Zyxel Group Corporation

Parent-Company-Only Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2025 and 2024

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

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Independent Auditors' Report

To the Board of Directors of Zyxel Group Corporation:

Opinion

We have audited the financial statements of Zyxel Group Corporation "the Company"), which comprise the balance sheets as of December 31, 2025 and 2024, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent-company-only financial statements, including a summary of material accounting policies.

In our opinion, the accompanying parent-company-only financial statements present fairly, in all material respects, the parent-company-only financial position of the Company as of December 31, 2025 and 2024, and its parent-company-only financial performance and its parent-company-only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

Evaluation of investments accounted for using the equity method

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

Description of key audit matters:

The investments in subsidiaries accounted for using the equity method constituted 69% of total assets of the Company, wherein the amount is material. As a result, the evaluation of investments accounted for using the equity method is our key audit matter.

How the matter was addressed in our audit:

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

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

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

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

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

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

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

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

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

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

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

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

5. Evaluate the overall presentation, structure and content of the parent-company-only financial statements, including the disclosures, and whether the parent-company-only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this parent-company-only financial statements. We are responsible for the direction, supervision and performance of the audit. Furthermore, we remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Hai-Ning Huang and Chi-Lung Yu.

KPMG

Taipei, Taiwan (Republic of China)
March 9, 2026

Notes to Readers

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

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

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

Zyxel Group Corporation

Balance Sheets

December 31, 2025 and 2024

(Expressed in thousands of New Taiwan Dollars)

		December 31, 2025		December 31, 2024	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(1))	$ 219,626	2	189,246	1
1110	Financial assets at fair value through profit or loss－current (note 6(2))	378,094	3	-	-
1170	Accounts receivable, net (note 7)	59,108	-	62,372	1
1210	Other receivables－related parties (notes 6(9) and 7)	3,600,358	26	3,147,985	24
1476	Other financial assets－current (note 7)	11,424	-	4,029	-
1479	Other current assets, others (notes 6(9))	5,726	-	877	-
		4,274,336	31	3,404,509	26
	Non-current assets:				
1517	Financial assets at fair value through other comprehensive income－non-current (note 6(3))	9,128	-	10,133	-
1550	Investments accounted for using the equity method (note 6(4))	9,283,195	69	9,591,209	74
1600	Property, plant and equipment (note 6(5))	552	-	1,834	-
1780	Intangible assets (note 6(6))	30,235	-	22,572	-
1840	Deferred income tax assets (note 6(9))	872	-	844	-
		9,323,982	69	9,626,592	74
	Total assets	**$ 13,598,318**	**100**	**13,031,101**	**100**

		December 31, 2025		December 31, 2024	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2201	Payroll and bonus payable	$ 32,026	-	35,695	1
2207	Compensation payable due to directors (note 6(14))	9,125	-	7,843	-
2220	Other payables－related parties (notes 6(9) and 7)	30,844	-	14,850	-
2230	Income tax payable (note 6(9))	-	-	7,235	-
2320	Long-term liabilities, current portion (note 6(7))	1,899,521	14	-	-
2399	Other current liabilities, others	33,401	1	23,902	-
		2,004,917	15	89,525	1
	Non-current liabilities:				
2530	Bonds payable (note 6(7))	-	-	1,898,699	14
2570	Deferred income tax liabilities (note 6(9))	368	-	-	-
2640	Net defined benefit liabilities (note 6(8))	6,118	-	7,766	-
		6,486	-	1,906,465	14
	Total liabilities	2,011,403	15	1,995,990	15
	Equity (note 6(10)):				
3100	Capital stock	4,154,450	31	4,115,175	32
3200	Capital surplus	3,715,272	27	3,640,792	28
3300	Retained earnings	4,275,485	31	3,761,864	29
3400	Other equity	(461,742)	(3)	(386,170)	(3)
3500	Treasury stock	(96,550)	(1)	(96,550)	(1)
	Total equity	11,586,915	85	11,035,111	85
	Total liabilities and equity	**$ 13,598,318**	**100**	**13,031,101**	**100**

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

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

Zyxel Group Corporation

Statements of Comprehensive Income

For the years ended December 31, 2025 and 2024

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

		2025		2024	
		Amount	%	Amount	%
	Revenues:				
4600	Service revenues (notes 6(13) and 7)	$ 228,990	24	231,869	27
4222	Shares of profit of subsidiaries and associates accounted for using the equity method (note 6(4))	652,920	69	593,514	68
4223	Gains on financial assets at fair value through profit	1,861	-	-	-
4240	Interest income (note 7)	60,363	7	41,703	5
7010	Other income	336	-	146	-
		944,470	100	867,232	100
	Expenses:				
6200	General and administrative expenses (note 7)	264,527	28	247,021	28
7510	Interest expense	16,972	2	16,990	2
		281,499	30	264,011	30
	Income (loss) before income taxes	662,971	70	603,221	70
7950	Income tax expenses (note 6(9))	28,835	3	33,569	4
	Net income (loss)	634,136	67	569,652	66
8300	**Other comprehensive income (loss):**				
8310	**Items that will not be reclassified subsequently to profit or loss**				
8311	Remeasurements of defined benefit plans (note 6(8))	1,784	-	2,841	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (note 6(10))	(4,549)	-	(10,905)	(1)
8331	Shares of remeasurements of the defined benefit plans of subsidiaries accounted for using the equity method	10,930	1	38,661	4
8336	Shares of unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income of subsidiaries accounted for using the equity method (note 6(10))	17,587	2	(753)	-
	Total items that will not be reclassified subsequently to profit or loss	25,752	3	29,844	3
8360	**Items that may be reclassified subsequently to profit or loss**				
8381	Shares of exchange differences on translation of foreign financial statements of subsidiaries accounted for using the equity method	(27,364)	(3)	132,146	15
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(9))	5,473	1	(26,429)	(3)
	Total items that may be reclassified subsequently to profit or loss	(21,891)	(2)	105,717	12
8300	**Other comprehensive income for the year**	3,861	1	135,561	15
8500	**Total comprehensive income for the year**	**$ 637,997**	**68**	**705,213**	**81**
	Earnings per share (New Taiwan Dollars) (note 6(12)):				
9750	Basic earnings per share	$	**1.56**		**1.41**
9850	Diluted earnings per share	$	**1.56**		**1.41**

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

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)
Zyxel Group Corporation
Statements of Changes in Equity
For the years ended December 31, 2025 and 2024
(Expressed in thousands of New Taiwan Dollars)

	Capital stock: Common stock	Capital stock: Advance receipts for share capital	Capital stock: Total capital stock	Capital surplus	Retained earnings: Legal reserve	Retained earnings: Special reserve	Retained earnings: Unappropriated retained earnings	Retained earnings: Total	Total other equity interest: Exchange differences on translation of foreign financial statements	Total other equity interest: Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total other equity interest: Unearned stock-based employee compensation	Total other equity interest: Total	Treasury stock	Total equity
Balance at January 1, 2024	$ 4,063,930	30,965	4,094,895	3,612,111	519,606	490,256	2,773,353	3,783,215	(433,168)	(47,061)	-	(480,229)	(96,550)	10,913,442
Net income (loss) for the period	-	-	-	-	-	-	569,652	569,652	-	-	-	-	-	569,652
Other comprehensive income (loss) for the period	-	-	-	-	-	-	41,502	41,502	105,717	(11,658)	-	94,059	-	135,561
Total comprehensive income (loss) for the period	-	-	-	-	-	-	611,154	611,154	105,717	(11,658)	-	94,059	-	705,213
Appropriation and distribution of retained earnings:														
Legal reserve	-	-	-	-	133,656	-	(133,656)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	(10,028)	10,028	-	-	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	-	-	(614,234)	(614,234)	-	-	-	-	-	(614,234)
Changes in ownership interests in subsidiaries accounted for using the equity method	-	-	-	(1,188)	-	-	(18,271)	(18,271)	-	-	-	-	-	(19,459)
Cash dividends received by subsidiaries from the parent company	-	-	-	10,941	-	-	-	-	-	-	-	-	-	10,941
Share-based payment transaction	49,490	(29,210)	20,280	18,928	-	-	-	-	-	-	-	-	-	39,208
Balance at December 31, 2024	4,113,420	1,755	4,115,175	3,640,792	653,262	480,228	2,628,374	3,761,864	(327,451)	(58,719)	-	(386,170)	(96,550)	11,035,111
Net income (loss) for the period	-	-	-	-	-	-	634,136	634,136	-	-	-	-	-	634,136
Other comprehensive income (loss) for the period	-	-	-	-	-	-	12,714	12,714	(21,891)	13,038	-	(8,853)	-	3,861
Total comprehensive income (loss) for the period	-	-	-	-	-	-	646,850	646,850	(21,891)	13,038	-	(8,853)	-	637,997
Appropriation and distribution of retained earnings:														
Legal reserve	-	-	-	-	59,288	-	(59,288)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	(94,059)	94,059	-	-	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	-	-	(123,455)	(123,455)	-	-	-	-	-	(123,455)
Changes in ownership interests in subsidiaries accounted for using the equity method	-	-	-	241	-	-	(9,774)	(9,774)	-	-	-	-	-	(9,533)
Cash dividends received by subsidiaries from the parent company	-	-	-	2,190	-	-	-	-	-	-	-	-	-	2,190
Share-based payment transaction	41,030	(1,755)	39,275	72,049	-	-	-	-	-	-	(66,719)	(66,719)	-	44,605
Balance at December 31, 2025	**$ 4,154,450**	**-**	**4,154,450**	**3,715,272**	**712,550**	**386,169**	**3,176,766**	**4,275,485**	**(349,342)**	**(45,681)**	**(66,719)**	**(461,742)**	**(96,550)**	**11,586,915**

