Unizyx

TSE Code - 3704

Unizyx Holding Corporation

Annual Report

2020

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http://www.unizyx.com.tw

I. Spokesperson and Deputy Spokesperson

Spokesperson: Woei Lo

Title: Senior Vice President

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Email: Woei.Lo@unizyx.com.tw

Deputy Spokesperson: Leslie Feng

Title: Assistant Vice President

Tel: (03) 578-8838 ext: 81860

Email: Leslie.Feng@unizyx.com.tw

II. Headquarters, Branch and Plant

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

Tel: (03) 578-8838

Branch: none

Plant: none

Brand: Zyxel Communications Corporation
11F., No. 223, Sec. 3, Beixin Rd., Xindian Dist., New Taipei City
Zyxel Communications Corporation Science Park Branch Office
No.2, Industry E. Rd. IX, Science Park, Hsin-chu, Taiwan

Channel: Zyxel Networks Corporation
11F., No. 225, Sec. 3, Beixin Rd., Xindian Dist., New Taipei City

OEM: MitraStar Technology Corporation
No. 6, Innovation Road II, Hsinchu Science Park, Hsin-chu, Taiwan

III. Stock Transfer Agent

Name: Share Transfer Agency Dept., Mega Securities Co., Ltd.

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

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

Tel: (02) 3393-0898

IV. Independent Auditors:

Auditors: Ah-Chih Cheng / Shing-Hai Wei

Firm Name: KPMG Taiwan

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

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

Tel: (03) 579-9955

V. Overseas Securities Exchange: none

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

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I. Letter to Shareholders

Dear Shareholders,

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

1. Business results in 2020:

The operating revenue in Unizyx’s 2020 consolidated statement of comprehensive income is NTD22.25 billion, the gross profit NTD5.78 billion, the gross margin 26.0%, operating expenses are NTD4.49 billion, net income is NTD831 million, and EPS NTD1.91.

(1) Outcome of performance:

Unit: NTD thousand

Item	2020	2019
Operating revenue	22,250,630	24,026,346
Gross profit	5,780,099	5,090,526
Operating income	1,292,694	175,810
Income (loss) before income taxes	1,175,888	(38,014)
Net income	831,001	101,978

(2) Analysis on profitability:

Item		2020	2019
Return on total assets %		4.84	0.81
Return on attributable to shareholders of the parent %		10.69	1.40
As a percentage of paid-in capital %	Operating Income	28.88	3.99
	Income (Loss) before income taxes	26.27	(0.86)
Net income %		3.73	0.42
Basic earnings per share/NTD		1.91	0.25

2. Business Outlook:

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

telecommunication, OEM, and channel business, respectively, and strive in the technologies and markets in the network industry.

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

Zyxel provides solutions instead of products to meet the needs of service providers, while MitraStar seeks more clients for one technology to expand quantity and scale. Zyxel and MitraStar expand their business respectively while supporting each other; collectively, they continue to contribute to the R&D of broadband access equipment, pursue the operational optimization and technological interoperability, increase the return of investment of technologies, and enhance the operating efficiency. In terms of product R&D, Zyxel uses the best effort to position in the areas of new generation high-performance fixed and mobile broadband technology and digital home multimedia, and provide service providers with products and solutions with high capacity and low-latency internet connectivity to subscribers.

For products and technologies, Zyxel develops 10G active fiber and passive fiber broadband access solutions aggressively in recent years while continuing to provide solutions for operators upgrading their existing copper infrastructure, such as VDSL 2 Vectoring, Bonding, and G.fast, to help operators overcome the "last-mile" challenge in terms of difficulties for fiber optic deployment, to provide fiber-like services to the residential users. As the fifth generation mobile communication technology (5G) is formally operated commercially, Zyxel has launched the complete 5G NR Fixed Wireless Access (FWA) product portfolio, including outdoor, indoor, portable products, which has been chosen by many Nordic service providers. Meanwhile, Zyxel utilizes its outstanding software R&D capability to launch the MPro Mesh® Solution. This solution supports WiFi 6 and EasyMesh standards. The latest WiFi 6 product portfolio is chosen by many leading operators in Europe and the U.S.

ZNet focuses on the development of networking solutions for business applications. To combine the popularity of cloud services, it provides the products and services that satisfy the networking needs of SMBs and home users. With Nebula, the first smart cloud management networking solution developed successfully in Taiwan, and Nebula SD-WAN solutions, it aims to promote Taiwan's

networking technology into the world. In addition, as the cybersecurity threats are getting complicated and got more attention from companies, ZNet has introduced the ATP firewalls to help SMBs protect unknown cybersecurity threats. ZNet also provides painless transition subscription services so SMBs can customize the solutions based on their needs. Not only is efficiency enhanced, but the overall IT costs are also greatly reduced, and various demands from different industries are met. In the future, we will base on the three key focuses, including cloud, AI, and cybersecurity protection to help improve the operational efficiency of SMBs and accelerate their digital transformation to ensure that ZNet can continue its growth in the highly competitive global market and maintain its leading position.

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

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

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

Chairman of Board: Shun-I Chu

II. Company Profile

1. Date of Incorporation: August 16, 2010

2. Company History

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

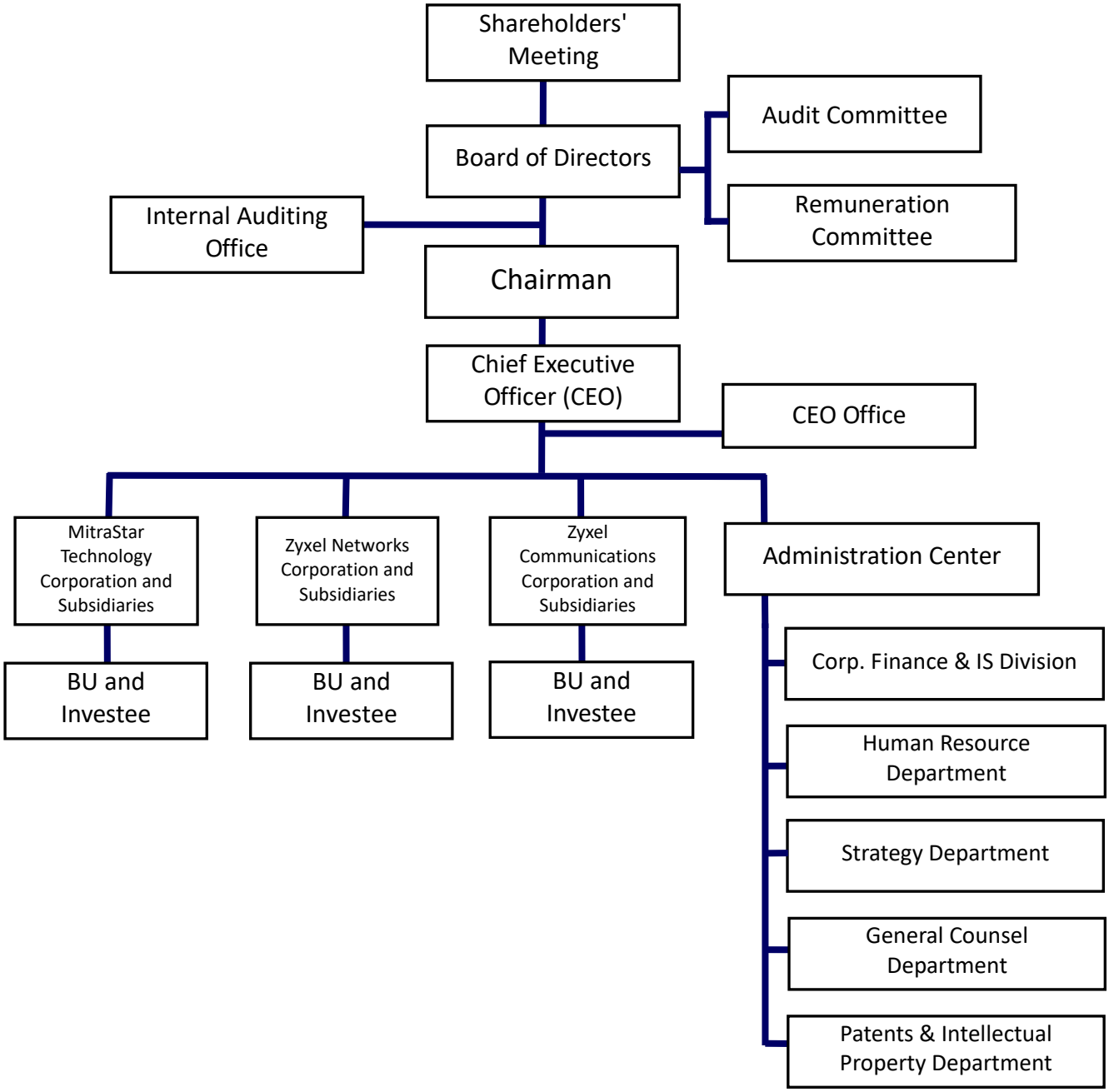
Year/Month	Key Milestones
2016.09	Wuxi MitraStar Technology Co., Ltd. won the China Jiangxu Zhi Feng Award
2016.11	Zyxel was recognized as "Taiwan's Top 20 Global Brands 2016" by Interbrand, and become the telecommunication company winning the award for 14 consecutive years.
2016.12	Zyxel was recognized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

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

III. Corporate Governance Report

1. Organization

1.1 Organizational Chart



1.2 Major Corporate Functions

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

Administration Center:

Corp. Finance & IS Division	To utilize and manage the capital effectively and provide analysis and review of financial accounting information and operating results, analysis of external environment and competition, strategic planning and subsidiaries' management, analysis of investment, and analysis and improvement of Unizyx's business process, to help the management make decisions. Also responsible for promoting and implementing the computerized automation, and development and maintenance of the information systems.
Human Resource Department	To manage and implement the human resource operating system, and plan the welfare, labor safety and training policies.
Strategy Department	To collect the market intelligence about products & technologies, and plan and analyze product strategies
General Counsel Department	To process, advise on, and review Unizyx's internal legal affairs.
Patents & Intellectual Property Department	To prosecute the applications for and maintenance of intellectual property rights, including patent and trademark.

2. Directors

2.1 Information about Directors

April 18, 2021

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions at Unizyx and Other Companies	Directors Who are Spouses or within Two Degrees of Kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation ship	
Chairman	R.O.C.	Shun-I Chu	Male	2019/06/12	3	2010/06/17	100,173,833	22.71	100,173,833	22.34	16,808,783	3.75	-	-	Department of Electronics Engineering, National Chiao-Tung University President, Yilong Technology Ltd.	Chairman, Zyxel Communications Corporation (Zyxel) - Representative of Unizyx Holding Corporation (Unizyx) Chairman, MitraStar Technology Corporation (MitraStar) - Representative of Unizyx Director, Zyxel Networks Corporation (ZNet) - Representative of Unizyx Director, Black Cat Incorporation (Black Cat) - Representative of Unizyx Legal Representative of Bluebell Overseas Ltd. (Bluebell) - Representative of MitraStar Director, ZyFX Technologies Inc. - Representative of ZYXEL Foundation Chairman/President, Zychamp Investment Co., Ltd. (Zychamp) - Representative of Zyxel Chairman, Zytpe Communications Corporation (ZyTPE) - Representative of ZNet Director, Zyxel Communications Inc. (ZyUSA) - Representative of Zyxel Director, Zyxel Communications A/S (ZyAS) - Representative of Zyxel Director, Sphairon GmbH (a Zyxel Company)(Sphairon) - Representative of Zyxel Director, Zyxel Deutschland GmbH (ZyDE) - Representative of ZyAS Director, Zyxel Communications UK Ltd. (ZyUK) - Representative of ZyAS Chairman, Zyxel Iletisim Teknolojileri A.S. (ZyTR)- Representative of Zyxel Director, Zyxel Communications Do Brasil Ltda. (ZyBR) - Representative of Zyxel Director, Zyxel Networks A/S(ZNet AS) - Representative of ZNet Director, Zyxel Communications B.V.(ZNet BNL) - Representative of ZNet AS Director, Zyxel (Thailand) Company Ltd. (ZNet TH) - Representative of ZNet Director, Zyxel Technology India Pvt Ltd. (ZNet IN) - Representative of ZNet Director/President, Tianjin Huagin Communications Equipment Co., Ltd.(Tianjin Huagin)- Representative of ZNet	Director	Lien-Pin Pai	Spouse	-

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions at Unizyx and Other Companies	Directors Who are Spouses or within Two Degrees of Kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation ship	
																Chairman, Zyxel Communication (ShangHai) Co., Ltd. (ZNet SHA) - Representative of ZNet Director, ZQAM Communications Corporation				
Director	R.O.C.	Gordon Yang	Male	2019/06/12	3	2019/06/12	1,252,051	0.28	1,752,051	0.39	-	-	-	-	MBA, Claremont Graduate University	CEO, Unizyx Director, Zyxel - Representative of Unizyx Director, MitraStar - Representative of Unizyx Chairman/President, ZNet - Representative of Unizyx Director, Ardomus Networks Corporation - Representative of Zyxel Director, ZyUSA - Representative of Zyxel Director, ZyAS - Representative of Zyxel Director, ZyDE- Representative of ZyAS Director, ZyUK - Representative of ZyAS Director, Zyxel Communications Italy S.r.l (ZyIT) - Representative of ZyAS Director, ZyTR - Representative of Zyxel Director, ZNet AS - Representative of ZNet Director, ZNet BNL - Representative of ZNet AS Director, ZNet TH - Representative of ZNet Director, ZNet IN - Representative of ZNet Director, Zyxel Korea Co., Ltd.(ZNet KR) - Representative of ZNet Legal Representative, ZNet SHA - Representative of ZNet Director, Yang Iron Precision Corp. Director, XSquare Communications Corporation (XSquare) - Representative of MitraStar Director, Zyell Solutions Corporation	-	-	-	-
Director	R.O.C.	Yuh-Long Chen	Male	2019/06/12	3	2010/06/17	8,686,178	1.97	8,498,178	1.90	1,870,112	0.42	-	-	Ph.D., Institute of Electronics, National Chiao-Tung University Technical Superintendent, National Chung-Shan Institute of Science & Technology (NCSIST)	-	-	-	-	-
Director	R.O.C.	Lien-Pin Pai	Female	2019/06/12	3	2010/06/17	16,808,783	3.81	16,808,783	3.75	100,173,833	22.34	-	-	School of Nursing, China Medical University	-	Chairman	Shun-I Chu	Spouse	-

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions at Unizyx and Other Companies	Directors Who are Spouses or within Two Degrees of Kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation ship	
		ZYXEL Foundation					6,000,000	1.36	6,000,000	1.34	-	-	-	-	-	-	-	-	-	-
Director	R.O.C.	Representative: Ping-Chin Li	Male	2019/06/12	3	2016/06/16	645,122	0.15	645,122	0.14	206,890	0.05	-	-	Ph.D., Department of Electronics Engineering, University of Southern California 14th Team Leader, 3rd Research Division, NCSIST	Director, ZyTPE - Representative of ZNet Chairman/President, ZyFX Technologies Inc. - Representative of ZYXEL Foundation Chairman, ZQAM Communications Corporation Director, Zyell Solutions Corporation - Representative of ZyFX Technologies Inc. Director, Ardomus Networks Corporation - Representative of ZyFX Technologies Inc.	-	-	-	-
Director	R.O.C.	Che-Ho Wei	Male	2019/06/12	3	2010/06/17	-	-	-	-	-	-	-	-	Ph.D., Electrical Engineering, University of Washington, Seattle, USA President, National Information Infrastructure Enterprise Promotion Association Professor, Electrical Engineering, National Chiao-Tung University / Dean and Vice President, the college of Electrical Engineering and Computer Science, National Chiao-Tung University Minister, Ministry of Science and Technology	Independent Director, Genesis Photonics Inc. Independent Director, Sunplus Technology Co., Ltd. Director, Arcadyan Technology Corporation Director, Macronix Interational Co., Ltd.	-	-	-	-

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions at Unizyx and Other Companies	Directors Who are Spouses or within Two Degrees of Kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation ship	
Independent Director	R.O.C.	K.C. Shih	Male	2019/06/12	3	2010/10/04	-	-	-	-	-	-	-	-	Ph.D., Electrical Engineering and Computer Science, Massachusetts Institute of Technology Founder/Vice President/CEO, Global Unichip Corp. Founder and Director, WiMAX	Chairman, Chuang Yi Investment Co., Ltd.	-	-	-	-
Independent Director	R.O.C.	Feng Chian	Male	2019/06/12	3	2013/06/18	-	-	-	-	-	-	-	-	Institute of Electronics, National Chiao-Tung University	-	-	-	-	-
Independent Director	R.O.C.	Chin-Tang Liu	Male	2019/06/12	3	2019/06/12	-	-	-	-	-	-	-	-	Bachelor, Department of Accounting, Tamkang University Accountant of Klynveld Peat Marwick Goerdeler, Corporate Governance Association in Taiwan Director of the 21st Term, Taiwan Provincial CPA Association	Independent Director, Sino-American Silicon Products Inc. Independent Director, Prolific Technology Inc.	-	-	-	-

2.2. Major Shareholders of the Institutional Shareholders

Major shareholders of the institutional shareholders

April 18, 2021

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

Major shareholders of the institutional shareholder, which is a corporation

April 18, 2021

Name of the Corporation	Major Shareholders of the Corporation
Unizyx Holding Corporation	Shun-I Chu (22.34%)、ZyFX Technologies Inc. (4.35%)、Lien-Pin Pai (3.75%)、Zychamp Investment Co., Ltd. (2.09%)、Yuh-Long Chen (1.90%)、ZYXEL Foundation (1.34%)、Citibank Taiwan in custody for Polunin Emerging Markets Small Cap Fund, LLC (1.33%)、National Yang Ming Chiao Tung University(1.12%)、JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.06%)、JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds (0.99%)

2.3 Professional Qualifications and Independence Analysis of Directors

Name / Criteria		Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note 1)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Chairman	Shun-I Chu			✓					✓	✓	✓	✓	✓		✓	✓	0
Director	Gordon Yang			✓					✓	✓	✓	✓	✓	✓	✓	✓	0
Director	Yuh-Long Chen			✓	✓				✓	✓	✓	✓	✓	✓	✓	✓	0
Director	Lien-Pin Pai			✓	✓	✓			✓	✓	✓	✓	✓		✓	✓	0
Director	Representative of ZYXEL Foundation: Ping-Chin Li			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Director	Che-Ho Wei	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Independent director	K.C. Shih			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent director	Feng Chian			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent director	Chin-Tang Liu		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

Note 1: Please tick the corresponding boxes "✓" that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

(1). Not an employee of the Company or any of its affiliates.

(2). Not a director or supervisor of the Company or any of its affiliates (Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent).

(3). Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.

(4). Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.

(5). Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Article 27, Paragraph 1 or 2 of Company Act (Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent).

(6). If the same person controls a majority of the Company's director seats or voting shares and those of any other companies: not a director, supervisor, or employee of that other company (Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent).

(7). If the general manager, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution are the same person or are spouses: not a director, supervisor, or employee of that other

company or institution (Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent).

(8). Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company (Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company).

(9). Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the compensation committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, which exercises powers pursuant to the Act or the Business Mergers and Acquisitions Act or related laws or regulations.

(10). Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.

(11). Not been a person of any conditions defined in Article 30 of the Company Act.

