-	"	9	846	-	846	
ZNet	Stock: Fitipower Integrated Technology Inc.	-	"	7	809	-	809	
ZNet	Stock: Hong Yi Fiber Ind. Co., Ltd.	-	"	46	807	-	807	
ZNet	Stock: Nuvoton Technology Corp.	-	"	7	805	-	805	
ZNet	Stock: Quanta Computer Inc.	-	"	11	795	-	795	
ZNet	Stock: Arcadyan Technology Corporation	-	"	8	766	-	766	
ZNet	Stock: Micro-Star International Co., Ltd.	-	"	6	717	-	717	
ZNet	Stock: Da-Li Development Co., Ltd.	-	"	22	651	-	651	
ZNet	Stock: NAK Sealing Technologies Corporation.	-	"	6	633	-	633	
ZNet	Stock: Excelsior Medical Co., Ltd.	-	"	9	592	-	592	
ZNet	Stock: I Sheng Electric Wire & Cable Co., Ltd.	-	"	13	549	-	549	
ZNet	Stock: Shin Zu Shing Co., Ltd.	-	"	6	490	-	490	
ZNet	Stock: China Steel Structure Co., Ltd.	-	"	13	387	-	387	
ZNet	Stock: Ares international corp.	-	"	12	338	-	338	

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	Stock: Creative Sensor Inc.	-	"	12	331	-	331	
ZNet	Stock: Yang Ming Marine Transport Corp.	-	"	5	328	-	328	
ZNet	Stock: Fusheng Precision Co., Ltd.	-	"	1	211	-	211	
					76,992			
MitraStar	Stock: Broadcom Inc.	-	Financial assets at fair value through profit or loss – current	-	6,439	-	6,439	
MitraStar	ADR: Taiwan Semiconductor Manufacturing Co., Ltd.	-	"	1	3,079	-	3,079	
					9,518			
Zychamp	Yuanta Daily Taiwan 50 Bear -1X ETF	-	Financial assets at fair value through profit or loss – current	2,015	11,909	-	11,909	
Zychamp	ProShares Short QQQ ETF	-	"	20	9,142	-	9,142	
Zychamp	Stock: Berkshire Hathaway Inc - Class B	-	"	1	4,810	-	4,810	
Zychamp	Stock: Microsoft Corporation	-	"	-	2,976	-	2,976	
Zychamp	Stock: Alphabet Inc. Class C	-	"	1	2,452	-	2,452	
Zychamp	Stock: Jess-Link Products Co., Ltd.	-	"	27	1,080	-	1,080	
Zychamp	Stock: G.M.I. Technology Inc.	-	"	49	845	-	845	
					33,214			

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	Stock: Unizyx	Final parent company	Financial assets at fair value through other comprehensive income – non current	7,317	255,377	2 %	255,377	
Zychamp	Stock: Homeyen Networks Co., Ltd.	-	"	169	-	11 %	-	
Zychamp	Stock: Essence Technology Solution, Inc.	-	"	91	-	3 %	-	
Zychamp	Stock: Hannlync Technology Inc.	-	"	296	-	-	-	
Zychamp	Stock: L7 Networks Inc.	-	"	1	-	1 %	-	
Zychamp	Stock: Accfast Technology Corp.	-	"	113	-	5 %	-	
					<u>255,377</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, 2022

