Stock Code:3704

Unizyx Holding Corporation

Parent-Company-Only Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2020 and 2019

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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.

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Independent Auditors' Report

To the Board of Directors of Unizyx Holding Corporation:

Opinion

We have audited the financial statements of Unizyx Holding Corporation ("the Company"), which comprise the balance sheets as of December 31, 2020 and 2019, 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, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

Evaluation of investments accounted for using the equity method

Please refer to Note 4(7) "Summary of significant accounting policies－Investment in associates" , Note 4(8) "Summary of significant accounting policies－Investment in subsidiaries", and Note 6(3) "Explanation of significant accounts－Investments accounted for using the equity method" to the parent-company-only financial statements.

Description of key audit matters:

The investments in subsidiaries accounted for using the equity method constituted 97% of total assets of the Company, wherein the amount is material. As a result, the evaluation of investments accounted for using the equity method is our key audit matter.

How the matter was addressed in our audit:

Our principal audit procedures included: recalculating the shares of profit or loss of associates and subsidiaries in accordance with ownership percentage of shares; physically counting the securities and certificates of long-term equity investment; discussing with the management about the evaluation of subsidiary-related significant matters, as well as understanding the reasonableness of the subsidiary's valuation of impairment for accounts receivable and inventories; considering the adequacy of the Company's disclosures on its accounts.

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

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the parent-company-only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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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 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 Shing-Hai Wei.

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Taipei, Taiwan (Republic of China)
March 15, 2021

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, 2020 and 2019

(Expressed in thousands of New Taiwan Dollars)

	December 31, 2020		December 31, 2019	
Assets	**Amount**	**%**	**Amount**	**%**
Current assets:				
Cash and cash equivalents (note 6(1))	$ 191,849	3	122,561	2
Accounts receivable, net (note 7)	38,584	-	38,126	-
Other receivables－related parties (note 7)	21,271	-	-	-
Other financial assets－current	31	-	3	-
Other current assets, others	1,002	-	3,152	-
	252,737	3	163,842	2
Non-current assets:				
Financial assets at fair value through other comprehensive income－non-curremt (note 6(2))	9,262	-	-	-
Investments accounted for using the equity method (note 6(3))	8,050,929	97	7,094,042	98
Property, plant and equipment, net (note 6(4))	4,121	-	1,162	-
Intangible assets (note 6(5))	215	-	327	-
Deferred income tax assets (note 6(7))	754	-	-	-
	8,065,281	97	7,095,531	98
Total assets	**$ 8,318,018**	**100**	**7,259,373**	**100**

	December 31, 2020		December 31, 2019	
Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
Current liabilities:				
Other payables－related parties (note 7)	$ 498	-	6,709	-
Income tax payable (note 6(7))	6,206	-	-	-
Other current liabilities, others	26,785	-	28,281	-
	33,489	-	34,990	-
Non-current liabilities:				
Net defined benefit liabilities (note 6(6))	5,496	-	3,192	-
Total liabilities	38,985	-	38,182	-
Equity (note 6(8)):				
Capital stock	4,476,438	54	4,411,773	61
Capital surplus	3,827,886	46	3,755,876	52
Retained earnings	447,480	5	(362,370)	(5)
Other equity	(351,910)	(4)	(463,227)	(6)
Treasury stock	(120,861)	(1)	(120,861)	(2)
Total equity	8,279,033	100	7,221,191	100
Total liabilities and equity	**$ 8,318,018**	**100**	**7,259,373**	**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, 2020 and 2019

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

	2020		2019	
	Amount	%	Amount	%
Revenues:				
Service revenues (notes 6(11) and 7)	$ 130,347	14	153,814	65
Shares of profit of subsidiaries and associates accounted for using the equity method (note 6(3))	816,677	86	83,743	35
Interest income	254	-	208	-
Other income	42	-	32	-
	947,320	100	237,797	100
Expenses:				
General and administrative expenses	133,339	14	124,000	52
Loss on disposal of property, plant and equipment	-	-	216	-
Foreign exchange loss, net	-	-	2	-
	133,339	14	124,218	52
Income (loss) before income taxes	813,981	86	113,579	48
Income tax expenses (benefits) (note 6(7))	(13,963)	(2)	6,826	3
Net income (loss)	827,944	88	106,753	45
Other comprehensive income (loss):				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit plans (note 6(6))	(2,473)	-	452	-
Shares of remeasurements of the defined benefit plans of subsidiaries accounted for using the equity method	(15,621)	(2)	(3,574)	(1)
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(8))	9,068	1	(26,813)	(11)
Total items that will not reclassified subsequently to profit or loss	(9,026)	(1)	(29,935)	(12)
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	127,811	13	(114,294)	(48)
Income tax related to components of other comprehensive income to be reclassified to profit or loss (note 6(7))	(25,562)	3	13,166	6
Total items that may be reclassified subsequently to profit or loss	102,249	10	(101,128)	(42)
Other comprehensive income for the year	93,223	9	(131,063)	(54)
Total comprehensive income for the year	**$ 921,167**	**97**	**(24,310)**	**(9)**
Earnings per share (New Taiwan Dollars) (note 6(10)):				
Basic earnings per share	**$**	**1.91**		**0.25**
Diluted earnings per share	**$**	**1.90**		**0.24**

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, 2020 and 2019

(Expressed in thousands of New Taiwan Dollars)

	Capital stock				Retained earnings				Total other equity interest				
	Common stock	Advance receipts for share capital	Total share capital	Capital surplus	Legal reserve	Special reserve	Accumulated deficits	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total	Treasury stock	Total equity
Balance at January 1, 2019	$ 4,411,773	-	4,411,773	3,725,204	279,833	200,347	(919,774)	(439,594)	(294,693)	(40,593)	(335,286)	(120,861)	7,241,236
Effects of retrospective application of new accounting standards	-	-	-	-	-	-	(23,664)	(23,664)	-	-	-	-	(23,664)
Balance at January 1, 2019 after adjustment	4,411,773	-	4,411,773	3,725,204	279,833	200,347	(943,438)	(463,258)	(294,693)	(40,593)	(335,286)	(120,861)	7,217,572
Net income (loss) for the period	-	-	-	-	-	-	106,753	106,753	-	-	-	-	106,753
Other comprehensive income (loss) for the period	-	-	-	-	-	-	(3,122)	(3,122)	(101,128)	(26,813)	(127,941)	-	(131,063)
Total comprehensive income (loss) for the period	-	-	-	-	-	-	103,631	103,631	(101,128)	(26,813)	(127,941)	-	(24,310)
Compensation expense of employee stock options	-	-	-	19,641	-	-	-	-	-	-	-	-	19,641
Changes in ownership interests in subsidiaries accounted for using the equity method	-	-	-	4,486	-	-	(2,459)	(2,459)	-	-	-	-	2,027
Changes in ownership interests in associates accounted for using the equity method	-	-	-	6,545	-	-	(284)	(284)	-	-	-	-	6,261
Balance at December 31, 2019	4,411,773	-	4,411,773	3,755,876	279,833	200,347	(842,550)	(362,370)	(395,821)	(67,406)	(463,227)	(120,861)	7,221,191
Net income (loss) for the period	-	-	-	-	-	-	827,944	827,944	-	-	-	-	827,944
Other comprehensive income (loss) for the period	-	-	-	-	-	-	(18,094)	(18,094)	102,249	9,068	111,317	-	93,223
Total comprehensive income (loss) for the period	-	-	-	-	-	-	809,850	809,850	102,249	9,068	111,317	-	921,167
Compensation expense of employee stock options	-	-	-	37,563	-	-	-	-	-	-	-	-	37,563
Exercise of employee stock options	-	64,665	64,665	14,226	-	-	-	-	-	-	-	-	78,891
Changes in ownership interests in subsidiaries accounted for using the equity method	-	-	-	20,221	-	-	-	-	-	-	-	-	20,221
Balance at December 31, 2020	**$ 4,411,773**	**64,665**	**4,476,438**	**3,827,886**	**279,833**	**200,347**	**(32,700)**	**447,480**	**(293,572)**	**(58,338)**	**(351,910)**	**(120,861)**	**8,279,033**