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

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

Zyxel Group Corporation

Statements of Cash Flows

For the years ended December 31, 2025 and 2024

(Expressed in thousands of New Taiwan Dollars)

	2025	2024
Cash flows from operating activities:		
Income (loss) before income tax	$ 662,971	603,221
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	1,007	1,349
Amortization expense	7,931	7,205
Net gain on financial assets or liabilities at fair value through profit or loss	(1,861)	-
Interest expense	16,972	16,990
Interest income	(60,363)	(41,703)
Share-based payments	366	-
Share of profit of subsidiaries accounted for using the equity method	(652,920)	(593,514)
Loss on disposal of property, plant and equipment	13	-
Total adjustments to reconcile profit (loss)	(688,855)	(609,673)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Accounts receivable	3,264	(1,610)
Other receivables－related parties	48,231	244,178
Other operating assets	(4,204)	53
Total changes in operating assets	47,291	242,621
Changes in operating liabilities:		
Other payables－related parties	(10,567)	(5,103)
Net defined benefit liabilities	136	170
Other operating liabilities	7,112	(30,276)
Total changes in operating liabilities	(3,319)	(35,209)
Total changes in operating assets and liabilities	43,972	207,412
Total adjustments	(644,883)	(402,261)
Cash inflow generated from operations	18,088	200,960
Interest received	56,481	44,225
Dividends received (treated as a reduction of equity-method investment cost)	958,845	1,191,466
Interest paid	(16,150)	(16,150)
Income taxes paid	(13,931)	(310,467)
Net cash flows generated from operating activities	1,003,333	1,110,034
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(3,544)	-
Acquisition of financial assets at amortized cost	-	(120,000)
Proceeds from repayments of financial assets at amortized cost	-	120,000
Acquisition of financial assets at fair value through profit or loss	(379,758)	-
Proceeds from disposal of financial assets at fair value through profit or loss	3,525	-
Proceeds from disposal of property, plant and equipment	262	-
Increase in other receivables－related parties	(500,000)	(2,400,000)
Acquisition of intangible assets	(15,594)	(256)
Net cash flows used in investing activities	(895,109)	(2,400,256)
Cash flows from financing activities:		
Cash dividends paid	(123,455)	(614,234)
Exercise of employee stock options	45,611	49,440
Net cash flows used in financing activities	(77,844)	(564,794)
Net increase (decrease) in cash and cash equivalents	30,380	(1,855,016)
Cash and cash equivalents at the beginning of period	189,246	2,044,262
Cash and cash equivalents at the end of period	$ **219,626**	**189,246**

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

1. Company history

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

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

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

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

(Continued)

As approved by the Company's and Zyxel's Board of Directors on February 26, 2019, in order to improve market competitiveness and increase the overall operating efficiency, Zyxel Networks Corporation ("ZNet") and its subsidiary Zyxel Networks A/S ("ZNet AS") were spun off from Zyxel and its subsidiary to become 100%-held subsidiaries of Zyxel Group 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. Zyxel Group acquired 72,450 thousand shares of ZNet's new issued common stock in total, and Zyxel and ZNet were 100%-held subsidiaries of the Company.

2. Approval date and procedures of the financial statements

The parent-company-only financial statements were authorized for issue by the Board of Directors on March 9, 2026.

3. New standards, amendments and interpretations adopted

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its parent-company-only financial statements, from January 1, 2025:

- Amendments to IAS 21 "Lack of Exchangeability"

(2) The impact of IFRS Accounting Standards endorsed 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, 2026, would not have a significant impact on its parent-company-only parent-company-only financial statements:

- Annual Improvements to IFRS Accounting Standards—Volume 11
- Amendments to IFRS 9 and IFRS 7 "Contracts Referencing Nature-dependent Electricity"
- Amendments to IFRS 9 and IFRS 7 "Amendments to the Classification and Measurement of Financial Instruments"
- IFRS 17 "Insurance Contracts" and amendments to IFRS 17 "Insurance Contracts"

(Continued)

(3) The impact of IFRS Accounting Standards issued by International Accounting Standards Board ("IASB") but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Company, have been issued by the IASB, but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
IFRS 18 "Presentation and Disclosure in Financial Statements"	The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combined with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities. ● A more structured income statement: under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined ' operating profit' subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company' s main business activities. ● Management performance measures (MPMs): the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards. ● Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes.	January 1, 2027 note: On September 25, 2025, the FSC issued a press release announcing that Taiwan will adopt IFRS 18 beginning in 2028. Entities that need to adopt the new standard earlier may do with the endorsement of the FSC.

(Continued)

The Company is evaluating the impact on its parent-company-only financial position and parent-company-only financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Company completes its evaluation.

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

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"
- IFRS 19 "Subsidiaries without Public Accountability: Disclosures" and amendments to IFRS 19 "Subsidiaries without Public Accountability: Disclosures"
- Amendments to IAS 21 "Translation to a Hyperinflationary Presentation Currency"

4. Summary of material accounting policies

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

(1) Statement of compliance

The accompanying parent-company-only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers in the Republic of China.

(2) Basis of preparation

A. Basis of measurement

The parent-company-only financial statements have been prepared on a historical cost basis except for the net defined benefit liability, which is recognized based on the fair value of the plan assets, less, the present value of the defined benefit obligation.

B. Functional and presentation currency

New Taiwan Dollars is the Company's functional currency, which is also the Company's presentation currency. Unless otherwise noted, all financial information presented in TWD has been rounded to the nearest thousand.

(3) Foreign currencies

A. Foreign currency transactions

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

(Continued)

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Exchange differences are generally recognized in profit or loss.

B. Foreign operations

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

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

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

The Company classifies the asset as current under one of the following criteria, and all other assets are classified as non-current.

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

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

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

D. The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Company classifies the liability as current under one of the following criteria, and all other liabilities are classified as non current.

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. The Company does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

(Continued)

(5) Cash and cash equivalents

Cash and cash equivalents comprise cash, cash in bank, and time deposits with maturities of less than three months. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Time deposits with maturities of less than three months are used for short term cash commitments instead of investment or other purposes, and are classified as cash and cash equivalents.

(6) Financial instruments

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

A. Financial assets

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

On initial recognition, a financial asset is classified as measured at amortized cost, 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.

(Continued)

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

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

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

(c) 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 dividend or interest 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 and accounts receivable).

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

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

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

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

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

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

(Continued)

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

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

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

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). ECLs are discounted at the effective interest rate of the financial asset.

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

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

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The Company recognizes the amount of expected credit losses (or reversal) in profit or loss as an impairment gain or loss.

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

(Continued)

(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 the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(b) Equity instruments

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

(c) Treasury stocks

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

(d) Financial liabilities

Other financial liabilities (including from related parties) and bonds payable are initially measured at fair value plus transaction costs that are directly attributed; which are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(Continued)

(e) Derecognition of financial liabilities

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

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

(f) Offsetting of financial assets and liabilities

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

(7) Investment in associates

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

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

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

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

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

(Continued)

(8) Investments in subsidiaries

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

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

(9) Property, plant and equipment

A. Recognition and measurement

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

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

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

B. Subsequent cost

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

C. Depreciation

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

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

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

(10) Intangible assets

A. Recognition and measurement

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

(Continued)

B. Subsequent expenditure

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

C. Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets or 3 to 10 years from the date that they are available for use.

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

(11) Impairment of non-financial assets

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

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

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

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

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

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

(12) Revenue recognition

A. Revenue from contracts with customers

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

(Continued)

(a) Rendering of services

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

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

(b) Financing components

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

(13) Employee benefits

A. Defined contribution plans

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

B. Defined benefit plans

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

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

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

(Continued)

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

C. Short-term employee benefits

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

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

(14) Share-based payment

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

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

Upon the issuance of restricted stock, compensation expense and the corresponding increase in equity are recognized over the vesting period. On the grant date, the Company recognizes the unearned stock-based employee compensation. The unearned stock-based employee compensation is a transitional account, which is recorded as a deduction from equity in the balance sheet and is amortized to compensation expense over the vesting period.

