Stock Code:3704

# Unizyx Holding Corporation and Subsidiaries

## Consolidated Financial Statements

## With Independent Auditors' Report
## For the Years Ended December 31, 2022 and 2021

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

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## Representation Letter

The entities that are required to be included in the combined financial statements of Unizyx Holding Corporation as of and for the year ended December 31, 2022 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements", endorsed by the Financial Supervisory Commission. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Unizyx Holding Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Unizyx Holding Corporation
Chairman: Shun-I Chu
Date: March 13, 2023

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# Independent Auditors' Report

To the Board of Directors of Unizyx Holding Corporation:

## Opinion

We have audited the consolidated financial statements of Unizyx Holding Corporation and its subsidiaries ("the Company"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") and the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

## Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Unizyx Holding Corporation and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

## Key Audit Matters

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

1. Valuation of Accounts Receivable

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



KPMG, a Taiwan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Description of key audit matters:

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

How the matter was addressed in our audit:

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

2. Valuation of Inventories

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

Description of key audit matters:

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

How the matter was addressed in our audit:

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

**Other Matter**

Unizyx Holding Corporation has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2022 and 2021, on which we have issued an unqualified opinion.

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

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

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

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

**Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

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

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

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
March 13, 2023

**Notes to Readers**

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

# Unizyx Holding Corporation and subsidiaries

## Consolidated Balance Sheets

## December 31, 2022 and 2021

## (Expressed in thousands of New Taiwan Dollars)

| | December 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| **Assets** | **Amount** | **%** | **Amount** | **%** |
| **Current assets:** | | | | |
| Cash and cash equivalents (note 6(1)) | $ 6,040,344 | 22 | 5,293,484 | 25 |
| Financial assets at fair value through profit or loss－current (note 6(2)) | 128,308 | - | 147,076 | 1 |
| Financial assets at amortized cost－current (notes 6(3) and 8) | 22,277 | - | 281,149 | 1 |
| Notes and accounts receivable, net (note 6(5)) | 8,327,466 | 31 | 5,520,935 | 26 |
| Accounts receivable－related parties, net (note 7) | 122,021 | - | 21,995 | - |
| Other receivables－related parties (note 7) | 3,375 | - | 3,071 | - |
| Inventories (note 6(6)) | 8,001,198 | 30 | 6,212,269 | 29 |
| Other financial assets－current | 35,929 | - | 28,415 | - |
| Other current assets, others | 666,205 | 3 | 496,219 | 2 |
| | 23,347,123 | 86 | 18,004,613 | 84 |
| **Non-current assets:** | | | | |
| Financial assets at fair value through other comprehensive income－non-current (note 6(4)) | 28,979 | - | 25,713 | - |
| Financial assets at amortized cost－non-current (notes 6(3) and 8) | 104,563 | - | 104,659 | - |
| Investments accounted for using the equity method (note 6(7)) | 37,208 | - | 16,292 | - |
| Property, plant and equipment (note 6(8)) | 1,891,464 | 7 | 1,699,145 | 8 |
| Right-of-use assets (note 6(9)) | 427,554 | 2 | 418,997 | 2 |
| Intangible assets (note 6(10)) | 343,892 | 1 | 361,893 | 2 |
| Deferred income tax assets (note 6(17)) | 591,094 | 3 | 547,606 | 3 |
| Refundable deposits (note 8) | 162,321 | 1 | 135,391 | 1 |
| Net defined benefit assets (note 6(16)) | 103,515 | - | 66,075 | - |
| Other non-current assets | 25,325 | - | 13,290 | - |
| | 3,715,915 | 14 | 3,389,061 | 16 |
| **Total assets** | $ 27,063,038 | 100 | 21,393,674 | 100 |

| | December 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| **Liabilities and Equity** | **Amount** | **%** | **Amount** | **%** |
| **Current liabilities:** | | | | |
| Short-term borrowings (note 6(11)) | $ 3,131,230 | 12 | 1,557,000 | 7 |
| Short-term notes and bills payable (note 6(12)) | 200,000 | 1 | 200,000 | 1 |
| Financial liabilities at fair value through profit or loss－current (note 6(2)) | 105,448 | - | 124 | - |
| Contract liabilities－current (notes 6(21) and 7) | 827,495 | 3 | 175,314 | 1 |
| Notes and accounts payable | 6,788,608 | 25 | 4,820,240 | 23 |
| Accounts payable－related parties (note 7) | 122,608 | - | 181,775 | 1 |
| Payroll and bonus payable | 968,599 | 4 | 867,201 | 4 |
| Other payables－related parties (note 7) | 4,106 | - | 8,618 | - |
| Income tax payable | 319,677 | 1 | 179,272 | 1 |
| Provision for warranty obligations－current (note 6(14)) | 456,506 | 2 | 495,545 | 3 |
| Lease liabilities－current (note 6(15)) | 44,265 | - | 39,181 | - |
| Other current liabilities, others | 1,433,540 | 5 | 1,000,059 | 4 |
| | 14,402,082 | 53 | 9,524,329 | 45 |
| **Non-current liabilities:** | | | | |
| Bonds payable (note 6(13)) | 1,897,056 | 7 | 1,896,234 | 9 |
| Deferred income tax liabilities (note 6(17)) | 334,368 | 1 | 339,904 | 1 |
| Lease liabilities－non-current (note 6(15)) | 404,052 | 2 | 399,908 | 2 |
| Net defined benefit liabilities (note 6(16)) | 10,491 | - | 12,979 | - |
| Guarantee deposits received | 734 | - | 711 | - |
| | 2,646,701 | 10 | 2,649,736 | 12 |
| **Total liabilities** | 17,048,783 | 63 | 12,174,065 | 57 |
| **Equity** (note 6(18)): | | | | |
| Equity attributable to the shareholders of the parent company: | | | | |
| Capital stock | 4,001,720 | 14 | 4,536,148 | 21 |
| Capital surplus | 3,489,988 | 13 | 3,680,924 | 17 |
| Retained earnings | 2,946,870 | 11 | 1,513,771 | 7 |
| Other equity | (490,256) | (2) | (462,103) | (2) |
| Treasury stock | (96,550) | - | (198,448) | (1) |
| | 9,851,772 | 36 | 9,070,292 | 42 |
| Non-controlling interests | 162,483 | 1 | 149,317 | 1 |
| **Total equity** | 10,014,255 | 37 | 9,219,609 | 43 |
| **Total liabilities and equity** | $ 27,063,038 | 100 | 21,393,674 | 100 |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

## Unizyx Holding Corporation and subsidiaries

## Consolidated Statements of Comprehensive Income

## For the years ended December 31, 2022 and 2021

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

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

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

# Unizyx Holding Corporation and subsidiaries

## Consolidated Statements of Changes in Equity

## For the years ended December 31, 2022 and 2021

## (Expressed in thousands of New Taiwan Dollars)

| | Equity attributable to the shareholders of the parent company | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | | | | Retained earnings | | | | Total other equity interest | | | | | | |
| | Common stock | Advance receipts for share capital | Total share capital | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings (Accumulated deficits) | Total | 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 | Subtotal of equity attributable to the shareholders of the parent | Non-controlling interests | Total equity |
| **Balance at January 1, 2021** | $ 4,411,773 | 64,665 | 4,476,438 | 3,827,886 | 279,833 | 200,347 | (32,700) | 447,480 | (293,572) | (58,338) | (351,910) | (120,861) | 8,279,033 | 27,198 | 8,306,231 |
| Net income (loss) for the period | - | - | - | - | - | - | 1,096,700 | 1,096,700 | - | - | - | - | 1,096,700 | (1,241) | 1,095,459 |
| Other comprehensive income (loss) for the period | - | - | - | - | - | - | (10,946) | (10,946) | (128,370) | (1,286) | (129,656) | - | (140,602) | (1,827) | (142,429) |
| Total comprehensive income (loss) for the period | - | - | - | - | - | - | 1,085,754 | 1,085,754 | (128,370) | (1,286) | (129,656) | - | 956,098 | (3,068) | 953,030 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | | | | | |
| Legal reserve used to offset accumulated deficits | - | - | - | - | (32,700) | - | 32,700 | - | - | - | - | - | - | - | - |
| Excercise of disgorgement | - | - | - | 2 | - | - | - | - | - | - | - | - | 2 | - | 2 |
| Cash dividends distributed from capital surplus | - | - | - | (223,822) | - | - | - | - | - | - | - | - | (223,822) | - | (223,822) |
| Reorganization | - | - | - | - | - | - | (19,463) | (19,463) | 19,463 | - | 19,463 | - | - | - | - |
| Changes in ownership interests in subsidiaries accounted for using the equity method | - | - | - | (15,041) | - | - | - | - | - | - | - | - | (15,041) | 15,041 | - |
| Share-based payments | - | - | - | 41,124 | - | - | - | - | - | - | - | - | 41,124 | 9,106 | 50,230 |
| Cash dividends received by subsidiaries from the parent company | - | - | - | 4,062 | - | - | - | - | - | - | - | - | 4,062 | - | 4,062 |
| Disposal of the Company's share by subsidiaries recognized as treasury share transactions | - | - | - | 34,510 | - | - | - | - | - | - | - | 16,022 | 50,532 | - | 50,532 |
| Exercise of employee stock options | 78,235 | (18,525) | 59,710 | 12,203 | - | - | - | - | - | - | - | - | 71,913 | - | 71,913 |
| Purchase of treasury stock | - | - | - | - | - | - | - | - | - | - | - | (93,609) | (93,609) | - | (93,609) |
| Increase in non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | - | - | 102,040 | 102,040 |
| Cash dividends paid by subsidiaries to non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | - | - | (1,000) | (1,000) |
| **Balance at December 31, 2021** | 4,490,008 | 46,140 | 4,536,148 | 3,680,924 | 247,133 | 200,347 | 1,066,291 | 1,513,771 | (402,479) | (59,624) | (462,103) | (198,448) | 9,070,292 | 149,317 | 9,219,609 |
| Net income (loss) for the period | - | - | - | - | - | - | 1,618,460 | 1,618,460 | - | - | - | - | 1,618,460 | 8,471 | 1,626,931 |
| Other comprehensive income (loss) for the period | - | - | - | - | - | - | 39,978 | 39,978 | (31,419) | 3,266 | (28,153) | - | 11,825 | 2,141 | 13,966 |
| Total comprehensive income (loss) for the period | - | - | - | - | - | - | 1,658,438 | 1,658,438 | (31,419) | 3,266 | (28,153) | - | 1,630,285 | 10,612 | 1,640,897 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | | | | | |
| Legal reserve | - | - | - | - | 106,629 | - | (106,629) | - | - | - | - | - | - | - | - |
| Special reserve | - | - | - | - | - | 110,193 | (110,193) | - | - | - | - | - | - | - | - |
| Cash dividends to shareholders | - | - | - | - | - | - | (225,339) | (225,339) | - | - | - | - | (225,339) | - | (225,339) |
| Capital reduction | (450,678) | - | (450,678) | - | - | - | - | - | - | - | - | 8,289 | (442,389) | - | (442,389) |
| Changes in ownership interests in subsidiaries accounted for using the equity method | - | - | - | (105) | - | - | - | - | - | - | - | - | (105) | 105 | - |
| Changes in ownership interests in associates accounted for using the equity method | - | - | - | 13,826 | - | - | - | - | - | - | - | - | 13,826 | - | 13,826 |
| Share-based payments | - | - | - | 34,729 | - | - | - | - | - | - | - | - | 34,729 | 505 | 35,234 |
| Cash dividends received by subsidiaries from the parent company | - | - | - | 4,144 | - | - | - | - | - | - | - | - | 4,144 | - | 4,144 |
| Exercise of employee stock options | 68,720 | (23,110) | 45,610 | 33,202 | - | - | - | - | - | - | - | - | 78,812 | 6,008 | 84,820 |
| Purchase of treasury stock | - | - | - | - | - | - | - | - | - | - | - | (312,483) | (312,483) | - | (312,483) |
| Retirement of treasury stock | (129,360) | - | (129,360) | (276,732) | - | - | - | - | - | - | - | 406,092 | - | - | - |
| Cash dividends paid by subsidiaries to non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | - | - | (4,064) | (4,064) |
| **Balance at December 31, 2022** | **$ 3,978,690** | **23,030** | **4,001,720** | **3,489,988** | **353,762** | **310,540** | **2,282,568** | **2,946,870** | **(433,898)** | **(56,358)** | **(490,256)** | **(96,550)** | **9,851,772** | **162,483** | **10,014,255** |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**Unizyx Holding Corporation and subsidiaries**

**Consolidated Statements of Cash Flows**

**For the years ended December 31, 2022 and 2021**

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

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

**(Continued)**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**Unizyx Holding Corporation and subsidiaries**

**Consolidated Statements of Cash Flows (continue)**

**For the years ended December 31, 2022 and 2021**

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

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

See accompanying notes to consolidated financial statements.