(12). Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

2.4 Remuneration Paid to Directors

December 31, 2020/ Unit: NTD thousand

Title	Name	Remuneration to directors								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Remuneration (A+B+C+D+E+F+G) to Net Income (%)		Remuneration from ventures other than subsidiaries or the parent company
		Base Compensation (A)		Severance Pay (B) (Note 1)		Directors Compensation (C) (Note 2)		Allowances(D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)						
																Unizyx		Consolidated Entities				
		Unizyx	Consolidated Entities	Unizyx	Consolidated Entities	Unizyx	Consolidated Entities	Unizyx	Consolidated Entities	Unizyx	Consolidated Entities	Unizyx	Consolidated Entities	Unizyx	Consolidated Entities	Cash	Stock	Cash	Stock	Unizyx	Consolidated Entities	
Chairman	Shun-I Chu	-	-	-	-	-	-	272	272	0.03%	0.04%	3,938	3,938	-	-	-	-	-	-	0.51%	0.51%	N/A
Director	Gordon Yang	-	-	-	-	-	-	272	272	0.03%	0.04%	10,711	10,849	-	-	-	-	-	-	1.33%	1.35%	N/A
Director	Yuh-Long Chen	-	-	-	-	-	-	272	272	0.03%	0.03%	-	-	-	-	-	-	-	-	0.03%	0.03%	N/A
Director	Lien-Pin Pai	-	-	-	-	-	-	272	272	0.03%	0.03%	-	-	-	-	-	-	-	-	0.03%	0.03%	N/A
Director	Representative of ZYXEL Foundation: Ping-Chin Li	-	-	-	-	-	-	272	272	0.03%	0.03%	-	10,403	-	80	-	-	-	-	0.03%	1.30%	N/A
Director	Che-Ho Wei	-	-	-	-	-	-	272	272	0.03%	0.03%	-	-	-	-	-	-	-	-	0.03%	0.03%	N/A
Independent director	K.C. Shih	-	-	-	-	-	-	572	572	0.07%	0.07%	-	-	-	-	-	-	-	-	0.07%	0.07%	N/A
Independent director	Feng Chian	-	-	-	-	-	-	572	572	0.07%	0.07%	-	-	-	-	-	-	-	-	0.07%	0.07%	N/A
Independent director	Chin-Tang Liu	-	-	-	-	-	-	572	572	0.07%	0.07%	-	-	-	-	-	-	-	-	0.07%	0.07%	N/A
Other than the remuneration disclosed in said table, the remuneration received by any of the Company's directors for providing services to any companies in the financial statement, e.g., as an advisor other than an employee in the most recent year: none.																						

Note 1: The severance pay in 2020 was provided as anexpense amount.

Note 2: The Unizyx's net income from 2020 has been applied to cover accumulated losses. Therefore, no employee compensation was allocated to employees and directors.

3. Management Team

3.1 Information about Management Team

April 18, 2021

Title	Nationality	Name	Gender	Date Elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions at Other Companies	Managers who are Spouses or Within Two Degrees of Kinship			Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relation ship	
Chief Executive Officer	R.O.C.	Gordon Yang	Male	2018/08/09	1,752,051	0.39	-	-	-	-	MBA, Claremont Graduate University	Please refer to the information on page 9 for details.	-	-	-	-
Senior Vice President	R.O.C.	Woei Lo	Male	2010/08/16	125,000	0.03	-	-	-	-	PhD Degree, Department of Management Science, National Chiao-Tung University	Senior Vice President, Zyxel Senior Vice President, MitraStar Director, ZNet - Representative of Unizyx Chairman, Black Cat - Representative of Unizyx Vice-Chairman, ZyTR - Representative of Zyxel Director, Zychamp - Representative of Zyxel Supervisor, ZyTpe - Representative of ZNet Supervisor, Ardomus Networks Corporation Legal Representative of Shanghai Monetics Telecommunications Corporation (Monetics) - Representative of MitraStar Supervisor, Wuxi Genezys Technology Ltd. (Genezys) - Representative of MitraStar Legal Representative of Wuxi MitraStar Technology Co., Ltd. (Wuxi MSTC) - Representative of Bluebell Supervisor, Beijing Huaqin World Technology Co., Ltd. - Representative of Genezys Independent Director, TAI-TECH Advanced Electronics Co., Ltd. Independent Director, Gallant Precision Machining Co., Ltd.	-	-	-	-
Senior Manager, Internal Auditing Office	R.O.C.	Jessica Chen	Female	2011/08/09	15,000	-	-	-	-	-	Department of Finance, National Sun Yat-sen University Senior Manager, Giant Plus Technology Co., Ltd.	-	-	-	-	-

3.2 Remuneration Paid to President and Vice Presidents

Unit: NTD thousand

Title	Name	Salary (A)		Severance Pay (B) (Note 1)		Bonus and Allowances (C)		Employee Compensation (D) (Note 2)				Ratio of total compensation (A+B+C+D) to net income (%)		Remuneration from ventures other than subsidiaries or the parent company
								Unizyx		Consolidated Entities				
		Unizyx	Consolidated Entities	Unizyx	Consolidated Entities	Unizyx	Consolidated Entities	Cash	Stock	Cash	Stock	Unizyx	Consolidated Entities	
Chief Executive Officer	Gordon Yang	5,780	5,780	-	-	4,931	5,069	-	-	-	-	-	-	N/A
Senior Vice President	Woei Lo	3,305	3,305	108	108	380	394	-	-	-	-	-	-	
Senior Manager, Internal Auditing Office	Jessica Chen	1,319	1,319	79	79	175	175	-	-	-	-	-	-	

Note 1: The severance pay in 2020 was provided as an expense amount.

Note 2: Unizyx's net income from 2020 has been applied to cover accumulated losses. Therefore, no employee compensation was allocated to managerial officers.

3.3 Managerial Officers with the Top Five Highest Remuneration Amounts

Unit: NTD thousand

Title	Name	Salary (A)		Severance Pay (B) (Note 1)		Bonus and Allowances (C)		Employee Compensation (D) (Note 2)				Ratio of total compensation (A+B+C+D) to net income (%)		Remuneration from ventures other than subsidiaries or from the parent company
								Unizyx		Consolidated Entities				
		Unizyx	Consolidated Entities	Unizyx	Consolidated Entities	Unizyx	Consolidated Entities	Cash	Stock	Cash	Stock	Unizyx	Consolidated Entities	
Chief Executive Officer	Gordon Yang	5,780	5,780	-	-	4,931	5,069	-	-	-	-	-	-	N/A
Senior Vice President	Woei Lo	3,305	3,305	108	108	380	394	-	-	-	-	-	-	N/A
Senior Manager, Internal Auditing Office	Jessica Chen	1,319	1,319	79	79	175	175	-	-	-	-	-	-	N/A

Note 1: The severance pay in 2020 was provided as an expense amount.

Note 2: Unizyx's net income from 2020 has been applied to cover accumulated losses. Therefore, no employee compensation was allocated to managerial officers.

3.4 Name of Managerial Officers Receiving Employee Compensation, and the Status of Allocation: none.

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

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

Item / Title	Total Remuneration to Net Income (%)			
	2020		2019	
	Unizyx	Consolidated Entities	Unizyx	Consolidated Entities
Director	2.17%	3.46%	6.26%	14.81%
Supervisor	-	-	0.38%	0.38%
President and Vice Presidents	1.94%	1.96%	4.96%	14.63%

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

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

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

In 2020, only fixed remuneration including transportation subsidies and attendance subsidies were distributed, but no the variable remunerations. Please refer to the "Remuneration Paid to Directors" in the annual report for description of directors' remunerations.

4. Implementation of Corporate Governance

4.1 Operation of the Board of Directors

4.1.1 Board of Directors' meeting

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

Title	Name	Attendance in Person	Attendance by Proxy	Attendance Rate (%)	Remarks
Chairman	Shun-I Chu	4	-	100%	Reelected on 2019/06/12
Director	Gordon Yang	4	-	100%	Elected on 2019/06/12
Director	Yuh-Long Chen	4	-	100%	Reelected on 2019/06/12
Director	ZYXEL Foundation Representative: Ping-Chin Li	3	1	75%	Reelected on 2019/06/12
Director	Lien-Pin Pai	3	1	75%	Reelected on 2019/06/12
Director	Che-Ho Wei	4	-	100%	Reelected on 2019/06/12
Independent director	K.C. Shih	2	2	50%	Reelected on 2019/06/12
Independent director	Feng Chian	4	-	100%	Reelected on 2019/06/12
Independent director	Chin-Tang Liu	4	-	100%	Elected on 2019/06/12

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

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

A. The circumstances referred to in Article 14-3 of the Securities and Exchange Act;

Date	Meeting	Resolution	Opinion of All Independent Directors and the Company's Response to Independent Directors
March 9, 2020	4th Board 4th Meeting	Approved the change of the Independent auditor since the Fourth Quarter of 2019.	None of the independent directors has expressed opposition or qualified opinions.
		Approved the independent auditors' competence and independence evaluation.	
		Approved the 2019 compensation to Chairman and managerial officers.	
		Approved the contribution rates of 2020 remuneration to employees and directors.	

Date	Meeting	Resolution	Opinion of All Independent Directors and the Company's Response to Independent Directors
		Approved the current-year endorsement or guarantee limits on behalf of invested companies.	
		Approved the amendments to the Procedures for Loaning Funds to Others and the Procedures for Derivatives Trading.	
May 11, 2020	4th Board 5th Meeting	Approved the amendments to the Enforcement Rules for Internal Audit.	None of the independent directors has expressed opposition or qualified opinions.
August 10, 2020	4th Board 6th Meeting	Approved the current-year endorsement or guarantee limits on behalf of invested companies.	
		Approved the issuance of employee stock options.	
		Approved the name list of subscribers for employee stock options issued by Unizyx in 2020.	
		Approved to lift the non-competition restriction on Unizyx's directors.	
November 9, 2020	4th Board 7th Meeting	Approved the professional fees of the Independent auditors retained by Unizyx.	
		Approved the current-year endorsement or guarantee limits on behalf of invested companies.	
		Approved the amendments to the internal control system.	
		Approved the 2021 compensation projections for Unizyx's Chairman and managerial officers.	
		Approved the issuance of employee stock options by the subsidiary company Zyxel Networks Corporation.	

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

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

A. On March 9, 2020, except Director Shun-I Chu, Director Gordon Yang and Director Lien-Pin Pai, who abstained from voting due to conflict of interest concerns, all other Board members in attendance voted in favor of the 6th proposal for 2019 compensation to Chairman and managerial officers.

B. On August 10, 2020, except Director Gordon Yang, who abstained from voting due to conflict of interest concerns, all other Board members in attendance voted in favor of the 3rd proposal for the name list of subscribers for employee stock options issued by Unizyx in 2020.

C. On August 10, 2020, except Director Gordon Yang, who abstained from voting due to conflict of interest concerns, all other Board members in attendance voted in favor of the 4th proposal for lifting the non-competition restriction on Unizyx's managerial officers.

D. On August 10, 2020, except Director Shun-I Chu, Director Gordon Yang, Director Chin-Tang Liu and Director Ping-Chin Li, who abstained from voting due to conflict of interest concerns, all other Board members in attendance voted in favor of the 5th proposal for lifting the non-competition restriction on Unizyx's directors.
E. On November 9, 2020, except Director Shun-I Chu and Director Gordon Yang, who abstained from voting due to conflict of interest concerns, all other Board members in attendance voted in favor of the 5th proposal for 2021 compensation projections for Unizyx's Chairman and managerial officers.
F. On November 9, 2020, except Director Gordon Yang, who abstained from voting due to conflict of interest concerns, all other Board members in attendance voted in favor of the 7th proposal for managerial officers' receipt of the employee stock options issued by the subsidiary.

III. Implementation Status of Board Evaluations

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

The Board performance assessment shall cover the following five major indicators:
A. Level of participation in company operations
B. Improvement on quality of the Board decisions
C. Board composition and structure
D. Appointment of directors and directors' continuing education.
E. Internal control

The Board member performance assessment shall cover the following six major indicators:
A. Grasp of company targets and missions
B. Understanding of the director's role and responsibilities
C. Level of participation in company operations
D. Internal relationship management and communication.
E. Professional and continuous education of directiors.
F. Internal control

Function committee performance assessment shall cover the following five major indicators:
A. Level of participation in company operations
B. Understanding of the functional committee's role and responsibilities
C. Improvement on quality of the functional committee decisions
D. Functional committee composition and the election of the committee members
E. Internal control

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

The 2020 performance assessment on the Board, individual Board members and functional committees, respectively, showed "Excellent." Apparently, the Board of

Directors and functional committees operated successfully. The assessment results have been reported at the Board meeting on March 15, 2021.

IV. Objectives for Strengthening the Functions of the Board of Directors in the current and the most recent year:

A. Board member diversity policy

Article 4 of Unizyx's Regulations for Election of Directors has established the diversity policy and specific management targets of the Board members and has actually implemented them. The directors who serve as Unizyx's managerial officers are less than one-third of the whole directors for the time being. However, Unizyx values gender equality in the Board members. The 9 Board members include 1 female director, i.e. 11% of the whole directors. Further, in terms of professional knowledge and skills, Unizyx's Board members are specialized in engineering, mechanical engineering, management science and finance and have the industrial experience needed by Unizyx's business. For the time being, Unizyx's Board is composed based on the policy and targets set forth by Unizyx. The directors who are also employees including the directors (22%), independent directors (33%), directors less than 65 years old (29%), directors more than 70 years old (44%), directors whose term of office less than 3 years (22%), and directors whose term of office ranging from 4 years to 10 years (77%).

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

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

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

B. Unizyx established the Remuneration Committee on August 9, 2011 to help set forth and periodically review the policy and system for performance assessment and compensation.

C. Unizyx established the Audit Committee on June 12, 2019 to improve the corporate governance, solidify the Board's supervision functions, and enable the Board to decide with the assistance of the Audit Committee members who act professionally and

independently.

4.2 Operations of the Audit Committee

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

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

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

Review of Unizyx's internal control system:
The Audit Committee evaluates the effectiveness of Unizyx's internal control system policies and procedures (including the controls over sales, procurement, production, human resource, finance, information security and compliance). Also, it reviews the work report of the internal audit unit and independent auditors. The Audit Committee holds that Unizyx's internal control system was effective, and Unizyx has taken the necessary controls to supervise and improve the misconduct.

Review of financial statements:
This report is to certify that Unizyx's 2020 business report and financial statements, and the proposal for the appropriation of profit or loss, were prepared and submitted by the Board of Directors, and the financial statements contained therein were already audited by KPMG Taiwan, which also issued its audit report therefor. Said business report, financial statements and proposal for the appropriation of profit or loss have also been certified by the Audit Committee, which in its opinion, comply with the relevant requirements.

4.2.1 Audit Committee meeting

Unizyx established the Audit Committee on June 12, 2019. A total of 4 meetings of the Audit Committee were held in 2020. The attendance of independent directors is stated as follows:

Title	Name	Attendance in Person	Attendance by Proxy	Attendance Rate (%)	Remarks
Independent director (Convener)	Feng Chian	4	-	100%	Elected on 2019/06/12
Independent director	K.C. Shih	2	2	50%	Elected on 2019/06/12
Independent director	Chin-Tang Liu	4	-	100%	Elected on 2019/06/12

4.2.2 Other matters to be disclosed by the Audit Committee:

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

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

Date	Meeting	Resolution	Opinion of All Independent Directors and the Company's Response to Independent Directors
March 9, 2020	1st Audit Committee 3rd Meeting	Approved the change of the independent auditors since the Fourth Quarter of 2019.	None of the independent directors has expressed opposition or qualified opinions.
		Approved the independent auditors' competence and independence evaluation.	
		Approved the 2019 Business report and financial statements.	
		Approved the 2019 Internal Control System Statement.	
		Approved the current-year endorsement or guarantee limits on behalf of invested companies.	
		Approved the amendments to the Procedures for Loaning Funds to Others and the Procedures for Derivatives Trading.	
August 10, 2020	1st Audit Committee 5th Meeting	Approved the Second Quarter of 2020 consolidated financial statements.	
		Approved the current-year endorsement or guarantee limits on behalf of invested companies.	
		Approved the issuance of employee stock options.	
		Approved to lift the non-competition restriction on Unizyx's directors.	
November 9, 2020	1st Audit Committee 6th Meeting	Approved the professional fees of the independent auditors retained by Unizyx.	
		Approved the current-year endorsement or guarantee limits on behalf of invested companies.	
		Approved the amendments to the internal control system.	

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

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

A. On August 10, 2020, except Director Chin-Tang Liu, who abstained from voting due to conflict of interest concerns, all other Audit Committee members in attendance voted in favor of the 4th proposal for lifting the non-competition restriction on Unizyx's directors.

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

A. Communication between independent directors and internal audit officers:
Independent directors and internal audit officers hold annual meetings to report on internal audit execution status and company operations. Participants share internal

audit report results and follow-up report status with the independent directors.

Summary of communication between independent directors and internal audit officers

Date	Communication highlights	Communication results
March 9, 2020	Report for 2019 internal control system self-inspection result	Acknowledged.
	2019 Internal Control System Statement	
	Report for the First Quarter of 2020 Internal Audit	
May 11, 2020	Report for the Second Quarter of 2020 Internal Audit	Acknowledged.
August 10, 2020	Report for the Third Quarter of 2020 Internal Audit	Acknowledged.
November 9, 2020	Report for the Fourth Quarter of 2020 Internal Audit	Acknowledged.

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

Date	Communication highlights	Communication results
March 9, 2020	Audit Results and Internal Control Audits of the 2019 Consolidated Financial Statements and Individual Financial Statements.	Acknowledged.
	Communicate with governance units (to discuss and communicate the financial statements prepared by Unizyx, impacts posed by new and amended laws and regulations, and discoveries in the audit)	
May 11, 2020	Review results of the First Quarter of 2020 Consolidated Financial Statements	Acknowledged.
	Communicate with governance units (to discuss and communicate the impacts posed by new and amended laws and regulations, and discoveries in the review)	
August 10, 2020	Review results of the Second Quarter of 2020 Consolidated Financial Statements	Acknowledged.
	Communicate with governance units (to discuss and communicate issues concerned by the competent authority, impacts posed by new and amended laws and regulations, and discoveries in the review)	
November 9, 2020	Review results of the Third Quarter of 2020 Consolidated Financial Statements	Acknowledged.
	Communicate with governance units (to discuss and communicate the audit plan, impacts posed by new and amended laws and regulations, and discoveries in the review)	

4.3 Operations of Remuneration Committee

To improve corporate governance, solidify the compensation system for directors and managerial officers throughout Unizxy, make the enterprise compensation system more transparent and impartial, and protect shareholders' interest and right, Unizyx established the

Remuneration Committee on August 9, 2011.

The Remuneration Committee members shall be nominated by the Chairman and appointed upon resolution of the Board, consisting of three persons, including at least one independent director who shall serve as the convener and chairman of meetings. According to the articles of association of the Committee, the Remuneration Committee shall convene a meeting at least twice per year and may convene meetings at any time whenever necessary.

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

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

4.3.1 Information about Remuneration Committee members

Professional Qualifications and Independence Analysis of Remuneration Committee Members:

Identity Status	Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note 1)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director	Remarks
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Work experience in commerce, law, finance and banking, accounting or necessary for company operation.	1	2	3	4	5	6	7	8	9	10		
Independent director	K.C. Shih			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent director	Feng Chian			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent director	Chin-Tang Liu		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	

Note 1: Please tick the corresponding boxes "✓" that apply to the members during the two years prior to being elected or during the term of office.