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

(15) Income tax

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

The Company has determined that the global minimum top-up tax – which it is required to pay under Pillar Two legislation – is an income tax in the scope of IAS 12. The Company has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

(Continued)

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

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

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

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

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

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

   (a) the same taxable entity; or

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

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

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

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

However, in 2024, due to the exercise of employee stock options by employees of ZNet, the Company’ s holdings in ZNet did not reach 90%, therefore, ZNet has not been included in the consolidated tax declaration since 2024.

(Continued)

(16) Earnings per share

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

(17) Operating segment information

The Company has disclosed operating segment information in consolidated financial statements. Hence, this information is not required to be disclosed in these parent-company-only financial statements.

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

In preparing these consolidated financial statements, management has made judgments and estimates about the future, including climate-related risks and opportunities, that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis and are consistent with the Company's risk management and climate-related commitments where appropriate. Revisions to estimates are recognised prospectively in the period of the change and future periods.

Information about assumptions and estimation uncertainties that haven't a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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

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

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

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

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

(Continued)

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(15) of the financial instruments.

6. Explanation of significant accounts

(1) Cash and cash equivalents

	December 31, 2025	December 31, 2024
Demand deposits	$ 49,626	35,246
Cash equivalents－time deposits	170,000	100,000
Cash equivalents－repurchase agreement	-	54,000
	$ 219,626	**189,246**

Please refer to note 6(15) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Company.

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

	December 31, 2025	December 31, 2024
Beneficiary certificates	$ 329,538	-
Listed stocks	48,556	-
	$ 378,094	**-**

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

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

	December 31, 2025	December 31, 2024
Non-listed stocks	**$ 9,128**	**10,133**

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(15).

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

(4) Investments accounted for using the equity method

	December 31, 2025	December 31, 2024
Subsidiaries	**$ 9,283,195**	**9,591,209**

(Continued)

Please refer to consolidated financial statements for the years ended December 31, 2025 for subsidiaries information.

The shares of the profits of subsidiaries accounted for using the equity method amounted to $652,920 and $593,514 for the years ended December 31, 2025 and 2024, respectively.

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

(5) Property, plant and equipment

		2025	2024
Cost:			
Balance at January 1	$	6,745	6,745
Disposal and derecognition for the period		(1,271)	-
Balance at December 31	**$**	**5,474**	**6,745**
Depreciation:			
Balance at January 1	$	4,911	3,562
Depreciation for the period		1,007	1,349
Disposal and derecognition for the period		(996)	-
Balance at December 31	**$**	**4,922**	**4,911**
Carrying amounts:			
Balance at December 31	**$**	**552**	**1,834**

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

(6) Intangible assets

		2025	2024
Costs:			
Balance at January 1	$	38,019	37,763
Additions for the period		15,594	256
Disposal and derecognition for the period		(12,776)	-
Balance at December 31	**$**	**40,837**	**38,019**
Amortization:			
Balance at January 1	$	15,447	8,242
Depreciation for the period		7,931	7,205
Disposal and derecognition for the period		(12,776)	-
Balance at December 31	**$**	**10,602**	**15,447**
Carrying amounts:			
Balance at December 31	**$**	**30,235**	**22,572**

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

(Continued)

(7) Bonds payable

		December 31, 2025	December 31, 2024
Unsecured corporate bonds	$	1,900,000	1,900,000
Discount on bonds payable		(479)	(1,301)
Less: Current portions		(1,899,521)	-
	$	**-**	**1,898,699**

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.

(8) 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, 2025	December 31, 2024
Present value of defined benefit obligations	$	34,428	33,851
Fair value of plan assets		(28,310)	(26,085)
Net defined benefit liabilities	**$**	**6,118**	**7,766**

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

(a) Composition of plan assets

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

The Company's Bank of Taiwan labor pension reserve account balance amounted to $28,310 at the reporting date. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Fund.

(Continued)

Since the accumulated employee retirement reserve is sufficient to support the required payments, the Company ceased to contribute to its pension fund until December 31, 2026, with the approval from the authority. Moreover, the Company may continue to suspend its contribution in the future. Thus, the Company does not expect to make any defined benefit plan contribution to its pension fund in the following year after the reporting date.

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

	2025	2024
Defined benefit obligation at January 1	$ 33,851	34,118
Current interest cost	588	554
Remeasurements of the net defined benefit liabilities (assets)		
—Actuarial losses (gains) arising from changes in experience adjustment	(197)	(621)
—Actuarial losses (gains) arising from changes in financial assumptions	186	(200)
Defined benefit obligation at December 31	**$ 34,428**	**33,851**

(c) Movements of defined benefit plan assets

	2025	2024
Fair value of plan assets at January 1	$ 26,085	23,681
Interest income	452	384
Remeasurements of the net defined benefit liabilities (assets)		
—Return on plan assets (excluding current interest)	1,773	2,020
Fair value of plan assets at December 31	**$ 28,310**	**26,085**

(d) Effect of the asset ceiling

There was no effect on the asset ceiling for the years of 2025 and 2024.

(e) Expenses recognized in profit or loss

	2025	2024
Net interest on the net defined benefit liability (assets)	**$ 136**	**170**

(Continued)

(f) Actuarial assumptions

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

	December 31, 2025	December 31, 2024
Discount rate	1.625%	1.750%
Future salary increase rate	3.000%	3.000%

The weighted-average duration of the defined benefit obligation is 9.27 years.

(g) 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, 2025		
Discount rate	$ (370)	380
Future salary increase rate	364	(356)
December 31, 2024		
Discount rate	$ (393)	404
Future salary increase rate	389	(380)

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

There were no changes in the method and assumptions used in calculating the sensitivity analysis for 2025 and 2024.

B. Defined contribution plans

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

The pension costs of the Company under the defined contribution plans were $7,326 and $6,969 for the years ended December 31, 2025 and 2024, respectively. Payment was made to the Bureau of Labor Insurance.

(Continued)

(9) Income tax

A. Income tax expense

	2025	2024
Current tax expense		
Current period	$ 27,635	32,667
Adjustment for prior periods	860	935
	28,495	33,602
Deferred tax expense (benefit)		
Origination and reversal of temporary differences	340	(33)
Income tax expense	**$ 28,835**	**33,569**

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

	2025	2024
Exchange differences on translation of foreign financial statements	**$ (5,473)**	**26,429**

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

	2025	2024
Profit (loss) before income taxes	$ 662,971	603,221
Income tax using the Company's domestic tax rate	132,594	120,644
Investment (gain) loss of domestic subsidiaries and associates recognized using the equity method	(130,584)	(118,703)
Surtax on undistributed earnings	26,093	29,935
Prior-year adjustments	860	935
Adjustments of permanent differences and others	(128)	758
	$ 28,835	**33,569**

B. Deferred tax assets and liabilities

	2025			
Deffered tax assets	**January 1**	**Recognized in income statement**	**Recognized in other comprehensive income**	**December 31**
Defined tax liabilites	**$ 844**	**28**	**-**	**872**
Defined tax liabilities				
Gain on valuation of financial assets	**$ -**	**(368)**	**-**	**(368)**

(Continued)

		2024		
Deffered tax assets	**January 1**	**Recognized in income statement**	**Recognized in other comprehensive income**	**December 31**
Net defined benefit liabilites	$ **811**	**33**	**-**	**844**

C. Combined corporate income tax returns

The following is the reconciliation from the Company's current income tax expense, deferred income tax expense (benefit), deferred income tax assets, net, and payables to related parties under IAS 12 "Income Taxes" to the combined corporate tax returns. The related balances were computed for filing the final corporate income tax returns, with the Company being the taxpayer:

	2025				
	Current income tax expenses (benefit)	**Deferred income tax expenses (benefit)**	**Deferred income tax assets, net**	**Other receivables (payables) －related parties**	**Income tax payable (Income tax refund receivable)**
Amounts computed under IAS 12	$ 28,626	340	504	-	22,120
Adjustments	(131)	-	-	(26,147)	(26,278)
Amounts computed for filing the combined corporate income tax returns	$ **28,495**	**340**	**504**	**(26,147)**	**(4,158)**

The estimated taxable income of the Company for the year 2025, due to the consolidated tax filing with other companies, will utilize the losses of other companies under the consolidated tax system for the year 2025 and the investment credits from previous years. The tax refund receivable generated from other affiliated companies amounting to $4,158 would be filed by the Company for refund. Therefore, the other amounting to $26,147 was recognized in other payables – related parties.

	2024				
	Current income tax expenses (benefit)	**Deferred income tax expenses (benefit)**	**Deferred income tax assets, net**	**Other receivables (payable) －related parties**	**Income tax payable (Income tax refund receivable)**
Amounts computed under IAS 12	$ 33,602	(33)	844	-	(26,304)
Adjustments	-	-	-	33,539	33,539
Amounts computed for filing the combined corporate income tax returns	$ **33,602**	**(33)**	**844**	**33,539**	**7,235**

(Continued)

The estimated taxable income of the Company for the year 2024, due to the consolidated tax filing with other companies, will utilize the losses of other companies under the consolidated tax system for the year 2024 and the investment credits from previous years. The tax payable generated from other affiliated companies amounting to $33,539 would be paid by the Company. Therefore, the other amounting to $33,539 was recognized in other receivables – related parties. The amount recoreded as other receivables from related parties and other payables to related parties are 45,759 and 12,220, respectively.