## 1. Company history

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

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

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

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

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

The consolidated financial statements as of December 31, 2022 and 2021, included Unizyx and its subsidiaries (hereinafter refer to as the "Company").

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

The consolidated financial statements were authorized for issue by the Board of Directors on March 13, 2023.

## 3. New standards, amendments and interpretations adopted

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

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

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements.

- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

(Continued)

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

The new and amended standards, which have not yet to be endorsed by the FSC, are as follows:

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"
- Amendments to IFRS16 "Requirements for Sale and Leaseback Transactions"
- IFRS 17 "Insurance Contracts" and amendments to IFRS 17 "Insurance Contracts"
- Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 – Comparative Information"
- Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"
- Amendments to IAS 1 "Non-current Liabilities with Covenants"

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

## 4. Summary of significant accounting policies

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

(1) Statement of compliance

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

(2) Basis of preparation

A. Basis of measurement

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

(a) Financial assets at fair value through other comprehensive income are measured at fair value;

(b) Financial assets at fair value through profit or loss are measured at fair value (including derivative financial instruments);

(c) The net defined benefit liability (asset) is recognized based on the fair value of the plan assets, less, the present value of the defined benefit obligation.

B. Functional and presentation currency

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

(3) Basis of consolidation

A. Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise Unizyx and its subsidiaries.

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

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

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

B. List of subsidiaries in the consolidated financial statements

The consolidated entities were as follows:

| | | | Percentage of Ownership (%) | | |
|---|---|---|---|---|---|
| **Name of Investor** | **Name of Subsidiary** | **Business Nature** | **December 31, 2022** | **December 31, 2021** | **note** |
| Unizyx | Zyxel | Development, manufacturing and sales of communications and networking products | 100 % | 100 % | |
| Unizyx | MitraStar | Development, manufacturing and sales of communications and networking products | 100 % | 100 % | |
| Unizyx | ZNet | Development and sales of communications and networking products | 94 % | 94 % | |

(Continued)

| Name of Investor | Name of Subsidiary | Business Nature | Percentage of Ownership (%) December 31, 2022 | Percentage of Ownership (%) December 31, 2021 | note |
|---|---|---|---|---|---|
| Unizyx | Black Cat Incorporation (Black Cat) | Development and sales of information security products, and consultant management services | 67 % | 67 % | |
| Zyxel | ZyChamp Investment Co., Ltd. (Zychamp) | Investment activities | 100 % | 100 % | |
| Zyxel | Zyxel Communications Inc. (ZyUSA) | Sales and marketing | 100 % | 100 % | |
| Zyxel | Zyxel Communications A/S (ZyAS) | Sales and marketing | 100 % | 100 % | |
| Zyxel | Zyxel Iletisim Teknolojileri A.S. (ZyTR) | Sales and marketing | 100 % | 100 % | |
| Zyxel | Zyxel Communications Do Brasil Ltda. (ZyBR) | Sales and marketing | 100 % | 100 % | |
| MitraStar | Bluebell Overseas Ltd. (Bluebell) | Investment activities | 100 % | 100 % | |
| MitraStar | Wuxi Genezys Technology Ltd. (Genezys) | Development of communications and networking products | 100 % | 100 % | |
| MitraStar | Shanghai Monetics Telecommunications Corporation (Monetics) | Sales of communications, networking products and network technology transfer service | 100 % | 100 % | |
| MitraStar | XSquare Communications Corporation (XSquare) | Development and sales of communications and networking products | 92 % | 92 % | |
| ZNet | Zytpe Communications Corporation (ZyTPE) | Development and sales of communications and networking products | 100 % | 100 % | |
| ZNet | Zyxel Technology India Pvt Ltd. (ZNet IN) | Sales and marketing | 100 % | 100 % | |
| ZNet | Zyxel Communications (Shanghai) Co., Ltd. (ZNet SHA) | Sales of communications, networking products and technical consulting service | 100 % | 100 % | |
| ZNet | Zyxel Networks A/S (ZNet AS) | Sales and marketing | 100 % | 100 % | |

(Continued)

| Name of Investor | Name of Subsidiary | Business Nature | Percentage of Ownership (%) December 31, 2022 | December 31, 2021 | note |
|---|---|---|---|---|---|
| ZNet | Zyxel (Thailand) Company, Ltd. (ZNet TH) | Sales and marketing | 100 % | 100 % | |
| ZNet | Tianjin Huagin Communications Equipment Co., Ltd. (Tianjin Huagin) | Sales of communications and networking products and technical consulting service | 95 % | 95 % | |
| ZNet | Zyxel Korea Co., Ltd. (ZNet KR) | Sales and marketing | 65 % | 65 % | |
| Bluebell | Wuxi MitraStar Technology Co., Ltd. (Wuxi MSTC) | Manufacturing and sales of communications and networking products and technical consulting service | 100 % | 100 % | |
| ZyAS | Zyxel Deutschland GmbH (ZyDE) | Sales and marketing | 100 % | 100 % | |
| ZyAS | Zyxel Communications UK Ltd. (ZyUK) | Sales and marketing | 100 % | 100 % | |
| ZyAS | Zyxel Communications Czech s.r.o. (ZyCZ) | Sales and marketing | 100 % | 100 % | |
| ZyAS | Zyxel Communications Iberia S.L (ZyES) | Sales and marketing | 100 % | 100 % | |
| ZyAS | Zyxel Communications Italy S.r.l (ZyIT) | Sales and marketing | 100 % | 100 % | |
| ZyAS | Zyxel R&D Center GmbH(Gemini) | Development of communications and networking products | 100 % | 100 % | |
| ZNet AS | Zyxel Communications B.V. (ZNet BNL) | Sales and marketing | 100 % | 100 % | |
| ZNet AS | Zyxel Communications RU LLC ZNet (RUS) | Sales and marketing | 100 % | 100 % | |
| ZNet AS | Zyxel France (ZNet FR) | Sales and marketing | 100 % | 100 % | |
| ZyUSA | Flatworld Networks, LLC(Flatworld) | Sales and marketing | - | - | note |

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

(Continued)

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

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

ZNet EE was liquidated in July 2021.

(4) Foreign currencies

A. Foreign currency transactions

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

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

B. Foreign operations

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

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

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

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

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

An entity shall classify an asset as current when:

A. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

B. It is held primarily for the purpose of trading;

C. It is expected to be realized within twelve months after the reporting period; or

D. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

An entity shall classify a liability as current when:

A. It is expected to be settled in the normal operating cycle;

B. It is held primarily for the purpose of trading;

C. It is due to be settled within twelve months after the reporting period; or

D. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(6) Cash and cash equivalents

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

(7) Financial instruments

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

(Continued)

A. Financial assets

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

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

(a) Financial assets measured at amortized cost

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

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

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

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

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

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

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

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

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

(Continued)

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

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

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

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

(d) Impairment of financial assets

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

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

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

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

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

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

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

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

(Continued)

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

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

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

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

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

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

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

(Continued)

(e) Derecognition of financial assets

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

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

B. Financial liabilities and equity instruments

(a) Classification of debt or equity

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

(b) Equity instruments

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

(c) Treasury stocks

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

(d) Financial liabilities

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

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

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

(Continued)

(e) Derecognition of financial liabilities

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

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

(f) Offsetting of financial assets and liabilities

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

C. Derivative financial instruments

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

(8) Inventories

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

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

(9) Investment in associates

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

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

(Continued)

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

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

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

(10) Property, plant and equipment

A. Recognition and measurement

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

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

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

B. Subsequent cost

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

C. Depreciation

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

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

(a) Buildings: 20 to 41 years.

(b) Building improvements: 4 to 18 years.

(c) Machinery, and research and development equipment: 3 to 12 years.

(Continued)

(d) Office equipment and others: 3 to 12 years.

(e) Buildings and building improvements constitute mainly buildings and their related facilities, air-condition systems etc. Each such part depreciates based on its useful life of 4 to 41 years.

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

(11) Leases

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

A. As a lessee

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

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

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

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

(a) fixed payments, including in-substance fixed payments;

(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

(c) amounts expected to be payable under a residual value guarantee; and

(d) payments for purchase or termination options that are reasonably certain to be exercised.

(Continued)

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

(a) there is a change in future lease payments arising from the change in an index or rate; or

(b) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or

(c) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or

(d) there is a change of its assessment on whether it will exercise an extension or termination option; or

(e) there is any lease modification

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

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

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

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

(a) the rent concessions occurring as a direct consequence of the COVID-19 pandemic;

(b) the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(c) any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2022; and

(d) there is no substantive change in other terms and conditions of the lease.

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

(Continued)

B. As a lessor

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

(12) Intangible assets

A. Recognition and measurement

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

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

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

B. Subsequent expenditure

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

C. Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated agreed royalty during the patent or 2 to 10 years from the date that they are available for use.

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

(13) Impairment of non-financial assets

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

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

(Continued)

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

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

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

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

(14) Provisions

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

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

(15) Revenue recognition

A. Revenue from contracts with customers

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

(Continued)

(a) Sale of goods

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

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

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

The Company's obligation to provide a refund for faulty products under the standard warranty terms is recognized as a provision for warranty; Please refer to note 6(14).

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

(b) Rendering of services

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

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

(c) Financing components

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

(Continued)

B. Rental income

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

(16) Government grants

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

(17) Employee benefits

A. Defined contribution plans

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

B. Defined benefit plans

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

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

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

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

(Continued)

C. Short-term employee benefits

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

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

(18) Share-based payment

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

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

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

(19) Income tax

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

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

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

A. temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction; and

B. temporary differences related to investments in subsidiaries and associates to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

(Continued)

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

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

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

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

   (a) the same taxable entity; or

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

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

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

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

(20) Business combination

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

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

(Continued)

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

(21) Earnings per share

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

(22) Operating segment information

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

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

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

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

(Continued)

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

(1) Impairment of Accounts Receivable

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

(2) Valuation of Inventories

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

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

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

(1) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.

(2) Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(3) Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

When there is a transfer between levels of the fair value hierarchy, the Company recognizes the transfer at the reporting date. For the assumptions used in fair value measurement, please refer to note 6(24) of the financial instruments.

## 6. Explanation of significant accounts

(1) Cash and cash equivalents

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

Please refer to note 6(24) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Company.

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

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

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

B. Non-hedging derivative financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

(Continued)

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

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

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

A. For sensitivity analysis, fair value and market risk, please refer to note 6(24).

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

(5) Notes and accounts receivable, net

A. Notes and accounts receivable, net

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Notes receivable | $ - | 652 |
| Letters of credit receivable | 580,490 | 94,230 |
| Accounts receivable | 7,875,090 | 5,509,755 |
| | 8,455,580 | 5,604,637 |
| Less: Provision for loss allowance | (128,114) | (83,702) |
| | **$ 8,327,466** | **5,520,935** |

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

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

(Continued)

The loss allowance provision were determined as follows:

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

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

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

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

C. Financial assets pledged as collateral

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

(Continued)

(6) Inventories

A. The details of inventories were as follows:

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

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

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

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

(7) Investments accounted for using the equity method

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

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Summarized information of the carrying amount of associates that were not individually material | **$ 37,208** | **16,292** |

| | 2022 | 2021 |
|---|---|---|
| Net gain (loss) attributable to the Company | **$ (10,773)** | **(6,585)** |

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

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

(Continued)