(1). Not an employee of the Company or any of its affiliates.

(2). Not a director or supervisor of the Company or any of its affiliates (Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent).

(3). Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the

total number of issued shares of the Company or ranking in the top 10 in holdings.

(4). Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding 2 or 3 subparagraphs.

(5). Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Article 27, Paragraph 1 or 2 of the Company Act (Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent).

(6). If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company (Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent).

(7). If the chairman, general manager, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution are the same person or are spouses: not a director, supervisor, or employee of that other company or institution (Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent).

(8). Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company (Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company).

(9). Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the compensation committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, which exercises powers pursuant to the Act or the Business Mergers and Acquisitions Act or related laws or regulations.

(10). Not been a person of any conditions defined in Article 30 of the Company Act.

4.3.2 Remuneration Committee meeting

The 4th Remuneration Committee of Uniyzx should hold the term of office commencing from June 20, 2019 until June 11, 2022. A total of 3 Remuneration Committee meetings have been convened by the Convener, K. C. Shih, in 2020. The attendance is stated as follows:

Title	Name	Attendance in Person	Attendance by Proxy	Attendance Rate (%)	Remarks
Member (Convener)	K.C. Shih	2	1	67%	Reelected on 2019/06/20
Committee Member	Feng Chian	3	-	100%	Reelected on 2019/06/20
Committee Member	Chin-Tang Liu	3	-	100%	Elected on 2019/06/20

4.3.3 Other matters to be disclosed by the Remuneration Committee:

I. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion: none.

II. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be

specified: none.

III. Proposals and resolutions of the Remuneration Committee:

The Remuneration Committee's proposals and resolutions of the Remuneration Committee and resolutions in 2020 and Unizyx's response to the Committee members' opinion are stated as follows:

Date	Meeting	Proposal	Resolution	The Company's response to the Remuneration Committee members' opinion
March 9, 2020	2nd Meeting of 4th Committee	2019 compensation to Chairman and managerial officers	Approved by all of the Committee members	Approved by all attending directors in the Board meeting
		Contribution rates of 2020 remuneration to employees and directors		
August 10, 2020	3rd Meeting of 4th Committee	Review of the allocation of the employee stock options issued by Unizyx to managerial officers in 2020		
November 9, 2020	4th Meeting of 4th Committee	2021 compensation projections for Unizyx's Chairman and managerial officers		
		Review of the allocation of the employee stock options issued by subsidiaries to managerial officers in 2020		

4.4 Corporate Governance Implementation Status and Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"

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

Assessment Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
III. Composition and Responsibilities of the Board of Directors				
(I) Has the Company established a diversification policy for the composition of its Board of Directors and has it been implemented accordingly?	✓		(I) In the "Procedures for Election of Directors," the proper diversification guidelines are established. The major two aspects are: basic qualifications and values (gender, age, nationality and culture); professional knowledge and skills (professional background, professional skills and industrial experience). For the board members, gender equality, and the required knowledge, skills and literacy to perform their duties for achieving corporate governance goals shall be taken into account. For the diversification and implementation of the Board of Directors, please refer to "4.1.2 Other matters of the Board of Directors to be disclosed - IV. Objectives for Strengthening the Functions of the Board of Directors in the Current and Recent Years."	No material deviation.
(II) Other than the Remuneration Committee and the Audit Committee which are required by law, does the Company voluntarily set up other functional committees?		✓	(II) Other than establishing the Remuneration Committee as required by laws, Unizyx established the Audit Committee on June 12, 2019 pursuant to the regulations of the competent authorities.	In the future, other functional committees will be established depending on the Company's development needs.
(III) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis, reported the results of performance to the Board of Directors, and use the results as reference for directors' remuneration and renewal?	✓		(III) Unizyx has formulated the "Procedures of Board Performance Appraisal," specifying that the Board of Directors should perform at least one performance appraisal for the Board of Directors and members, as well as functional committees every year. The results of the performance appraisal shall be completed and reported to the Board of Directors by the first quarter of the following year, and such results shall be served as the basis for the remuneration of individual directors and the nomination for re-election.	No material deviation.

Assessment Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
(IV) Does the Company regularly evaluate its external auditors' independence?	✓		(IV) The Board of Directors regularly evaluates the independence and suitability of CPAs at least once per year. The assessment procedure includes at least the following seven points, and CPAs are required to provide a "Declaration of Independence," confirming that their audit/review tasks also complies with the independence requirements set forth in the Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No. 10, without violation of the relevant regulations that affects the independence of the accounting firm. 1. The CPAs have no direct or material indirect financial interest or relationship with the Company. 2. The CPAs do not have any financing or guarantee relationship with the Company or its directors. 3. The CPAs do not intermediate the shares or other securities issued by the Company. 4. CPAs and their relatives within their second-degree kinship have not served as directors or supervisors of the Company or its related parties in the current or recent two years, received no wages paid by the Company, or other positions that directly and significantly influence this audit. 5. The CPAs do not have a close relationship with the Company and its related persons, directors, supervisors, and managerial officers, and thus may be overly concerned or sympathetic to the interests of the Company. 6. The CPAs do not act as the defender of the Company, or mediate conflicts with other third parties on behalf of the Company. 7. There are no other circumstances that may impede	No material deviation.

Assessment Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			independence.	
V. Do TWSE/TPEx Listed Companies appoint competent and appropriate corporate governance personnel and corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors, assisting directors' compliance of law, handling matters related to board meetings and shareholders' meetings according to law, and recording minutes of board meetings and shareholders' meetings)?	✓		Unizyx's Corp. Finance & IS Division is concurrently responsible for handling corporate governance affairs. On March 15, 2021, the Board of Directors approved the appointment of the Chief Corporate Governance Officer who is the highest level manager responsible for corporate governance affairs. Scope of functions: handling matters relating to board meetings and shareholders meetings in compliance with law; preparing minutes of board meetings and shareholders meetings; assisting in onboarding and continuing educations of directors; providing information required for performance of duties by directors; and assisting directors in compliance with the law. Key tasks for 2020: 1. Assist directors in performing their duties, provide required information and arrange continuing education for directors. (1) Irregularly inform the board members the latest laws and regulations related to corporate governance. (2) Provide corporate information required by directors, and maintain smooth communication among directors and all higher-level officers. (3) Regular communications among the independent directors, internal audit officers or CPAs, to understand the Company's financial performance. (4) Assist in providing information required by directors to perform their duties and arrange continuing education for directors. 2. Assist various functional committees, Board of Directors and shareholders' meetings agenda	No material deviation.

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>procedures and legal compliance matters.
(1) Draft the agenda of the Board of Directors’ meetings, and notify the directors seven days in advance; convene meetings and provide the meeting materials, and remind them in advance for recusals due to conflict of interests, and complete the minute of the Board of Directors within 20 days after a meeting.
(2) After the meeting, disclose the material information of important resolutions adopted by the Board of Directors, to ensure the legality and accuracy of the content of the material information, for protecting the equal investor transaction information.
(3) Handle the pre-registration of the date of the shareholders' meetings pursuant to laws, and produce meeting notices, agenda handbook, and minutes before the statutory deadlines.
3. Perform the performance appraisal of the Board of Directors and functional committees pursuant to the "Procedures of Board Performance Appraisal."
Continuing education of the Chief Corporate Governance Officer:
<table><tr><th>Date</th><th>Host by</th><th>Training / Speech title</th><th>Hours</th></tr><tr><td>March 15, 2021</td><td>Taiwan Corporate Governance Association</td><td>The key trend in 2021: ESG/CSR and sustainable governance</td><td>3 hours</td></tr></table></td><td></td></tr>
<tr><td>V. Has the Company established a means of communicating with its Stakeholders (including</td><td>✓</td><td></td><td>Unizyx established the "Procedures for the Group’s Stakeholder Filing Complaints and Whistleblowing" to</td><td>No material deviation.</td></tr>
</table>

Assessment Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities?			establish internal and external complaint-filing channels and handling system, while setting up a "Stakeholder Communication" section on the website to provide contact information to stakeholders. Based on the concerned issues of the stakeholders, the implementation goals are set, and the operational procedures for the stakeholders are established. Through the identification of the stakeholders and the analysis of the issue of concerns, the plans for the stakeholders are formulated. The communication is carried out through the communication channels of the stakeholders to improve the relationship with the stakeholders and strengthen the corporate responsibility for the stakeholders.	
VI. Has the Company appointed a professional stock affair agency for its Shareholders' Meetings?	✓		Unizyx has commissioned the stock affair agent department of Mega Securities to handle.	No material deviation.
VII. Information Disclosure				
(I) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status?	✓		(I) Unizyx has established the website (url: http://www.unizyx.com.tw), and the "Investor" section to disclose the information of operation and corporate governance, as well as the Q&A mechanism for investors to inquire.	No material deviation.
(II) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	✓		(II) Unizyx's website is in both Chinese and English. It has assign dedicated staff to be responsible for the collection and disclosure of Company information. Besides, the spokesperson system is implemented pursuant to regulations. The relevant information is disclosed on the company's website for investors to check.	No material deviation.
(III) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and	✓		(III) After the end of each fiscal year, the Company announces and reports the annual financial report approved by the Board of Directors within the timeline prescribed by the competent authorities, and also	No material deviation.

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

Assessment Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			regulations to implement various policies to reduce and avoid any possible risks. (VII) Implementation of customer relations policies: The Group has purchased product liability insurance, and has a complete service system for all clients and consumers, to ensure immediate responses to clients' needs and protect consumer rights. (VIII) Liability insurance the Company purchases for directors and supervisors: The Company has insured directors and supervisors for the liability insurance and reported to the Board of Directors on May 11, 2020. The insurance amount for 2021 was USD 5,000 thousand, equivalent to NTD151,125 thousand.	

IX. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange, as well as the prioritized enhancements for the matters and measures not yet improved.

For the 7th Term of Corporate Governance Evaluation (evaluation year: 2020), the improvements of the Company are described as following:

Indicator Content	Description
1.9 Does the company simultaneously upload the English version of the meeting notice 30 days prior to the annual shareholders' meeting? 1.10 Does the company upload the English version of the agenda handbook and supplementary materials 30 days prior to the annual shareholders' meeting? 1.11 Does the company upload the English version of the annual report seven days prior to the annual shareholders' meeting? And 3.2 Does the company simultaneously release material information in English?	Other than providing the English version of the shareholders meeting information from 2021, material information in English will also be disclosed simultaneously from 2022, to enhance the transparency of the Company's information.
1.5 Does the company establish and disclose the internal rules prohibiting directors or employees and other insiders from using information that is not available in the market for profit on the company's website, and implementation?	The HR Department will arrange the planning of such training and promotion thereof.
4.10 Do the company's website and annual report disclose the protection measures and implementation of employees' personal safety and working environment?	Disclosed in the annual report.

4.5 Fulfillment of Corporate Social Responsibility and Deviations from "the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"

Assessment Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
I. Does the Company follow materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company operation, and establish risk management related policy or strategy?	✓		In terms of environment, social and governance, Unizyx conducts the assessment for impact of major issues on revenue, client satisfaction, employee loyalty and operational risks. Except various policies are implemented by accommodating relevant laws and regulations, it also establishes communication channels for stakeholders and action.	No material deviation.
II. Does the Company have a dedicated (or ad-hoc) CSR organization with Board of Directors authorization for senior management, which reports to the Board of Directors?	✓		The "Unizyx Sustainability Committee" is a cross-company and cross-function committee. With clear organizational divisions and under the leadership and full authorization of senior management, the Committee implements various sustainable development works from top to bottom with every employee. The Committee holds regular meetings to establish the roadmap for corporate responsibility, and review the implementation of related affairs with continuous improvement. The Committee also regularly reports to the Board of Directors regarding sustainable development plans and work progress.	No material deviation.
III. Environmental Topic (I) Has the Company set an environmental management system designed to industry characteristics?	✓		(I) The Group establishes the environmental policies based on its industrial characteristics, and build the systems, procedures and management manuals related to environmental management for the environmental management. Meanwhile, targets are set for major environmental issues and the results are tracked every year.	No material deviation.

Assessment Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
(II) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?	✓		(II) The Group sets targets for the efficiency of resource utilization every year and tracks the results. Since there is no process electricity demand in operation, the improvement in the efficiency of power resource utilization is mainly the energy saving of office illumination and air-conditioning, including: replacing with energy-saving lamps, replacing old ice machines and promoting energy-saving activities. Meanwhile, as there is no water required for manufacturing process, water resources conservation is mainly in the water-saving facilities for daily water uses and promotions. Meanwhile, the Group's products and business activities comply with the management policy of the green industry, and environmentally friendly and energy-saving products are continuously developed and manufactured	No material deviation.
(III) Does the Company evaluate current and future climate change potential risks and opportunities and take measures to respond the climate related issues?	✓		(III) Based on TCFD's climate risks and opportunity categories, the Group identifies and ranks climate-related risks and opportunities based on the degree of impact, finds out potential crises and possible opportunities in response to climate change, and conducts analysis of potential financial impacts to take various countermeasures. In response to climate-related "carbon footprint" issue, a greenhouse gas inventory is conducted to track annual emissions and set reduction targets. At the same time, various energy-saving programs are initiated to reduce power consumption.	No material deviation.

Assessment Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
(IV) Does the Company collect data for greenhouse gas emissions, water usage and waste quantity in the past two years, and set energy conservation, greenhouse gas emissions reduction, water usage reduction and other waste management policies?	✓		(IV) The Group conducts annual statistics on greenhouse gas emissions, water consumption, and total waste weight, while establishing environmental policies, including policies for energy-saving and carbon reduction, greenhouse gas reduction, water reduction or other waste management, and establishes targets for tracking results.	No material deviation.
IV. Social Topics (I) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?	✓		(I) The Group's management policies for stakeholders, such as clients, employees, suppliers, communities, and investors, follow relevant international standards, support internationally recognized human rights norms and principles, including the "Universal Declaration of Human Rights," the "United Nations Global Compact," and International Labor Organization's "Declaration of Fundamental Principles and Rights at Work," while abiding by the local laws and regulations of the locations where the Company operates. The Group establishes relevant management regulations and procedures, and expressly formulates internal management procedures such as work rules, employee handbooks, sexual harassment prevention, and anti-bullying in the workplace, to clearly demonstrate protection of employees' rights and proper care to them. Meanwhile, in order to enhance the human rights of all employees in the supply chain, the "Code of Conduct for Suppliers" has been formulated to protect and take care of employees jointly with suppliers. Based on this, the Group identifies major human rights concerns and sets management policies and goals.	No material deviation.

Assessment Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
(II) Has the Company established appropriately managed employee welfare measures (include salary and compensation, leave and others), and link operational performance or achievements with employee salary and compensation?	✓		(II) The company is committed to providing employees with competitive advantages in wages, benefits and working environment. On the other hand, the Company has launched a diversified work-life balance program including establishing employee gymnasium, providing various activities and subsidies for employees through the welfare committee, employees' restaurants for various meals, dormitories, parking lots or transportation vehicles to employees. Through the complete training system and employee planning and development, employees are assisted to improve their professional capabilities and self-growth, to become an important driving force for the Company's sustainable development. To evaluate the performance of employees fairly and reasonably, the Company has formulated performance management procedures as the regulations for performance management. The operating results are appropriately reflected in employee compensation.	No material deviation.
(III) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?	✓		(III) The Company has been certified with ISO 9001, TL 9000, ISO 14001, and ISO45001 Workplace safety and health management: In the operation of manufacturing process, complete preventive measures for hazard are provided to ensure the safety of employees' working environment. The number of occupational accidents in the 2020 <1; the disability injuries frequency rate (FR)= <0.67, and the disabling injury severity rate (SR) <1. The improvement rate of fire-fighting equipment was 100%, and the incidence of occupational diseases is 0 in terms of prevention of occupational diseases. Employee health: planning a series of health	No material deviation.

Assessment Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			promotion activities to provide employees to appreciate their own health through four aspects: diet, exercise, psychology, and behavior. In addition, a sports park is built with gym and courts to improve the health of employees. In the event questionnaire, the response rate is ≧80%, and the satisfied with activities is 4 points or more ≧90%. Safety and health education: the complete employee safety and health training are undertaken; corporate continuous operation management awareness training for managers are also conducted, for risk assessment, emergency response training courses and drills taken simultaneously. The training coverage rate of occupational safety education courses in 2020 was 97%.	
(IV) Has the Company established effective career development training plans?	✓		(IV) Unizyx's employees training includes the traditional classroom training and on job training, as well as e-learning through the e-learning platform "Corporate University." For the employees' continuing education and training, please refer to "V. Labor Relation."	No material deviation.
(V) Does the Company's product and service comply with related regulations and international rules for customers' health and safety,	✓		(V) Unizyx purchases product liability insurance from insurers every year, and has a complete service system for all clients and consumers to ensure immediate response to clients' needs and protect consumer rights. At the same time, the marketing and labeling of products and services are strictly complied with relevant regulations and international standards.	No material deviation.

Assessment Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
(VI) Does the Company set supplier management policy and request suppliers to comply with related standards on the topics of environmental, occupational safety and health or labor right, and their implementation status?	✓		(VI) Unizyx adopts four process guidelines, including requirements management, risk assessment, audit verification, and continuous improvement, and has formulated the "Code of Conduct for Suppliers," focusing on suppliers' efforts in improving labor human rights and health, occupational safety and health, business ethics, and environmental protection. Suppliers are required to sign the "Supplier Corporate Social Responsibility Statement and Commitment" and the "Supplier Integrity Commitment" to ensure that they actually comply with their commitments, and regularly reply to the "Supplier Social Responsibility Assessment Questionnaire" and conduct "onsite audits" to identify sustainability risks of the supply chain, and the corporate social responsibility actions and results are included in supplier selection and evaluation indicators. In addition, the "Corporate Social Responsibility Training for Supplier" is also provided as learning materials to assist suppliers in continuous improvement.	No material deviation.
V. Does the Company refer to international reporting rules or guidelines to publish CSR Report to disclose non-financial information of the Company? Has the said Report acquire 3rd certification party verification or statement of assurance?	✓		The CSR reports have been prepared pursuant to the Global Reporting Initiative (GRI)'s framework (2016) of Sustainability Reporting Standards, describe the outcomes of important analysis, disclosure, and feedback in the content, with the comparison table at the end for reference. Meanwhile, the corporate social responsibility report and the implementation of corporate social responsibility are disclosed on the corporate social responsibility page of Unizyx's website and the MOPs.	No material deviation.