D. Examination and approval

The income tax returns of the Company had been examined and assessed by the tax authority through 2021.

(10) Capital and other equity

A. Common stock

On August 16, 2010, the Company was set up through Zyxel's share swap, and the total share capital was $5,170,483. As of December 31, 2025 and 2024, the Company's authorized common stock amounted to $7,000,000 with par value of $10 TWD per share, of which $520,000 was for use as employee stock options, convertible preferred stock, or convertible corporate bonds. The issued common stock amounted to $4,154,450 and $4,113,420 as of December 31, 2025 and 2024, respectively.

As of December 31, 2024, the Company issued 2,028 thousand new common shares for the exercised employee stock options, with a par value of $10 per share. The total amount of $1,755 was recognized as advance receipts for share capital. The related registration procedures had not yet been completed as of the end of the year.

B. Capital surplus

	December 31, 2025	December 31, 2024
Additional paid-in capital	$ 3,505,342	3,468,598
Treasury stock transactions	87,443	85,253
Employee restricted stock awards	50,800	-
Employee stock options	48,383	63,878
Others	23,304	23,063
	$ 3,715,272	**3,640,792**

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

(Continued)

(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, 2025 and 2024, 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.

C. Retained earnings and dividends policy

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

(Continued)

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.

Distribution of earnings of the Company were as follows:

		2024	2023
Date of Board of Directors		March 3, 2025	March 4, 2024
Date of shareholders' meeting		June 17, 2025	June 18, 2024
Provision for legal reserve	**$**	**59,288**	**133,656**
Reversal of special reserve	**$**	**(94,059)**	**(10,028)**
Cash dividends	**$**	**123,455**	**614,234**
Cash dividends per share (TWD)	**$**	**0.30**	**1.50**

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

On March 9, 2026, the earnings distribution proposal for the year of 2025 was approved by the Board of Directors of the Company. The plan to distribute the 2025 earnings will need to be approved in the shareholders' meeting of Zyxel Group. The information will be available on the Market Observation Post System website.

D. Treasury stock

As of December 31, 2025 and 2024, the Company' s shares held by Zychamp were 7,317 thousand shares, and original costs were $96,550; the market values were $234,157 and $290,501, respectively.

E. Other equity

(a) Exchange differences on translation of foreign financial statements

		2025	2024
Balance at January 1	$	(327,451)	(433,168)
Foreign exchange differences (net of tax) of subsidiaries		(21,891)	105,717
Balance at December 31	**$**	**(349,342)**	**(327,451)**

(Continued)

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

	2025	2024
Balance at January 1	$ (58,719)	(47,061)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income of company (net of tax)	(4,549)	(10,905)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income of subsidiaries (net of tax)	17,587	(753)
Balance at December 31	**$ (45,681)**	**(58,719)**

(c) Unearned stock-based employee compensation

	2025
Balance at January 1	$ -
Issuance of shares	(70,800)
Share-based payment expenses recognized	366
Share-based payment expense of subsidiaries	3,715
Balance at December 31	**$ (66,719)**

(11) Share-based payment

A. Employee restricted stock awards

The Company’s employee restricted stock awards plan is summarized as follows:

Type	Date of shareholders’ meeting	Date of Board of Directors	Number of shares granted (thousand shares)	Grant-date fair value (NT$)
Employee restricted stock awards in 2025	2025.06.17	2025.11.12	2,000	35.40

Employees who are granted the aforementioned restricted stock awards will have the actual number of vested shares determined based on the achievement of specified performance indicators. The restricted stock is kept by a trust, which is appointed by the Company, before it is vested. These shares shall not be sold, pledged, transferred, gifted, or otherwise, disposed of ,during the custody period. The voting rights attached to these shares shall be exercised by the custodian in accordance with the applicable laws and regulations. If an employee fails to meet the vesting conditions, all unvested shares will be forfeited and cancelled by the Company without compensation.

(Continued)

The Company granted 177 thousand shares of restricted stock to its employees, and recognized NT$366 thousand of related compensation cost for the year 2025 . In addition, the Company granted 1,823 thousand shares of restricted stock awards to the employees of its subsidiaries, and the subsidiaries recognized NT$3,715 thousand of related compensation cost for the year 2025.

Information related to restricted stock issued by the Company is summarized below:

(thousand shares)

	2025
Balance at January 1	-
Granted	177
Balance at December 31	**177**

B. Employee stock options

(a) The Company

The Company registered and issued 15,000 thousand units of employee stock options in August 2020. Each unit can be exercised to purchase one share of the Company. The duration of both plans is 5 years, and the Company estimated fair value of the options at the date of grant using the Black-Scholes option pricing model. The Company granted its employees 1,696 thousand units of employee stock options. Furthermore, the Company granted the employees of its subsidiaries 13,304 thousand units of employee stock options.

As of December 31, 2025, 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	23.5

Weighted-average assumptions were as follows:

Type	**Fair value on granted date (TWD)**	**Expected dividend yield (%)**	**Expected volatility (%)**	**Risk-free interest rate (%)**	**Expected life (years)**
Employee stock options in 2020	5.4	3.08	40.2560~46.0590	0.1899~0.2381	2~3

(Continued)

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

Employee stock options in 2020

	2025			2024		
Employee stock options	**Options (in thousands)**	**Weighted-average exercise price (TWD)**	**Weighted-average residual period (years)**	**Options (in thousands)**	**Weighted-average exercise price (TWD)**	**Weighted-average residual period (years)**
Outstanding at beginning of year	2,600	$ 23.8		4,634	$ 24.7	
Granted	-	-		-	-	
Exercised	(1,928)	23.7		(2,028)	24.4	
Forfeited	(672)	-		(6)	-	
Outstanding at end of year	-	-	-	2,600	23.8	0.73
Exercisable at end of year	-			2,600		

The employee stock options issued have all expired in September 2025.

(b) ZNet

As approved by the Board of Directors in November, 2020 and 2019, ZNet issued 7,000 thousand and 6,000 thousand units of employee stock options, respectively. Each unit can be exercised to purchase one share of ZNet. The duration of both plans is 5 years. The Company estimated fair value of the options at granted date by using Black-Scholes option pricing model. ZNet granted the Company's employees 805 thousand and 281 thousand units of employee stock options.

As of December 31, 2025, the information related to the employee stock options was as follows:

Type	**Grant date**	**Issued units (in thousands)**	**Grant period**	**Exercise price per share (TWD)**	**Adjusted exercise price per share (TWD)**
Employee stock options in 2020	Nov. 10, 2020	7,000	Service periods 2 years	14.0	10.0
Employee stock options in 2019	Nov. 8, 2019	5,618	Service periods 2 years	14.0	10.4

Weighted-average assumptions were as follows:

Type	**Fair value on granted date (TWD)**	**Expected dividend yield (%)**	**Expected volatility (%)**	**Risk-free interest rate (%)**	**Expected life (years)**
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 employee stock options of ZNet granted to the Company's employees was as follows:

I. Employee stock options in 2020

Employee stock options	2025 Options (in thousands)	2025 Weighted average exercise price (TWD)	2025 Weighted-average residual period (years)	2024 Options (in thousands)	2024 Weighted average exercise price (TWD)	2024 Weighted-average residual period (years)
Outstanding at beginning of year	279	$ 10.4		329	$ 11.6	
Granted	-	-		-	-	
Exercised	(125)	10.2		(50)	11.6	
Employee transferred in	-	-		-	-	
Forfeited	(154)	-		-	-	
Outstanding at end of year	-	-	-	279	10.4	0.86
Exercisable at end of year	-			279		

The employee stock options issued have all expired in November 2025.

II. Employee stock options in 2019

Employee stock options	2024 Options (in thousands)	2024 Weighted average exercise price (TWD)	2024 Weighted-average residual period (years)
Outstanding at beginning of year	274	$ 11.6	
Granted	-	-	
Exercised	(137)	10.9	
Employee transferred out	(83)	-	
Forfeited	(54)	-	
Outstanding at end of year	-	-	-
Exercisable at end of year	-		

The employee stock options issued have all expired in November 2024.