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	4,452,205	41 %	150 days after delivery		Note 1	2,247,813	35 %	
Zyxel	ZyUSA	Subsidiary to subsidiary	Sales	4,214,468	39 %	135 days after delivery		Note 1	2,126,890	33 %	
Zyxel	ZyIT	Subsidiary to subsidiary	Sales	637,973	6 %	180 days after delivery		Note 1	337,724	5 %	
Zyxel	ZyES	Subsidiary to subsidiary	Sales	278,593	3 %	150 days after delivery		Note 1	108,312	2 %	
Zyxel	ZNet AS	Subsidiary to subsidiary	Sales	239,326	2 %	90~150 days after delivery		Note 1	148,333	2 %	
ZNet	ZNet AS	Subsidiary to subsidiary	Sales	2,456,468	70 %	90~150 days after delivery		Note 1	1,014,617	74 %	
ZNet	ZyTPE	Subsidiary to subsidiary	Sales	235,984	7 %	60 days after delivery		Note 1	26,335	2 %	
ZNet	ZyUSA	Subsidiary to subsidiary	Sales	225,879	6 %	135 days after delivery		Note 1	113,435	8 %	
ZNet	Zyell	Subsidiary to subsidiary	Sales	202,045	6 %	90 days after delivery		Note 1	116,289	8 %	
MitraStar	Zyxel	Subsidiary to subsidiary	Sales	7,095,565	33 %	90 days after delivery		Note 1	2,348,059	34 %	
MitraStar	Monetics	Subsidiary to subsidiary	Sales	817,467	4 %	45~140 days after delivery		Note 1	78,568	1 %	
MitraStar	XSquare	Subsidiary to subsidiary	Sales	404,100	2 %	90~120 days after delivery		Note 1	73,581	1 %	
MitraStar	ZNet	Subsidiary to subsidiary	Sales	317,943	1 %	90 days after delivery		Note 1	42,576	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	(7,190,074)	36 %	90 days after receipt		Note 2	1,427,113	32 %	
MitraStar	Zyxel	Subsidiary to subsidiary	Purchase	(780,356)	4 %	90 days after receipt		Note 2	337,915	8 %	
MitraStar	XSquare	Subsidiary to subsidiary	Purchase	(415,107)	2 %	90 days after receipt		Note 2	60,483	1 %	
ZyAS	ZyUK	Subsidiary to subsidiary	Sales	554,089	11 %	30~120 days after delivery		Note 1	208,991	14 %	
ZyAS	ZyDE	Subsidiary to subsidiary	Sales	474,421	10 %	30~120 days after delivery		Note 1	69,515	5 %	
ZyAS	ZyCZ	Subsidiary to subsidiary	Sales	443,191	9 %	120~180 days after delivery		Note 1	281,268	19 %	
ZyAS	ZyTR	Subsidiary to subsidiary	Sales	235,115	5 %	130 days after delivery		Note 1	50,672	3 %	

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 and purchasing are determined based on the mutual agreement between MitraStar and Wuxi MSTC and Zyxel. 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.

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, 2022

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	725,632	Note 3	-	-	-	-	
Unizyx	Zyxel	Parent company to subsidiary	525,129	Note 3	-	-	-	-	
Zyxel	ZyAS	Subsidiary to subsidiary	2,288,918	2	-	-	791,807	-	
Zyxel	ZyUSA	Subsidiary to subsidiary	2,160,368	3	59,494	Enhanced Collecting	929,268	-	
Zyxel	ZyIT	Subsidiary to subsidiary	338,142	1	42,264	Enhanced Collecting	79,748	-	
Zyxel	ZNet AS	Subsidiary to subsidiary	149,354	2	15,709	Enhanced Collecting	105,519	-	
Zyxel	ZyES	Subsidiary to subsidiary	108,312	4	-	-	-	-	
ZNet	ZNet AS	Subsidiary to subsidiary	1,030,789	3	-	-	339,398	-	
ZNet	Zyell	Subsidiary to subsidiary	116,289	3	-	-	-	-	
ZNet	ZyUSA	Subsidiary to subsidiary	113,435	3	9,247	Enhanced Collecting	70,792	-	
MitraStar	Zyxel	Subsidiary to subsidiary	2,447,700	4	-	-	877,373	-	
ZyAS	ZyCZ	Subsidiary to subsidiary	281,268	2	-	-	53,328	-	
ZyAS	ZyUK	Subsidiary to subsidiary	208,991	4	-	-	203,449	-	
ZyAS	ZyIT	Subsidiary to subsidiary	106,394	-	-	-	-	-	
Wuxi MSTC	MitraStar	Subsidiary to subsidiary	1,427,113	10	-	-	2,640,716	-	

Note 1: Information as of February 28, 2023.

Note 2: The abovementioned ending balance included the amount for financing, which was recognized as other receivables—related parties.

Note 3: It didn't apply for days of turnover for the transaction main accrued by non-selling transaction.