Assessment Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
VI. If the Company has established its corporate social responsibility practice principles according to the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” please describe the operational status and variance. Unizyx has established “Corporate Social Responsibility Best Practice Principles,” and complies with such principles without material deviation.				
VII. Other important information to facilitate better understanding of the company’s implementation of corporate social responsibility: (I) Communication relationship 1. Talent cultivation: The Group Chairman, Mr. Shun-I Chu, established the "Progressive Foundation of Education" under his own name to provide scholarships and grants to cultivate talents in the long term. In addition, in August 2015, the "Zyxel Foundation" was formally established and registered, to promote innovation and entrepreneurship, practice social welfare, and demonstrate the corporate spirit of giving back to society. 2. Care for the disadvantaged: Caring for the disadvantaged groups in the area, providing long-term subsidies and care for the community in need and life. 3. Community care: donate or support social groups, cope with government agencies to organize activities regarding natural ecological conservation, greening the environment, and resource reclamation. (II) Environment protection The Company customizes a set of "Green Collaborative Information System," to check at each stage, including the raw material suppliers, production, manufacturing, transportation, use and disposal, for implementation of green management in every section. At the same time, it actively conducts carbon dioxide emissions investigation and control, reduces greenhouse gas emissions, and implements product carbon footprint inventory. (III) Human rights Respect the human rights of stakeholders such as clients, employees, suppliers, communities, and investors, and observe requirements in international human rights and labor conventions. (IV) Safety and health Through the formulation and announcement of environmental, safety and health policies, the intention and principles of the overall environmental and occupational safety and health management effectiveness are stated. (V) Labor relation Provide a working environment with challenges, fun and reasonable rewards, and take care of the physical and mental health of employees. Through the complete training system and employee planning and development, employees are assisted to improve their professional capabilities and self-growth				

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

Assessment Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Summary	
I. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures				
(I) Does the company have a clear ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?	✓		(I) Unizyx has established the "Principles and Procedures for Ethical Management and Guidelines for Conduct," approved by the Board of Directors, and disclosed at Unizyx's website and MOPS. The personnel shall actively implement the regulations. In terms of corporate social responsibility commitments, the "corporate governance" is clearly stated: "We will comply with relevant legal requirements and emphasize the principle of ethics, and observe business ethics."	No material deviation.
(II) Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?	✓		(II) Unizyx has established the "Principles and Procedures for Ethical Management and Guidelines for Conduct," to formulate prevention programs for the matters set for in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies. Such conduct is only permitted through the required procedures. In addition, the Company has "Employment Procedures for Employees," specifying that employees are not allowed to accept bribes and commissions, so to prevent employees from sacrificing the Company's interests instead of their personal interests. All employees are required not to provide or accept bribe, or other improper benefits in any form.	No material deviation.
(III) Whether the company has established relevant policies that are duly enforced to prevent unethical conduct, provided implementation procedures, guidelines,	✓		(III) Unizyx has established the "Principles and Procedures for Ethical Management and Guidelines for Conduct," to disclose various operational procedures and conduct guidelines, with the specific whistleblowing system and	No material deviation.

Assessment Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Summary	
consequences of violation and appealing procedures, and periodically reviews and revises such policies?			disciplinary actions for unethical conduct. The effects of implementation are reviewed regularly for continuous improvement.	
II. Ethic Management Practice				
(I) Whether the company has assessed the ethics records of whom it has business relationship with and include business conduct and ethics related clauses in the business contracts?	✓		(I) Unizyx has established relevant evaluation mechanisms for its clients and suppliers, and detailed the rights and obligations of both parties when entering into contracts with them, with non-disclosure terms.	No material deviation.
(II) Whether the company has set up a unit which is dedicated (or concurrent) to promoting the company's ethical standards and regularly (at least once a year) reports directly to the Board of Directors on its ethical corporate management policy and relevant matters, and program to prevent unethical conduct and monitor its implementation?	✓		(II) The management takes ethical management as the highest operating principles and complies with relevant regulations. In addition, it also has an internal audit plan, for conducting regular audits by internal auditors and report in the meetings of the Board of Directors.	No material deviation.
(III) Whether the company has established policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?	✓		(III) Unizyx has established "Code of Conduct" to prevent conflict of interest, and provides related complaint channels. Meanwhile, the "Principles and Procedures for Ethical Management and Guidelines for Conduct" require Zxyel Holding and all personnel establish the relationships with clients, supplier, and other external persons in the business manner of fairness, openness, and honesty. None of the staff shall solicit customers for business in an unfair manner. The staff shall use the best effort to upgrade the product and service level that satisfy client' need.	No material deviation.

Assessment Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Summary	
(IV) To implement relevant policies on ethical conducts, has the company established effective accounting and internal control systems, audit plans based on the assessment of unethical conduct, and have its ethical conduct program audited by internal auditors or CPA periodically?	✓		(IV) Unizyx has established an effective accounting system, and shall not have external accounts or keep secret accounts. The system shall be reviewed frequently, to ensure that the design and implementation of the system continue to be effective. An effective internal control system has also been established, and an internal audit unit under the Board of Directors has been set up, to report to the Board of Directors quarterly; CPAs may be retained to perform inspections. If required, professional personnel may be commissioned to assist.	No material deviation.
(V) Does the company provide internal and external ethical conduct training programs	✓		(V) The “Principles and Procedures for Ethical Management and Guidelines for Conduct” and “Code of Conduct” are disclosed at Unizyx’s website and MOPS. The HR Department hosts promotional session to all managers and employees of the Group through e-learning. The contents include all business activities, the relationships with clients, supplier, and other external persons, to all employees in the Group, and the practice of social responsibility, and thus the Group’s philosophy, values, and spirits of related laws and regulations are understood, for the observation of the principles and codes, and implemented in the daily tasks. The training period is from November 2019 to April 2020, with a total of 1,467 participants and a total of 367 hours.	No material deviation.

Assessment Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Summary	
III. Implementation of Complaint Procedures (I) Does the company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received?	✓		(I) Unizyx has established the "Principles and Procedures for Ethical Management and Guidelines for Conduct," to specify the whistleblowing system, including whistleblowing mailbox and hotline, assignment of dedicated staff, and measures to protect whistleblowers.	No material deviation.
(II) Whether the company has established standard operation procedures for investigating the complaints received, follow-up measures after investigation are completed, and ensuring such complaints are handled in a confidential manner?	✓		(II) When Unizyx discovers or receives reports of unethical conduct by its personnel, it shall immediately investigate the relevant facts and assigned dedicated personnel or unit responsible for acceptance, and the independent directors shall be reported to if necessary.	No material deviation.
(III) Does the company adopt proper measures to prevent a whistleblower from retaliation for his/her whistleblowing?	✓		(III) Unizyx's relevant procedures shall keep the whistleblower's identity and content of the report confidential, as well as protect the whistleblower from improper treatment due to the report.	No material deviation.
IV. Enhancing information disclosure Does the company disclose its ethical corporate management best practice principles as well as information about implementation of such guidelines on its website and Market Observation Post System ("MOPS")?	✓		The "Principles and Procedures for Ethical Management and Guidelines for Conduct" and "Code of Conduct" are disclosed at Unizyx's website and MOPS. Unizyx's website also disclosed the compliance with corporate governance related laws and regulations, and emphasis on the principle of ethics, and compliance with business ethics, and other information.	No material deviation.
V. If the company has established its own ethical corporate management best practice principles based on the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies," please describe any discrepancy between the policies and their implementation: Unizyx has established the "Principles and Procedures for Ethical Management and Guidelines for Conduct," specifying the principles of employees' ethical conducts. No material deviation from actual operation.				
VI. Other important information to facilitate better understanding of the company's ethical corporate management practices: (e.g., reviewing and amending the company's corporate management best practice principles): None.				

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

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

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

4.8.1 Unizyx's corporate governance implementation may be accessed on Unizyx's website or the MOPS.

4.8.2 For Unizyx's managerial officers' attendance to the courses related to corporate governance, please refer to the "Labor Relations" section herein.

4.9 Disclosure of Internal Control System:

4.9.1 Internal Control Statement: Please refer to page 108.

4.9.2 The internal control audit report issued by the external auditor commissioned to conduct an internal control audit if any: none.

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

4.10.1 Any indictment of a responsible person or employee by a prosecutor for an offense related to the occupation: none.

4.10.2 Any fine imposed by the Financial Supervisory Commission ("FSC") for violation of laws and regulations: none.

4.10.3 Any severe correction imposed by the FSC for deficiencies: none.

4.10.4 Other disclosure required by the FSC: none.

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

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

Date	Major Resolutions of Shareholders' Meetings
June 12, 2020	1. Motion for the 2019 business report and financial statements. Implementation status: Resolved to approve. 2. Motion for 2019 appropriation of profit or loss. Implementation status: Resolved to approve. The net income in 2019, NTD106,753 thousand, was applied to cover the accumulated losses in whole. Therefore, no dividends would be distributed. 3. Motion for the amendment to "Parliamentary Rules for Shareholders' Meetings". Implementation status: Resolved to approve. The same was uploaded to the MOPS on June 12, 2020, and updated on Unizyx's website. 4. Motion for the amendment to the "Procedures for Loaning Funds to Others."

Date	Major Resolutions of Shareholders' Meetings
	Implementation status: Resolved to approve. The same was uploaded to the MOPS on June 12, 2020, and updated on Unizyx's website. 5. Motion for the amendment to the "Procedures for Engaging in Derivatives Trading." Implementation status: Resolved to approve. The same was uploaded to the MOPS on June 12, 2020, and updated on Uniyzx's website.

4.11.2 Major resolutions made by the Board of Directors' Meetings

Date	Major Resolutions of Board of Directors' Meeting
March 9, 2020 4th Board 4th Meeting	1. Retroactive Recognition Items: (1) Resolution passed for the retroactive recognition of Unizyx's subsidiaries to list overdue receivables from invested companies as loaning funds. 2. Discussed Items: (1) Resolution passed for change of the independent auditors since the Fourth Quarter of 2019. (2) Resolution passed for the independent auditors' competence and independence evaluation. (3) Resolution passed for 2019 business report and financial statements. (4) Resolution passed for 2020 business plan. (5) Resolution passed for 2019 Internal Control System Statement. (6) Resolution passed for 2019 compensation to Chairman and managerial officers. (7) Resolution passed for 2019 appropriation of profit or loss. (8) Resolution passed for contribution rates of 2020 remuneration to employees and directors. (9) Resolution passed for the current-year endorsement or guaranteed limits on behalf of invested companies. (10) Resolution passed for the current-year financial institution credit limit. (11) Resolution passed for amendments to the ethical business best-practice principles, and ethical operating procedures and behavior guidelines. (12) Resolution passed for amendments to the Procedures for Loaning Funds to Others and the Procedures for Derivatives Trading. (13) Resolution passed for parliamentary procedure for shareholders' meetings. (14) Resolution passed for 2020 general shareholders' meeting date, location and agenda. (15) Resolution passed for drafting and handling written proposals from shareholders with at least a 1% stake in Unizyx.
May 11, 2020 4th Board 5th Meeting	1. Retroactive Recognition Items: (1) Resolution passed for Unizyx's subsidiaries' retroactive recognition to list overdue receivables as loaning funds. 2. Discussed Items: (1) Resolution passed for adjustment on 2020 business plan.

Date	Major Resolutions of Board of Directors' Meeting
	(2) Resolutions passed for amendments to the Parliamentary Rules for Board of Directors' meetings, Articles of Association for Audit Committee, and Articles of Association for Remuneration Committee. (3) Resolution passed for amendments to the Corporate Governance Best Practice Principles. (4) Resolution passed for amendments to the Enforcement Rules for Internal Audit.
August 10, 2020 4th Board 6th Meeting	1. Retroactive Recognition Items: (1) Resolution passed for Unizyx's subsidiaries' retroactive recognition to list overdue receivables as loaning funds. 2. Discussed Items: (1) Resolution passed for the current-year endorsement or guaranteed limits on behalf of invested companies. (2) Resolution passed for the issuance of employee stock options. (3) Resolution passed for the name list of subscribers for 1st employee stock options issued by Unizyx in 2020. (4) Resolution passed for lifting the non-competition restriction on Unizyx's managerial officers. (5) Resolution passed for lifting the non-competition restriction on Unizyx's directors. (6) Resolutions passed for amendments to the Parliamentary Rules for Board of Directors' meetings, Articles of Association for Audit Committee, Articles of Association for Remuneration Committee and Board of Directors Performance Assessment Regulations.
November 9, 2020 4th Board 7th Meeting	1. Discussed Items: (1) Resolution passed for professional fees of the independent auditors retained by Unizyx. (2) Resolution passed for the current-year endorsement or guaranteed limits on behalf of invested companies. (3) Resolution passed for 2021 internal audit plan. (4) Resolution passed for amendments to the internal control system. (5) Resolution passed for 2021 compensation projections for Unizyx's Chairman and managerial officers. (6) Resolution passed for employee stock options issuance by the subsidiary company Zyxel Networks Corporation. (7) Resolution passed for allocating the employee stock options issued by subsidiaries to managerial officers in 2020.
March 15, 2021 4th Board 8th Meeting	1. Retroactive Recognition Items: (1) Resolution passed for the assignment of executives. 2. Discussed Items: (1) Resolution passed for the independent auditors' competence and independence evaluation. (2) Resolution passed for 2020 remuneration to employees and directors. (3) Resolution passed for 2020 business report and financial statements. (4) Resolution passed for 2021 business plan.

Date	Major Resolutions of Board of Directors' Meeting
	(5) Resolution passed for 2020 Internal Control System Statement. (6) Resolution passed for 2020 compensation to Chairman and managerial officers. (7) Resolution passed for 2020 deficit compensated. (8) Resolution passed for distributing cash from capital surplus. (9) Resolution passed for contribution rates of 2021 remuneration to employees and directors. (10) Resolution passed for the current-year endorsement or guarantee limits on behalf of invested companies. (11) Resolution passed for the current-year financial institution credit limit. (12) Resolution passed for the assessment of self-prepared financial statement (13) Resolution passed for establishing the chief corporate governance officers (14) Resolution passed for established the matters related to the exercised the employee stock options in the Fourth Quarter of 2020 converting share capital. (15) Resolution passed for the amendment to Procedures for Election of Directors and Rules of Procedure for Shareholders' Meetings. (16) Resolution passed for the amendment to the "Procedures for Loaning Funds to Others". (17) Resolution passed for lifting the non-competition restriction on the directors. (18) Resolution passed for 2021 general shareholders' meeting date, location and agenda. (19) Resolution passed for drafting and handling of written proposals from shareholders with at least a 1% stake.

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

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

5. Information Regarding Independent Auditors

5.1 Information about Professional Fees of Independent Auditors

5.1.1 Professional Fee Range

Name of accounting firm	Name of CPA		Period covered by CPA's Audit	Remarks
KPMG Taiwan	Ah-Chih Cheng	Shing-Hai Wei	January 1, 2020~December 31, 2020	-

Fee Range \ Fee Items		Audit Fee	Non-Audit Fee	Total
1	Less than NT$2,000 thousand		✓	✓
2	NT$2,000 thousand (inclusive)~NT$4,000 thousand	✓		✓
3	NT$4,000 thousand (inclusive)~NT$6,000 thousand			
4	NT$6,000 thousand (inclusive)~NT$8,000 thousand			
5	NT$8,000 thousand (inclusive)~NT$10,000 thousand			
6	NT$10,000 thousand (inclusive) or more			

5.1.2 If the non-audit fees paid to the Independent auditors, CPA firm and their affiliates account for more than 25% of the audit fees, the audit fees and non-audit fees, as well as the contents of the non-audit service shall be disclosed:

Unit: NTD thousand

Name of accounting firm	Name of CPA	Audit Fee	Non-Audit Fee					Period covered by CPA's Audit	Remarks
			System Design	Company Registration	Human Resource	Others	Subtotal		
KPMG Taiwan	An-Chih Cheng and Shing-Hai Wei	2,614	-	-	-	390	390	January 1, 2020~December 31, 2020	The non-audit fees were primarily intended for the master file transfer pricing service.

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

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

5.2 Information about the Change of the Independent Auditors: none.

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

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

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

Unit: Shares

Title	Name	2020		As of April 18, 2021	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman (major shareholder)	Shun-I Chu	-	-	-	-
Director/CEO	Gordon Yang	500,000	-	-	-
Director	Yuh-Long Chen	-188,000	-	-	-
Director	Lien-Pin Pai	-	-	-	-
Director	Representative of ZYXEL Foundation: Ping-Chin Li	-	-	-	-
Representative of institution shareholder	Ping-Chin Li	-	-	-	-
Director	Che-Ho Wei	-	-	-	-
Independent director	K.C. Shih	-	-	-	-
Independent director	Feng Chian	-	-	-	-
Independent director	Chin-Tang Liu	-	-	-	-
Senior Vice President	Woei Lo	125,000	-	-	-
Senior Manager, Audit Office	Jessica Chen	15,000	-	-	-

6.1.1 Counterpart of share transfer is related: none.

6.1.2 Counterpart of share pledge is related: none.

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

April 18, 2021

Name	Shareholding by oneself		Shareholding of spouses and children of minor age		Shareholding through nominees		Name and relationship of top ten shareholders who are related parties as the relationship as defined under Statement of Financial Accounting Standards (SFAS) No. 6		Remarks
	shares	%	shares	%	shares	%	Name	Relationship	
Shun-I, Chu	100,173,833	22.34	16,808,783	3.75	-	-	ZyChamp Investment Co., Ltd Lien-Pin, Pai ZYXEL Foundation	Chairman/ President Spouse Chairman	-
ZyFX Technologies Inc.	19,517,000	4.35	-	-	-	-	ZYXEL Foundation	Parent and Subsidiary	-
Lien-Pin, Pai	16,808,783	3.75	100,173,833	22.34	-	-	Shun-I, Chu	Spouse	-
ZyChamp Investment Co., Ltd	9,391,262	2.09	-	-	-	-	Shun-I, Chu	Chairman/ President	-
Yuh-Long, Chen	8,498,178	1.90	1,870,112	0.42	-	-	-	-	-
ZYXEL Foundation	6,000,000	1.34	-	-	-	-	Shun-I, Chu	Chairman	-
Citibank Taiwan in custody for Polunin Emerging Markets Small Cap Fund, LLC	5,974,700	1.33	-	-	-	-	-	-	-
National Yang Ming Chiao Tung University	5,001,169	1.12	-	-	-	-	-	-	-
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	4,748,555	1.06	-	-	-	-	-	-	-
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	4,418,000	0.99	-	-	-	-	-	-	-

8. Ownership of Shares in Affiliated Enterprises

As of December 31, 2020 Unit: thousand shares, %

Affiliated Enterprises (Note)	Ownership by Unizyx		Ownership by Directors, Managers and Directly/Indirectly Owned Subsidiaries		Total Ownership	
	shares	%	shares	%	shares	%
Zyxel	72,450	100%	-	-	72,450	100%
MitraStar	316,800	100%	-	-	316,800	100%
ZNet	72,460	100%	-	-	72,460	100%
Black Cat	1,000	67%	100	6%	1,100	73%
ZyAS	-	-	20,712	100%	20,712	100%
Flatworld	-	-	-	-	-	-
ZyUSA	-	-	9,807	100%	9,807	100%
Zychamp	-	-	8,902	100%	8,902	100%
ZyTR	-	-	29,137	100%	29,137	100%
ZyTPE	-	-	6,000	100%	6,000	100%
Sphairon	-	-	-	100%	-	100%
ZNet KR	-	-	72	65%	72	65%
ZNet AS	-	-	20,712	100%	20,712	100%
ZNet TH	-	-	8,000	100%	8,000	100%
ZNet FR	-	-	10	100%	10	100%
ZNet IN	-	-	8,470	100%	8,470	100%
ZyDE	-	-	-	100%	-	100%
ZyCZ	-	-	19,000	100%	19,000	100%
ZyUK	-	-	5,375	100%	5,375	100%
ZNet BNL	-	-	14	100%	14	100%
ZyES	-	-	3	100%	3	100%
ZyBR	-	-	5,849	100%	5,849	100%
ZyIT	-	-	10	100%	10	100%
ZNet RUS	-	-	-	100%	-	100%
ZNet EE	-	-	3	100%	3	100%
Ardomus Networks Corporation	-	-	4,841	48%	4,841	48%
ShareTech Information Co., Ltd.	-	-	730	38%	730	38%
Bluebell	-	-	32,856	100%	32,856	100%
XSquare	-	-	5,000	100%	5,000	100%
Tianjin Huagin	-	-	-	95%	-	95%
ZNet SHA	-	-	-	100%	-	100%
Monetics	-	-	-	100%	-	100%
Genezys	-	-	-	100%	-	100%
Wuxi MSTC	-	-	-	100%	-	100%
Beijing Huaqin World Technology Co., Ltd.	-	-	-	49%	-	49%

Note: It's a long-term investment and structured entity, recognized with equity method (Flatworld). For the full names of the affiliates, please refer to pages 101~102 of the annual report.