(8) Property, plant and equipment

| | | Land | Building | Machinery and equipment | Research and development equipment | Office and other equipment | Construction in progress and inspection equipment | Total |
|---|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | | |
| Balance at January 1, 2022 | $ | 31,566 | 2,181,529 | 674,050 | 365,794 | 909,558 | 23,002 | 4,185,499 |
| Additions for the period | | - | 18,554 | 173,150 | 67,924 | 104,655 | 70,862 | 435,145 |
| Disposal for the period | | - | (711) | (8,078) | (29,198) | (295,108) | - | (333,095) |
| Recognized as expenses | | - | - | (44) | - | - | - | (44) |
| Reclassification | | - | - | 20,489 | - | 346 | (21,027) | (192) |
| Effect of movements in exchange rates | | 3,455 | 14,260 | 8,936 | 1,255 | 14,024 | 129 | 42,059 |
| Balance at December 31, 2022 | **$** | **35,021** | **2,213,632** | **868,503** | **405,775** | **733,475** | **72,966** | **4,329,372** |
| Balance at January 1, 2021 | $ | 32,479 | 2,181,787 | 528,641 | 314,073 | 923,271 | 36,829 | 4,017,080 |
| Additions for the period | | - | 9,709 | 152,840 | 127,966 | 78,166 | 10,955 | 379,636 |
| Disposal for the period | | - | (220) | (25,928) | (78,079) | (73,672) | - | (177,899) |
| Reclassification | | - | - | 20,685 | 2,383 | 117 | (23,936) | (751) |
| Effect of movements in exchange rates | | (913) | (9,747) | (2,188) | (549) | (18,324) | (846) | (32,567) |
| Balance at December 31, 2021 | **$** | **31,566** | **2,181,529** | **674,050** | **365,794** | **909,558** | **23,002** | **4,185,499** |
| Depreciation: | | | | | | | | |
| Balance at January 1, 2022 | $ | - | 1,113,149 | 453,146 | 165,939 | 754,120 | - | 2,486,354 |
| Depreciation for the period | | - | 69,129 | 71,688 | 46,265 | 69,550 | - | 256,632 |
| Disposal for the period | | - | (711) | (7,594) | (28,999) | (294,915) | - | (332,219) |
| Effect of movements in exchange rates | | - | 6,951 | 6,566 | 1,042 | 12,582 | - | 27,141 |
| Balance at December 31, 2022 | **$** | **-** | **1,188,518** | **523,806** | **184,247** | **541,337** | **-** | **2,437,908** |
| Balance at January 1, 2021 | $ | - | 1,048,713 | 428,669 | 175,314 | 772,263 | - | 2,424,959 |
| Depreciation for the period | | - | 68,284 | 52,837 | 37,954 | 70,094 | - | 229,169 |
| Disposal for the period | | - | (220) | (25,854) | (46,883) | (71,625) | - | (144,582) |
| Reclassification | | - | - | 44 | - | (313) | - | (269) |
| Effect of movements in exchange rates | | - | (3,628) | (2,550) | (446) | (16,299) | - | (22,923) |
| Balance at December 31, 2021 | **$** | **-** | **1,113,149** | **453,146** | **165,939** | **754,120** | **-** | **2,486,354** |
| Carrying amounts: | | | | | | | | |
| Balance at December 31, 2022 | **$** | **35,021** | **1,025,114** | **344,697** | **221,528** | **192,138** | **72,966** | **1,891,464** |
| Balance at December 31, 2021 | **$** | **31,566** | **1,068,380** | **220,904** | **199,855** | **155,438** | **23,002** | **1,699,145** |
| Balance at January 1, 2021 | **$** | **32,479** | **1,133,074** | **99,972** | **138,759** | **151,008** | **36,829** | **1,592,121** |

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

(Continued)

(9) Right-of-use assets

| | | Land | Building | Transportation equipment | Office equipment | Total |
|---|---|---|---|---|---|---|
| Cost: | | | | | | |
| Balance at January 1, 2022 | $ | 404,210 | 130,117 | 3,597 | 6,104 | 544,028 |
| Additions for the period | | 387 | 60,381 | 1,545 | 1,145 | 63,458 |
| Disposal for the period | | (2,278) | (13,825) | (960) | (6,268) | (23,331) |
| Effect of movements in exchange rates | | 112 | 3,838 | 74 | - | 4,024 |
| Balance at December 31, 2022 | $ | **402,431** | **180,511** | **4,256** | **981** | **588,179** |
| Balance at January 1, 2021 | $ | 404,259 | 158,189 | 3,602 | 6,104 | 572,154 |
| Additions for the period | | - | 3,012 | 1,429 | - | 4,441 |
| Disposal for the period | | - | (19,926) | (1,415) | - | (21,341) |
| Effect of movements in exchange rates | | (49) | (11,158) | (19) | - | (11,226) |
| Balance at December 31, 2021 | $ | **404,210** | **130,117** | **3,597** | **6,104** | **544,028** |
| Depreciation: | | | | | | |
| Balance at January 1, 2022 | $ | 50,419 | 67,764 | 2,046 | 4,802 | 125,031 |
| Depreciation for the period | | 16,764 | 26,178 | 998 | 1,087 | 45,027 |
| Disposal for the period | | - | (5,531) | (960) | (5,856) | (12,347) |
| Effect of movements in exchange rates | | 9 | 2,833 | 72 | - | 2,914 |
| Balance at December 31, 2022 | $ | **67,192** | **91,244** | **2,156** | **33** | **160,625** |
| Balance at January 1, 2021 | $ | 33,616 | 62,062 | 2,245 | 3,202 | 101,125 |
| Depreciation for the period | | 16,806 | 24,930 | 1,229 | 1,600 | 44,565 |
| Disposal for the period | | - | (14,355) | (1,415) | - | (15,770) |
| Effect of movements in exchange rates | | (3) | (4,873) | (13) | - | (4,889) |
| Balance at December 31, 2021 | $ | **50,419** | **67,764** | **2,046** | **4,802** | **125,031** |
| Carrying amount: | | | | | | |
| Balance at December 31, 2022 | $ | **335,239** | **89,267** | **2,100** | **948** | **427,554** |
| Balance at December 31, 2021 | $ | **353,791** | **62,353** | **1,551** | **1,302** | **418,997** |
| Balance at January 1, 2021 | $ | **370,643** | **96,127** | **1,357** | **2,902** | **471,029** |

(Continued)

(10) Intangible assets

| | Intellectual property | Trading rights | Computer software | Total |
|---|---|---|---|---|
| Costs: | | | | |
| Balance at January 1, 2022 | $ 216,232 | 207,110 | 261,009 | 684,351 |
| Additions for the period | - | - | 74,254 | 74,254 |
| Disposal for the period | - | (49) | (17,480) | (17,529) |
| Reclassification | - | - | 192 | 192 |
| Effect of movements in exchange rates | 8,795 | 9,400 | 3,913 | 22,108 |
| Balance at December 31, 2022 | **$ 225,027** | **216,461** | **321,888** | **763,376** |
| Balance at January 1, 2021 | $ 183,286 | 231,611 | 134,269 | 549,166 |
| Additions for the period | 41,608 | - | 142,386 | 183,994 |
| Disposal for the period | - | (112) | (11,388) | (11,500) |
| Effect of movements in exchange rates | (8,662) | (24,389) | (4,258) | (37,309) |
| Balance at December 31, 2021 | **$ 216,232** | **207,110** | **261,009** | **684,351** |
| Amortization: | | | | |
| Balance at January 1, 2022 | $ 43,294 | 163,625 | 115,539 | 322,458 |
| Amortization for the period | 35,360 | 17,341 | 47,053 | 99,754 |
| Disposal for the period | - | (49) | (17,480) | (17,529) |
| Effect of movements in exchange rates | 2,548 | 8,411 | 3,842 | 14,801 |
| Balance at December 31, 2022 | **$ 81,202** | **189,328** | **148,954** | **419,484** |
| Balance at January 1, 2021 | $ 16,942 | 166,580 | 105,886 | 289,408 |
| Amortization for the period | 27,708 | 15,162 | 25,192 | 68,062 |
| Losing control of subsidiary | - | 168 | (11,388) | (11,220) |
| Effect of movements in exchange rates | (1,356) | (18,285) | (4,151) | (23,792) |
| Balance at December 31, 2021 | **$ 43,294** | **163,625** | **115,539** | **322,458** |
| Carrying amounts: | | | | |
| Balance at December 31, 2022 | **$ 143,825** | **27,133** | **172,934** | **343,892** |
| Balance at December 31, 2021 | **$ 172,938** | **43,485** | **145,470** | **361,893** |
| Balance at January 1, 2021 | **$ 166,344** | **65,031** | **28,383** | **259,758** |

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

(Continued)

(11) Short-term borrowings

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

(12) Short-term notes and bills payable

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

(13) Bonds payable

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Unsecured corporate bonds | $ 1,900,000 | 1,900,000 |
| Discount on bonds payable | (2,944) | (3,766) |
| | $ 1,897,056 | 1,896,234 |

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

(14) Provision－current

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

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

(Continued)

(15) Lease liabilities

Carrying amounts of lease liabilities were as follows:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Current | $ 44,265 | 39,181 |
| Non-current | $ 404,052 | 399,908 |

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

The amounts recognized in profit or loss were as follows:

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

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

| | 2022 | 2021 |
|---|---|---|
| Total cash outflow for leases | $ 108,000 | 100,478 |

A. Real estate leases

The Company leases land and buildings for its office space and factories. The leases of land and buildings typically run for a period of 17 to 50 years, and the leases of office run for 2 to 5 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

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

B. Other leases

The Company leases transportation and office equipment with contract terms of 1 to 5 years. These leases are leases of low-value items. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

(Continued)

(16) Employee benefits

A. Defined benefit plans

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

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Present value of defined benefit obligations | $ 238,288 | 257,274 |
| Fair value of plan assets | (331,312) | (310,370) |
| Net defined benefit assets | **$ (93,024)** | **(53,096)** |

Details of recognized liabilities (assets) were as follows:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Net defined benefit assets | $ (103,515) | (66,075) |
| Net defined benefit liabilities | 10,491 | 12,979 |
| | **$ (93,024)** | **(53,096)** |

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

(a) Composition of plan assets

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

The Company's Bank of Taiwan labor pension reserve account balance amounted to $331,312 at the reporting date. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Fund.

The accumulated employee retirement reserve provided by Unizyx, Zyxel and MitraStar is sufficient to support the payment, therefore, the Company ceased to contribute to its pension fund from September 1, 2017 to December 31, 2023 after obtaining an approval from the authority, and the Company expects to prolong the cease in the future. Thus, Unizyx, Zyxel and MitraStar do not expect to make any defined benefit plan contribution to their pension fund in the following year after the reporting date.

(Continued)

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

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

(c) Movements of defined benefit plan assets

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

(d) Effect of the asset ceiling

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

(e) Expenses recognized in profit or loss

| | | 2022 | 2021 |
|---|---|---|---|
| Current service cost | $ | 740 | 687 |
| Net interest on the net defined benefit liabilities (assets) | | (418) | (490) |
| | **$** | **322** | **197** |

(Continued)

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

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

(g) Actuarial assumptions

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

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

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

(h) Sensitivity analysis

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

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

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

There were no changes in the method and assumptions used in calculating the sensitivity analysis for the years of 2022 and 2021.

(Continued)

B. Defined contribution plans

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

(b) Other overseas subsidiaries established their defined benefit pension plans according to the rules of their local governments, and contributed to Labor Insurance and retirement provision based on their employees' salaries and wages. Except for the contribution of the year, the companies did not have other obligation.

(c) The pension costs of the Company under the defined contribution method were $185,354 and $162,312 for the years ended December 31, 2022 and 2021, respectively.

(17) Income tax

A. Income tax expense

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

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

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

(Continued)

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

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

B. Deferred tax assets and liabilities

(a) Unrecognized deferred tax assets and liabilities

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

The Company is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries. Also, it is probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax assets and liabilities.

(Continued)

(b) Recognized deferred tax assets and liabilities

Deferred tax assets:

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

Deferred tax liabilities:

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

According to the R.O.C. Income Tax Act, the previous 10 years' losses of the Company's domestic subsidiaries as assessed by the tax authorities can offset the current year's net taxable income for income tax purposes.

(Continued)

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

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

In accordance with the tax law of each region where the foreign subsidiaries of the Company are located, losses on foreign subsidiaries as assessed by the tax authorities can be carried forward to offset the future years' taxable profits. As of December 31, 2022, the tax effects of the unused loss on carryforwards amounted to $144,458.

C. Examination and approval

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

(18) Capital and other equity

A. Common stock

On August 16, 2010, Unizyx was set up through Zyxel's share swap, and the total share capital was $5,170,483. As of December 31, 2022 and 2021, Unizyx's authorized common stock amounted to $7,000,000 with par value of $10 TWD per share, of which $520,000 was for use as employee stock options, convertible preferred stock, or convertible corporate bonds. The issued common stock amounted to $3,978,690 and $4,490,008 as of December 31, 2022 and 2021, respectively.

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

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

B. Capital surplus

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

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

(b) According to Article 30 of the Business Mergers and Acquisitions Act, the additional paid-in capital of the holding company transferred from unappropriated retained earnings of a company through a share swap with other companies is not affected by the restriction of Article 241(i) of the Company Act. According to Article 47 of the Financial Holding Company Act and Ruling No. 0910003413, if the additional paid-in capital resulting from the share swap is originated from previous unappropriated earnings of subsidiaries, it can be appropriated as cash dividends or capitalized in the current year; also the capitalization ratio is not restricted by Article 8 of the Securities and Exchange Act Enforcement Rules. Further, according to Ruling No. 0910016280, since this additional paid-in capital is not generated from the holding company's operations, there is no remuneration of the Board of Directors and bonus to employees. As of December 31, 2022 and 2021, the additional paid-in capital generated from Zyxel's unappropriated earnings before the share swap was $1,139,082.

(c) In accordance with the R.O.C. Company Act, realized capital surplus can only be reclassified as share capital or distributed as cash dividends after offsetting losses. The aforementioned capital surplus includes share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital surplus to be reclassified under share capital shall not exceed 10 % of the actual share capital amount.