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, 2020 and 2019

(Expressed in thousands of New Taiwan Dollars)

		2020	2019
Cash flows from operating activities:			
Income (loss) before income tax	$	813,981	113,579
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation expense		489	316
Amortization expense		112	112
Interest income		(254)	(208)
Share-based compensation expense		4,008	1,169
Share of loss (profit) of subsidiaries and associates accounted for using the equity method		(816,677)	(83,743)
Loss on disposal of property, plant and equipment		-	216
Total adjustments to reconcile profit (loss)		(812,322)	(82,138)
Changes in operating assets and liabilities:			
Changes in operating assets:			
Accounts receivable		(458)	2,473
Other receivables－related parties		(1,782)	-
Other financial assets and other current assets		324	(358)
Total changes in operating assets		(1,916)	2,115
Changes in operating liabilities:			
Other payables－related parties		(6,285)	(11,865)
Accrued expenses and other current liabilities		(1,496)	11,030
Net defined benefit liabilities		(169)	(5)
Total changes in operating liabilities		(7,950)	(840)
Total changes in operating assets and liabilities		(9,866)	1,275
Total adjustments		(822,188)	(80,863)
Cash inflow (outflow) generated from operations		(8,207)	32,716
Interest received		226	214
Income taxes refunded		1,826	366
Net cash flows from (used in) operating activities		(6,155)	33,296
Cash flows from investing activities:			
Acquisition of investments accounted for using the equity method		-	(100)
Acquisition of property, plant and equipment		(3,448)	(1,239)
Proceeds from disposal of property, plant and equipment		-	790
Net cash flows used in investing activities		(3,448)	(549)
Cash flows from financing activities:			
Exercise of employee stock options		78,891	-
Net cash flows from financing activities		78,891	-
Net increase cash and cash equivalents		69,288	32,747
Cash and cash equivalents at the beginning of period		122,561	89,814
Cash and cash equivalents at the end of period	$	**191,849**	**122,561**

See accompanying notes to the parent-company-only financial statements.

1. Company history

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

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

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

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

(Continued)

As approved by the Company's and Zyxel's Board of Directors' meeting on February 26, 2019, in order to improve market competitiveness and increase the overall operating efficiency, Zyxel Networks Corporation ("ZNet") and its subsidiary Zyxel Networks A/S ("ZNet AS") were spun off from Zyxel and its subsidiary to become 100%-held subsidiaries of Unizyx on April 1, 2019. Zyxel spun off its channel business related net operating assets amounting to $1,200,000 to ZNet, and exchanged one share of ZNet's common stock valued at TWD 10 per share for each share of Zyxel' s stock valued at TWD 16.56 per share. Unizyx acquired 72,450 thousand shares of ZNet's new issued common stock in total, and Zyxel and ZNet became 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 15, 2021.

3. New standards, amendments and interpretations adopted:

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

The details of impact on the Company's parent-company-only financial statements resulting from the adoption of the new amendments beginning January 1, 2020 are as follows:

A. Amendments to IFRS 16 "COVID-19-Related Rent Concessions"

As a practical expedient, a lessee may elect not to assess whether a rent concession that meets certain conditions is a lease modification, rather any changes in lease liability are recognized in profit or loss. The amendments have been endorsed by FSC in July 2020, with early application from January 1, 2020 permitted.

The subsidiaries of the Company elected to early adopt the amendments and apply the practical expedient for all rent concessions that met the criteria beginning January 1, 2020. No adjustment was made upon the initial application of the amendments. The amount recognized in shares of profit of subsidiaries accounted for using the equity method for the year ended December 31, 2020 was $1,127.

B. Other amendments

The following new amendments, effective January 1, 2020, do not have a significant impact on the Company's parent-company-only financial statements:

- Amendments to IFRS 3 "Definition of a Business"
- Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"
- Amendments to IAS 1 and IAS 8 "Definition of Material"

(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, 2021, would not have a significant impact on its parent-company-only financial statements:

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform－Phase 2"

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

The Company does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its parent-company-only financial statements:

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"
- IFRS 17 " Insurance Contracts" and amendments to IFRS 17 " Insurance Contracts"
- Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"
- Amendments to IAS 16 "Property, Plant and Equipment－Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts－Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"
- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"

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.

(Continued)

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.

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.

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.

(Continued)

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.

(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 and 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. A 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.

(Continued)

(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)

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 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 lifetime expected credit loss (ECL), except for the following which are measured by 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date；and

- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

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

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

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

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

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

At each reporting date, the Company assesses whether financial assets carried at amortized cost 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.

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 shares

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 shares. When treasury shares 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).

(Continued)

(d) Financial liabilities

Other financial liabilities (including from related parties) 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.

(e) Derecognition of financial liabilities

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

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

(f) Offsetting of financial assets and liabilities

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

(7) Investment in associates

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

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

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

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

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

(Continued)

(8) Investments in subsidiaries

When preparing the parent-company-only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, profit, other comprehensive income and equity in the parent-company-only financial statements are equivalent to those of the profit, other comprehensive income and equity which are contributed to the owners of the parent in the consolidated financial statements.

The changes in the parent's ownership interest in its subsidiaries that do not result in a loss of control are accounted as equity transactions.

(9) Property, plant and equipment

A. Recognition and measurement

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

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

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

B. Subsequent cost

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

C. Depreciation

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

The estimated useful lives, for the current and comparative years, of office equipment and others are 5 years.

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

(10) Intangible assets

A. Recognition and measurement

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

(Continued)

B. Subsequent expenditure

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

C. Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets or 5 years from the date that they are available for use.

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

(11) Impairment of non-financial assets

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

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

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

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

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

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

(12) Revenue recognition

A. Revenue from contracts with customers

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

(Continued)

(a) Rendering of services

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

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

(b) Financing components

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

(13) Employee benefits

A. Defined contribution plans

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

B. Defined benefit plans

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

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

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

(Continued)

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

C. Short-term employee benefits

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

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

(14) Share-based payment

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

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

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

(15) Income tax

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

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

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction

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

(Continued)

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

A. the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

B. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(a) the same taxable entity; or

(b) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

In accordance with the Article 40 of Business Mergers and Acquisitions Act, the Company has been assigned as the taxpayer to file a combined corporate income tax return and the 5% surtax on undistributed earnings 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 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, unvested restricted stock awards, and employee bonus.

(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.

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(13) of the financial instruments.

6. Explanation of significant accounts

(1) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Demand deposits	$ 106,849	32,561
Cash equivalents－time deposits	85,000	90,000
	$ 191,849	**122,561**

Please refer to note 6(13) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Company.

(Continued)

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

	December 31, 2020	December 31, 2019
Non-publicly traded stocks (domestic companies)	$ **9,262**	**-**

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

The investment in ZQAM Communications Corporation (ZQAM) was classified as financial assets at fair value through other comprehensive income – non-current since October 2020; please refer to note 6(3).

A. For fair value and market risk; Please refer to note 6(13).

B. The Company's financial assets at fair value through other comprehensive income mentioned above were not pledged as collateral.

(3) Investments accounted for using the equity method

A summary of the Company's financial information for investments accounted for using the equity method at the reporting date was as follows:

	December 31, 2020	December 31, 2019
Subsidiaries	$ 8,050,929	7,074,750
Associates	-	19,292
	$ **8,050,929**	**7,094,042**

A. Subsidiaries:

Please refer to consolidated financial statements for the years ended December 31, 2020 and 2019 for subsidiaries information.