IV. Capital Overview

1. Capital and Shares

1.1 Source of Capital

April 18, 2021, Unit: thousand shares/NTD thousand

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

April 18, 2021 Unit: shares

Type of share	Authorized capital			Remarks
	Outstanding shares (listed)	Unissued shares	Total	
common stock	448,431,355	251,568,645	700,000,000	Listed

Note: Outstanding shares include 788 thousand shares of Employee Stock Options. The related registration procedures are still in progress.

1.2 Shareholder Structure

April 18, 2021

Shareholder structure / Quantity	Government agencies	Financial institutions	Other Juridical person	Domestic Natural Persons	Foreign Institutions and Natural Persons	Total
Number of shareholders	0	17	204	52,688	13	53,045
Shareholdings	0	2,002,444	46,468,360	356,840,966	43,119,585	448,431,355
Holding percentage (%)	0%	0.45%	10.36%	79.57%	9.62%	100.00%

1.3 Distribution of Equity

Par value NTD 10 per share
April 18, 2021

Shareholding classes	Number of shareholders	Shareholdings	Holding percentage (%)
1 to 999	18,575	1,243,567	0.28%
1,000 to 5,000	27,123	55,764,274	12.44%
5,001 to 10,000	3,969	31,665,620	7.06%

Shareholding classes	Number of shareholders	Shareholdings	Holding percentage (%)
10,001 to 15,000	1,110	14,019,473	3.13%
15,001 to 20,000	754	14,200,498	3.17%
20,001 to 30,000	554	14,193,564	3.17%
30,001 to 50,000	439	17,791,366	3.97%
50,001 to 100,000	259	18,729,104	4.18%
100,001 to 200,000	135	19,382,784	4.32%
200,001 to 400,000	59	16,675,938	3.72%
400,001 to 600,000	22	10,550,648	2.35%
600,001 to 800,000	7	4,799,176	1.07%
800,001 to 1,000,000	6	5,616,000	1.25%
Over 1,000,001	33	223,799,343	49.89%
Total	53,045	448,431,355	100.00%

1.4 List of Major Shareholders

April 18, 2021

Shares / Name of major shareholder	Shareholdings	Holding percentage (%)
Shun-I, Chu	100,173,833	22.34%
ZyFX Technologies Inc.	19,517,000	4.35%
Lien-Pin, Pai	16,808,783	3.75%
ZyChamp Investment Co., Ltd	9,391,262	2.09%
Yuh-Long, Chen	8,498,178	1.90%
ZYXEL Foundation	6,000,000	1.34%
Citibank Taiwan in custody for Polunin Emerging Markets Small Cap Fund, LLC	5,974,700	1.33%
National Yang Ming Chiao Tung University	5,001,169	1.12%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	4,748,555	1.06%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	4,418,000	0.99%

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

Unit: NTD/share

Item \ Year			2020	2019	As of March 31, 2021
Market price per share (Note 1)	Highest		39.60	26.25	43.50
	Lowest		10.10	12.30	33.10
	Average		19.86	19.93	37.43
Net value per share (Note 2)	Before distribution		18.89	16.72	19.13
	After distribution		Note 8	16.72	Note 8
Earnings per share	Weighted average shares (thousand shares)		432,651	431,786	438,857
	Earnings per share (Note 3)	Before adjustment	1.91	0.25	0.29
		After adjustment	Note 8	0.25	—
Dividends per share	Cash dividend		Note 8	—	—
	stock dividend	Dividends from Retained Earnings	Note 8	—	—
		Dividends from Capital Surplus	Note 8	—	—
	Accumulated undistributed dividends (Note 4)		—	—	—
Return on Investment	Price / Earnings Ratio (Note 5)	Before adjustment	10.40	79.72	—
		After adjustment	Note 8	79.72	—
	Price / dividend Ratio (Note 6)		Note 8	—	—
	Cash dividend Yield (Note 7)		Note 8	—	—

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

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

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

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

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

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

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

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

1.6 Dividend Policy Specified in the Articles of Incorporation and Implementation

1.6.1 Dividend policy

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

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

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

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

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

1.6.2 Implementation

Unizyx proposed to use NTD 32,700,358 of the legal reserves to cover the loss, and the capital surplus of NTD 223,821,928 from the issuance of shares exceeding the face value of shares to distribute cash to shareholders, with a cash dividend of NTD 0.5 per share and approval by the annual shareholders' meeting. The ex-devidend date, payment date, and other related matters for the cash distribution, upon the resolution of annual shareholders' meeting, the Board of Directors will be authorized to determine.

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

1.7 Impact to Business Performance and EPS Resulting from Stock Dividend Distribution:

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

1.8 Compensation of Employees and Directors

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

Please refer to the dividend policy above said.

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

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

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

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

1.8.4 The actual distribution of employee, director, and supervisor compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated:
Unizyx's net income from 2019 has been applied to cover accumulated losses. Therefore, no employee compensation was allocated to employees and directors.

1.9 Status of Stock Buyback: none.

2. Issuance of Corporate Bonds: none.

3. Issuance of Preferential Shares: none.

4. Issuance of Global Depositary Receipts: none.

5. Status of Employee Stock Options

5.1 Issuance of Employee Stock Options

April 18, 2021

Employee stock options Granted	2018 1st Employee stock options	2020 1st Employee stock options
Date Approval by Regulatory Authority	November 20, 2018	August 21, 2020
Issuance date	November 21, 2018	September 22, 2020
Number of Options Granted	19,018,000 units (19,018,000 shares)	15,000,000 units (15,000,000 units)
Percentage of Shares Exercisable to Outstanding Common Shares	4.31%	3.40%
Option Duration	5 years	5 years
Source of Option Shares	Issuance of new shares	Issuance of new shares
Vesting Schedule (%)	After 2 full years have elapsed from the time the stock option holder is allocated the employee stock options, the option holder may exercise the share purchase rights according to the schedule set out below: Two full years have elapsed:50% Three full years have elapsed:100%	After 2 full years have elapsed from the time the stock option holder is allocated the employee stock options, the option holder may exercise the share purchase rights according to the schedule set out below: Two full years have elapsed:50% Three full years have elapsed:100%
Shares Exercised	7,254,000	-
Value of Shares Exercised	88,498,800	-
Shares Unexercised (Note)	9,614,500 shares	14,975,000 shares
Adjusted Price Per Share In Unexercised Options	12.20	24.70
Percentage of Shares Unexercised to Outstanding Common Shares	2.15%	3.35%
Impact to shareholders' equity	Dilution to shareholder's equity is limited	Dilution to shareholder's equity is limited

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

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

April 18, 2021

	Title	Name	Number of option acquired (thousand shares)	Number of Option Acquired to Number of Option Issued (Note)	Exercised				Unexercised			
					Number of option	Exercise Price	Options Amount	Number of Option to Number of Option Issued (Note)	Number of option	Exercise Price	Options Amount	Number of Option to Number of Option Issued (Note)
Managerial Officer	Chief Executive Officer	Gordon Yang	2,105	0.47%	640	12.20	7,808	0.14%	1,465	2018 ESOP NTD 12.20 2020 ESOP NTD 24.70	28,186	0.33%
	Senior Vice President	Woei Lo										
	Senior Manager	Jessica Chen										
Employee	President	Wayne Huang	3,411	0.76%	745	12.20	9,089	0.17%	2,666		47,038	0.60%
	President	Denise Lin										
	Vice President	Allen Lin										
	Senior Assistant Vice President	Jason Wu										
	Assistant Vice President	Chris Chou										
	Assistant Vice President	Isaac Tai										
	Assistant Vice President	Ja Liu										
	Senior Manager	CP Liao										
	Senior Manager	Kimi Peng										
	Special Assistant	Brian Feng										

Note: The share issued is calculated based on the amended number of total share issued approved by Ministry of Economic Affairs on April 09, 2021.

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

6.1 Basic Information of Merged or Acquired Companies: none.

6.2 Any Issuance of New Shares in Connection with a Merger or Acquisition or with Acquisition of Shares of Any Other Company Is Currently in Progress, the State of the Plan's Implementation and Its Effect upon Shareholders' Equity Shall Be Disclosed: none.

7. Financing Plans and Implementation: none.

V. Operational Highlights

1. Business Activities

1.1 Business Scope

1.1.1 Main areas of business operations

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

1.1.2 Main revenue distribution

Product/Year	2020	2019
Broadband access equipment	73.00%	77.39%
Equipment for business	13.75%	12.25%
Others	13.25%	10.36%
Total	100.00%	100.00%

1.2 Overview of the Industry

1.2.1 Current status and development of the industry

Since the era of Internet of Things (IoT) came, various horizontal and vertical network communication application demands have emerged, from smart home to smart city. In response to the substantial increase in demand for personal mobile communication devices, home broadband access devices, and even enterprise network equipment, be it the copper and fiber optic broadband access in the fixed-line network, the mobile communication network technology such as 4G LTE and 5G NR, the considerable developments have been witness.

The unexpected COVID-19 pandemic in 2020, changed global economic activities, but it also made work from home distance learning and remote monitoring to be top trends. The Industrial Economics and Trends Research Center (IEK) of the Industrial Technology Research Institute indicates that this will bring new opportunities to the industry, including the transformation of 5G telecommunication service demand and the implementation of 5G, to drive fiber optic communications business opportunities. To meet the substantial business opportunities brought by the new era of 5G, new product areas such as Wi-Fi 6 wireless network equipment, new-generation fiber optic fiber access equipment, DOCSIS 3.1 Cable products, 5G small cells, 5G CPE, Internet of Things and other value-added applications emerged, and the overall operating growth is promising.

On the other hand, as the U.S.-Sino technology war has become increasingly fierce, the U.S. has recently launched a "clean network" policy, which affects the future layout of an open network industry ecosystem and a reliable ICT supply chain. As the international institutions and major manufacturers have successively released their views on 6G application scenarios

and demand indicators, the next generation of communication layout wars just need a trigger.

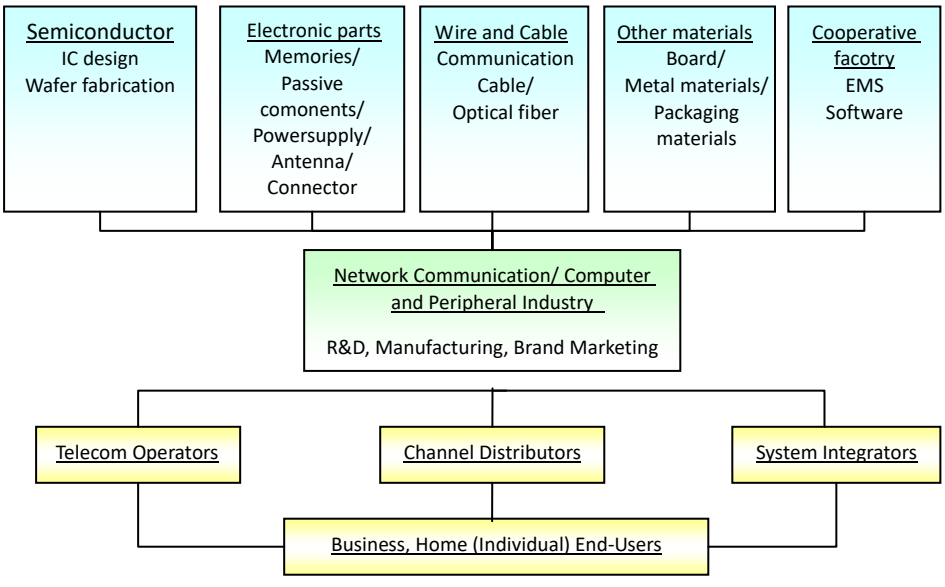
(1). The impact of the COVID-19 pandemic and the U.S.-Sino trade war on Taiwan's communications industry is relatively moderate

Based on the Market Intelligence & Consulting Institute (MIC) of the Council for Information, due to the impact of COVID-19 pandemic and the shift of supply chains under the US-Sino trade war, the output value of global communications equipment fell in 2020, while in 2021, the global communications industry is expected to grow by 8.1%, driven by the four markets including enterprise networks, consumer terminals, 5G telecommunication networks and data centers. However, Taiwan's communications industry was relatively mildly affected by the COVID-19 pandemic and the U.S.-Sino trade war. In addition, the performance of most of products continued to grow as important international clients requested goods ahead of schedule in 2020. It is estimated that the overall production value of Taiwan's telecommunications industry (including the export of telecommunications components) will reach NTD3.3 trillion in 2021.

(2). Global 5G users continue to grow

Since the official commercial application of 5G launched in 2019, large-scale deployment of 5G has been ushered in. The global leading telecom operators have begun to launch 5G home broadband services. According to a GSA report in September 2020, 37 telecom operators around the world have begun to provide 5G FWA or home broadband network service. In the next few years, 4G/LTE users will still be the majority. It is expected to reach a peak of 5.1 billion households in 2022, and then begin to decrease gradually, and the 5G households will take over and grow year by year. Based on the forecasts of Market Intelligence & Consulting Institute (MIC) of the Council for Information, 5G users worldwide will reach approximately 2.8 billion in 2015, with a penetration rate of over 30%.

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



1.2.3 Various development trends of products

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

5G terminal products and their services will become the focus of observation for the development of the global communications industry, and major telecom operators around the world have successively carried out 5G business transformation plans. In

2020, the COVID-19 pandemic swept the world, and many industries were hit by unprecedented impacts. 5G was one of the few industries that were unaffected or even more sought after. In order to accelerate the development of 5G, mobile telecom companies in Europe and the U.S. opened up private networks and marginal computing; the Open RAN is expected to reduce the capital and operating costs of cellular network deployment. The global 5G trend has continued into 2021 and become even stronger. According to Forbes, enterprises will be more active in introducing 5G private networks, the Open RAN architecture will be favored by more companies, and telecom operators will also provide customers with more new 5G services.

(2) WiFi 6 networking terminals

802.11ax technology-based WiFi 6 has a maximum network speed of 9.6Gbps as its feature, which is very suitable to work with 5G or 10G fiber optic technology for indoor wireless networking applications. In Europe, the U.S. and China they have seen WiFi 6 as one of the key technologies to increase the speed of indoor connection. It will not only make online streaming applications such as movies and games more mature, but it is also expected to mitigate the challenges of multiplying networking demands brought by remote learning from home or remote conferences under the impact of COVID-19 pandemic.

However, WiFi 6 networking devices, such as APs and routers, which were originally expected to reach large-scale shipments in the first half of 2020, have been delayed until the second half of 2020, due to the impact of the COVID-19 pandemic on testing progress and supply chain material transportation. However, the pandemic also sharply increased the demands for working and learning from home, and thus users' willingness to pay for high-speed internet has increased, which is expected to drive the large-scale shipment of WiFi 6 devices in 2021.

(3) Fixed Wireless Access (FWA)

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

With the spread of the COVID-19 pandemic, users’ reliance on stable networks has increased sharply, which has also prompted more traditional fixed network operators to actively bid for the Citizens Broadband Radio Service (CBRS) frequency bands, and expand the service range with FWA. It is expected to drive the demand for CPE supporting FWA. Looking forward to 2021, Taiwanese players will feel more deeply the business opportunities in the U.S. market.

(4) XGS-PON

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

(5) Promising market outlook of SD-WAN

As enterprise IT systems are shifting to the cloud in many countries in East Asia and Europe, and the U.S., the data transmission of business applications that could only be enclosed in the WAN has begun to use the network and the cloud for output. Because the data traffic has increased significantly, enterprises are prompted to evaluate and strengthen the bandwidth of the network, while reviewing and changing the application architecture of the Internet and considering introducing new products.

According to IDC's market report on global SD-WAN, global revenue is expected to exceed 8 billion USD by 2021, with a compound growth rate of 69%. In addition, IDC also pointed out that the most important driving force for the growth of the SD-WAN market in the next five years is digital transformation (DX), followed by software-as-a-service applications based on public clouds. Finally, it will be benefited from the widespread acceptance and adoption of software-defined networking (SDN) by enterprises.

1.2.4 Competition

The Group continues to invest in VDSL, G.fast, GPON, LTE CPEs, mobile communication base stations, software-defined networking, network security protection, and digital home convergence products. Facing the development trend of multi-gigabits high-speed network, we develop XGS-GPON, WiFi 6 (11ax) and other latest technologies more actively. For the future substantial market opportunities of 5G and the digital transformation of the industry, the Company engages technology developments related to 5G, to provide products and services sought by the market with innovative and forward-looking technologies, to maintain the leading position.

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

1.3 Overview of R&D

1.3.1 Technical level and R&D of businesses

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

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

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

(2) Smart life

Smart life applications are becoming more and more popular, and various applications such as home entertainment, home control, and home security have penetrated into households along with the digital convergence. Among them, digital set-top boxes, personal cloud storage devices, cloud cameras and various WiFi products play very

important roles in digital home applications. The best solutions provided by the Group to meet the needs of home networks include: Multy X tri-band full coverage wireless extension system for home-users' WiFi network coverage, and the G.hn wave 2 network technology firstly applied in Taiwan's industry, the PLA6456 powerline Internet device recognized by 2020 Taiwan Excellence Award, or personalized cloud technology.

Consumers will be able to quickly access digital media seamlessly when moving between the two places, and easily store and share, streaming and playing media content wherever.

(3) 4G LTE and 5th generation mobile communication technology (5G) technology
The Group's mobile broadband solutions are highly integrated, with high transmission power, low power consumption, and rich interfaces, including: outdoor, indoor, portable, and dual-mode module products, allowing users to obtain faster, simpler audio-video and data services.

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

The development of the global communications industry has entered a new era of 5G, and major telecom operators have successively carried out 5G business transfer plans. The Group has also actively invested in the research and development of 5G related technologies, and successfully launched the first 5G CPE, which began sales in 2020. The Group's NR5101 5G NR indoor router and NR7101 5G NR outdoor router were recognized by the Taiwan Excellence Awards. The NR7101 5G NR outdoor router was also adopted by leading service providers in Nordic successfully entering the Nordic 5G FWA market.