(d) As approved by the shareholders' meeting on July 1, 2021, Unizyx distributed cash dividends amounting to $223,822 by using the capital surplus. The information will be available on the Market Observation Post system website.

(Continued)

C. Retained earnings and dividends policy

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

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

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

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

On July 1, 2021, the resolution of loss off-setting proposal for the year of 2020 to offset accumulated deficits by using the legal reserve amounting to $32,700 was approved by shareholders' meeting of Unizyx.

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

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

(Continued)

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

On March 13, 2023, the earnings distribution proposal for the year of 2022 was approved by the Board of Directors of Unizyx. The plan to distribute the 2022 earnings will need to be approved in the shareholders' meeting of Unizyx. The information will be available on the Market Observation Post System website.

D. Treasury stock

In the second quarter of 2021, Unizyx recognized the gain on disposal of Unizyx shares held by Zychamp amounting to $34,510 in capital surplus generated from treasury stock transactions. The Company's capital reduction by cash in October 2022 resulted in Unizyx's shares held by Zychamp to decrease by $8,289. As of December 31, 2022 and 2021, Unizyx's shares held by Zychamp were 7,317 and 8,146 thousand shares, and original costs were $96,550 and $104,839; the market values were $255,377 and $285,526, respectively.

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

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

E. Other equity

(a) Exchange differences on translation of foreign financial statements

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

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

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

(Continued)

F. Non-controlling interests (net of tax)

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

(19) Share-based payment

A. Unizyx

Unizyx registered and issued 15,000 thousand and 19,018 thousand units of employee stock options in August 2020 and November 2018, respectively. Each unit can be exercised to purchase one share of Unizyx. The duration of both plans is 5 years, and the Company estimated fair value of the options at the date of grant using the Black-Scholes option pricing model. The recognized compensation costs were $25,554 and $22,863 for the years ended December 31, 2022 and 2021, respectively. The information related to the employee stock options was as follows:

| **Type** | **Authorization date** | **Grant date** | **Issued units (in thousands)** | **Grant period** | **Exercise price per share (TWD)** | **Adjusted exercise price per share (TWD)** |
|---|---|---|---|---|---|---|
| Employee stock options in 2020 | Aug. 21, 2020 | Sep. 22, 2020 | 15,000 | Service periods between 2 to 3 years | 24.7 | 25.3 |
| Employee stock options in 2018 | Nov. 20, 2018 | Nov. 21, 2018 | 19,018 | Service periods between 2 to 3 years | 12.2 | 12.0 |

(Continued)

Weighted-average assumptions were as follows:

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

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

(a) Employee stock options in 2020

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

(b) Employee stock options in 2018

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

(Continued)

B. ZNet

As approved by the Board of Directors in November 2021, ZNet issued new shares by cash. In accordance with the R.O.C. Company Act, ZNet reserved 6,429 thousand new shares for subscription by the employees of ZNet, Unizyx, and affiliated companies. Each unit can be exercised to purchase one share of ZNet. The duration of the plan is 0.12 years. The Company estimated fair value of the options at granted date by using Black-Scholes option pricing model.The Company recognized compensation cost amounting to $9,056 for the year ended December 31, 2021.

As approved by the Board of Directors in November, 2020 and 2019, ZNet issued 7,000 thousand and 6,000 thousand units of employee stock options, respectively. Each unit can be exercised to purchase one share of ZNet. The duration of both plans is 5 years.

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

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

| Type | Grant date | Issued units (in thousands) | Grant period | Exercise price per share (TWD) | Adjusted exercise price per share (TWD) |
|---|---|---|---|---|---|
| New shares reserved for subscription by employees in 2021 | Nov. 10, 2021 | 6,429 | Service periods 0.12 years | 14.0 | 14.0 |
| Employee stock options in 2020 | Nov. 10, 2020 | 7,000 | Service periods 2 years | 14.0 | 12.9 |
| Employee stock options in 2019 | Nov. 8, 2019 | 5,618 | Service periods 2 years | 14.0 | 12.9 |

Weighted-average assumptions were as follows:

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

(Continued)

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

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

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

(b) Employee stock options in 2020

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

(c) Employee stock options in 2019

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

(Continued)

(20) Earnings per share

A. Basic earnings per share

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

B. Diluted earnings per share

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

(21) Revenue from contracts with customers

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

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

(Continued)

| | 2021 | | | | |
|---|---|---|---|---|---|
| | **Brand** | **Product** | **Channel** | **Investment** | **Total** |
| Primary geographical markets: | | | | | |
| United States | $ 2,548,291 | 3,790,621 | 17,951 | - | 6,356,863 |
| France | 109,269 | 2,739,862 | 431,366 | - | 3,280,497 |
| Other countries | 7,135,609 | 5,782,293 | 3,120,108 | 6,600 | 16,044,610 |
| | **$ 9,793,169** | **12,312,776** | **3,569,425** | **6,600** | **25,681,970** |
| Major products lines: | | | | | |
| Broadband | $ 8,043,173 | 11,484,169 | 339,533 | - | 19,866,875 |
| Business | 426,317 | 53,817 | 2,725,667 | - | 3,205,801 |
| Others | 1,323,679 | 774,790 | 504,225 | 6,600 | 2,609,294 |
| | **$ 9,793,169** | **12,312,776** | **3,569,425** | **6,600** | **25,681,970** |

B. Contract balances

| | **December 31, 2022** | **December 31, 2021** | **January 1, 2021** |
|---|---|---|---|
| Contract liabilities | **$ 827,495** | **175,314** | **74,760** |

For details on accounts receivable and allowance for impairment, please refer to note 6(5).

The contract liabilities primarily relate to the advance consideration received from customers for the sales contracts, for which revenue is recognized when products are delivered to customers. The amounts of revenue recognized for the years ended December 31, 2022 and 2021 that were included in the contract liability balances at the beginning of the periods were $155,393 and $65,292, respectively.

(22) Non-operating income and expenses

A. Other income

| | **2022** | **2021** |
|---|---|---|
| Dividend income | $ 11,619 | 2,830 |
| Rental income | 7,531 | 6,497 |
| Government grant | 3,078 | 17,553 |
| Other income | 35,541 | 46,550 |
| | **$ 57,769** | **73,430** |

(Continued)

B. Other gains and losses

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

C. Interest expense

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

(23) Employee compensation and directors' remuneration

In accordance with Unizyx’ s Articles of Incorporation, Unizyx shall accrue its remuneration to employees and directors based on a certain percentage of the current-year’ s profit (profit before income taxes, excluding remuneration to employees and directors) less, accumulated deficit as follows: no less than 0.01% as employee remuneration and no more than 2% as directors’ remuneration. The aforementioned employee remuneration will be distributed in cash or in the form of shares to the employees of the controlling companies and subsidiaries who meet certain criteria approved by Unizyx’s Board of Directors on March 13, 2023, and March 14, 2022, respectively, was as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| Employee compensation | $ | **166** | **108** |
| Directors' remuneration | $ | **17,881** | **15,028** |

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

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

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

(24) Financial instruments

A. Credit risk

(a) Credit risk exposures

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

(b) Concentration of credit risk

The Company's potential credit risk is derived primarily from deposits with banks, cash equivalents, financial assets measured at amortized cost, notes receivable and accounts receivable (including related parties), etc. The Company maintains its cash and cash equivalents and financial assets measured at amortized cost in various creditworthy financial institutions. Credit risk exposure to each financial institution is controlled by the Company. As a result, the Company believes that there is no significant concentration of credit risk of cash, cash equivalents and financial assets.

The main customers of the Company are multinational companies within the network communication industry or companies with good credit ratings. From time to time, the Company monitors customers' credit condition, and hence has not encountered any significant loss due to credit risk.

The Company sets a loss allowance for expected credit losses to reflect the estimated loss on accounts receivable. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

(c) Credit risk from receivables

For credit risk exposure of notes and accounts receivable, please refer to note 6(5).

Financial assets at amortized cost include investments in time deposits and pledged time deposits. For the details on investments, please refer to note 6(3). All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses.

(Continued)

B. Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

| | Carrying amount | Cash flow of contract | Within 1 year | 1-2 years | 2-5 years | Over 5 years |
|---|---|---|---|---|---|---|
| **December 31, 2022** | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Short-term borrowings | $ 3,131,230 | (3,146,185) | (3,146,185) | - | - | - |
| Short-term notes and bills payable | 200,000 | (200,000) | (200,000) | - | - | - |
| Notes and accounts payable | 6,788,608 | (6,788,608) | (6,788,608) | - | - | - |
| Accounts payable－related parties | 122,608 | (122,608) | (122,608) | - | - | - |
| Payroll and bonus payable | 968,599 | (968,599) | (968,599) | - | - | - |
| Other payables－related parties | 4,106 | (4,106) | (4,106) | - | - | - |
| Bonds payable | 1,897,056 | (1,964,600) | (16,150) | (16,150) | (1,932,300) | - |
| Lease liabilities (current and non-current) | 448,317 | (494,860) | (48,927) | (41,181) | (88,886) | (315,866) |
| Accrued expense (recognized in other current liabilities) | 1,051,513 | (1,051,513) | (1,051,513) | - | - | - |
| Guarantee deposits received | 734 | (734) | - | (734) | - | - |
| Derivative financial liabilities | | | | | | |
| Financial liabilities at fair value through profit or loss－current | | | | | | |
| Outflows | 105,448 | (105,443) | (105,443) | - | - | - |
| | **$ 14,718,219** | **(14,847,256)** | **(12,452,139)** | **(58,065)** | **(2,021,186)** | **(315,866)** |
| **December 31, 2021** | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Short-term borrowings | $ 1,557,000 | (1,563,792) | (1,563,792) | - | - | - |
| Short-term notes and bills payable | 200,000 | (200,000) | (200,000) | - | - | - |
| Notes and accounts payable | 4,820,240 | (4,820,240) | (4,820,240) | - | - | - |
| Accounts Payable－related parties | 181,775 | (181,775) | (181,775) | - | - | - |
| Payroll and bonus payable | 867,201 | (867,201) | (867,201) | - | - | - |
| Other payables－related parties | 8,618 | (8,618) | (8,618) | - | - | - |
| Bonds payable | 1,896,234 | (1,980,750) | (16,150) | (16,150) | (1,948,450) | - |
| Lease liabilities (current and non-current) | 439,089 | (493,860) | (43,985) | (34,762) | (72,905) | (342,208) |
| Accrued expense (recognized in other current liabilities) | 775,832 | (775,832) | (775,832) | - | - | - |
| Guarantee deposits received | 711 | (711) | - | (711) | - | - |
| Derivative financial liabilities | | | | | | |
| Financial liabilities at fair value through profit or loss－current | | | | | | |
| Outflows | 124 | (125) | (125) | - | - | - |
| | **$ 10,746,824** | **(10,892,904)** | **(8,477,718)** | **(51,623)** | **(2,021,355)** | **(342,208)** |

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

(Continued)

C. Currency risk

(a) Exposure to currency risk

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

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

Note: Please refer to note 6(2) for the disclosure on the derivative of financial assets (forward exchange) measured at fair value.

(b) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable (including related parties), other receivables (including related parties), short-term borrowings, and notes and accounts payable (including related parties) that are denominated in foreign currency. 5% depreciation or appreciation of the TWD against the above foreign currency at December 31, 2022 and 2021, would have increased (decreased) the net income as follows. (This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the reporting date. The analysis assumes that all other variables remain constant.)

| | **2022** | **2021** |
|---|---|---|
| Depreciation | **$ (27,303)** | **35,257** |
| Appreciation | **$ 27,303** | **(35,257)** |

(Continued)

(c) Exchange gains and losses of functional currency

It is impractical to disclose the foreign exchange losses by each significant foreign currency due to the variety of the functional currencies of the Company. The details of the net foreign currency exchange gains (losses) (including realized and unrealized) were as follows:

| | 2022 | 2021 |
|---|---|---|
| | $ (100,889) | (212,507) |

D. Interest rate analysis

The following sensitivity analysis is based on the risk exposure to interest rates on the derivative and non-derivative financial instruments on the reporting date. For variable rate instruments, the sensitivity analysis assumes the variable rate liabilities are outstanding for the whole year on the reporting date. The Company's internal management was reported with the exposure to changes in interest rates of 0.25%, which is considered by management to be a reasonable change of interest rate.

If the interest rate had increased or decreased by 0.25%, the Company's net income before income taxes would have decreased or increased by $2,014 and increased or decreased by $1,695 for the years ended December 31, 2022 and 2021, respectively, with all other variable factors remaining constant. This is mainly due to floating interest rates of the Company's cash and cash equivalents and short-term borrowings.