The shares of the profits (losses) of subsidiaries accounted for using the equity method amounted to $826,707 and $104,833 for the years ended December 31, 2020 and 2019, respectively.

B. Associates:

There was no individually significant associate for the Company. The following table summarized the amounts recognized by the Company and included in the parent-company only financial statements:

	December 31, 2020	December 31, 2019
Summarized information of the carrying amount of associates that were not individually material	$ **-**	**19,292**

(Continued)

		2020	2019
Net gain (loss) attributable to the Company	$	**(10,030)**	**(21,090)**

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

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

(4) Property, plant and equipment

Property, plant and equipment consisted of office and transportation equipment. The cost and depreciation of the property, plant and equipment of the Company were as follows:

		2020	2019
Cost:			
Balance at January 1	$	1,581	2,018
Additions for the period		3,448	1,239
Disposal for the period		-	(1,676)
Balance at December 31	$	**5,029**	**1,581**
Depreciation:			
Balance at January 1	$	419	773
Depreciation for the period		489	316
Disposal for the period		-	(670)
Balance at December 31	$	**908**	**419**
Carrying amounts:			
Balance at December 31	$	**4,121**	**1,162**

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

(5) Intangible assets

The cost of computer software was presented under intangible assets. The cost and amortization of intangible assets of the Company were as follows:

		2020	2019
Costs:			
Balance at January 1 (Balance at December 31)	$	**560**	**560**

(Continued)

		2020	2019
Amortization:			
Balance at January 1	$	233	121
Amortization for the period		112	112
Balance at December 31	**$**	**345**	**233**
Carrying amounts:			
Balance at December 31	**$**	**215**	**327**

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

(6) 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, 2020	December 31, 2019
Present value of defined benefit obligations	$	26,485	23,177
Fair value of plan assets		(20,989)	(19,985)
Net defined benefit liabilities	**$**	**5,496**	**3,192**

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 $20,989 at the reporting date. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Fund.

(Continued)

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

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

		2020	2019
Defined benefit obligation at January 1	$	23,177	22,579
Current service cost		-	154
Current interest cost		232	254
Remeasurements of the net defined benefit liabilities (assets)			
—Actuarial losses (gains) arising from changes in experience adjustment		2,566	38
—Actuarial losses (gains) arising from changes in financial assumptions		510	152
Defined benefit obligation at December 31	$	**26,485**	**23,177**

(c) Movements of defined benefit plan assets

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

		2020	2019
Fair value of plan assets at January 1	$	19,985	18,930
Interest income		201	214
Remeasurements of the net defined benefit liabilities (assets)			
—Return on plan assets (excluding current interest)		603	642
Contribution to the plan		200	199
Fair value of plan assets at December 31	$	**20,989**	**19,985**

(d) Effect of the asset ceiling

There was no effect on the asset ceiling for the years of 2020 and 2019.

(e) Expenses recognized in profit or loss

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

		2020	2019
Current service cost	$	-	154
Net interest on the net defined benefit liability (assets)		31	40
	$	**31**	**194**

(Continued)

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

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

		2020	2019
Accumulated amount at January 1	$	7,894	7,442
Recognized during the period		(2,473)	452
Accumulated amount at December 31	**$**	**5,421**	**7,894**

(g) Actuarial assumptions

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

	December 31, 2020	December 31, 2019
Discount rate	0.625%	1.000%
Future salary increase rate	2.00%	2.00%

The Company is expecting a contribution of $200 to its defined benefit plans in the following year after the reporting date.

The weighted-average duration of the defined benefit obligation is 10.66 years.

(h) Sensitivity analysis

If there was a change in the actuarial assumptions as of December 31, 2020 and 2019, 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, 2020			
Discount rate	$	(343)	355
Future salary increase rate		342	(333)
December 31, 2019			
Discount rate	$	(301)	312
Future salary increase rate		303	(294)

(Continued)

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 2020 and 2019.

B. Defined contribution plans

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

The Company's pension costs under the defined contribution method were $3,659 and $3,527 for 2020 and 2019, respectively. Payment was made to the Bureau of Labor Insurance.

(7) Income tax

A. Income tax expense (benefit)

The amounts of income tax expense (benefit) were as follows:

		2020	2019
Current tax expense (benefit)			
Current period	$	(14,991)	5,737
Adjustment for prior periods		1,782	832
		(13,209)	6,569
Deferred tax expense (benefit)			
Origination and reversal of temporary differences		(754)	257
Income tax expense (benefit)	**$**	**(13,963)**	**6,826**

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

		2020	2019
Exchange differences on translation of foreign financial statements	**$**	**25,562**	**(13,166)**

(Continued)

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

	2020	2019
Profit (loss) before income tax	$ 813,981	113,579
Income tax using the Company's domestic tax rate	162,796	22,716
Investment (gain) loss of domestic subsidiaries and associates recognized using the equity method	(163,335)	(16,749)
Prior-year adjustments	1,782	832
Capital reduction to eliminate accumulated losses of the investee	(14,506)	-
Adjustments of permanent differences and others	(700)	27
	$ (13,963)	**6,826**

B. Deferred tax assets and liabilities

Changes in the amount of deferred tax assets were as follows:

	January 1, 2019	Recognized in income statement	Recognized in other comprehensive income	December 31, 2019	Recognized in income statement	Recognized in other comprehensive income	December 31, 2020
Loss carryforward	$ 257	(257)	-	-	-	-	-
Others	-	-	-	-	754	-	754
	$ 257	(257)	-	-	754	-	754

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 income for income tax purposes.

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:

	2020				
	Current income tax expenses	**Deferred income tax expenses**	**Deferred income tax assets, net**	**Other payables — related parties**	**Income tax payable (Income tax refund receivable)**
Amounts computed under IAS 12	$ 1,782	(15,745)	15,745	-	-
Adjustments	(14,991)	14,991	(14,991)	21,197	6,206
Amounts computed for filing the combined corporate income tax returns	**$ (13,209)**	**(754)**	**754**	**21,197**	**6,206**

(Continued)

A loss carryforward amounting to $14,991 incurred by the Company in 2020 was used by the other affiliated companies by filing the combined corporate income tax returns with other affiliated companies, resulting in a reduction in the deferred income tax assets amounting to $14,991; meanwhile, the tax payable generated from other affiliated companies amounting to $6,206 would be paid by the Company. Therefore, the other receivable amounting to $21,197 was recognized in other receivables – related parties.

	2019				
	Current income tax expenses	**Deferred income tax expenses**	**Deferred income tax assets, net**	**Other payables － related parties**	**Income tax payable (Income tax refund receivable)**
Amounts computed under IAS 12	$ 6,569	-	-	91	5,476
Adjustments	-	257	-	6,190	(6,190)
Amounts computed for filing the combined corporate income tax returns	**$ 6,569**	**257**	**-**	**6,281**	**(714)**

The Company assessed that its prior years' loss carryforwards would be utilized against its income tax payable in 2019 amounting to $5,476. However, due to a combined income tax return to be filed with other subsidiaries, the Company utilized the loss carryforward and withholding tax of its subsidiaries for deduction instead. The Company recorded the utilization of its subsidiaries' loss carryforward amounting to $6,281 as other payables－related parties.

D. Examination and approval

The income tax returns of the Company had been examined and assessed by the tax authority for the years through 2018.

(8) 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, 2020 and 2019, the Company' s authorized common stock amounted to $7,000,000, of which $520,000 was for use as employee stock options, convertible preferred stock, or convertible corporate bonds. The issued common stock amounted to $4,411,773, with par value of $10 TWD per share.