(12) Earnings per share

Basic earnings per share

	2025	2024
Net income (loss) attributable to ordinary shareholders of the Company	$ 634,136	569,652
Weighted-average number of shares outstanding during the year (in thousands of shares)	405,347	403,620
Basic earnings per share (TWD)	$ 1.56	1.41

(Continued)

Diluted earnings per share

	2025	2024
Net income (loss) attributable to ordinary shareholders of the Company	$ **634,136**	**569,652**
Weighted-average number of shares outstanding during the year (in thousands of shares)	405,347	403,620
Effect of potential dilutive ordinary shares (in thousands of shares)	425	1,450
	405,772	**405,070**
Diluted earnings per share (TWD)	$ **1.56**	**1.41**

(13) Revenue from contracts with customers

The details of revenue were as follows:

	2025	2024
Primary geographical markets:		
Taiwan	$ **228,990**	**231,869**
Major products lines:		
Service	$ **228,990**	**231,869**

(14) Employee compensation and directors' remuneration

On June 17, 2025, the Company resolved at its shareholders' meeting to amend its Articles of Incorporation. Under the revised articles, if the Company incurs profit for the year, the profit should first be used to offset against any accumulated deficits. Thereafter, a minimum of 0.02% of the profit before tax (in form of stock or cash) shall be appropriated as employee remuneration (of which, a minimum of 50% shall be reserved specifically for frontline employees); recipients may include employees of the Company's subsidiaries who meet certain requirements. Moreover, a maximum of 2% of the remaining profit shall be appropriated as directors' remuneration.
On March 9, 2026, and March 3, 2025, Zyxel Group approved the following resolutions at its meetings of the Board of Directors:

	2025	2024
Employee compensation	$ **135**	**62**
Directors' remuneration	$ **9,125**	**7,843**

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

The aforementioned amounts of the remunerations to employees and directors charged against are the same as those of the 2024 financial report.

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

(15) Financial instruments

A. Credit risk

(a) Credit risk exposures

As of December 31, 2025 and 2024, the Company's maximum exposure to credit risk was mainly from the carrying amount of financial assets amounting to $3,890,516 and $3,403,632, respectively.

(b) Concentration of credit risk

The Company's potential credit risk is derived primarily from deposits with banks, cash equivalents, accounts receivable and other accounts receivable－related parties. As of December 31, 2025 and 2024, the Company maintained its cash and cash equivalents in three domestic financial institutions. Thus, credit risk is significantly concentrated. However, these financial institutions are creditworthy, and hence, the Company believes that there is no significant loss due to credit risk.

B. Liquidity risk

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

	Carrying amount	Cash flow of contract	Within 1 year	1-2 years	2-5 years	Over 5 years
December 31, 2025						
Non-derivative financial liabilities						
Payroll and bonus payable	$ 32,026	(32,026)	(32,026)	-	-	-
Compensation payable due to directors	9,125	(9,125)	(9,125)	-	-	-
Other payables－related parties	30,844	(30,844)	(30,844)	-	-	-
Bonds payable(including long-term liabilities, current portion)	1,899,521	(1,916,150)	(1,916,150)	-	-	-
Accrued expense (recognized in other current liabilities)	32,440	(32,440)	(32,440)	-	-	-
	$ 2,003,956	**(2,020,585)**	**(2,020,585)**	-	-	-

(Continued)

	Carrying amount	Cash flow of contract	Within 1 year	1-2 years	2-5 years	Over 5 years
December 31, 2024						
Non-derivative financial liabilities						
Payroll and bonus payable	$ 35,695	(35,695)	(35,695)	-	-	-
Compensation payable due to directors	7,843	(7,843)	(7,843)	-	-	-
Other payables－related parties	14,850	(14,850)	(14,850)	-	-	-
Bonds payable	1,898,699	(1,932,300)	(16,150)	(1,916,150)	-	-
Accrued expense (recognized in other current liabilities)	22,920	(22,920)	(22,920)	-	-	-
	$ 1,980,007	**(2,013,608)**	**(97,458)**	**(1,916,150)**	**-**	**-**

C. Interest rate analysis

The Company’s internal management was reported with the exposure to changes in interest rates of 0.25%, which is considered by management to be a reasonable change of interest rate.

If the interest rate had increased or decreased by 0.25%, the Company’s net income before income taxes would have increased or decreased by $124 and $88 for the years ended December 31, 2025 and 2024, respectively, with all other variable factors remaining constant. This is mainly due to floating interest rates of the Company’s cash and cash equivalents.

D. 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):

	2025		**2024**	
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%	**$ 913**	**37,809**	**1,013**	**-**
Decrease 10%	**$ (913)**	**(37,809)**	**(1,013)**	**-**

E. Fair value of financial instruments

(a) Categories of financial instruments and fair value

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

(Continued)

Disclosures of fair value are not required for the financial instruments mentioned above. Except for the above financial assets and financial liabilities at amortized cost, the carrying amount and fair value of other financial instruments of the Company as of December 31, 2025 and 2024 were as follows:

	December 31, 2025				
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss－current	$ 378,094	378,094	-	-	378,094
Financial assets at fair value through other comprehensive income－non-current	9,128	-	-	9,128	9,128
	$ 387,222	**378,094**	**-**	**9,128**	**387,222**

	December 31, 2024				
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income－non-current	**$ 10,133**	**-**	**-**	**10,133**	**10,133**

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

(i) The stocks and beneficiary certificates of listed and OTC companies held by the Company are financial assets with standard terms and conditions that are traded in active markets, and their fair values are determined with reference to quoted market prices.

(ii) 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, 2025 and 2024.

(d) Reconciliation of Level 3 fair values

	2025	2024
Financial assets at fair value through other comprehensive income		
Balance at January 1	$ 10,133	21,038
Addition for the period	3,544	-
Recognized in other comprehensive income	(4,549)	(10,905)
Balance at December 31	**$ 9,128**	**10,133**

(Continued)

(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 ratio (December 31, 2025 and 2024 were 1.86 and 2.22, respectively) • Discount for lack of marketability (December 31, 2025 and 2024 were 30%)	• The higher the price-equity ratio, the higher the fair value • The higher the discount for lack of marketability, the lower the fair value

(16) 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(15).

As of December 31, 2025, the Company has provided endorsements or guarantees to others. Please refer to table 2.

D. Liquidity risk

There is no liquidity risk of being unable to raise capital to settle contract obligations since the Company has sufficient capital and working capital to fulfill its contract obligations.

E. Market risk

The Company's service revenues and general administrative expenses are mainly denominated in TWD. As a result, the Company's assets and liabilities in foreign currency are not exposed to volatility of foreign currency exchange rates.

(a) Currency risk

TWD is the Company's functional currency, which is also used in the abovementioned transactions. Thus, there is no currency risk.

(b) Interest rate risk

The Company holds variable-rate financial assets and liabilities. Please refer to note 6(15) for interest rate risk.

(17) Capital management

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

(Continued)

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

	December 31, 2025	December 31, 2024
Total liabilities	$ 2,011,403	1,995,990
Total equity (adjusted capital)	$ 11,586,915	11,035,111
Debt-to-adjusted-capital ratio	17.36%	18.09%

As of December 31, 2025, the Company has not changed its capital management method.

7. Related-party transactions

(1) Names and relationship with related parties

The followings are subsidiaries and related parties that have had transactions with the Company during the periods covered in the parent-company-only financial statements:

Name of related party	Relationship with the Company
Zyxel	The Company's subsidiary
MitraStar	The Company's subsidiary
ZNet	The Company's subsidiary
Black Cat Incorporation (Black Cat)	The Company's subsidiary
ZyChamp Investment Co., Ltd. (Zychamp)	Zyxel's subsidiary
Zyxel Communications Inc. (ZyUSA)	Zyxel's subsidiary
Zyxel Communications A/S (ZyAS)	Zyxel's subsidiary
Zyxel Iletisim Teknolojileri A.S. (ZyTR)	Zyxel's subsidiary
Zyxel Communications Do Brasil Ltda. (ZyBR)	Zyxel's subsidiary
Zyxel India Communications Private Limited (ZCIN)(Note1)	Zyxel's subsidiary
XSquare Communications Corporation (XSquare)(Note2)	MitraStar's subsidiary
Bluebell Overseas Ltd. (Bluebell)	MitraStar's subsidiary
MitraStar (Vietnam) Technology Company Limited (Vietnam MSTC)(Note3)	MitraStar's subsidiary
Shanghai Monetics Telecommunications Corporation (Monetics)	MitraStar's subsidiary
Wuxi Genezys Technology Ltd. (Genezys)	MitraStar's subsidiary
Wuxi MitraStar Technology Co., Ltd. (Wuxi MSTC)	Bluebell's subsidiary
Zytpe Communications Corporation (ZyTPE)	ZNet's subsidiary

(Continued)

Name of related party	Relationship with the Company
Zyxel Technology India Pvt Ltd. (ZNet IN)	ZNet's subsidiary
Zyxel Communications (Shanghai) Co., Ltd. (ZNet SHA)	ZNet's subsidiary
Zyxel Networks A/S(ZNet AS)	ZNet's subsidiary
Zyxel (Thailand) Company Ltd. (ZNet TH)	ZNet's subsidiary
Tianjin Huagin Communications Equipment Co., Ltd. (Tianjin Huagin)	ZNet's subsidiary
Zyxel Korea Co., Ltd.(ZNet KR)	ZNet's subsidiary
Zyxel Deutschland GmbH (ZyDE)	ZyAS's subsidiary
Zyxel Communications UK Ltd. (ZyUK)	ZyAS's subsidiary
Zyxel Communications Czech s.r.o. (ZyCZ)	ZyAS's subsidiary
Zyxel Communications Italy S.r.l (ZyIT)	ZyAS's subsidiary
Zyxel Communications Iberia S.L (ZyES)	ZyAS's subsidiary
Zyxel R&D CenterGmbH (Gemini)	ZyAS's subsidiary
Zyxel Communications B.V. (ZNet BNL)	ZNet AS's subsidiary
Zyxel Communications RU LLC (ZNet RUS)	ZNet AS's subsidiary
Zyxel France (ZNet FR)	ZNet AS's subsidiary
ZYXEL Foundation	The chairman is the same as the Company's
ZyFX Technologies Inc. (ZyFX)	ZYXEL Foundation's subsidiary

Note 1: Based on its operational strategy, the Company established a wholly-owned subsidiary, ZCIN, in March 2025.