Unizyx Holding Corporation
Information on investees (excluding information on investees in Mainland China)
For the year ended December 31, 2022

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, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	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	3,946,541	618,639	600,360	Subsidiary and notes 1
Unizyx	MitraStar	Taiwan	Development, manufacturing and sales of communications and networking products	3,337,920	3,337,920	316,800	100	4,293,420	901,933	872,875	Subsidiary and notes 1
Unizyx	ZNet	Taiwan	Development and sales of communications and networking products	1,710,098	1,710,098	108,888	94	2,004,424	238,812	214,937	Subsidiary and notes 1
Unizyx	Black Cat	Taiwan	Development and sales of information security products, and consultant management services	10,000	10,000	2,200	67	21,107	1,480	987	Subsidiary
								<u>10,265,492</u>			<u>1,689,159</u>

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of ownership (%)	Carrying value			
Zyxel	ZyAS	Denmark	Sales and marketing	501,390 (EUR 11,980)	501,390 (EUR 11,980)	20,712	100	551,886	58,631	Note 2	Subsidiary
Zyxel	Zychamp	Taiwan	Investment activities	540,000	540,000	8,902	100	285,151	4,464	Note 2	Subsidiary
Zyxel	ZyUSA	U.S.A.	Sales and marketing	271,810 (USD 9,506)	271,810 (USD 9,506)	9,807	100	258,514	26,569	Note 2	Subsidiary
Zyxel	ZyTR	Turkey	Sales and marketing	362,862 (USD 11,977)	362,862 (USD 11,977)	29,137	100	140,290	17,649	Note 2	Subsidiary
Zyxel	Ardomus	Taiwan	Development and sales of network digital control products	68,411	48,411	6,841	34	22,693	(38,700)	Note 2	Associate
Zyxel	ShareTech	Taiwan	Development, manufacturing and sales of communications and networking products	10,950	10,950	848	38	14,515	7,353	Note 2	Associate
Zyxel	ZyBR	Brazil	Sales and marketing	584,090 (USD 19,940)	53,373 (USD 1,668)	92,456	100	4,812	39,179	Note 2	Subsidiary
								<u>1,277,861</u>			

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of ownership (%)	Carrying value			
ZyAS	ZyDE	Germany	Sales and marketing	67,461 (EUR 1,525)	67,461 (EUR 1,525)	-	100	127,705	(769)	Note 2	Subsidiary
ZyAS	ZyUK	United Kingdom	Sales and marketing	319,542 (EUR 6,450)	319,542 (EUR 6,450)	5,375	100	56,026	2,873	Note 2	Subsidiary
ZyAS	ZyIT	Italy	Sales and marketing	78,335 (EUR 2,336)	78,335 (EUR 2,336)	10	100	53,035	1,878	Note 2	Subsidiary
ZyAS	Gemini	Germany	Development of communications and networking products	31,565 (EUR 976)	31,565 (EUR 976)	-	100	34,503	1,968	Note 2	Subsidiary
ZyAS	ZyCZ	Czech Republic	Sales and marketing	66,283 (EUR 1,543)	66,283 (EUR 1,543)	19,000	100	22,531	(806)	Note 2	Subsidiary
ZyAS	ZyES	Spain	Sales and marketing	2,165 (EUR 53)	2,165 (EUR 53)	3	100	5,138	799	Note 2	Subsidiary
								298,938			
MitraStar	Bluebell	British Virgin Islands	Investment activities	1,519,277 (USD 45,150)	1,519,277 (USD 45,150)	32,856	100	2,164,528	218,702	Note 2	Subsidiary
MitraStar	XSquare	Taiwan	Development and sales of communications and networking products	137,960	137,960	13,796	92	56,477	(50,054)	Note 2	Subsidiary
								2,221,005			

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	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	166,116	48,226	Note 2	Subsidiary
ZNet	ZyTPE	Taiwan	Development and sales of communications and networking products	Note 3	Note 3	6,000	100	115,898	35,040	Note 2	Subsidiary
ZNet	ZNet TH	Thailand	Sales and marketing	74,969 (USD 2,389)	74,969 (USD 2,389)	8,000	100	67,587	6,162	Note 2	Subsidiary
ZNet	ZNet KR	South Korea	Sales and marketing	11,127 (USD 390)	11,127 (USD 390)	72	65	18,413	(4,196)	Note 2	Subsidiary
ZNet	ZNet IN	India	Sales and marketing	17,176 (USD 568)	17,176 (USD 568)	8,470	100	(302,584)	(40,492)	Note 2	Subsidiary
				-	-	-	-	65,430	-		
ZNet AS	ZNet FR	France	Sales and marketing	122,449 (EUR 3,603)	122,449 (EUR 3,603)	10	100	88,192	2,309	Note 2	Subsidiary
ZNet AS	ZNet BNL	Netherlands	Sales and marketing	54,089 (EUR 1,350)	54,089 (EUR 1,350)	14	100	48,144	945	Note 2	Subsidiary
ZNet AS	ZNet RUS	Russia	Sales and marketing	28 (EUR 1)	28 (EUR 1)	-	100	3,620	628	Note 2	Subsidiary
								139,956			

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.