In 2020, the Company issued 6,466 thousand new shares of common stock at par value amounting to $64,665, which was recognized as advance receipts for share capital, due to the exercise of employee stock options. The related registration procedures are still in progress.

(Continued)

B. Capital surplus

The details of the Company's capital surplus were as follows:

	December 31, 2020	December 31, 2019
Additional paid-in capital	$ 3,513,099	3,489,819
Treasury stock transactions	204,503	204,503
Employee stock options	77,644	49,135
Changes in equities of subsidiaries accounted for using the equity method	26,095	5,874
Changes in equities of associates accounted for using the equity method	6,545	6,545
	$ 3,827,886	**3,755,876**

(a) When the Company was set up through Zyxel's share swap on August 16, 2010, the amount of net assets in excess of the par value calculated by the share swap method was $4,089,976, which was recorded as additional paid-in capital.

(b) According to Article 30 of the Business Mergers and Acquisitions Act, the additional paid-in capital of the holding company transferred from unappropriated retained earnings of a company through a share swap with other companies is not affected by the restriction of Article 241(i) of the Company Act. According to Article 47 of the Financial Holding Company Act and Ruling No. 0910003413, if the additional paid-in capital resulting from the share swap is orignated 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, 2020 and 2019, 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) The Board of Directors resolved on March 15, 2021 to distribute cash dividends, with NTD 0.5 per share, by using the capital surplus. The resolution will need to be approved in the shareholders' meeting of the Company. The information will be available on the Market Observation Post system website.

(Continued)

C. Retained earnings

(a) Legal reserve

If the Company generates profit for the year, the distribution of the legal reserve, either by new shares or by cash, shall be resolved in the shareholders' meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25 % of the paid-in capital.

(b) Special reserve

In accordance with Ruling No. 1010012865 issued by the Financial Supervisory Commission on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special reserve during earnings distribution. The amount to be reclassified should be equal to the current-period total net debit balance of other equity components of the shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special reserve (and does not qualify for earnings distribution) to account for cumulative changes to other equity components of the shareholders' equity pertaining to prior periods. Any subsequent reversals pertaining to the net debit balance of other equity components of the shareholders' equity shall qualify for additional distributions.

(c) Distribution of earnings

Pursuant to regulations promulgated by the FSC, a special reserve equivalent to the total amount of items that are accounted for as deductions from stockholders' equity shall be set aside from current earnings, and not distributed. The special reserve shall be made available for appropriation to the extent of reversal of deductions from stockholders' equity in subsequent periods.

According to the articles of incorporation, in years of earnings, the Company has to offset any accumulated deficit, pay income tax, and appropriate 10% of the balance as a legal reserve before distribution of earnings, unless the amount in the legal reserve is already equal to or greater than the total paid-in capital. Thereafter, an amount shall be set aside or reversed as a special reserve in accordance with related laws, regulations, or provisions of the competent authorities. Distribution of the remaining profit after setting aside the abovementioned amounts, together with the balance of the unappropriated retained earnings of the previous year, shall be proposed by the Board of Directors to be approved at the shareholders' meeting.

The dividend policy of the Company is based on the Company's profit condition, future operating development, and assurance of stockholders' equity. Considering the common stock, capital structure, operating status, and earnings, the Company may distribute dividends in the form proposed by the Board of Directors, including stock issuance based on retained earnings and/or cash dividends. The dividend distribution must be through a resolution passed by the Board of Directors that complies with the Company's balanced and stable dividend policy.

(Continued)

The appropriated earnings will preferably be distributed in the form of cash dividends, with distribution of stock dividends being the other alternative. Distribution of stock dividends should be no more than 50% of total dividends.

On June 12, 2020 and 2019, the resolutions of loss off-setting proposal for the years of 2019 and 2018 were approved by shareholders' meeting, respectively. The related information is available on the Market Observation Post System website.

On March 15, 2021, the loss off-setting proposal for the year of 2020 was approved by the Board of Directors' meeting of the Company. The plan to offset the 2020 operation loss will need to be approved in the shareholders' meeting of the Company. The information will be available on the Market Observation Post System website.

D. Treasury stock

As of December 31, 2020 and 2019, the Company's shares held by ZyChamp Investment Co., Ltd. amounted to 9,391 thousand shares, and original costs were both $120,861; the market values were $358,276 and $189,698, respectively.

E. Other equity

(a) Exchange differences on translation of foreign financial statements

		2020	2019
Balance at January 1	$	(395,821)	(294,693)
Foreign exchange differences (net of tax) of subsidiaries		102,249	(101,128)
Balance at December 31	$	**(293,572)**	**(395,821)**

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

		2020	2019
Balance at January 1	$	(67,406)	(40,593)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income of subsidiaries (net of tax)		9,068	(26,813)
Balance at December 31	$	**(58,338)**	**(67,406)**

(9) 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 at one share of the Company. The duration of the plan is 5 years, and the plan was approved by the FSC. As of December 31, 2020, the information related to the employee stock option was as follows:

(Continued)

Type	Authorization date	Grant date	Issued units (in thousands)	Grant period	Exercise price per share (TWD)	Adjusted exercise price per share (TWD)
Employee stock options in 2020	Aug. 21, 2020	Sep. 22, 2020	15,000	Service periods between 2 to 3 years	24.7	24.7
Employee stock options in 2018	Nov 20, 2018	Nov 21, 2018	19,018	Service periods between 2 to 3 years	12.2	12.2

The estimated fair value of the options granted ranges from $5.4 (TWD) and $2.1~$3.1 (TWD) at the date of grant using the Black-Scholes option pricing model. The Company granted to its employees 1,696 thousand and 1,063 thousand units of employee stock options, and the Company recognized compensation cost amounting to $3,227 and $1,077 in the years of 2020 and 2019, respectively. Furthermore, the Company granted to the employees of subsidiaries 13,304 thousand and 17,955 thousand units of employee stock options, and subsidiaries recognized compensation cost amounting to $22,544 and $16,739 in the years of 2020 and 2019, respectively. Weighted-average assumptions were as follows:

	2020 lst	2018 lst
Expected dividend yield	3.08%	3.08%
Expected volatility	40.256%~46.059%	36.108%~44.619%
Risk-free interest rate	0.1899%~0.2381%	0.608%~0.688%
Expected life	2~3 years	2~3 years

Information related to employee stock options granted to the employees of the Company, MitraStar, Zyxel and ZNet was as follows:

(a) Employee stock options in 2020

	2020	
Employee stock options	Options (in thousands)	Weighted-average exercise price (TWD)
Outstanding at beginning of year	-	$ -
Granted	15,000	24.7
Exercised	-	-
Outstanding at end of year	15,000	24.7
Exercisable at end of year	-	

As of December 31, 2020, the weighted-average remaining contractual life for outstanding option award was 4.73 years.

(Continued)

(b) Employee stock options in 2018

Employee stock options	2020 Options (in thousands)	2020 Weighted-average exercise price (TWD)	2019 Options (in thousands)	2019 Weighted-average exercise price (TWD)
Outstanding at beginning of year	17,328	$ 12.2	18,678	$ 12.2
Granted	-	-	-	-
Exercised	(6,466)	12.2	-	-
Forfeited	(365)	-	(1,350)	-
Outstanding at end of year	**10,497**	12.2	**17,328**	12.2
Exercisable at end of year	**2,015**		**-**	

As of December 31, 2020 and 2019, the weighted-average remaining contractual life for outstanding option awards was 2.89 and 3.89 years, respectively.