Note 2: Xsquare was in the process of liquidation in the second quarter of 2025.

Note 3: Based on its operational strategy, the Company established a wholly-owned subsidiary, MitraStar Technology (Vietnam) Co. Ltd. in January 2024. However, due to the change in the investment location, Zyxel Group liquidated MitraStar Technology (Vietnam) Co. Ltd. in the third quarter of 2025, and established a new wholly-owned subsidiary, Vietnam MSTC, in December 2024.

(Continued)

(2) Significant related-party transactions

A. Operating revenues

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

Account Name	Related Party Category	2025	2024
Service Revenue	Subsidiary－Zyxel	$ 104,768	104,148
	Subsidiary－ZNet	59,481	60,347
	Subsidiary－MitraStar	57,271	59,928
	Other related parties	6,808	6,778
	Subsidiary	662	668
		$ 228,990	**231,869**

B. Receivables from related parties

Account Name	Related Party Category	December 31, 2025	December 31, 2024
Accounts receivable	Subsidiary－Zyxel	$ 28,716	29,649
	Subsidiary－ZNet	15,378	15,806
	Subsidiary－MitraStar	13,123	15,028
	Other related parties	1,733	1,732
	Subsidiary	158	157
		$ 59,108	**62,372**
Other receivable－related parties	Subsidiary－Mitrastar	$ 219	1,340
	Subsidiary－Zyxel	64	399
	Subsidiary－ZNet	57	353
	Subsidiary	2	31
	Other related parties	16	103
		$ 358	**2,226**

C. Payables to related parties

Account Name	Related Party Category	December 31, 2025	December 31, 2024
Other payables－related parties	Subsidiary－Zyxel	$ 4,221	2,198
	Subsidiary－Black Cat	420	420
	Subsidiary	56	12
		$ 4,697	**2,630**

(Continued)

D. Loans to related parties

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

Related Party Category	2025 Ending Balance	2024 Ending Balance
Subsidiary－Zyxel	$ 1,800,000	1,600,000
Subsidiary－MitraStar	1,800,000	1,500,000
	$ 3,600,000	**3,100,000**

Interest revenue generated by loans to related parties amounted to $49,541 and $21,238 in 2025 and 2024, respectively. As of December 31, 2025 and 2024, the receivable amounts of interest revenue amounted to $5,656 and $$3,949, respectively, and was recognized in other financial assets－current.

E. Others

Account Name	Related Party Category	2025	2024
Operating expense	Subsidiary	**$ 11,259**	**9,900**

The related parties distributed cash dividends amounting to $958,845 and $1,191,466 to the Company for the years ended December 31, 2025 and 2024, respectively. As of December 31, 2025 and 2024, the aforementioned dividends had been received.

F. Tax combination

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

Account Name	Related Party Category	December 31, 2025	December 31, 2024
Other receivables－related parties	Subsidiary－MitraStar	**$ -**	**45,759**
Other payables－related parties	Subsidiary－Zyxel	$ 19,324	12,220
	Subsidiary－Mitrastar	6,823	-
		$ 26,147	**12,220**

(Continued)

(3) Transactions with key management personnel

Key management personnel compensation comprised:

		2025	2024
Short-term employee benefits	$	26,754	34,197
Post-employment benefits		380	351
Share-based payment compensation		78	-
	$	27,212	34,548

Please refer to note 6(11) for further explanations related to share-based payment transactions.

8. Pledged assets: None.

9. Commitments and contingencies

Significant commitments

The total amount of promissory notes deposited in the bank by the company due to obtaining bank financing is as follows:

		December 31, 2025	December 31, 2024
	$	100,000	100,000

10. Losses due to major disasters: None.

11. Subsequent events: None.

12. Other

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

By function / By item	2025 Classified as operating expenses	2024 Classified as operating expenses
Employee benefits		
Salaries	176,884	164,127
Labor and health insurance	15,073	14,435
Pension	7,462	7,139
Remuneration of directors	12,703	10,955
Others	7,749	7,785
Depreciation	1,007	1,349
Amortization	7,931	7,205

(Continued)

The following provides information of the number of employees and employee benefits in 2025 and 2024, respectively:

	2025	2024
Number of employees	144	140
Number of directors who were not employees	6	6
Average employee benefit costs	$ 1,501	1,444
Average employee salary expenses	$ 1,282	1,225
Adjustment of average employee salary expenses	4.7%	
Remuneration of supervisors (note)	$ -	-

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

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

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

The remuneration policy for employees shall be determined based on the assessment of the Company’s business performance, contribution and future need of development strategy, as well as the level of remuneration for the same position prevailing in the same industry and the range of payment applicable to the authority of the same position in the Company. The remuneration is adjusted annually according to the business conditions, and the bonus is determined in accordance with the individual performance and growth ability.

The remuneration policy for the president shall be determined in accordance with the assessment of the Company’s business performance, contribution, team's stability, future development, and social responsibility, as well as the level of remuneration for the same position prevailing in the same industry and the range of payment applicable to the authority of the same position in the Company. The remuneration is also reviewed by Remuneration Committee, thereafter, submitted to the Board of Directors for discussion based on the reasonable practice according to business conditions.

13. Other disclosures

(a) Information on significant transactions:

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

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

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

(iii) Material securities held as of December 31, 2025 (excluding investment in subsidiaries, associates and joint ventures): None.

(iv) 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 3.

(v) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock: Please refer to Table 4.

(b) Information on investees (excluding information on investees in Mainland China): Please refer to Table 5.

(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 6.

(ii) Limitation on investment in Mainland China: Please refer to Table 6.

(iii) Significant transactions: None.

14. Segment information

Please refer to consolidated financial statements for the year ended December 31, 2025.

Zyxel Group Corporation and Subsidiaries
Loans to other parties
For the year ended December 31, 2025

Table 1 (In Thousands of New Taiwan Dollars)

Number (Note 1)	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance (Note 4)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 2)	Transaction amount for business between two parties	Reasons for short-term financing	Loss allowance	Collateral		Individual funding loan limits (Note 3)	Maximum limit of fund financing (Note 3)	Note
													Item	Value			
0	Zyxel Group	MitraStar	Other receivables－related parties	Yes	1,800,000	1,800,000	1,800,000	1.85%	2	-	Operating Capital	-	-	-	2,317,383	4,634,766	Note 6
0	Zyxel Group	Zyxel	"	Yes	1,800,000	1,800,000	1,800,000	1.85%	2	-	Operating Capital	-	-	-	2,317,383	4,634,766	Note 6
						3,600,000	3,600,000										
1	Zyxel	ZyBR	"	Yes	469,989	321,284	321,284	-	2	-	Operating Capital	-	-	-	744,558	1,489,116	Note 6
1	Zyxel	ZNet IN	"	Yes	16,360	15,486	15,486	-	2	-	Operating Capital	-	-	-	744,558	1,489,116	Note 6
						336,770	336,770										
2	ZNet	ZNet IN	"	Yes	42,672	42,672	42,672	-	2	-	Operating Capital	-	-	-	451,516	903,031	Notes 5 and 6
3	MitraStar	XSquare	"	Yes	14,100	-	-	-	2	-	Operating Capital	-	-	-	776,494	1,552,988	Note 6

Note 1: The numbers denote the following:

0 represents Zyxel Group

1 represents Zyxel

2 represents ZNet

3 represents MitraStar

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 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 20% of the lender's net worth, which is based on its latest audited or reviewed 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 $296,821.

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

Zyxel Group Corporation and Subsidiaries
Guarantees and endorsements for other parties
For the year ended December 31, 2025

Table 2 (In Thousands of New Taiwan Dollars)

Number (Note 1)	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	Zyxel Group	Zyxel	2	5,793,458	664,100	**628,600**	**628,600**	-	5.43%	5,793,458	Y	N	N
1	Zyxel	ZyUK	2	5,793,458	430,500	423,300	423,300	-	3.65%	5,793,458	N	N	N
1	Zyxel	ZyBR	2	5,793,458	9,427	-	-	-	-	5,793,458	N	N	N
						423,300	**423,300**						
2	ZyAS	ZyUK	2	5,793,458	43,911	43,177	43,177	-	0.37%	5,793,458	N	N	N
2	ZyAS	ZyIT	2	5,793,458	61,724	25,672	25,672	-	0.22%	5,793,458	N	N	N
						68,849	**68,849**						

Note 1: The numbers denote the following:

0 represents Zyxel Group

1 represents Zyxel

2 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 Zyxel Group's net worth. The total amount of guarantees and endorsements provided by each guarantor and Company's subsidiary shall not exceed 50% of Zyxel Group'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 Zyxel Group's net worth. If the total amount of guarantees and endorsements provided by each guarantee and Company's subsidiary exceed 50% of Zyxel Group'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.