(4) Wireless local area network
WiFi 6 (11ax) is the next-generation wireless network standard, which effectively improves the efficiency and flexibility of wireless network usage, greatly increase network speed and bandwidth, and meet the needs of emerging networking applications. The Group's newly launched complete WiFi 6 product portfolio includes DSL, Ethernet, active fiber, passive fiber network gateways, access points, and WiFi extenders. It has been favored by the European and the U.S. markets as soon as it debuted this year, because the home users are provided with faster Multi-gig wireless speeds. While the connection speed is increasing, how to use today's most popular Mesh technology to improve the wireless network coverage in the user's home, and achieve high-speed connection to WiFi in every corner has also become one of the concerns of the networking industry. The MPro Mesh® Solutions launched by the Group by using its excellent software R&D capabilities, supports WiFi 6 and EasyMesh industry standards, seamlessly connects wireless network extenders with WiFi 6 home gateways, and uses remote management technology and user-friendly App, so that the user's home WiFi transmission has no dead spot. The Group's Armor G5 AX6000 12-stream Multi-Gigabit WiFi 6 wireless router is the Taiwan Excellence Award-winning product.

(5) IoT and cloud technologies
Various smart applications driven by the Internet of Things and cloud technology have also brought up the development of business opportunities for the entire smart home and smart city. In response to this development trend, the Group actively deploys smart home-related applications and services. Based on the technology developed in broadband wired communications for many years, the Group develops an integrated

multi-functional smart home networking platform, and combines cloud applications to connect service providers in the smart home ecosystems, to provide the complete "Connected Home Solution" for the telecommunications providers.

The Group's latest Aurora smart home cloud camera provides home users with a 1080P high-definition cloud camera with night vision function. Even if they are away from home or on long-distance trip, they may still use the mobile app to provide multiple family members with real-time and remote viewing what happens at home.

Aiming at networking solutions for small and medium-sized businesses, educational institutions, restaurants and other specialized industries, the Company's "Nebula Cloud Networking Solution" integrates three different types of equipment, namely wireless Access Points(APs), switches and firewalls, which are most frequently accessed by network administrators, into a single Cloud platform management. The solution's three features, including automatic installation, unified cloud management and control, and payment on demand, solve the problem of insufficient IT manpower, administration and maintenance, and cost for small and medium-sized businesses, as well as provides free cloud management, advanced businesses edition license, to lifetime package. The license scheme, meeting the different expansion needs of businesses. This year, the Nebula solution has added a complete range of WiFi 6 wireless APs and multi-gigabit switches to help small and medium-sized businesses quickly upgrade their multi-gigabit networks. The advantages of cloud management are more important in the post-pandemic era.

In 2020, it upgraded to provide the first dynamic personal pre-shared key (DPPSK) in the industry, to protect the wireless network security of small and medium-sized businesses in Taiwan. This is the first time to provide the integration to the holistic solution partners with APIs (application programming interfaces) for vertical industries. The enhanced security mechanisms and authentication functions enable clients to easily protect the network, and partners may focus more on client service."

(6) Mobile communication indoor distribution system technology

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

(7) Cyber security for businesses

Driven by the pandemic, the global demand for information security has increased, and the Group's engagement in information security has also begun to attract market attention. To meet the needs of different groups of businesses and individuals, we have prioritized the simplification of product settings and enhancement of cyber defense monitoring, in particular the high-end ATP firewall series effectively protecting small and medium-sized businesses from zero-day attacks, and the recently launched USG FLEX firewall series that combines connection quality and security. At the beginning of the year, the full range of firewall products of ZNet won the Excellence in Information

Security Testing (EIST) Award from ICSA Labs for 20 consecutive years. Only five major international players in the world have received this honor.

In addition, the Group's "SecuReporter Advanced Cloud Intelligent Analysis Platform" uses cloud intelligence to perform correlation analysis of network traffic and threat records, creating a convenient information security management mechanism.

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

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

Unit: NTD thousand

Item \ Year	2020	2019	As of March 31, 2021
R&D expenditures (A)	1,599,814	1,839,885	398,013
Net operating revenue (B)	22,250,630	24,026,346	6,876,872
(A)/(B)	7.19%	7.66%	5.79%

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

Year/Month	Key Milestone
2016.02	MitraStar's smart gateway won a design award in Germany.
2016.10	The world's first LTE 4G+ (Category 6) mobile home hotspot Zyxel LTE4506 was shortlisted for the 2016 Broadband World Forum "Best Wireless Broadband Innovation Award."
2016.10	The world's first LTE 4G+ (Category 6) mobile home hotspot Zyxel LTE4506 won the 2016 Golden Pin Design Award.
2016.11	Zyxel was was recognized the 2016 Best Taiwan Global Brand, and become the telecommunication company winning the award for 14 consecutive years.
2016.12	Zyxel was recognized the Taiwan Excellence Award by winning ten awards, including household, commercial, LTE wireless networking and telecom service provider broadband access solutions; it is the most awarded telecommunication company in Taiwan.
2017.02	Infinity smart gateway from MitraStar won the German Design Award, the highest honor in the German design industry.
2017.10	Zyxel Multy X tri-band wireless extension system, AP outdoor enclosure, 802.11ac dual-band professional integrated wireless base station (WAC6303D-S), AC3800 tri-band household wireless network extender (WAP6906) won the 2017 Golden Pin Design Award.
2017.10	Zyxel's "Multy Pro" and LTE3300 series were shortlisted for the "Best Smart Home Network" and "Best Wireless Broadband Solution" awards, respectively, in the 2017 Broadband World Forum.
2017.12	Zyxel was recognized the Taiwan Excellence Award for the consecutive 13th years. Other than winning eight awards, the Multy X tri-band wireless extension system also won the "2018 Taiwan Excellence Silver Award", becoming the only telecommunication company to win this award.

Year/Month	Key Milestone
2018.10	Zyxel Technology launched the world's first hybrid intelligent network management switch integrated with NebulaFlex™ technology: GS1920v2 and XGS1930 series.
2018.11	Zyxel was recognized the Taiwan Excellence Award for the consecutive 14th year. With the widely acclaimed Mesh WiFi products, GPON and LTE solutions, total of five awards were received.
2019.03	Zyxel's Multy U won the "2019 iF Design Award"
2019.06	Two commercial wireless base stations, NWA1302-AC and WAC6303D-S, won the five-star recommendation of an UK professional IT magazine and a grand award in the German hotel industry.
2019.07	Launched the world's first dual-mode switch for standalone and smart cloud management.
2019.11	Zyxel was recognized the Taiwan Excellence Award for the consecutive 15th years. "SecuReporter Advanced Cloud Intelligent Analysis Platform," "AiShield," "G.hn" 2400Mbps Powerline Internet Device" and "Armor G1 AC2600 Muti-G AI Defense Wireless Router" won four awards.
2020.02	ZNet has been certified by International Computer Security Association (ICSA) for consecutive 20 years, the first and the only company in Taiwan.
2020.08	The industry's first dynamic and personalized pre-shared key, to protect the wireless network security of small and medium enterprises in Taiwan
2020.11	Zyxel was recognized the Taiwan Excellence Award again, becoming the most awarded networking brand telecommunication company in Taiwan, with industry-leading advanced technology WiFi 6 and 5G products: Armor G5 12 stream 10G WiFi 6 router, NR5101 5G NR indoor integrated router and NR7101 5G NR outdoor router were recognized.

1.4 Long- and Short-Term Business Development Plans

1.4.1 Short-term plans

(1) Brand:

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

The two companies continue to deepen the channels of the Zyxel brand. In addition to the relatively mature European market, they will continue to position in emerging markets, including Central and South America, Africa, Turkey and Thailand. In addition to the existing marketing channels, in order to get closer to clients, and provide localized sales and services, we have gradually added global marketing bases to expand the scope of channel services, and continue to provide various marketing campaigns, including complete channel business training, incentive programs, advertising, and exhibitions, actively deploy online cross-border e-commerce transactions, and continue to operate the brand through online and offline sales. Other than continuing to focus on telecommunications equipment, we will also actively deploy in the field of network security and smart life horizontally, while vertically cultivate network solutions for small and medium-sized businesses, educational institutions, hotels and other specialized

industries deeply, with the vision of developing networking international brands and innovative network technologies and products. The Group's internal operating strategies and goals are incorporated, to continuously utilize group resources most effectively.

(2) DMS:

Adjust the product portfolio: in terms of home networking products, strengthening application integration, security protection, cloud management, and efficient WiFi transmission, while focusing on the deep cultivation of multiple wireless technologies as the requirements for WiFi 6 wireless efficiency increasing. Facing the development trend of multi-gigabits high-speed network, we are actively developing the latest technologies such as XGS-GPON, G.fast, wireless network WiFi 6 (11ax) for fixed-line broadband network. To the future substantial market opportunities of 5G and the digital transformation in the industry, we engage in 5G related technology R&D.

To respond to the effects of the post pandemic era and the uncertainty resulted from US-Sino trade war, the Company has the deployment for optimal capacity to enhance the partnership with our clients and supply chain, to utilize our strength in capacity for achieving the best holistic gross profits.

1.4.2 Long-term plans

(1) Brand:

Think from the clients' perspectives and provide complete architectural solutions and application services. The development of new products is not only based on a single technology, but integrates the Zyxel network infrastructure and soft- and hardware development technologies to provide complete application services for demands from telecommunications, businesses to home users. We are optimistic about the future demand for wireless networking and the cloud for business networking equipment, and we will shift from the telecommunications market to the layout of business networking devices more actively, to increase the proportion of business networking devices in revenue. Meanwhile, in response to the increasing demand of home users for home wireless networks, not only the transmission should be stable and the coverage should be wide, but also related products shall be actively planned to increase the proportion of home wireless network products.

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

(2) DMS:

With the model of providing customized services for different customers, we will obtain opportunities to partner with major international companies, for deepening the level of collaboration with clients, developing more value-added businesses, establishing stable growth and long-term partnerships, and increasing stable growth momentum.

2. Market and Sales Overview

2.1 Market Analysis

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

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

2.1.2 Market's growth potential

Driven by the business opportunities of smart homes and smart cities, coupled with the

increasing consumer demand for audio-video streaming services, and the continuous expansion of demand for cloud applications, it has been expected to bring more vigorous development to the fixed line and mobile communications markets. The COVID-19 pandemic in 2020 directly advanced the immediate demand for remote office, remote teaching, remote shopping, and remote medical consultation. The attitude of the society towards new IoT applications, such as smart plants, smart cities, and smart homes, has also become more positive. Against the backdrop of greater bandwidth and more applications, the pandemic improved demands and specifications for cloud computing, big data, AI, and IoT-related networking products, fuel demands for the new generation of broadband access equipment, commercial networking devices, and smart Internet of Things and small base stations, bringing new changes to the market.

(1) 5G

In the field of 5G mobile communications, it is worth noting 5G CPE. MIC estimates that the proportion of 5G in the global OEM is expected to grow by double digits higher than that of the 4G, which will benefit Taiwanese manufacturers. In addition, due to the higher density requirements of 5G networking, it will drive the demand for small base stations. Coupled with enterprise private network services, the access network (RAN) architecture will initiate business opportunities that will flourish in the future.

The Open Network Architecture (O-RAN) introduced by European and the U.S. telecom operators to accelerate the development of 5G has been the focus of telecom operators. Coupled with the deteriorating Sino-US relations, the open network of the 5G generation has become more important. Not only the government is paying more attention, closer cooperation between standard and specification organizations, and the continued expansion of the industrial ecosystem, but the telecom companies and related equipment suppliers have also strengthened partnership and development to accelerate the 5G open network architecture verification and deployment planning process. This makes the 5G era to advance toward the open network architecture and reorganize the traditional network division of works. Many international telecom operators have begun to adopt O-RAN fully or in part, moving from closed to O-RAN, which in turns making Taiwanese manufacturers more competitive; coupled with the vertical industry 5G applications, these will become opportunities for Taiwanese companies.

(2) WiFi 6 devices

In 2020, due to the global COVID-19 pandemic, the remote teaching and online working have become a trend, which has greatly increased the demand for upgrading wireless networking products. As the performance of WiFi 6 products actually offer the “feeling of upgrading,” and with the advent of the 5G generation technology, WiFi 6 products exploded in the second half of2020. It is predicted that the shipment of WiFi 6 related chips in 2021 will grow as much as doubled. According to the Market Intelligence & Consulting Institute (MIC) of the Council for Information, the WiFi market will be replaced by WiFi 6 in 2021, to drive the wireless communication field to grow by 4.8%. Under the dual factors of the pandemic and the uncertainty of the trade war, optical communication companies actively stock up to reduce the risks that may occur in the future. Also, the COVID-19 pandemic also increased the working hours due to remote-working, as well as the demands for communication, which further drives the demands for optical communication equipment. China's optical communication industry is heavy weighted in the global market, but it has also been hit by the Sino-US trade war and the COVID-19 pandemic. The shutdown of plants and some restrictions on shipments have caused some international orders to be transferred to Taiwan, and brought new

opportunities for the optical communication started from brand-less manufacturers.

(3) Fixed-line broadband communication

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

2.1.3 Competitive niches

(1) Value of full-rounded customization

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

(2) Appreciation to R&D and production quality

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

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

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

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

(1) Positive factors

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

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

②Complete coverage of product line

In response to the needs of various emerging services, global telecom service providers are actively planning and investing in the deployment of new generation optical fiber,

wireless wide area networks, and telecom Internet TV services. The key telecommunications equipment required for these deployments have been included in the telecommunications product lines planned by the Group. With the recovery of the global economy and the demand for new and better services from home users, the Group is expected to increase the global market share of telecom central office and customer premises equipment again in the near future.

③Superior R&D and customization capabilities

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

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

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

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

(2) Negative factors and responses

①Negative factors

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

②Responses

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

2.2 Usage and Manufacturing Processes for the Company's Major Products

2.2.1 Key usages of major products

With the new generation of networking technologies as the core, the Group focuses on product development and manufacturing of wireless and wired broadband networks, new generation networks, digital home multimedia and smart life applications, as well as the

Zyxel brand expansion. The main products and solutions may be divided into the following aspects:

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

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

2.2.2 Manufacturing process of major products

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

①Front End Engineering:

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

②Back End Engineering:

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

2.3 Supply of Major Materials

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

Major material	Supplier
Chip set	NEC (Ikanos); Alltek (Broadcom); MediaTek (MTK and Econet); Rich Power (REALTEK); World Peace ／AITg (Qualcomm); WT Microelectronics (MARVELL); Onsemi (QUANTENNA)
RF IC	Zenitron (MICROSEMI); Frontek (Richwave); AITg／ WT Microelectronics(Skyworks); Promaster (Qorvo)
CPU	Intel; Freescale; TI
PCB	HannStar Board; Elec & Eltek; Trustek

2.4 Major Suppliers and Clients

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

Unit: NTD thousand

Item	2020				2019			
	Company Name	Amount	(%)	Relation with issuer	Company Name	Amount	(%)	Relation with issuer
1	Client A	1,596,151	9.97	N/A	Client A	2,160,263	13.84	N/A
2	Client B	926,542	5.78	N/A	Client B	2,084,493	13.36	N/A
	Other	13,496,727	84.25		Other	11,358,187	72.80	
	Total	16,019,420	100.00		Total	15,602,943	100.00	

Reason of Changes: Mainly due to the Company's production and sales policy.

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

Unit: NTD thousand

Item	2020				2019			
	Company Name	Amount	(%)	Relation with issuer	Company Name	Amount	(%)	Relation with issuer
1	Client A	2,552,786	11.47	N/A	Client A	1,418,805	5.91	N/A
2	Client B	1,030,322	4.63	N/A	Client B	2,767,660	11.52	N/A
	Other	18,667,522	83.90		Other	19,839,881	82.57	
	Total	22,250,630	100.00		Total	24,026,346	100.00	

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

2.5 Production Value and Volume for the past Two Years

The Company only lists the subsidiaries in manufacturing: MitraStar and Wuxi MitraStar Technology Co., Ltd.

Unit: thousand pieces/ NTD thousand

Major products	2020			2019		
	Production Capacity	Production Quantity	Production Amount	Production Capacity	Production Quantity	Production Amount
Broadband equipment	16,197	12,905	12,816,865	15,800	13,041	11,430,456
Equipment for business	105	80	104,160	149	86	151,951
Others	298	237	375,651	1,048	864	766,880
Total	16,600	13,222	13,296,676	16,997	13,991	12,349,287

2.6 Sales Volume and Value for the past Two Years

Unit: thousand pieces/ NTD thousand

Major product	2020				2019			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Broadband equipment	173	337,910	856,535	15,906,076	128	360,892	1,032,762	18,234,182
Equipment for business	11,191	482,499	558	2,575,347	180	213,522	604	2,728,929
Others (Note)	5,678	1,188,788	2,562	1,760,010	1,448	560,216	3,633	1,928,605
Total	17,042	2,009,197	859,655	20,241,433	1,756	1,134,630	1,036,999	22,891,716

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

3. Employee Overview

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

Year		2020	2019	As of March 31, 2021
Number of employees	R&D	1,049	1,013	1,082
	Manufacturing	409	371	415
	Marketing	658	744	618
	Management	370	345	363
	Direct employees	318	190	385
	Total	2,804	2,663	2,863
Average age		36.97	36.44	36.86
Average years of service		6.32	6.48	6.58
Distribution of academic background (%)	PhD	0.36%	0.41%	0.35%
	Master	40.58%	42.62%	39.99%
	College and under	59.06%	56.97%	59.66%

4. Environmental Protection Expenditure

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

There is no special pollution generated from the operating activities of the Group. The sewage

disposal fee in 2020 was paid pursuant to the rate fixed by Hsinchu Science Park, for total NTD 775,063.