B. ZNet

As approved by the Board of Directors' meeting in November, 2020 and 2019, ZNet issued 7,000 thousand and 6,000 thousand units of employee stock options, respectively. Each unit can be purchased at one share of ZNet. The duration of the plan is 5 years. As of December 31, 2020, the information related to the employee stock option rights was as follows:

Type	Grant date	Issued units (in thousands)	Grant period	Exercise price per share (TWD)	Adjusted exercise price per share (TWD)
Employee stock options in 2020	Nov. 10, 2020	7,000	Service periods between 2 years	14.0	14.0
Employee stock options in 2019	Nov. 8, 2019	5,618	Service periods between 2 years	14.0	14.0

The estimated fair value of the options granted ranges from $3.3 and $3.9 (TWD) at the date of grant using the Black-Scholes option pricing model, respectively. ZNet granted the Company's employees 805 thousand and 281 thousand units of employee stock options, and the Company recognized compensation cost amounting to $781 and $92 in the year of 2020 and 2019, respectively. Furthermore, ZNet granted to its, Zyxel and ZyTPE's employees 6,195 thousand and 5,337 thousand units of employee stock options, and recognized compensation cost amounting to $11,011 and $1,733 in the years of 2020 and 2019. Weighted average assumptions were as follows:

(Continued)

	2020 lst	2019 lst
Expected dividend yield	-	-
Expected volatility	40.000%	40.408%
Risk free interest rate	0.1923%	0.5432%
Expected life	2 years	2 years

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

(a) Employee stock options in 2020

	2020	
Employee stock options	**Options (in thousands)**	**Weighted average exercise price (TWD)**
Outstanding at beginning of year	-	$ -
Granted	805	14.0
Exercised	-	-
Forfeited	-	-
Outstanding at end of year	**805**	14.0
Exercisable at end of year	**-**	

As of December 31, 2020, the weighted-average remaining contractual life for outstanding option award was 4.86 years.

(b) Employee stock options in 2019

	2020		2019	
Employee stock options	**Options (in thousands)**	**Weighted average exercise price (TWD)**	**Options (in thousands)**	**Weighted average exercise price (TWD)**
Outstanding at beginning of year	281	$ 14.0	-	$ -
Granted	-	-	281	14.0
Exercised	-	-	-	-
Forfeited	(21)	-	-	-
Outstanding at end of year	**260**	14.0	**281**	14.0
Exercisable at end of year	**-**		**-**	

(Continued)

As of December 31, 2020 and 2019, the weighted average remaining contractual life for outstanding option awards was 3.85 and 4.85 years, respectively.

(10) Earnings per share

Basic earnings per share

	2020	2019
Net income (loss) attributable to ordinary shareholders of the Company	$ 827,944	106,753
Weighted-average number of shares outstanding during the year (in thousands of shares)	432,651	431,786
Basic earnings per share (TWD)	$ 1.91	0.25

Diluted earnings per share

	2020	2019
Net income (loss) attributable to ordinary shareholders of the Company	$ 827,944	106,753
Weighted average number of shares outstanding during the year (in thousands of shares)	432,651	431,786
Effect of potential dilutive ordinary shares (in thousands of shares)	3,605	5,521
	436,256	437,307
Diluted earnings per share (TWD)	$ 1.90	0.24

(11) Revenue from contracts with customers

The details of revenue were as follows:

	2020	2019
Primary geographical markets:		
Taiwan	$ 130,347	153,814
Major products lines:		
Service	$ 130,347	153,814

(12) 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 tax, 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 company and subsidiaries who meet certain criteria approved by the Board of Directors. For the years ended December 31, 2020 and 2019, the Company incurred accumulated deficits; therefore, no remuneration to employees and directors was accrued for the years then ended.

(Continued)

(13) Financial instruments

A. Credit risk

(a) Credit risk exposures

As of December 31, 2020 and 2019, the Company's maximum exposure to credit risk was mainly from the carrying amount of financial assets amounting to $251,735 and $160,690, 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, 2020 and 2019, 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

Except for other payables－related parties, which is expected to be paid within a year, 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.

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 $267 and $81 for the years ended December 31, 2020 and 2019, 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), 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, 2020 were as follows:

(Continued)

	December 31, 2020				
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income－non-current	$ 9,262	-	-	9,262	9,262

(b) Valuation techniques for financial instruments measured at fair value

Financial instruments without an active market held by the Company are measured at fair value according to the market approach; the fair value is assessed by using the price-equity ratio and price-earnings ratio of the competitors.

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

	2020
Financial assets at fair value through other comprehensive income－equity investment without an active market	
Balance on January 1, 2020	$ -
Addition for the period	9,262
Balance on December 31, 2020	$ 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	• Price-equity ratio (December 31, 2020：1.46) • Discount for lack of marketability (December 31, 2020：30%)	• 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)

(14) 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(13).

As of December 31, 2020 and 2019, 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.

(Continued)

(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(13) for interest rate risk.

(15) 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, 2020	December 31, 2019
Total liabilities	$ 38,985	38,182
Total equity (adjusted capital)	$ 8,279,033	7,221,191
Debt-to-adjusted-capital ratio	0.47%	0.53%

As of December 31, 2020, 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:

Name of related party	Relationship with the Company
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
Sphairon GmbH (a Zyxel Company) (Sphairon)	Zyxel's subsidiary
Zyxel Iletisim Teknolojileri A.S. (ZyTR)	Zyxel's subsidiary
Zyxel Communications Do Brasil Ltda. (ZyBR)	Zyxel's subsidiary

(Continued)

Name of related party	Relationship with the Company
Zyxel Middle East FZE (ZyME)	Zyxel's subsidiary
Ardomus Networks Corporation (Ardomus)	Formerly, it was Zyxel's subsidiary, but became Zyxel's associate since July 2020.
XSquare Communications Corporation (XSquare)	MitraStar's subsidiary (set up in May 2020)
Bluebell Overseas Ltd. (Bluebell)	MitraStar's subsidiary
Shanghai Monetics Telecommunications Corporation (Monetics)	Formerly, it was a subsidiary of MitraStar and Bluebell, but became 100% owned by MitraStar in May 2019.
Wuxi Genezys Technology Ltd. (Genezys)	MitraStar's subsidiary
Wuxi MitraStar Technology Co., Ltd. (Wuxi MSTC)	Bluebell's subsidiary
Zytpe Communications Corporation (ZyTPE)	ZNet's subsidiary (note)
Zyxel Technology India Pvt Ltd. (ZNet IN)	ZNet's subsidiary (note)
Zyxel Online OU (ZNet EE)	ZNet's subsidiary (note)
Zyxel Communications (Shanghai) Co., Ltd. (ZNet SHA)	ZNet's subsidiary (note)
Zyxel Networks A/S(ZNet AS)	ZNet's subsidiary (note)
Zyxel (Thailand) Company Ltd. (ZNet TH)	ZNet's subsidiary (note)
Tianjin Huagin Communications Equipment Co., Ltd. (Tianjin Huagin)	ZNet's subsidiary (note)
Zyxel Korea Co., Ltd.(ZNet KR)	ZNet's subsidiary (note)
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
Zyxel Communications B.V. (ZNet BNL)	ZNet AS's subsidiary (note)
Zyxel Communications RU LLC (ZNet RUS)	ZNet AS's subsidiary (note)
Zyxel France (ZNet FR)	ZNet AS's subsidiary (set up in October, 2019)
ZYXEL Foundation	The chairman is the same as the Company's
ZyFX Technologies Inc. (ZyFX)	ZYXEL Foundation's subsidiary
Ecowork Inc. (Ecowork)	Formerly, it was a subsidiary of Zyxel, but liquidated in August, 2019.
Zyxel Singapore Private Ltd. (ZySG)	Formerly, it was a subsidiary of Zyxel, but liquidated in January, 2019.