E. Sensitivity analysis

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

| | 2022 | | 2021 | |
|---|---|---|---|---|
| **Fair value at reporting date** | **Other comprehensive income (loss) before income taxes** | **Net income (loss) before income taxes** | **Other comprehensive income (loss) before income taxes** | **Net income (loss) before income taxes** |
| Increase 10% | $ 2,898 | 12,808 | 2,571 | 12,755 |
| Decrease 10% | $ (2,898) | (12,808) | (2,571) | (12,755) |

(Continued)

F. Fair value of financial instruments

(a) Categories of financial instruments and fair value

The carrying amounts of the Company's current non-derivative financial instruments were considered to approximate their fair value due to their short-term nature. This methodology applies to financial assets and financial liabilities at amortized cost, including cash and cash equivalents, financial assets at amortized cost－current and non-current, receivables (including related parties), payables (including related parties), other financial assets – current, refundable deposits, short-term borrowings, short-term notes and bills payable and guarantee deposits received.

Disclosures of fair value are not required for the financial instruments mentioned above. Other than those, the carrying amount and fair value of other financial instruments of the Company as of December 31, 2022 and 2021 were as follows:

| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | | Fair Value | | | |
| | Carrying amount | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at fair value through profit or loss－current | $ 128,308 | 128,084 | 224 | - | 128,308 |
| Financial assets at fair value through other comprehensive income － non-current | 28,979 | - | - | 28,979 | 28,979 |
| | **$ 157,287** | **128,084** | **224** | **28,979** | **157,287** |
| Financial liabilities at fair value through profit or loss －current | **$ 105,448** | **-** | **105,448** | **-** | **105,448** |

| | December 31, 2021 | | | | |
|---|---|---|---|---|---|
| | | Fair Value | | | |
| | Carrying amount | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at fair value through profit or loss－current | $ 147,076 | 127,545 | 19,531 | - | 147,076 |
| Financial assets at fair value through other comprehensive income － non-current | 25,713 | - | - | 25,713 | 25,713 |
| | **$ 172,789** | **127,545** | **19,531** | **25,713** | **172,789** |
| Financial liabilities at fair value through profit or loss －current | **$ 124** | **-** | **124** | **-** | **124** |

(Continued)

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

(i) The listed stocks, beneficiary certificates and global depositary receipts held by the Company are measured at fair value according to standard provision and conditions; the fair value is measured using the quoted price in an active market.

(ii) Derivative financial instruments–forward exchange contracts held by the Company are measured by using the current forward foreign exchange rates.

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

(c) There is no transfer between the levels for the years ended December 31, 2022 and 2021.

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

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

(e) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company's financial instruments that use Level 3 inputs to measure the fair value include financial assets at fair value through other comprehensive income– equity investments.

The Company classified the equity investments without an active market as recurring level 3 fair values in the value hierarchy due to the use of significant unobservable inputs. The significant unobservable inputs of the equity investments without an active market are independent, therefore, there is no correlation between them.

Quantified information of significant unobservable inputs was as follows:

| Item | Valuation technique | Significant unobservable inputs | Inter-relationship between significant unobservable inputs and fair value measurement |
|---|---|---|---|
| Financial assets at fair value through other comprehensive income – equity investment without an active market | Market approach | · Price-equity ratios (December 31, 2022: 1.61~3.39 and December 31, 2021:1.91~7.74)<br>· Discount for lack of marketability (December 31, 2022 and December 31, 2021: 30%) | · The higher the price-equity ratio, the higher the fair value<br>· The higher the discount for lack of marketability, the lower the fair value |

(Continued)

(25) Financial risk management

A. Overview

The Company is exposed to the following risks due to usage of financial instruments:

(a) Credit risk
(b) Liquidity risk
(c) Market risk

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies, and processes for measuring and managing risk. For further information, please refer to the relevant notes.

B. Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The board is responsible for developing and monitoring the Company's risk management policies, and meets regularly for discussions.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Board of Directors oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Board of Directors is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, and the results of which are reported to the Board of Directors.

C. Credit risk

Please refer to note 6(24).

D. Liquidity risk

There is no liquidity risk of being unable to raise capital to settle contract obligations since the Company has sufficient capital and working capital to fulfill contract obligations. As there is no open market for the financial assets at fair value through other comprehensive income; hence, they are subject to liquidity risk.

E. Market risk

The Company's purchases and sales are mainly denominated in foreign currency. As a result, current and future cash flows of foreign currency assets and liabilities are exposed to the risk of foreign currency exchange rate volatility. Therefore, the Company engaged in derivative financial instrument transactions as economic hedges against potential changes in assets or liabilities held in foreign currencies. Gains and losses arising from changes in exchange rates are offset by those of the hedged item. As a result, the market risk is low.

The listed stocks, beneficiary certificates and foreign depositary receipts held by the Company are presented under financial assets measured at fair value. Such assets are measured at fair value, and the Company is exposed to market price volatility.

(a) Currency risk

The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Company's entities, primarily the TWD, but also including the US dollar (USD), Euro (EUR), and Chinese Yuan (CNY). The currencies used in these transactions are the TWD, EUR, USD and CNY.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

(b) Interest rate risk

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

(26) Capital management

The board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence and to sustain future development of the business. Capital consists of share capital, capital surplus, retained earnings, and non-controlling interests of the Company. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary stockholders.

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

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

(Continued)

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

(27) Investing and financing activities not affecting current cash flow

The Company's investing and financing activities which did not affect the current cash flow were as follows:

A. For leased right-of-use assets, please refer to note 6(9).

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

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

| | January 1, 2021 | Cash flow | Foreign exchange movement and others | December 31, 2021 |
|---|---|---|---|---|
| Short-term borrowings | $ 1,614,247 | (56,786) | (461) | 1,557,000 |
| Short-term notes and bills payable | 300,000 | (100,000) | - | 200,000 |
| Lease liabilities (current and non-current) | 490,072 | (46,440) | (4,543) | 439,089 |
| Bonds payable | - | 1,895,650 | 584 | 1,896,234 |
| Guarantee deposits received | 575 | 178 | (42) | 711 |
| Total liabilities from financing activities | **$ 2,404,894** | **1,692,602** | **(4,462)** | **4,093,034** |

(Continued)

## 7. Related-party transactions

(1) Names and relationship with related parties

The followings are related parties that have had transactions with the Company during the periods covered in the consolidated financial statements:

| Name of related party | Relationship with the Company |
|---|---|
| ZYXEL Foundation | The chairman is the same as Unizyx's |
| ZyFX Technologies Inc. (ZyFX) | ZYXEL Foundation's subsidiary |
| Zyell Solutions Corporation (Zyell) | ZyFX's subsidiary |
| ZQAM | ZyFX's subsidiary |
| Ardomus | The Company's associate |
| ShareTech Information Co., LTD (ShareTech) | The Company's associate |

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

A. Operating Revenues

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

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

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

B. Purchases

| Related Party Category | 2022 | 2021 |
|---|---|---|
| Other related parties | **$ 155,597** | **265,984** |

(Continued)

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

C. Other transactions

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

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

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

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

D. Receivables from related parties

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

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

(Continued)

E. Payables to related parties

| Account Name | Related Party Category | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Accounts payable－related parties | Other related parties | $ **122,608** | **181,775** |
| Other payables－related parties | Other related parties | $ **4,106** | **8,618** |

(3) Transactions with key management personnel

Key management personnel compensation comprised:

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

Please refer to note 6(19) for further explanations related to share-based payment transactions.

## 8. Pledged assets

The carrying values of pledged assets were as follows:

| Pledged assets | Purpose of pledge | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Financial assets at amortized cost －current and non-current | Contract fulfillment and warranty guarantee | $ 106,579 | 104,949 |
| Financial assets at amortized cost －current and non-current | Guarantee of rental of land from SIPA | 20,261 | 20,208 |
| Refundable deposits | Guarantee of quality assurance | 74,863 | 41,211 |
| | | $ **201,703** | **166,368** |

## 9. Commitments and contingencies

(1) Significant commitments

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

| December 31, 2022 | December 31, 2021 |
|---|---|
| $ **7,229,375** | **5,957,280** |

(Continued)

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

(in thousands)

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| USD | $ 172 | - |

C. In order to obtain the bid and sales contracts of particular customers, the Company obtained a letter of performance guarantee letter from the bank. The amounts were as follows:

(in thousands)

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| USD | $ 4,178 | 5,758 |
| NTD | $ 1,418 | 3,941 |
| EUR | $ 1,865 | 1,670 |
| TRY | $ 100 | 100 |

D. The Company signed technology licensing and patent licensing agreements with certain companies, and was required to pay licensing fees in proportion to sales revenue of the licensed products or agreed royalty during the patent term under the agreements.

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

(2) Contingencies liabilities

A. In June 2020, UNM Rainforest Innovations asserted that Zyxel's products infringed its certain patents and filed a lawsuit against Zyxel. Zyxel has engaged a lawyer to defend the case. However, the Company believes that the lawsuit mentioned above will not have any significant impact on its current operations.

B. In April 2022, Atlas Global Technologies LLC asserted that both of Zyxel and ZNet's products infringed its certain patents and filed a lawsuit against to both companies. Zyxel and ZNet have engaged a lawyer to defend the case. However, the Company believes that the lawsuit mentioned above will not have any significant impact on its current operations.

**10. Losses due to major disasters: None**

**11. Subsequent events: None**

(Continued)

## 12. Other

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

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

## 13. Other disclosures

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company:

(i) Loans to other parties: Please refer to Table 1.

(ii) Guarantees and endorsements for other parties: Please refer to Table 2.

(iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures): Please refer to Table 3.

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

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

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

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

(Continued)

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

(ix) Trading in derivative instruments: Please refer to note 6(2).

(x) Business relationships and significant intercompany transactions: Please refer to Table 6.

(b) Information on investees (excluding information on investees in Mainland China): Please refer to Table 7.

(c) Information on investment in Mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information: Please refer to Table 8.

(ii) Limitation on investment in Mainland China: Please refer to Table 8.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of the consolidated financial statements, were disclosed in the "Information on significant transactions".

(d) Major shareholders:

(in units of shares)

| Shareholding / Shareholder's Name | Shares | Percentage |
|---|---|---|
| Shun-I Chu | 89,981,358 | 22.49 % |
| ZyFX Technologies Inc. | 20,052,067 | 5.01 % |

Note: (i) The information on major shareholders who hold 5 percent or more of the issuer's common stocks and preferred stocks, including treasury stocks, is quarterly provided by Taiwan Depository and Clearing Corp. The share capital disclosed on the financial report, and the actual numbers of dematerialized securities, may be different due to their discrepancies in calculation.

(ii) If the shareholder entrusts the shares to the trust, the shareholding will be disclosed by the trustee's account individually. As for those shareholders who are responsible for the declaration of insiders' shareholding with more than 10 percent in accordance with the Securities and Exchange Act, their shareholdings shall include their own shares and the trust in which they have the authority to decide the allocation of their trust assets. Please refer to the Market Observation Post System for information on the insiders' shareholding.

(Continued)

## 14. Segment information

(1) General information and industrial information

There are four segments that need to be reported: the brand business segment, the product business segment, the channel business segment, and the investment segment. The brand business segment uses the brand name to provide telecommunications service providers end-to-end broadband access solutions and to provide customers instant and local services. The channel business segment focused on the development of channel business and provide enterprise users and home users with products and application services. The product business segment develops products for customers and logistics services that focus on the manufacturing of wired and wireless broadband communications network, the new generation of internet, multimedia, and digital home applications in areas such as intellectual life. The investment segment is for general investment business.

Unizyx had allocated income tax expense (benefit) or non-recurring gains and losses to segments that need to be reported. In addition, all the gains and losses of the segments that need to be reported included significant non-cash items except depreciation and amortization. The reported amounts were presented in accordance with the reports used by the chief operating decision maker. The accounting principles of the operating units are not significantly different from the significant accounting policies in note 4. The Company's operating segments' profits and losses are measured based on net income and loss after tax, which also serves as the basis for assessing the segments' performance.

(2) Segment information

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

(Continued)

| | 2021 | | | | | |
|---|---|---|---|---|---|---|
| | Brand | Products | Channel | Investment | Reconciliation and elimination | Total |
| External revenue | $ 9,793,169 | 12,312,776 | 3,569,425 | 6,600 | - | 25,681,970 |
| Inter-segment revenue | 393,636 | 4,741,322 | 353,939 | 148,221 | (5,637,118) | - |
| Total revenue | **$ 10,186,805** | **17,054,098** | **3,923,364** | **154,821** | **(5,637,118)** | **25,681,970** |
| Reportable segment operating income (loss) | **$ 910,739** | **258,454** | **339,561** | **(39,457)** | **(43,863)** | **1,425,434** |
| Depreciation and amortization | **$ 99,195** | **210,140** | **63,306** | **1,052** | **(6,804)** | **366,889** |
| Reportable segment assets | **$ 8,862,322** | **10,760,410** | **3,170,328** | **1,762,636** | **(3,178,314)** | 21,377,382 |
| Investment accounted for using the equity method | | | | | | 16,292 |
| Total assets | | | | | | **$ 21,393,674** |

(3) Information by product and service

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

(4) Geographic information

Sales to customers classified by location of customers is as follows, within which revenue is recognized based on the location of the customer and non-current assets are recognized based on the location of the asset.