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

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

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

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

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

5. Labor Relations

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

5.1.1 Benefit plans

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

5.1.2 Joint Employee Welfare Committee of the Unizyx

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

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

5.1.3 Continuing education and training of employees

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

(1) Internal training

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

①Orientation training:

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

②Management training:

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

③Professional training：

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

④Other training activities:

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

(2) External training

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

The employee trainings in 2020 are described as following

Type of course		Session	Attendees	Hours	Total expenses (NTD thousand)
Internal training	Orientation	91	10,390	96,501	3,485
	Management training	14	452	1,301	
	Professional training	69	2,622	5,330	
	Other trainings	105	8,255	8,351	
External trainings		75	135	1,448	

5.1.4 Continuing education and trainings of managerial officers

Managerial officer	Date	Host by	Training / Speech title	Hours
Gordon Yang (Director and CEO)	September 21, 2020	Taiwan Stock Exchange	"Corporate governance 3.0- sustainable development roadmap" summit seminar	3 hours
Woei Lo (Senior Vice President and Corporate Governance Officer)	January 14-15 and January 29, 2020	Accounting Research and Development Foundation	Roles and practice of "independent directors" in corporate governance	3 hours
			Legal liabilities of "security fraud" by enterprises and case study	3 hours
			Case study of false financial statements, and how to see through key information of financial statements	3 hours
			Case study regarding investigations of "fund flow" in financial statement fraud and the legal liabilities	3 hours
Jessica Chen (Senior Manager, Audit Office)	September 29, 2020	The Institute of Internal Auditors, R.O.C.	Power BI information integration and analysis	6 hours
	October 16, 2020	Computer Audit Association	Control and audit practice of ERP system	6 hours

5.1.5 Continuing education and training of directors

Director	Date	Host by	Training / Speech title	Hours
Yuh-Long Chen (Director)	September 11, 2020	Securities and Futures Institute	Promotion seminar of insider trading prevention and equity transactions of insiders	3 hours
	October 22, 2020	Taiwan Stock Exchange	Promotion seminar of corporate governance and ethical management to directors and supervisors	
Che-Ho Wei (Director)	April 28, 2020	Taiwan Corporate Governance Association	Responding strategies to company reforms	3 hours
	August 17, 2020	Securities and Futures Institute	Corporate governance and regulations of securities	3 hours
	October 26, 2020	Taiwan Institute of Directors	Opportunities and challenges under the U.S-Sino Trading Conflicts	3 hours
Feng Chian (Independent director)	March 17, 2020	Taiwan Corporate Governance Association	Viewing the battle of operation right from the perspective of corporate governance	3 hours
	August 18, 2020	Taiwan Corporate Governance Association	Is it a violation of the Trade Secrets Act if I bring resources? Trade secrets and corporate governance	3 hours
	September 8, 2020	Taiwan Corporate Governance Association	Battle of operation right and case study	3 hours
Chin-Tang Liu (Independent director)	January 16, 2020	Industrial Development Bureau, MOEA	Perfecting the corporate governance framework with IP management- IP management obligations of board of directors of TWSE/TPEx listed companies	2.5 hours
	February 18, 2020	Taiwan Corporate Governance Association	Influence investment: Do Well by Doing Good	1 hour
	June 23, 2020	Taiwan Corporate Governance Association	Issues to be consider in regards of risk management, enterprise sustainability, and ESG by directors and supervisors after the pandemic	1 hour

Director	Date	Host by	Training / Speech title	Hours
			impacts	
	August 6, 2020	Taiwan Corporate Governance Association	Viewing corporate governance from the latest operation right dispute	3 hours
	October 14, 2020	Taiwan Corporate Governance Association	Establishment and operation of an audit committee	3 hours
	October 30, 2020	Taiwan Corporate Governance Association	How does an audit committee implement financial statement review	3 hours
	November 3, 2020	Taiwan Stock Exchange	Promotion seminar of corporate governance and ethical management to directors and supervisors	3 hours
	November 4, 2020	Corporate Organization Association	Digital transformation, Looking forward to the future, and new mindset of risk management	3 hours
	November 5, 2020	Taiwan Corporate Governance Association	Battle of operation right and case study	3 hours
	November 10, 2020	Taiwan Corporate Governance Association	How does an audit committee supervise the effectiveness of internal control	3 hours
	November 27, 2020	Taiwan Corporate Governance Association	Sharing the advanced practice of audit committees: advance to 3.0	3 hours
	December 11, 2020	Taiwan Corporate Governance Association	Sharing the advanced practice of audit committees: deliberation of M&A and liabilities of directors	3 hours
	December 22, 2020	Taiwan Corporate Governance Association	Roles assumed by independent director in the enterprise operation and corporate governance	3 hours
	December 31, 2020	Taiwan Corporate Governance Association	The strategy to leverage capital market by enterprises at the current backdrop	1 hour

5.1.6 Employee Code of Conduct

Unizyx has established the “Employee Code of Conduct” to govern the basic behavior guidelines and ethical standards to be followed, and clarify and restate Unizyx's existing management philosophy and values, and the spirit signified by related laws and regulations. All of Unizyx's employees shall comply with the following service principles:

(1) For all business activities

①Any activities shall satisfy ethical management regulations. Ethical management should be identified as the core management philosophy to be followed by all employees strictly.

②All staff shall consider the company's overall interest when performing job duties, rather than personal or department's interest.

③All staff shall not provide or accept bribe, or other improper benefits in any form.

④All staff shall exercise the due diligence as a good administrator to protect Unizyx's tangible or intangible assets. The staffs are prohibited from impairing Uniyzx's interest by wasting, intentionally damaging, embezzling or misappropriating the assets, but shall apply Unizyx’s resources to create the maximum interest for Unizyx.

⑤The working capital and assets may be utilized for legal and adequate purposes only.

⑥They shall comply with the laws, regulations and systems applicable locally in the place where they are performing job duties.

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

①Act in a commercially fair, open and honest manner.

②Select the suppliers who uphold the values and code of conduct as same as Unizyx as partners to work with each other to raise the entire benefits.

③None of the staff shall solicit customers for business in an unfair manner. The staff shall use the best effort to upgrade the product and service level to satisfy customers' needs.

④When dealing with customers, the staff shall act in accordance with the fair practices applicable to business, marketing and advertising campaigns, and take any reasonable actions to ensure the safety and quality of products or services they provide.

⑤The staff shall take adequate actions to maintain and increase intellectual property, and respect another person's intellectual property rights.

(3) Employees of the Group

①Unizyx shall provide employees with a working environment providing adequate remuneration and career development opportunities and align with the international and local labor laws, regulations, and standards.

②Any discrimination, harassment, or oppression is not allowed in the working environment, so discrimination toward employees is based on race, color, belief, nationality, gender, age, disability, sexual orientation, pregnancy, political affiliation or marital status.

③Support and respect the protection of human rights prevailing internationally, e.g. the Universal Declaration of Human Rights of the United Nations, the basic conventions of the International Labor Organization (ILO) fundamental conventions, and the Global Compact.

④Provide employees with a safe workplace, and training and protective equipment required by laws and regulations. The staff shall use the best effort to maintain a safe and healthy working environment, and strictly comply with the safety and health operating procedures and guidelines when performing job duties to prevent themselves and others from danger.

(4) Fulfillment of social responsibility

①Strictly comply with the government's and Unizyx's environmental protection policies and guidelines, fulfill the environmental protection responsibility, and avoid contaminating and undermining the environment and wasting resources.

②Fulfill the corporate social responsibility and contribute to the communities where Unizyx is operating, as one of the corporate citizens, and also encourage employees to participate in various community development activities after work.

5.1.7 Retirement system

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

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

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

problems encountered by employees, and eliminate any disputes successfully.

6. Important Contracts

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

VI. Financial Information

1. Five-Year Financial Summary

1.1 Condensed Consolidated Balance Sheets and Statements of Comprehensive Income

Condensed consolidated balance sheets

Unit: NTD thousand

Item \ Year		Financial data for the last five years				
		2020	2019	2018	2017	2016
Current asset		16,408,405	12,305,624	14,304,550	11,638,883	12,189,614
Property, plant and equipment		1,592,121	1,639,267	1,763,447	1,930,150	1,995,416
Intangible assets		259,758	124,792	117,081	135,171	116,356
Other assets		1,328,881	1,416,141	934,194	705,070	585,759
Total assets		19,589,165	15,485,824	17,119,272	14,409,274	14,887,145
Current liabilities	Before distribution	10,581,538	7,638,014	9,528,262	6,201,089	6,031,746
	After distribution	Note	7,638,014	9,528,262	6,201,089	6,119,981
Non-current liabilities		701,396	605,842	284,676	224,818	228,510
Total liabilities	Before distribution	11,282,934	8,243,856	9,812,938	6,425,907	6,260,256
	After distribution	Note	8,243,856	9,812,938	6,425,907	6,348,491
Equity attributable to shareholders of the parent		8,279,033	7,221,191	7,241,236	7,916,348	8,581,073
Capital stock		4,476,438	4,411,773	4,411,773	4,411,773	4,411,773
Capital surplus	Before distribution	3,827,886	3,755,876	3,725,204	3,720,573	3,718,694
	After distribution	Note	3,755,876	3,725,204	3,720,573	3,718,694
Retained earnings	Before distribution	447,480	-362,370	-439,594	126,249	771,814
	After distribution	Note	-362,370	-439,594	126,249	683,579
Other equities		-351,910	-463,227	-335,286	-221,386	-200,347
Treasury shares		-120,861	-120,861	-120,861	-120,861	-120,861
Non-controlling interest		27,198	20,777	65,098	67,019	45,816
Total Equity	Before distribution	8,306,231	7,241,968	7,306,334	7,983,367	8,626,889
	After distribution	Note	7,241,968	7,306,334	7,983,367	8,538,654

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

Condensed consolidated statement of comprehensive income

Unit: NTD thousand

Item \ Year	Financial data for the last five years				
	2020	2019	2018	2017	2016
Operating revenue	22,250,630	24,026,346	22,222,727	19,141,444	22,446,091
Gross profit	5,780,099	5,090,526	4,169,778	4,276,668	5,505,230
Operating income (loss)	1,292,694	175,810	-758,792	-530,337	656,715
Non-operating income (expenses)	-116,806	-213,824	122,830	-93,550	-195,819
Income (loss) before income taxes	1,175,888	-38,014	-635,962	-623,887	460,896
Net income (loss) from operations of continued segment	831,001	101,978	-601,383	-571,323	286,483
Net income from operations of discontinued segments	—	—	—	—	—
Net income (loss)	831,001	101,978	-601,383	-571,323	286,483
Other comprehensive income for the year	93,387	-133,637	-81,893	-7,862	-227,435
Total comprehensive income for the year	924,388	-31,659	-683,276	-579,185	59,048
Net income (loss) attributable to Shareholders of the parent company	827,944	106,753	-596,490	-569,752	282,803
Net income (loss) attributable to Non-controlling interests	3,057	-4,775	-4,893	-1,571	3,680
Total comprehensive income attributable to Shareholders of the parent company	921,167	-24,310	-679,743	-578,368	50,010
Total comprehensive income attributable to Non-controlling interests	3,221	-7,349	-3,533	-817	9,038
Earnings per share	1.91	0.25	-1.38	-1.32	0.65

1.2 Condensed Parent Company Only Balance Sheets and Statements of Comprehensive Income

Condensed balance sheets

Unit: NTD thousand

Item \ Year		Financial data for the last five years				
		2020	2019	2018	2017	2016
Current asset		252,737	163,842	132,868	96,471	194,215
Property, plant and equipment		4,121	1,162	1,245	1,649	—
Intangible assets		215	327	439	551	—
Other assets		8,060,945	7,094,042	7,138,875	7,851,339	8,421,886
Total assets		8,318,018	7,259,373	7,273,427	7,950,010	8,616,101
Current liabilities	Before distribution	33,489	34,990	28,542	30,635	32,516
	After distribution	Note	34,990	28,542	30,635	120,751
Non-current liabilities		5,496	3,192	3,649	3,027	2,512
Total liabilities	Before distribution	38,985	38,182	32,191	33,662	35,028
	After distribution	Note	38,182	32,191	33,662	123,263
Equity attributable to shareholders of the parent		8,279,033	7,221,191	7,241,236	7,916,348	8,581,073
Capital stock		4,476,438	4,411,773	4,411,773	4,411,773	4,411,773
Capital surplus	Before distribution	3,827,886	3,755,876	3,725,204	3,720,573	3,718,694
	After distribution	Note	3,755,876	3,725,204	3,720,573	3,718,694
Retained earnings	Before distribution	447,480	-362,370	-439,594	126,249	771,814
	After distribution	Note	-362,370	-439,594	126,249	683,579
Other equities		-351,910	-463,227	-335,286	-221,386	-200,347
Treasury shares		-120,861	-120,861	-120,861	-120,861	-120,861
Non-controlling interests		—	—	—	—	—
Total Equity	Before distribution	8,279,033	7,221,191	7,241,236	7,916,348	8,581,073
	After distribution	Note	7,221,191	7,241,236	7,916,348	8,492,838

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

Condensed statement of comprehensive income

Unit: NTD thousand

Item \ Year	Financial data for the last five years				
	2020	2019	2018	2017	2016
Operating revenue	947,320	237,797	153,827	158,004	402,190
Gross profit	947,320	237,797	153,827	158,004	402,190
Operating income (loss)	813,981	113,579	-586,154	-560,706	294,139
Non-operating income (expense)	—	—	—	—	—
Income (loss) before income taxes	813,981	113,579	-586,154	-560,706	294,139
Net income (loss) from operations of continued segment	827,944	106,753	-596,490	-569,752	282,803
Net income from operations of discontinued segments	—	—	—	—	—
Net income (loss)	827,944	106,753	-596,490	-569,752	282,803
Other comprehensive income for the year	93,223	-131,063	-83,253	-8,616	-232,793
Total comprehensive income for the year	921,167	-24,310	-679,743	-578,368	50,010
Net income (loss) attributable to Shareholders of the parent company	827,944	106,753	-596,490	-569,752	282,803
Net income (loss) attributable to Non-controlling interests	—	—	—	—	—
Total comprehensive income attributable to Shareholders of the parent company	921,167	-24,310	-679,743	-578,368	50,010
Total comprehensive income attributable to Non-controlling interests	—	—	—	—	—
Earnings per share	1.91	0.25	-1.38	-1.32	0.65

1.3 Five-Year Auditors' Opinions

Year	Accounting firm	Name of CPA	Audit opinion
2016	KPMG Taiwan	Shing-Hai Wei, Hai-Ning Huang	Unqualified opinions
2017	KPMG Taiwan	An-Chih Cheng, Tzu-Hsin Chang	Unqualified opinions
2018	KPMG Taiwan	An-Chih Cheng, Tzu-Hsin Chang	Unqualified opinions
2019	KPMG Taiwan	An-Chih Cheng, Shing-Hai Wei	Unqualified opinions
2020	KPMG Taiwan	An-Chih Cheng, Shing-Hai Wei	Unqualified opinions

2. Five-Year Financial Analysis

2.1 Consolidated Financial Analysis

Item \ Year		Financial analysis for the last five years				
		2020	2019	2018	2017	2016
Capital structure analysis (%)	Debt ratio	57.60	53.23	57.32	44.60	42.05
	Long-term fund to property, plant and equipment ratio	521.71	441.78	414.32	413.61	432.34
Liquidity analysis (%)	Current ratio	155.07	161.11	150.13	187.69	202.09
	Quick Ratio	103.99	109.39	96.95	132.10	140.30
	Times interest earned	51.44	0.01	-19.86	-32.27	14.99
Operating performance analysis	Average collection turnover (times)	4.21	4.09	3.81	3.80	4.07
	Days sales outstanding	86.70	89.24	95.80	96.05	89.68
	Average inventory turnover (times)	3.93	4.61	4.53	4.40	4.25
	Average payment turnover (times)	3.58	4.44	4.16	4.18	4.68
	Average inventory turnover days	92.87	79.17	80.57	82.95	85.88
	Property, plant and equipment turnover (times)	13.77	14.12	12.03	9.75	10.74
	Total assets turnover (times)	1.27	1.47	1.41	1.31	1.42
Profitability analysis	Return on total assets (%)	4.84	0.81	-3.66	-3.79	1.99
	Return on equity attributable to shareholders of the parent (%)	10.69	1.40	-7.87	-6.88	3.30
	Pre-tax income to paid-in capital (%)	26.27	-0.86	-14.42	-14.14	10.45
	Net income (%)	3.73	0.42	-2.71	-2.98	1.28
	Earnings per share (NTD)	1.91	0.25	-1.38	-1.32	0.65
Cash flow	Cash flow ratio (%)	14.62	31.07	-24.54	8.70	27.03
	Cash flow adequacy ratio (%)	120.96	74.33	-11.00	80.14	31.55
	Cash reinvestment ratio (%)	14.43	25.59	-26.02	4.69	15.90
Leverage	Operating leverage	3.98	23.65	-3.85	-6.09	6.87
	Financial leverage	1.02	1.28	0.96	0.97	1.05

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

1. Times interest earned increase 5,143.00%, mainly due to increase in income before income taxes.
2. Return on total assets increased 497.53%; Return on equity attributable to shareholders of the parent increased 663.57%; Net income increased 788.10%; and Earnings per share increased 664.00%, mainly due to increase in net income.
3. Pre-tax income to paid-in capital increase 3,154.65%, mainly due to increase in income before income taxes.
4. Cash flow ratio decrease 52.94% and Cash reinvestment ratio decreased 43.61%, mainly due to increase in current liabilities and decrease in net cash provided by operating activities.
5. Cash flow adequacy ratio increased 62.73%, mainly due to increase in net cash provided by operating activities for the past five years.
6. Operating leverage decreased 83.17% and finance leverage decreased 20.31%, mainly due to increase in Operating income.

2.2 Parent Company Only Financial Analysis

Item	Year	Financial analysis for the last five years				
		2020	2019	2018	2017	2016
Capital structure analysis (%)	Debt ratio	0.47	0.53	0.44	0.42	0.41
	Long-term fund to property, plant and equipment ratio	200,898.64	621,445.01	581,625.38	480,148.53	—
Liquidity analysis(%)	Current ratio	754.66	468.25	465.52	314.90	597.29
	Quick Ratio	753.80	466.50	464.63	313.84	596.26
	Times interest earned	—	—	—	—	—
Operating performance analysis	Average collection turnover (times)	Note	Note	Note	Note	Note
	Days sales outstanding	Note	Note	Note	Note	Note
	Average inventory turnover (times)	Note	Note	Note	Note	Note
	Average payment turnover (times)	Note	Note	Note	Note	Note
	Average inventory turnover days	Note	Note	Note	Note	Note
	Property, plant and equipment turnover (times)	Note	Note	Note	Note	Note
	Total assets turnover (times)	Note	Note	Note	Note	Note
Profitability analysis	Return on total assets (%)	10.63	1.47	-7.84	-6.88	3.25
	Return on equity attributable to shareholders of the parent (%)	10.68	1.48	-7.87	-6.91	3.27
	Pre-tax income to paid-in capital (%)	18.18	2.57	-13.29	-12.71	6.67
	Net income (%)	87.40	44.90	-387.77	-360.59	70.32
	Earnings per share (NTD)	1.91	0.25	-1.38	-1.32	0.65
Cash flow	Cash flow ratio (%)	-18.38	95.16	125.74	121.68	-18.22
	Cash flow adequacy ratio (%)	100.96	35.55	61.58	39.00	137.40
	Cash reinvestment ratio (%)	-0.07	0.46	0.50	-0.64	-0.07
Leverage	Operating leverage	1.14	1.92	0.85	0.83	1.31
	Financial leverage	1.00	1.00	1.00	1.00	1.00

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

1. Long-term fund to property, plant and equipment ratio decreased 67.67%, mainly due to increase in net property, plant and equipment.
2. Current ratio increased 61.17% and quick ratio increased 61.59%, mainly due to increase in current assets.
3. Return on total assets increased 623.14%; Return on equity attributable to shareholders of the parent increased 621.627%; Net income increased 94.65%; and Earnings per share increased 664.00%, mainly due to increase in net income.
3. Pre-tax income to paid-in capital increase 607.39%, mainly due to increase in income before income taxes.
4. Cash flow ratio decrease 119.31% and Cash reinvestment ratio decreased 115.22%, mainly due to decrease in cash provided by operating activities.
5. Cash flow adequacy ratio increased 183.99%, mainly due to increase in net cash provided by operating activities for the past five years.
6. Operating leverage decreased 40.63%, mainly due to increase in operating income.

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

Glossary

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

3. Audit Committee's Review Report: please refer to page 107 for details.

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

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

6. The Company Should Disclose the Financial Impact to the Company If the Company and Its Affiliates Have Incurred Any Financial or Cash Flow Difficulties in the Most Recent Year and as of the Date of Publication of the Annual Report: none.