(Continued)

Name of related party	Relationship with the Company
Zyxel Malaysia SDN BHD (ZyMY)	Formerly, it was a subsidiary of VICTOR, but liquidated in January, 2019.
VICTOR BLUE LIMITED (VICTOR)	Formerly, it was a subsidiary of Zyxel, but liquidated in July, 2019.

Note: In order to improve market competitiveness and increase the overall efficiency of the Company, ZNet and its subsidiary ZNet AS were spun off from Zyxel and its subsidiary to become 100%-held subsidiaries of the Company on April 1, 2019. Zyxel and ZyAS spun off its channel business related net operating assets to ZNet and its subsidiary, ZNet AS. Based on the spin-off, Zyxel spun off its channel business related subsidiaries, including VICTOR、ZyTPE、ZyIN、ZyKR、ZyTH、ZyEE、VICTOR's subsidiaries ZySHA and Tianjin Huagin, to ZNet. ZyAS spun off its subsidiaries, including ZyBNL and ZyRUS, to ZNet AS.

(2) Significant related-party transactions

A. Operating revenues

The revenues on service related to finance service were as follows:

Account Name	Related Party Category	2020	2019
Service Revenue	Subsidiary－MitraStar	$ 47,267	53,294
	Subsidiary－Zyxel	39,994	70,481
	Subsidiary－ZNet	35,886	22,839
	Other related parties	6,600	6,600
	Subsidiary	600	600
		$ 130,347	153,814

B. Receivables from related parties

Account Name	Related Party Category	December 31, 2020	December 31, 2019
Accounts receivable	Subsidiary－MitraStar	$ 14,064	12,353
	Subsidiary－Zyxel	12,673	14,789
	Subsidiary－ZNet	9,958	9,093
	Other related parties	1,733	1,733
	Subsidiary	156	158
		$ 38,584	38,126

C. Payables to related parties

Account Name	Related Party Category	December 31, 2020	December 31, 2019
Other payables－related parties	Subsidiary	$ 424	428

(Continued)

D. Endorsements

The endorsements provided to related parties were as follows:

Related Party Category	2020 Highest Balance	2020 Ending Balance	2019 Highest Balance	2019 Ending Balance
Subsidiary－MitraStar	$ 2,026,625	2,015,120	2,272,400	2,024,870
Subsidiary－ZNet	$ 1,434,050	1,432,400	850,000	850,000

E. Tax combination

The Company and its subsidiaries, Zyxel, MitraStar and ZNet, filed their corporate income tax on a combined basis. The estimated income tax receivables and payables were as follows:

Account Name	Related Party Category	December 31, 2020	December 31, 2019
Other receivables－related parties	Subsidiary－Zyxel	$ 11,033	-
	Subsidiary－MitraStar	10,238	-
		$ 21,271	-
Other payables－related parties	Subsidiary－ZNet	$ 74	-
	Subsidiary－Zyxel	-	3,742
	Subsidiary－MitraStar	-	2,539
		$ 74	6,281

(3) Transactions with key management personnel

Key management personnel compensation comprised:

	2020	2019
Short-term employee benefits	$ 21,417	11,610
Post-employment benefits	187	185
Share-based payment compensation	1,911	292
	$ 23,515	12,087

Please refer to note 6(9) 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

12. Other

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

By function / By item	2020 Classified as operating expenses	2019 Classified as operating expenses
Employee benefits		
Salaries	97,719	90,298
Labor and health insurance	7,075	6,393
Pension	3,690	3,721
Remuneration of directors	3,348	2,726
Others	5,451	4,230
Depreciation	489	316
Amortization	112	112

The following provides information of the number of employees and employee benefits in 2020 and 2019, respectively:

	2020	2019
Number of employees	$ 82	81
Number of directors who were not employees	$ 7	7
Average employee benefit costs	$ 1,519	1,414
Average employee salary expenses	$ 1,303	1,220
Adjustment of average employee salary expenses	6.8%	
Remuneration of supervisors	$ -	-

Remuneration policies for directors, managerial personnel and employee were as follows:

In accordance with Article 29 of Unizyx'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 Unizyx's sustainable operation and risk control, and related laws & regulations, will be reviewed as well.

(Continued)

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, 2020 (excluding investment in subsidiaries, associates and joint ventures): Please refer to Table 3.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock: Please refer to Table 4.

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock: Please refer to Table 5.

(ix) Trading in derivative instruments: None

(b) Information on investees (excluding information on investees in Mainland China): Please refer to Table 6.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information: Please refer to Table 7.

(ii) Limitation on investment in Mainland China: Please refer to Table 7.

(iii) Significant transactions:

Please refer to consolidated financial statements note 13 "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)

Shareholding / Shareholder's Name	Shares	Percentage
Shun-I Chu	100,173,833	22.38 %

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, 2020.

Unizyx Holding Corporation and subsidiaries
Loans to other parties
For the year ended December 31, 2020

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			
1	Zyxel	ZyIT	Other accounts receivable－related parties	Yes	556,737	100,143	100,143	-	2	-	Operating Capital	-	-	-	385,288	1,541,154	
1	Zyxel	ZyBR	〃	Yes	241,556	44,583	44,583	-	2	-	Operating Capital	-	-	-	385,288	1,541,154	Note 5
1	Zyxel	ZNet IN	〃	Yes	14,599	14,032	14,032	-	2	-	Operating Capital	-	-	-	385,288	1,541,154	
1	Zyxel	Others (Note 7)	〃	Yes	291,347	2,224	2,224	-	2	-	Operating Capital	-	-	-	385,288	1,541,154	
						106,982	106,982										
2	MitraStar	ZQAM	〃	Yes	16,957	-	-	-	1	71,506	-	-	-	-	71,506	1,392,226	
2	MitraStar	Monetics	〃	Yes	88,759	-	-	-	2	-	Operating Capital	-	-	-	348,056	1,392,226	
						-	-										
3	ZNet	ZNet IN	〃	Yes	53,368	28,280	28,280	-	2	-	Operating Capital	-	-	-	113.591	454.364	Note 6
3	ZNet	ZNet SHA	〃	Yes	12,292	5,327	5,327	-	2	-	Operating Capital	-	-	-	113.591	454.364	
						33,607	33,607										

Note 1: The numbers denote the following:
0 represents Unizyx
1 represents Zyxel
2 represents MitraStar
3 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 follow:

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 $ 449,603.

Note 6: The ending balance included the amount of credit balance of investments accounted for using the equity method amounting to $ 279,348.

Note 7: Financings with amounts less than $10,000 were included herein.

Unizyx Holding Corporation and subsidiaries
Guarantees and endorsements for other parties
For the year ended December 31, 2020

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	Highest balance for guarantees and endorsements during the period (Note 3)	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	4,139,517	2,026,625	2,015,120	214,900	-	24.34%	4,139,517	Y	N	N
0	Unizyx	ZNet	2	4,139,517	1,434,050	1,432,400	607,799	-	17.30%	4,139,517	Y	N	N
						3,447,520	822,699						
1	ZyAS	ZyIT	2	4,139,517	35,020	35,020	-	-	0.42%	4,139,517	N	N	N

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 follow:

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 exceeds 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, 2020 (excluding investment in subsidiaries, associates and joint ventures)