Zyxel Group 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, 2025

Table 3 (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	5,459,446	45%	150 days after delivery	Note 1		2,031,689	40 %	
Zyxel	ZyUSA	Subsidiary to subsidiary	Sales	637,249	5%	135 days after delivery	Note 1		573,146	11 %	
Zyxel	ZyTR	Subsidiary to subsidiary	Sales	514,139	4%	165 days after delivery	Note 1		202,963	4 %	
Zyxel	ZyIT	Subsidiary to subsidiary	Sales	429,115	4%	180 days after delivery	Note1		282,938	6 %	
Zyxel	ZyES	Subsidiary to subsidiary	Sales	100,651	1%	180 days after delivery	Note 1		85,930	2 %	
Zyxel	ZyFX	Subsidiary to other related parties	Purchase	344,556	3%	90 days after receipt	Note 2		21,801	1 %	
ZNet	ZNet AS	Subsidiary to subsidiary	Sales	1,994,776	66%	150 days after delivery	Note 1		1,001,536	74 %	
ZNet	ZyTPE	Subsidiary to subsidiary	Sales	388,795	13%	60~90 days after delivery	Note 1		53,611	4 %	
ZNet	ZyUSA	Subsidiary to subsidiary	Sales	165,284	5%	135 days after delivery	Note 1		112,440	8 %	
MitraStar	Zyxel	Subsidiary to subsidiary	Sales	9,807,397	56%	90 days after delivery	Note 1		2,290,088	45 %	
MitraStar	ZNet	Subsidiary to subsidiary	Sales	644,016	4%	90 days after delivery	Note 1		155,932	3 %	
MitraStar	Monetics	Subsidiary to subsidiary	Sales	335,861	2%	45~90 days after delivery	Note 1		-	-	

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase /Sale	Amount	Percentage of total purchases / sales	Payment terms	Unit price	Payment terms	Ending balance (Note 3)	Percentage of total notes / accounts receivable (payable)	
MitraStar	Wuxi MSTC	Subsidiary to subsidiary	Processing and purchase	5,908,320	36%	90 days after receipt	Note 2		2,640,552	61 %	
MitraStar	Zyxel	Subsidiary to subsidiary	Processing and purchase	211,709	1%	90 days after receipt	Note 2		55,689	1 %	
ZyAS	ZyDE	Subsidiary to subsidiary	Sales	1,082,976	18%	30~90 days after delivery	Note 1		298,797	27 %	
ZyAS	ZyUK	Subsidiary to subsidiary	Sales	951,203	16%	30~120 days after delivery	Note 1		182,790	16 %	
ZyAS	ZyCZ	Subsidiary to subsidiary	Sales	567,255	9%	120~180 days after delivery	Note 1		220,100	20 %	
ZyAS	ZyTR	Subsidiary to subsidiary	Sales	116,635	2%	130 days after delivery	Note 1		24,328	2 %	

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 60~180 days after delivery; however, the collection of payment is currently depended on the capital status of the subsidiaries. The selling prices of MitraStar to its related parties are determined based on the market price, with the payment term of 45~90 days after delivery and advance payment made by customers; 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 30~180 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 financial statements.

Zyxel Group 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, 2025

Table 4 (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			
Zyxel Group	Zyxel	Parent company to subsidiary	1,831,609	Note 3	-	-	2,828	-	
Zyxel Group	MitraStar	Parent company to subsidiary	1,816,170	Note 3	-	-	2,828	-	
Zyxel	ZyAS	Subsidiary to subsidiary	2,041,208	3	-	-	680,361	-	
Zyxel	ZyUSA	Subsidiary to subsidiary	574,624	1	41,653	Enhanced Collecting	74,118	-	
Zyxel	ZyBR	Subsidiary to subsidiary	372,083	-	353,946	Enhanced Collecting	31,430	-	
Zyxel	ZyIT	Subsidiary to subsidiary	285,231	2	57,044	Enhanced Collecting	35,026	-	
Zyxel	ZyTR	Subsidiary to subsidiary	202,963	2	162,833	Enhanced Collecting	275	-	
ZNet	ZNet AS	Subsidiary to subsidiary	1,011,549	2	199,855	Enhanced Collecting	351,469	-	
ZNet	ZyUSA	Subsidiary to subsidiary	112,440	1	67,949	Enhanced Collecting	27,016	-	
MitraStar	Zyxel	Subsidiary to subsidiary	2,290,088	4	-	-	815,332	-	
MitraStar	ZNet	Subsidiary to subsidiary	155,932	5	-	-	89,720	-	
ZyAS	ZyCZ	Subsidiary to subsidiary	220,100	3	-	-	91,265	-	
ZyAS	ZyUK	Subsidiary to subsidiary	182,790	7	378	Enhanced Collecting	140,116	-	
ZyAS	ZyDE	Subsidiary to subsidiary	298,797	5	132,165	Enhanced Collecting	-	-	
Wuxi MSTC	MitraStar	Subsidiary to subsidiary	2,640,552	2	-	-	774,621	-	

Note 1: Information as of February 20, 2026.

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 financial statements.

Zyxel Group Corporation and Subsidiaries
Information on investees (excluding information on investees in Mainland China)
For the year ended December 31, 2025

Table 5 (In Thousands of New Taiwan Dollars/Foreign Currency; In Thousands of Shares)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2025			Net income (losses) of investee	Share of profits/ losses of investee	Note
				December 31, 2025	December 31, 2024	Shares	Percentage of ownership (%)	Carrying value			
Zyxel Group	MitraStar	Taiwan	Development, manufacturing and sales of communications and networking products	3,337,920	3,337,920	316,800	100.00	3,801,935	127,778	137,475	Subsidiary, notes 1 and 5
Zyxel Group	Zyxel	Taiwan	Development, manufacturing and sales of communications and networking products	3,431,516	3,431,516	72,450	100.00	3,479,635	367,005	372,864	Subsidiary, notes 1 and 5
Zyxel Group	ZNet	Taiwan	Development and sales of communications and networking products	1,710,098	1,710,098	108,888	89.54	1,984,251	163,043	142,825	Subsidiary, notes 1 and 5
Zyxel Group	Black Cat	Taiwan	Development and sales of information security products, and consultant management services	10,000	10,000	2,200	66.67	17,374	(366)	(244)	Subsidiary, notes 1 and 5
								9,283,195		**652,920**	

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount December 31, 2025	Original investment amount December 31, 2024	Balance as of December 31, 2025 Shares	Balance as of December 31, 2025 Percentage of ownership (%)	Balance as of December 31, 2025 Carrying value	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	100.00	662,574	84,230	Note 2	Subsidiary and note 5
Zyxel	ZyTR	Turkey	Sales and marketing	653,472 (USD 20,977)	653,472 (USD 20,977)	333,577	100.00	381,123	71,678	Note 2	Subsidiary and note 5
Zyxel	ZCIN	India	Sales and marketing	318,360 (USD 10,432)	-	91,200	100.00	311,764	(6,123)	Note 2	Subsidiary and note 5
Zyxel	Zychamp	Taiwan	Investment activities	540,000	540,000	8,902	100.00	267,258	4,802	Note 2	Subsidiary and note 5
Zyxel	ZyUSA	U.S.A	Sales and marketing	271,810 (USD 9,506)	271,810 (USD 9,506)	9,807	100.00	166,978	90,121	Note 2	Subsidiary and note 5
Zyxel	LiFEMOTE BiLiSiM VE TiCARET ANONiM SiRKETi	Turkey	Development and sales of network digital control software	240,937 (USD 7,500)	192,750 (USD 6,000)	16	25.00	145,032	7,374	Note 2	Associate
Zyxel	ZyBR	Brazil	Sales and marketing	671,673 (USD 22,640)	671,673 (USD 22,640)	106,877	100.00	23,582	(23,247)	Note 2	Subsidiary and note 5
Zyxel	ShareTech	Taiwan	Development, manufacturing and sales of communications and networking products	14,188	10,950	1,311	36.50	19,479	8,159	Note 2	Associate
Zyxel	Ardomus	Taiwan	Development and sales of network digital control products	68,411	68,411	1,710	19.00	2,163	492	Note 2	Associate
								1,979,953			