A. Revenue from external customers:

For information on revenue from external customers for the years ended December 31, 2022 and 2021, please refer to note 6(21).

B. Non-current assets:

| Area | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Taiwan | $ 1,581,341 | 1,500,392 |
| China | 889,469 | 739,129 |
| Other countries | 217,425 | 253,804 |
| | **$ 2,688,235** | **2,493,325** |

(5) Information on major customers

| | 2022 | 2021 |
|---|---|---|
| Customer A | **$ 4,700,488** | **3,777,147** |
| Customer B | **$ 1,643,796** | **2,581,149** |

(Continued)

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

Table 1 (In Thousands of New Taiwan Dollars)

| Number (Note 1) | Name of lender | Name of borrower | Account name | Related party | Highest balance of financing to other parties during the period | Ending balance (Note 4) | Actual usage amount during the period | Range of interest rates during the period | Purposes of fund financing for the borrower (Note 2) | Transaction amount for business between two parties | Reasons for short-term financing | Loss allowance | Collateral Item | Collateral Value | Individual funding loan limits (Note 3) | Maximum limit of fund financing (Note 3) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 0 | Unizyx | MitraStar | Other receivables－related parties | Yes | 900,000 | 700,000 | 700,000 | 1% | 2 | - | Operating Capital | - | - | - | 985,177 | 3,940,709 | Note 6 |
| 0 | Unizyx | Zyxel | " | Yes | 500,000 | 500,000 | 500,000 | 1% | 2 | - | Operating Capital | - | - | - | 985,177 | 3,940,709 | Note 6 |
| 0 | Unizyx | ZNet | " | Yes | 500,000 | - | - | 1% | 2 | - | Operating Capital | - | - | - | 985,177 | 3,940,709 | |
| | | | | | | 1,200,000 | 1,200,000 | | | | | | | | | | |
| 1 | Zyxel | ZNet IN | " | Yes | 15,873 | 15,131 | 15,131 | - | 2 | - | Operating Capital | - | - | - | 423,619 | 1,694,477 | Note 6 |
| 1 | Zyxel | ZyBR | " | Yes | 184 | - | - | - | 2 | - | Operating Capital | - | - | - | 423,619 | 1,694,477 | |
| | | | | | | 15,131 | 15,131 | | | | | | | | | | |
| 2 | ZNet | ZNet IN | " | Yes | 38,764 | 29,132 | 29,132 | - | 2 | - | Operating Capital | - | - | - | 216,578 | 866,313 | Notes 5 and 6 |

Note 1: The numbers denote the following:

0 represents Unizyx

1 represents Zyxel

2 represents ZNet

Investees are listed in accordance with names and in sequential order starting with 1.

Note 2: Purposes of fund financing for the borrower:

1. For those companies with business transaction with the Company, please fill in 1.
2. For those companies with short-term financing needs, please fill in 2.

Note 3: The policies for the limit on total financing amount and the financing limit for any individual entity are prescribed as follows:

The total financing amount shall not exceed 40% of the lender's net worth, which is based on its latest audited or reviewed parent-company-only financial statements. The financing limit for any individual entity varies with different purposes of fund financing, listed as follows:

1. For those borrowers with business transaction with the lender, the amount of each fund financing shall not exceed the higher amount of the total purchases from, or sales to, the borrower in the most recent year or in the current year.
2. For those borrowers with short-term financing needs, the amount of each funding financing shall not exceed 10% of the lender's net worth, which is based on its latest audited or reviewed parent-company-only financial statements.

Note 4: The ending balance is the valid loan amount approved by the Board of Directors.

Note 5: The ending balance included the amount of credit balance of investments accounted for using the equity method amounting to $302,584.

Note 6: The inter-company transactions and balances had been eliminated in the consolidated financial statements.

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

Table 2 (In Thousands of New Taiwan Dollars)

| Number | Name of guarantor | Counter-party of guarantee and endorsement | | Limitation on amount of guarantees and endorsements for a specific enterprise (Note 3) | Highest balance for guarantees and endorsements during the period | Balance of guarantees and endorsements as of reporting date | Actual usage amount during the period | Property pledged for guarantees and endorsements (Amount) | Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements | Maximum amount for guarantees and endorsements (Note 3) | Guarantee provided by parent company | Guarantee provided by a subsidiary | Guarantee provided to subsidiaries in Mainland China |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Name | Relationship with the Company (Note 2) | | | | | | | | | | |
| 0 | Unizyx | MitraStar | 2 | 4,925,886 | 2,594,610 | 2,200,000 | - | - | 22.33 % | 4,925,886 | Y | N | N |
| 0 | Unizyx | ZNet | 2 | 4,925,886 | 1,860,000 | 1,300,000 | 104,704 | - | 13.20 % | 4,925,886 | Y | N | N |
| | | | | | | **3,500,000** | **104,704** | | | | | | |
| 1 | ZyAS | ZyIT | 2 | 4,925,886 | 58,306 | 58,306 | - | - | 0.59 % | 4,925,886 | N | N | N |
| 1 | ZyAS | ZyUK | 2 | 4,925,886 | 38,372 | 37,832 | - | - | 0.38 % | 4,925,886 | N | N | N |
| | | | | | | **96,138** | - | | | | | | |

Note 1: The numbers denote the following:

0 represents Unizyx

1 represents ZyAS

Investees are listed in accordance with names and in sequential order starting with 1.

Note 2: The relation between guarantor and guarantee and their endorsement should be disclosed as one of the following:

1. A company with which it does business.
2. A company in which the public company directly and indirectly holds more than 50% of the voting shares.
3. A company that directly and indirectly holds more than 50 % of the voting shares in the public company.
4. A company in which the public company holds, directly or indirectly, 90% or more of the voting shares.
5. A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
6. A company that all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.
7. Companies in the same industry provide among themselves joint and several securities for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: The policies for the limit on the total amount of guarantees and endorsements are prescribed as follows:

1. The total amount of guarantees and endorsements provided by each guarantor to any specific party or subsidiary shall not exceed 50% of Unizyx's net worth. The total amount of guarantees and endorsements provided by each guarantor and Company' s subsidiary shall not exceed 50% of Unizyx' s net worth. The total amount of guarantees and endorsements provided by each guarantor and Company's subsidiary to any specific-party shall not exceed 50% of Unizyx's net worth. If the total amount of guarantees and endorsements provided by each guarantee and Company's subsidiary exceed 50% of Unizyx's net worth, the Company should disclose its necessity and rationality at the shareholder's meeting.
2. For those companies with business transactions, except for the abovementioned rules of limit, the amount of each guarantee and endorsement shall not exceed the transaction amount between two parties, which is the higher amount of the sales or purchases.

**Unizyx Holding Corporation and Subsidiaries**

**Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures)**

**For the year ended December 31, 2022**

Table 3 (In Thousands of New Taiwan Dollars; In Thousands of Shares)

| Name of holder | Category and name of security | Relationship with company | Account title | Ending balance | | | | Highest percentage of ownership during the year | Note |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Shares/ Units | Carrying value | Percentage of ownership | Fair Value | | |
| Unizyx | Stock: ZQAM | Other related party | Financial assets at fair value through other comprehensive income－non current | 2,263 | **9,262** | 10 % | 9,262 | 10 % | |
| Zyxel | Stock: Microsoft Corporation | - | Financial assets at fair value through profit or loss－current | 1 | 3,683 | - | 3,683 | - | |
| Zyxel | Stock: Alphabet Inc. Class C | - | " | 1 | 2,902 | - | 2,902 | - | |
| Zyxel | ADR: Taiwan Semiconductor Manufacturing Co., Ltd. | - | " | 1 | 1,775 | - | 1,775 | - | |
| | | | | | **8,360** | | | | |
| Zyxel | Stock: Ubiik Inc. | - | Financial assets at fair value through other comprehensive income－non current | 1,147 | 18,321 | 7 % | 18,321 | 7 % | |
| Zyxel | Stock: Lionic Corp | - | " | 500 | 1,088 | 2 % | 1,088 | 2 % | |
| Zyxel | Stock: Global Channel Resource Pte. Ltd. | - | " | 600 | 308 | 8 % | 308 | 8 % | |
| Zyxel | Stock: Zowie Technology Corp. | - | " | 19 | - | - | - | - | |
| Zyxel | Stock: Aetas Technology Inc. | - | " | 296 | - | 1 % | - | 1 % | |
| | | | | | **19,717** | | | | |

| Name of holder | Category and name of security | Relationship with company | Account title | Ending balance | | | | Highest percentage of ownership during the year | Note |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Shares/ Units | Carrying value | Percentage of ownership | Fair Value | | |
| ZNet | Yuanta Daily Taiwan 50 Bear -1X ETF | - | Financial assets at fair value through profit or loss－current | 2,527 | 14,935 | - | 14,935 | - | |
| ZNet | ProShares Short QQQ ETF | - | " | 29 | 12,928 | - | 12,928 | - | |
| ZNet | Cathay MSCI Taiwan ESG Sustainability High Dividend Yield ETF | - | " | 511 | 8,263 | - | 8,263 | - | |
| ZNet | Stock: Berkshire Hathaway Inc - Class B | - | " | - | 3,794 | - | 3,794 | - | |
| ZNet | Stock: Shin Kong Financial Holding Co., Ltd | - | " | 216 | 1,894 | - | 1,894 | - | |
| ZNet | Stock: Sampo Corporation | - | " | 68 | 1,802 | - | 1,802 | - | |
| ZNet | ADR: Taiwan SemiconductorManufacturing Co., Ltd | - | " | 1 | 1,798 | - | 1,798 | - | |
| ZNet | Stock: Pan German Universal Motors Ltd. | - | " | 8 | 1,696 | - | 1,696 | - | |
| ZNet | Stock: Formosa Plastics Corporation | - | " | 18 | 1,562 | - | 1,562 | - | |
| ZNet | Stock: Yuanta Financial Holding Co., Ltd. | - | " | 66 | 1,422 | - | 1,422 | - | |
| ZNet | Stock: Sunrex Technology Corp. | - | " | 36 | 1,370 | - | 1,370 | - | |
| ZNet | Stock: Taiwan Shin Kong Security Co., Ltd. | - | " | 33 | 1,290 | - | 1,290 | - | |
| ZNet | Stock: Evergreen Marine Corporation | - | " | 7 | 1,173 | - | 1,173 | - | |
| ZNet | Stock: Wistron Corporation | - | " | 37 | 1,088 | - | 1,088 | - | |

| Name of holder | Category and name of security | Relationship with company | Account title | Ending balance | | | | Highest percentage of ownership during the year | Note |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Shares/ Units | Carrying value | Percentage of ownership | Fair Value | | |
| ZNet | Stock: Taiwan Hon Chuan Enterprise Co., Ltd. | - | " | 12 | 1,044 | - | 1,044 | - | |
| ZNet | Stock: Zenitron Corporation. | - | " | 34 | 984 | - | 984 | - | |
| ZNet | Stock: Alltek Technology Corp. | - | " | 27 | 964 | - | 964 | - | |
| ZNet | Stock: CTBC Financial Holding Co., Ltd. | - | " | 42 | 928 | - | 928 | - | |
| ZNet | Stock: CHC Resources Corporation | - | " | 20 | 920 | - | 920 | - | |
| ZNet | Stock: Lelon Electronics Corp. | - | " | 17 | 911 | - | 911 | - | |
| ZNet | Stock: Chung Hung Steel Corporation. | - | " | 34 | 910 | - | 910 | - | |
| ZNet | Stock: Hon Hai Precision Industry Co., Ltd. | - | " | 9 | 899 | - | 899 | - | |
| ZNet | Stock: Pegatron Corporation | - | " | 14 | 889 | - | 889 | - | |
| ZNet | Stock: Unitech Computer Co., Ltd. | - | " | 29 | 880 | - | 880 | - | |
| ZNet | Stock: Powertech Technology Inc. | - | " | 11 | 871 | - | 871 | - | |
| ZNet | Stock: WPG Holdings Limited | - | " | 18 | 866 | - | 866 | - | |
| ZNet | Stock: China Bills Finance Corporation | - | " | 59 | 856 | - | 856 | - | |
| ZNet | Stock: Tripod Technology Corporation | - | " | 9 | 846 | - | 846 | - | |
| ZNet | Stock: Fitipower Integrated Technology Inc. | - | " | 7 | 809 | - | 809 | - | |
| ZNet | Stock: Hong Yi Fiber Ind. Co., Ltd. | - | " | 46 | 807 | - | 807 | - | |
| ZNet | Stock: Nuvoton Technology Corp. | - | " | 7 | 805 | - | 805 | - | |