For the year ended December 31, 2020

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	Investee	Financial assets at fair value through other comprehensive income－non current	2,263	9,262	13%	9,262	
Zyxel	Stock: Ubiik Inc.	Investee	Financial assets at fair value through other comprehensive income－non current	956	15,657	9%	15,657	
Zyxel	Stock: Lionic Corp	〃	〃	500	794	3%	794	
Zyxel	Stock: Global Channel Resource Pte. Ltd.	〃	〃	600	-	8%	-	
Zyxel	Stock: Zowie Technology Corp.	〃	〃	19	-	-	-	
Zyxel	Stock: Aetas Technology Inc.	〃	〃	296	-	1%	-	
					16,451			
Zychamp	Stock: Unizyx	Final parent company	Financial assets at fair value through other comprehensive income－non current	9,391	358,277	2%	358,277	
Zychamp	Stock: Homeyen Networks Co., Ltd.	Investee	〃	169	1,286	11%	1,286	
Zychamp	Stock: Essence Technology Solution, Inc.	〃	〃	91	-	3%	-	
Zychamp	Stock: Handlink Technologies Inc.	〃	〃	296	-	1%	-	
Zychamp	Stock: L7 Networks Inc.	〃	〃	1	-	1%	-	
Zychamp	Stock: Accfast Technology Corp.	〃	〃	113	-	5%	-	
					359,563			

Unizyx Holding Corporation and subsidiaries

Related-party transactions for purchases and sales with amounts exceeding the lower of TWD100 million or 20% of the capital stock

For the year ended December 31, 2020

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	2,271,623	33%	150 days after delivery	Note 1		1,389,933	35%	Note 4
Zyxel	ZyUSA	Subsidiary to subsidiary	Sales	2,064,156	30%	135 days after delivery	Note 1		581,975	15%	
Zyxel	ZyIT	Subsidiary to subsidiary	Sales	725,403	10%	150~180 days after delivery	Note 1		688,106	17%	
Zyxel	ZyTR	Subsidiary to subsidiary	Sales	138,078	2%	165 days after delivery	Note 1		494	-	
Zyxel	ZyBR	Subsidiary to subsidiary	Sales	100,894	1%	180 days after delivery	Note 1		160,690	4%	
Zyxel	ZyFX	Subsidiary to other related-patty	Purchase	(615,112)	(9%)	90 days after receipt	Note 2		(545,479)	(23%)	
ZNet	ZNet AS	Subsidiary to subsidiary	Sales	1,327,297	64%	90~150 days after delivery	Note 1		949,855	73%	
ZNet	ZyTPE	Subsidiary to subsidiary	Sales	366,609	18%	90 days after delivery	Note 1		223,920	17%	
ZNet	ZyUSA	Subsidiary to subsidiary	Sales	141,118	7%	135 days after delivery	Note 1		28,067	2%	
MitraStar	Zyxel	Subsidiary to subsidiary	Sales	2,678,608	20%	90 days after delivery	Note 1		1,097,599	33%	
MitraStar	Monetics	Subsidiary to subsidiary	Sales	998,045	8%	45~140 days after delivery	Note 1		432	-	
MitraStar	Wuxi MSTC	Subsidiary to subsidiary	Processing and purchase	(5,743,375)	(44%)	90 days after receipt	Note 2		(465,835)	(16%)	
MitraStar	Zyxel	Subsidiary to subsidiary	Purchase	(722,292)	(5%)	90 days after receipt	Note 2		-	-	
ZyAS	ZyDE	Subsidiary to subsidiary	Sales	326,534	12%	120 days after delivery	Note 1		74,166	8%	
ZyAS	ZyUK	Subsidiary to subsidiary	Sales	250,242	9%	120 days after delivery	Note 1		83,249	9%	
ZyAS	ZyTR	Subsidiary to subsidiary	Sales	143,643	5%	130 days after delivery	Note 1		8,398	1%	
ZyAS	ZyCZ	Subsidiary to subsidiary	Sales	133,290	5%	120 days after delivery	Note 1		97,673	10%	
ZyAS	ZyIT	Subsidiary to subsidiary	Sales	100,222	4%	120~180 days after delivery	Note 1		65,485	7%	

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 45~140 days after delivery; however, the collection of payment is currently depended on the capital status of the subsidiaries. The selling prices of ZyAS to its related parties are determined based on the market price, with the payment term of 21~180 days after delivery; however, the collection of payment is currently depended on the capital status of the subsidiaries.

Note 2: There is no significant difference between the payment term of MitraStar for its related parties and that of the third parties. The prices of processing are determined based on the mutual agreement between MitraStar and Wuxi MSTC. There is no significant difference between the payment term and pricing of Zyxel for its related parties and that of the third parties except for products with no transaction with other vendors to compare.

Note 3: The ending balance abovementioned included the amounts for financing that were classified as other accounts receivable－related parties.

Note 4: The ending balance included the amount of credit balance of investments accounted for using the equity method amounting to $449,603.

Unizyx Holding Corporation and subsidiaries

Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of capital stock

For the year ended December 31, 2020

Table 5 (In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Ending balance (Note 2)	Turnover days	Overdue		Amounts received in subsequent period (Note 1)	Loss allowance	Note
					Amount	Action taken			
Zyxel	ZyAS	Subsidiary to subsidiary	1,389,933	2	-	-	514,498	-	
Zyxel	ZyIT	Subsidiary to subsidiary	688,106	1	329,467	Enhanced Collecting	200,707	-	
Zyxel	ZyUSA	Subsidiary to subsidiary	581,975	3	-	-	326,354	-	
Zyxel	ZyBR	Subsidiary to subsidiary	160,690	-	100,310	Enhanced Collecting	-	-	Note 3
ZNet	ZNet AS	Subsidiary to subsidiary	949,855	2	638,350	Enhanced Collecting	358,294	-	
ZNet	ZyTPE	Subsidiary to subsidiary	223,920	3	-	-	40,766	-	
MitraStar	Zyxel	Subsidiary to subsidiary	1,097,599	3	-	-	955,119	-	
Wuxi MSTC	MitraStar	Subsidiary to subsidiary	465,835	7	-	-	465,835	-	

Note 1: Information as of February 28, 2021.
Note 2: The abovementioned ending balance included the amount for financing, which was recognized as other accounts receivable－related parties.
Note 3: The abovementioned ending balance included the amount of credit balance of investments accounted for using the equity method amounting to $449,603.

Unizyx Holding Corporation and subsidiaries
Information on investees (excluding information on investees in Mainland China)
For the year ended December 31, 2020

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, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	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	3,471,252	346,667	339,625	Subsidiary and Note 1
Unizyx	MitraStar	Taiwan	Development, manufacturing and sales of communications and networking products	3,337,920	3,337,920	316,800	100	3,445,868	433,596	416,074	Subsidiary and Note 1
Unizyx	ZNet	Taiwan	Development and sales of communications and networking products	1,200,100	1,200,100	72,460	100	1,108,126	32,846	63,488	Subsidiary and Note 1
Unizyx	Black Cat	Taiwan	Development and sales of information security products, and consultant management services	10,000	10,000	1,000	67	25,683	10,520	7,520	Subsidiary
Unizyx	ZQAM	Taiwan	Development, manufacturing and sales of communications and networking products	Note 2	101,450	-	-	-	(23,938)	(10,030)	Note 2
								8,050,929		816,677	
Zyxel	Zychamp	Taiwan	Investment activities	540,000	540,000	8,902	100	356,868	(135)	Note 3	Subsidiary
Zyxel	ZyAS	Denmark	Sales and marketing	501,390 (EUR 11,980)	501,390 (EUR 11,980)	20,712	100	342,714	247,797	Note 3	Subsidiary
Zyxel	ZyUSA	U.S.A.	Sales and marketing	271,810 (USD 9,506)	271,810 (USD 9,506)	9,807	100	239,481	76,039	Note 3	Subsidiary
Zyxel	ZyTR	Turkey	Sales and marketing	362,862 (USD 11,977)	362,862 (USD 11,977)	29,137	100	205,452	34,127	Note 3	Subsidiary
Zyxel	Sphairon	Germany	Development of communications and networking products	154,320 (EUR 4,000)	154,320 (EUR 4,000)	-	100	136,964	2,924	Note 3	Subsidiary