Unizyx Holding Corporation
Information on investment in Mainland China
For the year ended December 31, 2022

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, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	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, 2022	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	(48)	ZNet directly holds 95%	(46)	1,515	-
ZNet SHA	Sales of communications, networking products and technical consulting service	266,259	Note 1	266,259	-	-	266,259	(74)	ZNet directly holds 100%	85 (Note 7)	5,120	-
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	218,526	MitraStar indirectly holds 100%	218,526	2,223,356	-
Genezys	Development of communications and networking products	209,806	Note 3	209,806	-	-	209,806	2,628	MitraStar directly holds 100%	2,628	250,696	-
Monetics	Sales of communications, networking products and network technology transfer service	360,658	Note 3 and 4	282,403	-	-	282,403	2,873	MitraStar directly holds 100%	2,873	238,941	-
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, 2022	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	1,306,439
MitraStar	1,506,162	1,584,417	2,652,840

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 \$74 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, 2022.

Unizyx Holding Corporation
Statement of cash and cash equivalents
December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Demand deposits		\$ 64,713
Time deposits	Period : November 17, 2022~February 2, 2023 Interest rate : 0.310%~0.975%	246,000
		\$ 310,713

**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, 2022
(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Temporary payment for introduction of consulting contract	\$ 3,451
Other prepaid expenses	2,008
Others (other assets with the amount less than 5% of other current assets)	46
	\$ 5,505

Statement of other financial assets — current

Item	Amount
Interest receivable	\$ 3,016

Unizyx Holding Corporation

Statement of changes in investments accounted for using the equity method

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Name of investee	Balance as of December 31, 2021		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, 2022			Method of valuation	Pledged as collateral
	Shares (thousand)	Carrying value								Shares	Percentage of ownership%	Carrying value		
Zyxel	72,450	\$ 3,973,827	600,360	(594,090)	(85,398)	12,176	23,967	3,266	12,433 (note 1)	72,450	100.00	3,946,541	Equity method	No
MitraStar	316,800	3,580,255	872,875	(221,760)	28,470	22,140	11,440	-	-	316,800	100.00	4,293,420	Equity method	No
ZNet	108,888	1,819,035	214,937	(65,126)	25,509	3,093	7,081	-	(105) (note 2)	108,888	94.13	2,004,424	Equity method	No
Black Cat	2,200	20,120	987	-	-	-	-	-	-	2,200	66.67	21,107	Equity method	No
		<u>\$ 9,393,237</u>	<u>1,689,159</u>	<u>(880,976)</u>	<u>(31,419)</u>	<u>37,409</u>	<u>42,488</u>	<u>3,266</u>	<u>12,328</u>			<u>10,265,492</u>		

Note 1: The amount comprised the disposal of the Company's share by subsidiaries recognized as treasury share transaction amounting to \$8,289 and the cash dividends amounting to \$4,144 distributed from the Company.

Note 2: The amount comprised the adjustment due to non-proportional subscription in investees' increase in capital.

Unizyx Holding Corporation
Statement of other current liabilities
December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Software expense payable	\$ 32,631
Interest payable	6,593
Business tax payable	3,271
Others (other liabilities with the amount less than 5% of other current liabilities)	9,728
	\$ 52,223

Statement of general and administrative expenses
For the year ended December 31, 2022

Item	Amount
Payroll and bonus	\$ 178,758
Remuneration of directors	21,229
Service fees	15,670
Others (other expenses with the amount less than 5% of general and administrative expenses)	41,781
	\$ 257,438

Unizyx Holding Corporation

Responsible person: Shun-I Chu

Unizyx

Unizyx Holding Corporation

Annual Report

2022