| Name of holder | Category and name of security | Relationship with company | Account title | Ending balance | | | | Highest percentage of ownership during the year | Note |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Shares/ Units | Carrying value | Percentage of ownership | Fair Value | | |
| ZNet | Stock: Quanta Computer Inc. | - | " | 11 | 795 | - | 795 | - | |
| ZNet | Stock: Arcadyan Technology Corporation | - | " | 8 | 766 | - | 766 | - | |
| ZNet | Stock: Micro-Star International Co., Ltd. | - | " | 6 | 717 | - | 717 | - | |
| ZNet | Stock: Da-Li Development Co., Ltd. | - | " | 22 | 651 | - | 651 | - | |
| ZNet | Stock: NAK Sealing Technologies Corporation. | - | " | 6 | 633 | - | 633 | - | |
| ZNet | Stock: Excelsior Medical Co., Ltd. | - | " | 9 | 592 | - | 592 | - | |
| ZNet | Stock: I Sheng Electric Wire & Cable Co., Ltd. | | " | 13 | 549 | - | 549 | - | |
| ZNet | Stock: Shin Zu Shing Co., Ltd. | - | " | 6 | 490 | - | 490 | - | |
| ZNet | Stock: China Steel Structure Co., Ltd. | - | " | 13 | 387 | - | 387 | - | |
| ZNet | Stock: Ares international corp. | - | " | 12 | 338 | | 338 | - | |
| ZNet | Stock: Creative Sensor Inc. | - | " | 12 | 331 | - | 331 | - | |
| ZNet | Stock: Yang Ming Marine Transport Corp. | - | " | 5 | 328 | - | 328 | - | |
| ZNet | Stock: Fusheng Precision Co., Ltd. | - | | 1 | 211 | - | 211 | - | |
| | | | | | 76,992 | | | | |
| MitraStar | Stock: Broadcom Inc. | - | Financial assets at fair value through profit or loss－current | - | 6,439 | - | 6,439 | - | |
| MitraStar | ADR: Taiwan Semiconductor Manufacturing Co., Ltd. | - | " | 1 | 3,079 | - | 3,079 | - | |
| | | | | | 9,518 | | | | |

| Name of holder | Category and name of security | Relationship with company | Account title | Ending balance | | | | Highest percentage of ownership during the year | Note |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Shares/ Units | Carrying value | Percentage of ownership | Fair Value | | |
| Zychamp | Yuanta Daily Taiwan 50 Bear -1X ETF | - | Financial assets at fair value through profit or loss－current | 2,015 | 11,909 | - | 11,909 | - | |
| Zychamp | ProShares Short QQQ ETF | - | " | 20 | 9,142 | - | 9,142 | - | |
| Zychamp | Stock: Berkshire Hathaway Inc - Class B | - | " | 1 | 4,810 | - | 4,810 | - | |
| Zychamp | Stock: Microsoft Corporation | - | " | - | 2,976 | - | 2,976 | - | |
| Zychamp | Stock: Alphabet Inc. Class C | - | " | 1 | 2,452 | - | 2,452 | - | |
| Zychamp | Stock: Jess-Link Products Co., Ltd. | - | " | 27 | 1,080 | - | 1,080 | - | |
| Zychamp | Stock: G.M.I. Technology Inc. | - | " | 49 | 845 | - | 845 | - | |
| | | | | | 33,214 | | | | |
| Zychamp | Stock: Unizyx | Final parent company | Financial assets at fair value through other comprehensive income－non current | 7,317 | 255,377 | 2 % | 255,377 | 2 % | Note |
| Zychamp | Stock: Homeyen Networks Co., Ltd. | - | " | 169 | - | 11 % | - | 11 % | |
| Zychamp | Stock: Essence Technology Solution, Inc. | - | " | 91 | - | 3 % | - | 3 % | |
| Zychamp | Stock: Hannlync Technology Inc. | - | " | 296 | - | - | - | - | |
| Zychamp | Stock: L7 Networks Inc. | - | " | 1 | - | 1 % | - | 1 % | |
| Zychamp | Stock: Accfast Technology Corp. | - | " | 113 | - | 5 % | - | 5 % | |
| | | | | | 255,377 | | | | |

Note: The inter-company transactions and balances had been eliminated in the consolidated financial statements.

## Unizyx Holding Corporation and Subsidiaries

## Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock

## For the year ended December 31, 2022

Table 4 (In Thousands of New Taiwan Dollars)

| Name of company | Related party | Nature of relationship | Transaction details | | | | Transactions with terms different from others | | Notes/Accounts receivable (payable) | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchase /Sale | Amount | Percentage of total purchases / sales | Payment terms | Unit price | Payment terms | Ending balance (Note 3) | Percentage of total notes / accounts receivable (payable) | |
| Zyxel | ZyAS | Subsidiary to subsidiary | Sales | 4,452,205 | 41 % | 150 days after delivery | Note 1 | | 2,247,813 | 35 % | Note 4 |
| Zyxel | ZyUSA | Subsidiary to subsidiary | Sales | 4,214,468 | 39 % | 135 days after delivery | Note 1 | | 2,126,890 | 33 % | Note 4 |
| Zyxel | ZyIT | Subsidiary to subsidiary | Sales | 637,973 | 6 % | 180 days after delivery | Note 1 | | 337,724 | 5 % | Note 4 |
| Zyxel | ZyES | Subsidiary to subsidiary | Sales | 278,593 | 3 % | 150 days after delivery | Note 1 | | 108,312 | 2 % | Note 4 |
| Zyxel | ZNet AS | Subsidiary to subsidiary | Sales | 239,326 | 2 % | 90~150 days after delivery | Note 1 | | 148,333 | 2 % | Note 4 |
| ZNet | ZNet AS | Subsidiary to subsidiary | Sales | 2,456,468 | 70 % | 90~150 days after delivery | Note 1 | | 1,014,617 | 74 % | Note 4 |
| ZNet | ZyTPE | Subsidiary to subsidiary | Sales | 235,984 | 7 % | 60 days after delivery | Note 1 | | 26,335 | 2 % | Note 4 |
| ZNet | ZyUSA | Subsidiary to subsidiary | Sales | 225,879 | 6 % | 135 days after delivery | Note 1 | | 113,435 | 8 % | Note 4 |
| ZNet | Zyell | Subsidiary to subsidiary | Sales | 202,045 | 6 % | 90 days after delivery | Note 1 | | 116,289 | 8 % | Note 4 |
| MitraStar | Zyxel | Subsidiary to subsidiary | Sales | 7,095,565 | 33 % | 90 days after delivery | Note 1 | | 2,348,059 | 34 % | Note 4 |
| MitraStar | Monetics | Subsidiary to subsidiary | Sales | 817,467 | 4 % | 45~140 days after delivery | Note 1 | | 78,568 | 1 % | Note 4 |
| MitraStar | XSquare | Subsidiary to subsidiary | Sales | 404,100 | 2 % | 90~120 days after delivery | Note 1 | | 73,581 | 1 % | Note 4 |
| MitraStar | ZNet | Subsidiary to subsidiary | Sales | 317,943 | 1 % | 90 days after delivery | Note 1 | | 42,576 | 1 % | Note 4 |
| MitraStar | Wuxi MSTC | Subsidiary to subsidiary | Processing and purchase | (7,190,074) | 36 % | 90 days after receipt | Note 2 | | 1,427,113 | 32 % | Note 4 |

| Name of company | Related party | Nature of relationship | Transaction details | | | | Transactions with terms different from others | | Notes/Accounts receivable (payable) | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchase /Sale | Amount | Percentage of total purchases / sales | Payment terms | Unit price | Payment terms | Ending balance (Note 3) | Percentage of total notes / accounts receivable (payable) | |
| MitraStar | Zyxel | Subsidiary to subsidiary | Purchase | (780,356) | 4 % | 90 days after receipt | Note 2 | | 337,915 | 8 % | Note 4 |
| MitraStar | XSquare | Subsidiary to subsidiary | Purchase | (415,107) | 2 % | 90 days after receipt | Note 2 | | 60,483 | 1 % | Note 4 |
| ZyAS | ZyUK | Subsidiary to subsidiary | Sales | 554,089 | 11 % | 30~120 days after delivery | Note 1 | | 208,991 | 14 % | Note 4 |
| ZyAS | ZyDE | Subsidiary to subsidiary | Sales | 474,421 | 10 % | 30~120 days after delivery | Note 1 | | 69,515 | 5 % | Note 4 |
| ZyAS | ZyCZ | Subsidiary to subsidiary | Sales | 443,191 | 9 % | 120~180 days after delivery | Note 1 | | 281,268 | 19 % | Note 4 |
| ZyAS | ZyTR | Subsidiary to subsidiary | Sales | 235,115 | 5 % | 130 days after delivery | Note 1 | | 50,672 | 3 % | Note 4 |

Note 1: The selling prices of Zyxel and ZNet to its related parties are determined based on the market price, with the payment term of 30~180 days after delivery; however, the collection of payment is currently depended on the capital status of the subsidiaries. The selling prices of MitraStar to its related parties are determined based on the market price, with the payment term of EOM 45~140 days; however, the collection of payment is currently depended on the capital status of the subsidiaries. The selling prices of ZyAS to its related parties are determined based on the market price, with the payment term of 21~180 days after delivery; however, the collection of payment is currently depended on the capital status of the subsidiaries.

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

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

Note 4: The inter-company transactions and balances had been eliminated in the consolidated financial statements.

## Unizyx Holding Corporation and Subsidiaries

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

**For the year ended December 31, 2022**

Table 5 (In Thousands of New Taiwan Dollars)

| Name of company | Related party | Nature of relationship | Ending balance (Note 2) | Turnover rate | Overdue | | Amounts received in subsequent period (Note 1) | Loss allowance | Note |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Action taken | | | |
| Unizyx | MitraStar | Parent company to subsidiary | 725,632 | Note 3 | - | - | - | - | Note 4 |
| Unizyx | Zyxel | Parent company to subsidiary | 525,129 | Note 3 | - | - | - | - | Note 4 |
| Zyxel | ZyAS | Subsidiary to subsidiary | 2,288,918 | 2 | - | - | 791,807 | - | Note 4 |
| Zyxel | ZyUSA | Subsidiary to subsidiary | 2,160,368 | 3 | 59,494 | Enhanced Collecting | 929,268 | - | Note 4 |
| Zyxel | ZyIT | Subsidiary to subsidiary | 338,142 | 1 | 42,264 | Enhanced Collecting | 79,748 | - | Note 4 |
| Zyxel | ZNet AS | Subsidiary to subsidiary | 149,354 | 2 | 15,709 | Enhanced Collecting | 105,519 | - | Note 4 |
| Zyxel | ZyES | Subsidiary to subsidiary | 108,312 | 4 | - | - | - | - | Note 4 |
| ZNet | ZNet AS | Subsidiary to subsidiary | 1,030,789 | 3 | - | - | 339,398 | - | Note 4 |
| ZNet | Zyell | Subsidiary to subsidiary | 116,289 | 3 | - | - | - | - | Note 4 |
| ZNet | ZyUSA | Subsidiary to subsidiary | 113,435 | 3 | 9,247 | Enhanced Collecting | 70,792 | - | Note 4 |
| MitraStar | Zyxel | Subsidiary to subsidiary | 2,447,700 | 4 | - | - | 877,373 | - | Note 4 |
| ZyAS | ZyCZ | Subsidiary to subsidiary | 281,268 | 2 | - | - | 53,328 | - | Note 4 |
| ZyAS | ZyUK | Subsidiary to subsidiary | 208,991 | 4 | - | - | 203,449 | - | Note 4 |
| ZyAS | ZyIT | Subsidiary to subsidiary | 106,394 | - | - | - | - | - | Note 4 |
| Wuxi MSTC | MitraStar | Subsidiary to subsidiary | 1,427,113 | 10 | - | - | 2,640,716 | - | Note 4 |

Note 1: Information as of February 28, 2023.
Note 2: The abovementioned ending balance included the amount for financing, which was recognized as other receivables－related parties.
Note 3: It didn't apply for days of turnover for the transaction main accrued by non-selling transaction.
Note 4: The inter-company transactions and balances had been eliminated in the consolidated financial statements.