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares	Percentage of ownership	Carrying value			
Zyxel	ShareTech	Taiwan	Development, manufacturing and sales of communications and networking products	10,950	10,950	730	38	12,660	5,319	Note 3	Associate
Zyxel	Ardomus	Taiwan	Development and sales of network digital control products	48,411	48,411	4,841	48	11,399	(12,287)	Note 3	Associate
Zyxel	ZyME	United Arab Emirates	Sales and marketing	Note 5	216 (USD 7)	-	-	-	-	Note 3	Subsidiary
Zyxel	ZyBR	Brazil	Sales and marketing	53,373 (USD 1,668)	53,373 (USD 1,668)	5,849	100	(449,603)	(276,383)	Note 3	Subsidiary
								855,935			
ZyAS	ZyDE	Germany	Sales and marketing	67,461 (EUR 1,525)	67,461 (EUR 1,525)	-	100	128,971	15,004	Note 3	Subsidiary
ZyAS	ZyUK	United Kingdom	Sales and marketing	319,542 (EUR 6,450)	319,542 (EUR 6,450)	5,375	100	49,584	(1,290)	Note 3	Subsidiary
ZyAS	ZyIT	Italy	Sales and marketing	78,335 (EUR 2,336)	48,793 (EUR 1,450)	10	100	44,429	33,258	Note 3	Subsidiary
ZyAS	ZyCZ	Czech Republic	Sales and marketing	66,283 (EUR 1,543)	66,283 (EUR 1,543)	19,000	100	16,272	10,705	Note 3	Subsidiary
ZyAS	ZyES	Spain	Sales and marketing	2,165 (EUR 53)	2,165 (EUR 53)	3	100	2,519	326	Note 3	Subsidiary
								241,775			
MitraStar	Bluebell	British Virgin Islands	Investment activities	1,519,277 (USD 45,150)	1,519,277 (USD 45,150)	32,856	100	1,795,042	70,179	Note 3	Subsidiary
MitraStar	XSquare	Taiwan	Development and sales of communications and networking products	50,000	-	5,000	100	42,656	(7,344)	Note 3	Subsidiary
								1,837,698			

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	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	174,371	186,888	Note 3	Subsidiary
ZNet	ZyTPE	Taiwan	Development and sales of communications and networking products	Note 4	Note 4	6,000	100	125,895	40,650	Note 3	Subsidiary
ZNet	ZNet TH	Thailand	Sales and marketing	74,969 (USD 2,389)	74,969 (USD 2,389)	8,000	100	63,974	(16,793)	Note 3	Subsidiary
ZNet	ZNet KR	South Korea	Sales and marketing	11,127 (USD 390)	11,127 (USD 390)	72	65	23,285	4,354	Note 3	Subsidiary
ZNet	ZNet EE	Estonia	Sales and marketing	88 (EUR 3)	88 (EUR 3)	3	100	88	-	Note 3	Subsidiary
ZNet	ZNet IN	India	Sales and marketing	17,176 (USD 568)	17,176 (USD 568)	8,470	100	(279,348)	(49,524)	Note 3	Subsidiary
								108,265			
ZNet AS	ZNet FR	France	Sales and marketing	122,449 (EUR 3,603)	122,449 (EUR 3,603)	10	100	100,163	4,893	Note 3	Subsidiary
ZNet AS	ZNet BNL	Netherlands	Sales and marketing	54,089 (EUR 1,350)	54,089 (EUR 1,350)	14	100	48,415	2,038	Note 3	Subsidiary
ZNet AS	ZNet RUS	Russia	Sales and marketing	28 (EUR 1)	28 (EUR 1)	-	100	2,496	575	Note 3	Subsidiary
								151,074			

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 investment in ZQAM was classified as financial assets at fair value through other comprehensive income – non-current since October 2020. Please refer to note 6(3).
Note 3: 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 4: 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 5: ZyME was liquidated in May 2020.

Unizyx Holding Corporation and subsidiaries
Information on investment in Mainland China
For the year ended December 31, 2020

Table 7

(1) Information on investment in Mainland China

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Issued Capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	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, 2020	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	(118)	ZNet directly holds 95%	(112)	1,617	-
ZNet SHA	Sales of communications, networking products and technical consulting service	266,259	Note 1	266,259	-	-	266,259	4,140	ZNet directly holds 100%	4,142 Note 6	1,899	-
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	70,564	MitraStar indirectly holds 100%	70,564	1,853,786	-
Genezys	Development of communications and networking products	209,806	Note 3	209,806	-	-	209,806	6,412	MitraStar directly holds 100%	6,412	239,575	-
Monetics	Sales of communications, networking products and network technology transfer service	360,658	Note 3 and 4	72,193	210,210	-	282,403	56,148	MitraStar directly holds 100%	56,148	208,250	-
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, 2020	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 7)
ZNet	308,415	308,415	690,161
MitraStar	1,506,162	1,584,417	2,088,338

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, 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.
Note 6: The amount comprises the share of ZNet SHA's loss amounting to $4,140 after the elimination of unrealized gross profit on inter-company sales transactions.
Note 7: 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, 2020.

Unizyx Holding Corporation

Statement of cash and cash equivalents

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Demand deposits		$ 106,849
Time deposits	Period : October 28, 2020~January 30, 2021	85,000
	Interest rate : 0.06%~0.37%	
		$ 191,849

Statement of changes in property, plant and equipment

Please refer to note6(4) for further information of Property, plant and equipment.

Statement of changes in intangible assets

Please refer to note6(5) for further information of Intangible assets.

Unizyx Holding Corporation

Statement of other current assets

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Income tax refund receivable	$ 714
Others (other assets with the amount less than 5% of other current assets)	288
	$ 1,002

Unizyx Holding Corporation

Statement of changes in investments accounted for using the equity method

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Name of investee	Balance as of December 31, 2019 Shares (thousand)	Balance as of December 31, 2019 Carrying value	Share of profits/losses of investee	Decrease in the period	Exchange differences on translation of foreign financial statments	Remeasurement of defined benefit plans of subsidiaries	Compensation expense of employee stock options	Unrealized gains(losses) from investments in equity instruments measured at fair value through other comprehensive in come of subsidiaries	Changes in capital surplus of subsidiaries	Balance as of December 31, 2020 Shares	Balance as of December 31, 2020 Percentage of ownership%	Balance as of December 31, 2020 Carrying value	Method of valuation	Pledged as collateral
Zyxel	72,450	$ 3,057,546	339,625	-	44,365	1,211	11,224	9,068	8,213	72,450	100.00	3,471,252	Equity method	No
MitraStar	316,800	3,005,576	416,074	-	29,173	(16,791)	11,836	-	-	316,800	100.00	3,445,868	Equity method	No
ZNet	72,460	1,005,473	63,488	-	28,711	(41)	10,495	-	-	72,460	100.00	1,108,126	Equity method	No
Black Cat	1,000	6,155	7,520	-	-	-	-	-	12,008	1,000	66.67	25,683	Equity method	No
ZQAM	9,050	19,292	(10,030)	(9,262)	-	-	-	-	-	-	-	-	Equity method	No
		$ 7,094,042	816,677	(9,262)	102,249	(15,621)	33,555	9,068	20,221			8,050,929		

Unizyx Holding Corporation

Statement of other current liabilities

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Payroll and bonus payable	$ 19,302
Service fees payable	2,360
Business tax payable	1,780
Others (other liabilities with the amount less than 5% of other current liabilities)	3,343
	$ 26,785

Statement of general and administrative expenses

Item	Amount
Payroll and bonus	$ 98,975
Sevice fees	10,011
Labor insurance and health insurance	7,075
Othes (other expenses with the amount less than 5% of general and administrative expenses)	17,278
	$ 133,339