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount December 31, 2025	Original investment amount December 31, 2024	Balance as of December 31, 2025 Shares	Balance as of December 31, 2025 Percentage of ownership (%)	Balance as of December 31, 2025 Carrying value	Net income (losses) of investee	Share of profits/ losses of investee	Note
ZyAS	ZyUK	United Kingdom	Sales and marketing	319,542 (EUR 6,450)	319,542 (EUR 6,450)	5,375	100.00	77,843	5,439	Note 2	Subsidiary and note 5
ZyAS	ZyIT	Italy	Sales and marketing	78,335 (EUR 2,336)	78,335 (EUR 2,336)	10	100.00	58,459	12,137	Note 2	Subsidiary and note 5
ZyAS	ZyDE	Germany	Sales and marketing	67,461 (EUR 1,525)	67,461 (EUR 1,525)	-	100.00	57,721	6,553	Note 2	Subsidiary and note 5
ZyAS	Gemini	Germany	Development of communications and networking products	31,565 (EUR 977)	31,565 (EUR 977)	-	100.00	42,655	1,525	Note 2	Subsidiary and note 5
ZyAS	ZyCZ	Czech Republic	Sales and marketing	66,283 (EUR 1,543)	66,283 (EUR 1,543)	19,000	100.00	33,144	1,658	Note 2	Subsidiary and note 5
ZyAS	ZyES	Spain	Sales and marketing	2,165 (EUR 53)	2,165 (EUR 53)	3	100.00	8,712	1,019	Note 2	Subsidiary and note 5
								278,534			
MitraStar	Bluebell	British Virgin Islands	Investment activities	1,519,277 (USD 45,150)	1,519,277 (USD 45,150)	32,856	100.00	2,839,444	195,406	Note 2	Subsidiary and note 5
MitraStar	Vietnam MSTC	Vietnam	Manufacturing and sales of communications and networking products	442,177 (USD 13,600)	-	-	100.00	423,114	4,616	Note 2	Subsidiary and note 5
MitraStar	XSquare	Taiwan	Development and sales of communications and networking products	127,163	127,163	12,853	95.21	605	(14,310)	Note 2	Subsidiary, and note 5
								3,263,163			

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2025			Net income (losses) of investee	Share of profits/ losses of investee	Note
				December 31, 2025	December 31, 2024	Shares	Percentage of ownership (%)	Carrying value			
ZNet	ZNet AS	Denmark	Sales and marketing	415,320 (EUR 12,000)	415,320 (EUR 12,000)	20,712	100.00	218,344	25,117	Note 2	Subsidiary and note 5
ZNet	ZyTPE	Taiwan	Sales and marketing	Note 3	Note 3	6,000	100.00	98,209	30,757	Note 2	Subsidiary and note 5
ZNet	ZNet TH	Thailand	Sales and marketing	74,969 (USD 2,389)	74,969 (USD 2,389)	8,000	100.00	66,231	14,363	Note 2	Subsidiary and note 5
ZNet	ZNet KR	South Korea	Sales and marketing	11,127 (USD 390)	11,127 (USD 390)	72	65.00	19,697	4,551	Note 2	Subsidiary and note 5
ZNet	ZNet IN	India	Sales and marketing	17,176 (USD 568)	17,176 (USD 568)	8,470	100.00	-	(3,456)	Note 2	Subsidiary, notes 4 and 5
								402,481			
ZNet AS	ZNet FR	France	Sales and marketing	122,449 (EUR 3,603)	122,449 (EUR 3,603)	10	100.00	84,311	2,644	Note 2	Subsidiary and note 5
ZNet AS	ZNet BNL	Netherlands	Sales and marketing	14,308 (EUR 150)	14,308 (EUR 150)	14	100.00	15,464	1,661	Note 2	Subsidiary and note 5
ZNet AS	ZNet RUS	Russia	Sales and marketing	28 (EUR 1)	28 (EUR 1)	-	100.00	3,244	405	Note 2	Subsidiary and note 5
								103,019			

Note 1: The share of the investee company's profits or loss comprises the share of subsidiary's profits or 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: This period's recognized investment gains and losses include the recognition of a loss of $3,456 from ZNet IN and the elimination of unrealized sales gross profit between affiliated companies. The ending balance is the amount after reversing and recognizing the long-term investment credit balance of $296,821.

Note 5: The inter-company transactions and balances had been eliminated in the financial statements.

Zyxel Group Corporation and Subsidiaries
Information on investment in Mainland China
For the year ended December 31, 2025

Table 6 (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, 2025	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2025	Net income (losses) of investee	Direct/indirect shareholding (%) by the Company	Share of profits/losses of investee (Note 6)	Carrying amount as of December 31, 2025	Accumulated repatriation of investment income
					Out-flow	Inflow						
ZNet SHA	Sales of communications, networking products and technical consulting service	266,259	Note 1	266,259	-	-	266,259	28,320	ZNet directly holds 100.00%	28,388 (Note 7)	29,877	-
Tianjin Huagin	Sales of communications, networking products and technical consulting service	44,375	Note 1	42,156	-	-	42,156	537	ZNet directly holds 95.00%	510	2,002	-
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	195,761	MitraStar indirectly holds 100.00%	195,761	2,898,748	-
Genezys	Development of communications and networking products	209,806	Note 3	209,806	-	-	209,806	26,950	MitraStar directly holds 100.00%	26,950	292,386	-
Monetics	Sales of communications, networking products and network technology transfer service	360,658	Notes 3 and 4	282,403	-	-	282,403	(1,536)	MitraStar directly holds 100.00%	(1,536)	261,157	-
Beijing HuaqinWorld	Sales of communications, networking products and network technology transfer and consulting service	236,860	Note 5	-	-	-	-	-	MitraStar indirectly holds 49.00%	-	-	-

(2) Limitation on investment in Mainland China

Company	Accumulated investment amount remitted from Taiwan to Mainland China as of December 31, 2025	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	1,362,116
MitraStar	1,506,162	1,584,417	2,329,500

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 share of the investee company’s profits or loss comprises the share of subsidiary’s profits or loss 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, 2025.

Zyxel Group Corporation

Statement of cash and cash equivalents

December 31, 2025

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Cash		$ 49,626
Cach equivalents time deposits	Period : December 4 , 2025~January 5, 2026	170,000
	Interest rate : 1.585%	
		$ 219,626

Statement of changes in property, plant and equipment

Please refer to note 6(5) for further information of Property, plant and equipment.

Statement of changes in intangible assets

Please refer to note 6(6) for further information of Intangible assets.

Zyxel Group Corporation

Statement of other current assets

December 31, 2025

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Refundable profit-seeking enterprise income tax	$ 4,158
Other prepaid expenses	1,568
	$ 5,726

Statement of other financial assets－current

Item	Amount
Interest receivable	$ 5,863
Receivable for disposal of financial assets at fair value through profit or loss	3,513
Dividends receivable	2,048
	$ 11,424

Zyxel Group Corporation

Statement of changes in investments accounted for using the equity method

For the year ended December 31, 2025

(Expressed in thousands of New Taiwan Dollars)

	Balance as of December 31, 2024									Balance as of December 31, 2025				
Name of investee	**Shares (thousand)**	**Carrying value**	**Shares of profits/ losses of investee**	**Cash dividends**	**Exchange differences on translation of foreign financial statements**	**Remeasurement of defined benefit plans of subsidiaries**	**Share-based payments**	**Unrealized gains(losses) from investments in equity instruments measured at fair value through other comprehensive income of subsidiaries**	**Other adjustment**	**Shares**	**Percentage of ownership%**	**Carrying value**	**Method of valuation**	**Pledged as collateral**
MitraStar	316,800	$ 4,388,691	137,475	(725,472)	(6,253)	5,945	1,549	-	-	316,800	100.00	3,801,935	Equity method	No
Zyxel	72,450	3,137,434	372,864	-	(56,515)	4,328	1,747	17,587	2,190 (note 1)	72,450	100.00	3,479,635	Equity method	No
ZNet	108,888	2,047,466	142,825	(233,373)	40,877	657	(4,668)	-	(9,533) (note 2)	108,888	89.54	1,984,251	Equity method	No
Black Cat	2,200	17,618	(244)	-	-	-	-	-	-	2,200	66.67	17,374	Equity method	No
		$ 9,591,209	652,920	(958,845)	(21,891)	10,930	(1,372)	17,587	(7,343)			9,283,195		

Note 1: The amount comprised the cash dividends amounting to $2,190 distributed from the Company.

Note 2: The amount represents the change arising fron the subsidiary not subscribing to the caapital increase in accordance with its proportionate ownership interest.

Zyxel Group Corporation

Statement of other current liabilities

December 31, 2025

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Software fees payabe	$ 9,125
Interest payable	6,593
Accrued service expenses	3,811
Business tax payable	3,449
Accrued employee insurance liabilities	2,152
Others (other liabilities with the amount less than 5% of other current liabilities)	8,271
	$ 33,401

Statement of general and administrative expenses

For the year ended December 31, 2025

Item	Amount
Payroll and bonus	$ 176,884
Service fees	21,166
Others (other expenses with the amount less than 5% of general and administrative expenses)	66,477
	$ 264,527