## Unizyx Holding Corporation and Subsidiaries
## Business relationships and significant intercompany transactions
## For the year ended December 31, 2022

Table 6 (In Thousands of New Taiwan Dollars)

| Number (Note 1) | Name of company | Name of counter-party | Nature of relationship (Note 2) | Intercompany transactions | | | |
|---|---|---|---|---|---|---|---|
| | | | | Account name | Amount | Trading terms | Percentage of the consolidated net revenue or total assets |
| 0 | Unizyx | MitraStar | 1 | Other receivables－related parties | 725,632 | | 3 % |
| 0 | Unizyx | Zyxel | 1 | Other receivables－related parties | 522,129 | | 2 % |
| 1 | Zyxel | ZyAS | 3 | Operating revenues | 4,452,205 | 150 days after delivery | 15 % |
| 1 | Zyxel | ZyUSA | 3 | Operating revenues | 4,214,468 | 135 days after delivery | 14 % |
| 1 | Zyxel | ZyIT | 3 | Operating revenues | 637,973 | 180 days after delivery | 2 % |
| 1 | Zyxel | Others (Note 3) | 3 | Operating revenues | 704,627 | 30~180 days after delivery | 2 % |
| 1 | Zyxel | ZyAS | 3 | Accounts receivable－related parties, net | 2,247,813 | | 8 % |
| 1 | Zyxel | ZyUSA | 3 | Accounts receivable－related parties, net | 2,126,890 | | 8 % |
| 1 | Zyxel | ZyIT | 3 | Accounts receivable－related parties, net | 337,724 | | 1 % |
| 1 | Zyxel | Others (Note 3) | 3 | Accounts receivable－related parties, net | 383,914 | | 1 % |
| 2 | ZNet | ZNet AS | 3 | Operating revenues | 2,456,468 | 90~150 days after delivery | 8 % |
| 2 | ZNet | Others (Note 3) | 3 | Operating revenues | 714,376 | 30~180 days after delivery | 2 % |
| 2 | ZNet | ZNet AS | 3 | Accounts receivable－related parties, net | 1,014,617 | | 4 % |
| 2 | ZNet | Others (Note 3) | 3 | Accounts receivable－related parties, net | 203,959 | | 1 % |
| 3 | MitraStar | Zyxel | 3 | Operating revenues | 7,095,565 | 90 days after delivery | 23 % |
| 3 | MitraStar | Monetics | 3 | Operating revenues | 817,467 | 45~140 days after delivery | 3 % |
| 3 | MitraStar | XSquare | 3 | Operating revenues | 404,100 | 90~120 days after delivery | 1 % |
| 3 | MitraStar | ZNet | 3 | Operating revenues | 317,943 | 90 days after delivery | 1 % |
| 3 | MitraStar | Wuxi MSTC | 3 | Cost of Goods Sold | 7,190,074 | 90 days after receipt | 24 % |
| 3 | MitraStar | Zyxel | 3 | Cost of Goods Sold | 780,356 | 90 days after receipt | 3 % |

| Number (Note 1) | Name of company | Name of counter-party | Nature of relationship (Note 2) | Intercompany transactions | | | |
|---|---|---|---|---|---|---|---|
| | | | | Account name | Amount | Trading terms | Percentage of the consolidated net revenue or total assets |
| 3 | MitraStar | XSquare | 3 | Cost of Goods Sold | 415,107 | 90 days after receipt | 1 % |
| 3 | MitraStar | Others (Note 3) | 2 and 3 | Operating expenses | 286,759 | | 1 % |
| 3 | MitraStar | Zyxel | 3 | Accounts receivable－related parties, net | 2,348,059 | | 9 % |
| 3 | MitraStar | Others (Note 3) | 2 and 3 | Accounts receivable－related parties, net | 194,729 | | 1 % |
| 3 | MitraStar | Zyxel | 3 | Accounts payable－related parties, net | 337,915 | | 1 % |
| 4 | ZyAS | ZyUK | 3 | Operating revenues | 554,089 | 30~120 days after delivery | 2 % |
| 4 | ZyAS | ZyDE | 3 | Operating revenues | 474,421 | 30~120 days after delivery | 2 % |
| 4 | ZyAS | ZyCZ | 3 | Operating revenues | 443,191 | 120~180 days after delivery | 1 % |
| 4 | ZyAS | Others(Note 3) | 3 | Operating revenues | 363,971 | 21~180 days after delivery | 1 % |
| 4 | ZyAS | ZyCZ | 3 | Accounts receivable－related parties, net | 281,268 | | 1 % |
| 4 | ZyAS | Others(Note 3) | 3 | Accounts receivable－related parties, net | 474,694 | | 2 % |
| 5 | Wuxi MSTC | MitraStar | 3 | Accounts receivable－related parties, net | 1,427,113 | | 5 % |

Note 1: The numbers denote the following:
0 represents Unizyx
1 represents Zyxel
2 represents ZNet
3 represents MitraStar
4 represents ZyAS
5 represents Wuxi MSTC
Investees are listed by names and numbered starting with 1.

Note 2: The nature of relationship is as follows:
1 represents parent company to subsidiary
2 represents subsidiary to parent company
3 represents subsidiary to subsidiary

Note 3: Other transactions with the amount that less than 1% of the consolidated net revenue or total assets were not disclosed.

**Unizyx Holding Corporation and Subsidiaries**

**Information on investees (excluding information on investees in Mainland China)**

**For the year ended December 31, 2022**

Table 7 (In Thousands of New Taiwan Dollars/Foreign Currency; In Thousands of Shares)

| Name of investor | Name of investee | Location | Main businesses and products | Original investment amount: December 31, 2022 | Original investment amount: December 31, 2021 | Balance as of December 31, 2022: Shares | Balance as of December 31, 2022: Percentage of ownership (%) | Balance as of December 31, 2022: Carrying value | Highest percentage of ownership during the year(%) | Net income (losses) of investee | Share of profits/ losses of investee | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Unizyx | Zyxel | Taiwan | Development, manufacturing and sales of communications and networking products | 3,431,516 | 3,431,516 | 72,450 | 100 | 3,946,541 | 100 | 618,639 | 600,360 | Subsidiary, notes 1 and 4 |
| Unizyx | MitraStar | Taiwan | Development, manufacturing and sales of communications and networking products | 3,337,920 | 3,337,920 | 316,800 | 100 | 4,293,420 | 100 | 901,933 | 872,875 | Subsidiary, notes 1 and 4 |
| Unizyx | ZNet | Taiwan | Development and sales of communications and networking products | 1,710,098 | 1,710,098 | 108,888 | 94 | 2,004,424 | 94 | 238,812 | 214,937 | Subsidiary, notes 1 and 4 |
| Unizyx | Black Cat | Taiwan | Development and sales of information security products, and consultant management services | 10,000 | 10,000 | 2,200 | 67 | 21,107 | 67 | 1,480 | 987 | Subsidiary and note 4 |
| | | | | | | | | **10,265,492** | | | **1,689,159** | |

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

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

| Name of investor | Name of investee | Location | Main businesses and products | Original investment amount December 31, 2022 | Original investment amount December 31, 2021 | Balance as of December 31, 2022 Shares | Balance as of December 31, 2022 Percentage of ownership (%) | Balance as of December 31, 2022 Carrying value | Highest percentage of ownership during the year(%) | Net income (losses) of investee | Share of profits/ losses of investee | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ZNet | ZNet AS | Denmark | Sales and marketing | 415,320 (EUR 12,000) | 415,320 (EUR 12,000) | 20,712 | 100 | 166,116 | 100 | 48,226 | Note 2 | Subsidiary and note 4 |
| ZNet | ZyTPE | Taiwan | Development and sales of communications and networking products | Note 3 | Note 3 | 6,000 | 100 | 115,898 | 100 | 35,040 | Note 2 | Subsidiary and note 4 |
| ZNet | ZNet TH | Thailand | Sales and marketing | 74,969 (USD 2,389) | 74,969 (USD 2,389) | 8,000 | 100 | 67,587 | 100 | 6,162 | Note 2 | Subsidiary and note 4 |
| ZNet | ZNet KR | South Korea | Sales and marketing | 11,127 (USD 390) | 11,127 (USD 390) | 72 | 65 | 18,413 | 65 | (4,196) | Note 2 | Subsidiary and note 4 |
| ZNet | ZNet IN | India | Sales and marketing | 17,176 (USD 568) | 17,176 (USD 568) | 8,470 | 100 | (302,584) | 100 | (40,492) | Note 2 | Subsidiary and note 4 |
| | | | | | | | | **65,430** | | | | |
| ZNet AS | ZNet FR | France | Sales and marketing | 122,449 (EUR 3,603) | 122,449 (EUR 3,603) | 10 | 100 | 88,192 | 100 | 2,309 | Note 2 | Subsidiary and note 4 |
| ZNet AS | ZNet BNL | Netherlands | Sales and marketing | 54,089 (EUR 1,350) | 54,089 (EUR 1,350) | 14 | 100 | 48,144 | 100 | 945 | Note 2 | Subsidiary and note 4 |
| ZNet AS | ZNet RUS | Russia | Sales and marketing | 28 (EUR 1) | 28 (EUR 1) | - | 100 | 3,620 | 100 | 628 | Note 2 | Subsidiary and note 4 |
| | | | | | | | | **139,956** | | | | |

Note 1: The share of the investee company's loss comprises the share of subsidiary's loss after the elimination of unrealized gross profit on inter-company sales transactions.
Note 2: The share of profits/losses of the investee company is not disclosed herein as such amount is already included in the share of profits/losses of the investor company.
Note 3: The issued capital of ZyTPE comprised of $50,000 capital increase by cash and $60,000 capital increase by retained earnings. In March 2019, $50,000 capital was returned to the investor.
Note 4: The inter-company transactions and balances had been eliminated in the consolidated financial statements.

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

Table 8 (In Thousands of New Taiwan Dollars)

(1) Information on investment in Mainland China

| Name of investee | Main businesses and products | Issued Capital | Method of investment | Accumulated outflow of investment from Taiwan as of January 1, 2022 | Investment flows | | Accumulated outflow of investment from Taiwan as of December 31, 2022 | Net income (losses) of investee | Direct/indirect shareholding (%) by the Company | Highest percentage of ownership during the year | Share of profits/losses of investee (Note 6) | Carrying amount as of December 31, 2022 | Accumulated repatriation of investment income |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Out-flow | Inflow | | | | | | | |
| Tianjin Huagin | Sales of communications and networking products and technical consulting service | 44,375 | Note 1 | 42,156 | - | - | 42,156 | (48) | ZNet directly holds 95% | 95 % | (46) | 1,515 | - |
| ZNet SHA | Sales of communications, networking products and technical consulting service | 266,259 | Note 1 | 266,259 | - | - | 266,259 | (74) | ZNet directly holds 100% | 100 % | 85 (Note 7) | 5,120 | - |
| Wuxi MSTC | Manufacturing and sales of communications and networking products and technical consulting service | 1,013,953 | Note 2 | 1,013,953 | - | - | 1,013,953 | 218,526 | MitraStar indirectly holds 100% | 100 % | 218,526 | 2,223,356 | - |
| Genezys | Development of communications and networking products | 209,806 | Note 3 | 209,806 | - | - | 209,806 | 2,628 | MitraStar directly holds 100% | 100 % | 2,628 | 250,696 | - |
| Monetics | Sales of communications, networking products and network technology transfer service | 360,658 | Note 3 and 4 | 282,403 | - | - | 282,403 | 2,873 | MitraStar directly holds 100% | 100 % | 2,873 | 238,941 | - |
| Beijing HuaqinWorld | Sales of communications, networking products and network technology transfer and consulting service | 236,860 | Note 5 | - | - | - | - | - | MitraStar indirectly holds 49% | 49 % | - | - | - |

(2) Limitation on investment in Mainland China

| Company | Accumulated investment amount remitted from Taiwan to Mainland China as of December 31, 2022 | Approved investment amount by Ministry of Economic Affairs Investment Commission | Limitation on investment in Mainland China in accordance with regulations of Ministry of Economic Affairs Investment Commission (Note 8) |
|---|---|---|---|
| ZNet | 308,415 | 308,415 | 1,306,439 |
| MitraStar | 1,506,162 | 1,584,417 | 2,652,840 |

Note 1: Direct investment in the company in Mainland China by ZNet.

Note 2: Indirect investment in Mainland China through an existing investee company (Bluebell) in a third region.

Note 3: Direct investment in the company in Mainland China by MitraStar.

Note 4: The issued capital of Monetics amounting to $78,255 was invested by Bluebell through self-funding. In May 2019, 50% ownership of Monetics was transferred to MitraStar due to adjustment of organizational structure.

Note 5: The investment in Beijing HuaqinWorld was invested by Genezys through self-funding, which is not applicable for the calculation of limitation on the investment in Mainland China. However, Beijing HuaqinWorld went out of business, hence, the carrying amount of the investment had been fully recognized a loss.

Note 6: The amounts were calculated based on the financial statements of the investee company audited by the parent company's auditors in accordance with the materiality standards.

Note 7: The amount comprises the share of ZNet SHA’s loss amounting to $74 after the elimination of unrealized gross profit on inter-company sales transactions.

Note 8: In accordance with the Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China amended on August 29, 2008, the limitation on investment in Mainland China shall not exceed 60% of the Company’s net worth as of December 31, 2022 .