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

1. Financial Position

Unit: NTD thousand

Item \ Year	2020	2019	Difference	
			Amount	%
Current asset	16,408,405	12,305,624	4,102,781	33.34%
Property, plant and equipment	1,592,121	1,639,267	-47,146	-2.88%
Intangible assets	259,758	124,792	134,966	108.15%
Other assets	1,328,881	1,416,141	-87,260	-6.16%
Total assets	19,589,165	15,485,824	4,103,341	26.50%
Current liabilities	10,581,538	7,638,014	2,943,524	38.54%
Non-current liabilities	701,396	605,842	95,554	15.77%
Total liabilities	11,282,934	8,243,856	3,039,078	36.86%
Capital stock	4,476,438	4,411,773	64,665	1.47%
Capital surplus	3,827,886	3,755,876	72,010	1.92%
Retained earnings	447,480	-362,370	809,850	223.49%
Other equities	-351,910	-463,227	111,317	24.03%
Treasury shares	-120,861	-120,861	0	0.00%
Non-controlling interests	27,198	20,777	6,421	30.90%
Total equity	8,306,231	7,241,968	1,064,263	14.70%

1. Describe and analyze changes between two consecutive periods over 20% and more than NTD 10 million:
   (1). Current assets, Intangible assets and Total assets increased from the previous period, mainly due to increase of the notes and accounts receivable, inventories, and the acquisition of Intellectual property.
   (2). Current liabilities and total liabilities increased from the previous period, mainly due to increase in notes and accounts payable (related parties included).
   (3). Retained earnings increased from the previous period, mainly due to increase of the profit for the period
   (4). Other equities increased from the previous period, mainly due to increase in currency exchange profit arising from translation of foreign operations.
2. Impacts from financial position changes and response: no material impact.

2. Operating Results

Unit: NTD thousand

Item \ Year	2020	2019	Difference	%
Net operating revenue	22,250,630	24,026,346	-1,775,716	-7.39%
Operating costs	16,470,531	18,935,820	-2,465,289	-13.02%
Gross profit	5,780,099	5,090,526	689,573	13.55%
Operating expenses	4,487,405	4,914,716	-427,311	-8.69%
Operating income (loss)	1,292,694	175,810	1,116,884	635.28%
Non-operating income (expenses)	-116,806	-213,824	97,018	45.37%
Income (loss) before income taxes	1,175,888	-38,014	1,213,902	3193.30%
Net income (loss)	831,001	101,978	729,023	714.88%
Other comprehensive income for the year	93,387	-133,637	227,024	169.88%
Total comprehensive income for the year	924,388	-31,659	956,047	3019.83%
Net income (loss) attributable to Shareholders of the parent company	827,944	106,753	721,191	675.57%
Net profit (loss) attributable to Non-controlling interests	3,057	-4,775	7,832	164.02%
Total comprehensive income attributable to Shareholders of the parent company	921,167	-24,310	945,477	3889.25%
Total consolidated income attributable to Non-controlling interests	3,221	-7,349	10,570	143.83%

1. Describe and analyze changes between two consecutive periods over 20% and more than NTD 10 million:
   (1). The operating income for the period increased, mainly due to the weight of OEM decreased, provision for inventory obsolescence decreased, and product mix changed during the period resulting in increased gross profit, and expense saving during the period.
   (2). The non-operating income (expenses) for the period increased, mainly due to the relief subsidy for COVID-19 was obtained while there was no such thing in the previous period.
   (3). The income (loss) before income taxes and net income for the period increased, mainly due to increase in operating income.
   (4). Other comprehensive income for the year increased, mainly due to increase in currency exchange profit arising from translation of foreign operations.
   (5). Total comprehensive income for the year and total comprehensive income attributable to Shareholders of the parent company for the period increased, mainly due to aforementioned changes.
2. Sales volume forecast and the basis thereof for the next year: the financial forecast is not prepared and thus not applicable.
3. Future effect upon the company's financial operations: no material effect.
4. Response: not applicable.

3. Cash Flow

3.1 Analysis Cash Flows in the Recent Year

3.1.1 Analysis of the changes to cash flows in the year

Unit: NTD thousand

Cash balance at the beginning of the period	Net cash flow from operating activities Cash flow	Net cash flow from investment and financing activities	Cash balance at the end of the period	Remedies for cash shortfall	
				Investment plan	Financing plan
3,219,348	1,546,753	-687,942	4,078,159	—	—

(1) Cash inflow from operating activities of NTD 1,546,753 thousand, mainly from the operating profit of the period.

(2) Cash outflow from investment and financial activities of NTD 687,942 thousand, primarily for NTD 1,039,062 thousand of financial assets measured at amortized cost were acquired and the short-term notes payable increased NTD 300,000 thousands.

3.1.2 Remedies for cash shortfall: no insufficient cash.

3.2 Analysis Cash Flows for the Coming Year

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

Unit: NTD thousand

Cash balance at the beginning of the period	Net cash flow from operating activities Cash flow	Net cash flow from investment and financing activities	Cash balance at the end of the period	Remedies for cash shortfall	
				Investment plan	Financing plan
4,078,159	1,659,060	-418,811	5,318,408	—	—

(1) Cash inflow from operating activities of NTD 1,659,060 thousand, mainly from income before income taxes, notes and accounts receivable (related parties included), notes and accounts payable (related parties included), expenses payable, depreciation expense and provision for inventory obsolescence.

(2) Cash outflow from investment and financial activities of NTD 418,811 thousand, primarily for capital expenditures and cash dividend payment.

3.2.2 Remedies for cash shortfall and liquidity analysis: none.

4. Major Capital Expenditure Items

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

4.2 Expected benefits: none.

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

5.1 Most Recent Annual Reinvestment Policy:

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

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

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

5.3 Investment Plans for the Coming Year:

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

competitiveness.

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

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

1. Senior Management Meeting:
   Convened monthly and attended by CEO and CFO of the Company and division heads from subsidiaries. Division heads from subsidiaries report the monthly operating results, financial position and key performance indicators at the meeting. Meanwhile, they propose the annual plan based on the direction of management and budget each year, and follow up the implementation thereof periodically, and conduct dynamic review on potential risks and corresponding policies.
2. Departments of Unizyx:
   Establish the group policy on the related functions, such as human resource, finance, legal affairs, information and strategy, in order to integrate the Group's key strategic directions. Each functional department and subsidiary establishes a fair two-way and horizontal communication mechanism to respond to potential risks.
3. Internal Auditing Office of Unizyx:
   Audit subsidiaries' finance and business, and adequacy of the internal control system design and implementation, and report the results to the Board of Directors periodically.
4. Subsidiaries:
   Operationally, implement KPI factors, analyze strength and weakness, products, markets and competition status, and provide related countermeasures; financially, set forth their risk management strategies based on the foreign exchange rate risk, interest rate risk and customers' credit risk, and escalate the same to the senior management.

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

(1) Interest rate:

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

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

If the interest rates increase or decrease by 0.25%, while other variables are kept the same, the Group's net profit before income tax in 2020 will increase or decrease by NT$2,202 thousand, primarily as a result of the Group's variable interest rate cash & cash equivalent and short-term loan.

(2) Exchange rate:

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

The Group's foreign interest rate risk primarily arises from the foreign currency exchange gain and loss generated upon conversion of cash & cash equivalent, notes and accounts receivable (including related parties), other receivables (including related parties), short-term loan, and notes and accounts payable (including related parties) denominated in foreign currencies. When NT$ against the foreign currencies denominating financial assets and financial liabilities depreciates or appreciates by 5%, while the other factors are kept the same, the effects to the increase (decrease) in pre-tax net profit on December 31, 2020 are stated as follows:

	Appreciation	Depreciation
2020	$ -107,306	$ 107,306

(3) Inflation

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

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

(1). The Group upholds conservative and stable investment and wealth management. Therefore, the Group never engages in high-risk or high-leverage investments.

(2). The loan of the fund is required, as the accounts receivable generated from the sales to related parties should be re-stated upon expiration of three months pursuant to laws or by related parties who need a short-term loan. Meanwhile, if a related party needs a loan due to business dealings, it may apply for the loaning of the fund in accordance with the operating procedure set forth by Unizyx.

(3). The endorsements/guarantees are provided only to secure the application of any subsidiary of which 50% of the capital is invested by Unizyx for loaning of the fund with a bank or the guarantee of payment required by purchases.

(4). The hedging strategy aims to evade most market price risks, not to engage in trading. The Group is used to acting conservative toward transactions of derivatives. It only undertook the hedging by forwarding exchange rate contracts.

(5). Unizyx has had the regulations, including the "Procedures for Loaning Funds to Others," "Procedures for Making of Endorsement/Guarantee," "Procedures for Derivatives Trading," and "Procedures for the Acquisitions and Disposition of Assets," approved by the Board of Directors to govern related operations.

6.3 Future R&D Plans and Expected R&D Expenditure Input:

In the next three to five years, the product development direction will not only be based on the existing fixed-line broadband access technology, active deployment of new generation of high-bandwidth fixed-line broadband network, strengthening the cultivation of mobile communications, but also the Company will actively invests in cloud and information security

network related fields, as the technological goals achieved rapidly and the future directions, to maintain our leading international competitive advantages in the new generation of integrated network era. The future R&D plans and products are as follows:

(1). Various IP-based broadband central office and customer-premises equipment.
(2). The latest development in wired broadband technology.
(3). 4G LTE /5G NR holistic solution.
(4). Integrated application of wireless network management and wireless communication performance.
(5). Various digital home and multimedia application products and smart home power management solutions.
(6). Business and home wireless networking solutions.
(7). Information security and protection solutions and license services.
(8). SD-WAN networking solutions.
(9). Ultrahigh-speed and wide-area Ethernet switching products.
(10). Optical Line Terminals, Optical Network Units, and distributed antenna systems.
(11). Internet of Things and smart cloud security network application technology and licensed services.
(12). Indoor mobile communication signal coverage solution.

The Group expects to continue the development of above-mentioned products and technologies in 2021, and the estimated R&D expenditures will account for approximately 5-10% of revenue.

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

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

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

(1). Given the low threshold for technology market access and availability of low-price product technology, the market value declines significantly. Notwithstanding, the market demand is expanded and thereby benefits the increase in market shares.
(2). The increasing market demand for IT integration will expand the same market. The Group will increase resources and capital invested in the relevant R&D.

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

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

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

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

(1) Purchase:

According to the purchase policy for single raw materials, the Group should keep two or more suppliers, diversify the purchase sources in principle, and maintain a fair partnership with suppliers to ensure available sources of raw materials.

(2) Sale:

The Group adheres to its powerful strength in R&D and manufacturing.
It maintains permanent cooperative relations with existing customers and also uses the best effort to develop new customers in order to expand and diversify the sources of business. Therefore, there should be no risk over excessive customer concentration.

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

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

6.12 Litigation or Non-litigation Matters: none.

6.13 Other Major Risks, and Countermeasures:

Information Security Risk Management:

The information security organization is founded in order to ensure the top-down approach adopted by an information security management system and to reach consensus, perform teamwork, assign job duties, and make the whole employees practice the information security concept, thereby achieving the organization's information security objectives. In order to promote and control the implementation of the information security policy, Unizyx establishes the inter-departmental unit, the “Information Security Committee.” The primary missions include:

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

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

In order to enhance the information security management and ensure the confidentiality, integrity and availability of information assets, provide the environment and framework needed by Unizyx's information operations, and satisfy related laws and regulations, thereby

preventing Unizyx from any threat, intentional or negligent, internally or externally, Unizyx has formally implemented the ISO 27001 to establish the information security management system (ISMS) in line with international standards, Unizyx passed the BSI verification agency review in 2015 and obtained the ISO 27001:2013 international standard certification. By virtue of risk management, the threat and weakness are verified through asset evaluation to enable managers to verify risks and try to mitigate the risk to an acceptable extent, and achieve the “information security” objectives based on the conclusion that "risks have been controlled effectively."

7. Other Important Notes: none.

VIII. Special Disclosure

1. Summary of Affiliated Companies

1.1 Consolidated Business Report of Affiliates

1.1.1 Organization chart of affiliates: please refer to page 104.

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

Unit: NTD thousand

Name of Affiliate	Date of Establishment	Location	Capital Stock		Major Business
Zyxel Communications Corporation (Zyxel)	August 16, 1989	Taiwan	TWD	724,500	Development, manufacturing and sales of communications and networking products
MitraStar Technology Corporation (MitraStar)	October 25, 2010	Taiwan	TWD	3,168,000	Development, manufacturing and sales of communications and networking products
Zyxel Networks Corporation (ZNet)	January 31, 2019	Taiwan	TWD	724,600	Development and sales of communications and networking products
Black Cat Incorporation (Black Cat)	November 20, 2017	Taiwan	TWD	15,000	Development and sales of information security products, and consultant management services
Zyxel Communications A/S (ZyAS)	October 8, 1998	Denmark	EUR	2,781	Sales and marketing
Flatworld Networks, LLC (Flatworld)	January 1, 2008	The U.S.	USD	0	Sales and marketing
Zyxel Communications Inc. (ZyUSA)	June 11, 1996	The U.S.	USD	9,506	Sales and marketing
Zychamp Co., Ltd. (Zychamp)	March 24, 1998	Taiwan	TWD	89,015	Investment activities
Zyxel Iletisim Teknolojileri A.S. (ZyTR)	June 6, 2007	Turkey	TRL	29,137	Sales and marketing
Zytpe Communications Corporation (ZyTPE)	July 3, 2006	Taiwan	TWD	60,000	Development and sales of communications and networking products
Sphairon GmbH(a Zyxel Company) (Sphairon)	June 11, 2013	Germany	EUR	25	Development of communications and networking products
Zyxel Korea Co., Ltd. (ZNet KR)	October 24, 2012	South Korea	KRW	550,000	Sales and marketing
Zyxel Networks A/S (ZNet AS)	April 1, 2019	Denmark	EUR	2,781	Sales and marketing
Zyxel (Thailand) Company Ltd. (ZNet TH)	August 11, 2006	Thailand	THB	80,000	Sales and marketing
Zyxel France (ZNet FR)	February 22, 1999	France	EUR	150	Sales and marketing
Zyxel Technology India Pvt Ltd. (ZNet IN)	November 22, 2006	India	INR	84,700	Sales and marketing
Zyxel Deutschland GmbH (ZyDE)	May 20, 1999	Germany	EUR	25	Sales and marketing
Zyxel Communications Czech s.r.o. (ZyCZ)	July 11, 2004	Czech Republic	EUR	747	Sales and marketing
Zyxel Communications UK Ltd. (ZyUK)	September 29, 2004	U.K.	GBP	5,375	Sales and marketing

Name of Affiliate	Date of Establishment	Location	Capital Stock		Major Business
Zyxel Communications B.V. (ZNet BNL)	November 24, 2006	Netherland	EUR	1,350	Sales and marketing
Zyxel Communications Iberia S.L (ZyES)	January 14, 2014	Spain	EUR	3	Sales and marketing
Zyxel Communications Do Brasil Ltda. (ZyBR)	January 13, 2015	Brazil	BRL	5,849	Sales and marketing
Zyxel Communications Italy S.r.l (ZyIT)	May 29, 2015	Italy	EUR	10	Sales and marketing
Zyxel Communications RU LLC (ZNet RUS)	July 7, 2017	Russia	RUB	50	Sales and marketing
Zyxel Online OÜ (ZNet EE)	December 17, 2018	Estonia	EUR	3	Sales and marketing
Bluebell Overseas Ltd. (Bluebell)	October 8, 1997	The British Virgin Islands	USD	32,856	Investment activities
XSquare Communications Corporation (XSquare)	May 18, 2020	Taiwan	TWD	50,000	Development and sales of communications and networking products
Tianjin Huagin Communications Equipment Co., Ltd. (Tianjin Huagin)	August 19, 1994	China	USD	1,500	Sales of communications, networking products and technical consulting service
Zyxel Communication (ShangHai) Co., Ltd. (ZNet SHA)	August 9, 2006	China	USD	8,500	Sales of communications, networking products and technical consulting service
Shanghai Monetics Telecommunications Corporation (Monetics)	August 26, 2010	China	USD	11,700	Sales of communications, networking products and network technology transfer service
Wuxi Genezys Technology Ltd. (Genezys)	December 21, 2009	China	USD	6,700	Development of communications and networking products
Wuxi MitraStar Technology Co., Ltd. (Wuxi MSTC)	May 25, 2001	China	USD	29,900	Manufacturing and sales of communications and networking products and technical consulting service

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

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

1.1.5 Name and shareholding of directors, supervisors, and president of each affiliate: please refer to pages 105~106.

1.2 Operation Highlights of Unizyx's Affiliated Companies

Unit: NTD thousand

Name of affiliate (Note)	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income	Net income (after tax)	Earnings per share
Zyxel	724,500	8,531,921	4,679,037	3,852,884	6,938,621	397,041	346,667	4.78
MitraStar	3,168,000	7,871,643	4,391,079	3,480,564	13,125,295	282,256	433,596	1.37
ZNet	724,600	2,225,970	1,090,060	1,135,910	2,075,815	-130,111	32,846	0.45
Black Cat	15,000	43,104	4,582	38,522	23,350	12,286	10,520	7.51
ZyAS	97,405	2,213,412	1,686,285	527,127	2,675,700	261,668	247,797	11.96
ZyUSA and subsidiary Flatworld	270,737	1,071,683	746,228	325,455	2,725,639	99,643	76,039	7.75

Name of affiliate (Note)	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income	Net income (after tax)	Earnings per share
Zychamp	89,015	360,608	3,740	356,868	-	-120	-135	-0.02
ZyTR	111,137	225,211	15,975	209,236	347,631	13,850	34,127	1.17
ZyTPE	60,000	425,973	300,055	125,918	546,313	46,097	40,650	6.78
Sphairon	876	157,004	20,040	136,964	67,799	2,954	2,924	-
ZNet KR	14,520	52,290	11,506	40,784	43,559	2,229	4,354	39.58
ZNet AS	97,405	1,902,610	1,462,767	439,843	2,753,099	257,444	186,888	9.02
ZNet TH	76,448	91,895	21,094	70,801	90,303	-16,978	-16,793	-2.10
ZNet FR	5,253	87,001	23,570	63,431	2,637	5,546	4,893	489.30
ZNet IN	32,516	47,925	322,890	-274,965	10,439	-41,931	-49,524	-5.85
ZyDE	876	1,260,444	1,131,473	128,971	402,355	22,602	15,004	-
ZyCZ	26,177	142,384	126,112	16,272	164,518	17,152	10,705	0.56
ZyUK	209,088	171,243	121,659	49,584	313,520	408	-1,290	-0.24
ZNet BNL	47,277	52,346	3,931	48,415	-	3,106	2,038	145.57
ZyES	105	84,400	81,881	2,519	93,177	444	326	108.67
ZyBR	31,616	306,713	730,421	-423,708	223,118	-88,743	-276,383	-47.25
ZyIT	350	807,415	762,986	44,429	1,163,032	47,467	33,258	3,325.80
ZNet RUS	19	6,680	4,185	2,495	27	1,551	575	-
ZNet EE	88	88	-	88	-	-	-	-
Bluebell	935,753	1,857,536	62,474	1,795,062	-	-195	70,179	2.14
XSquare	50,000	46,002	3,346	42,656	-	-9,194	-7,344	-2.35
Tianjin Huagin	42,720	3,126	1,424	1,702	-	-624	-118	-
ZNet SHA	242,080	17,091	14,311	2,780	12,719	3,415	4,140	-
Monetics	333,216	214,242	5,992	208,250	1,041,558	30,381	56,148	-
Genezys	190,816	286,333	46,758	239,575	186,238	3,725	6,412	-
Wuxi MSTC	851,552	5,887,478	4,033,692	1,853,786	11,876,712	70,055	70,564	-

Note: It's a long-term investment recognized with equity method. For the full names of the affiliates, please refer to pages 101~102 of the annual report.

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

1.2.2 Relation report: not applicable.

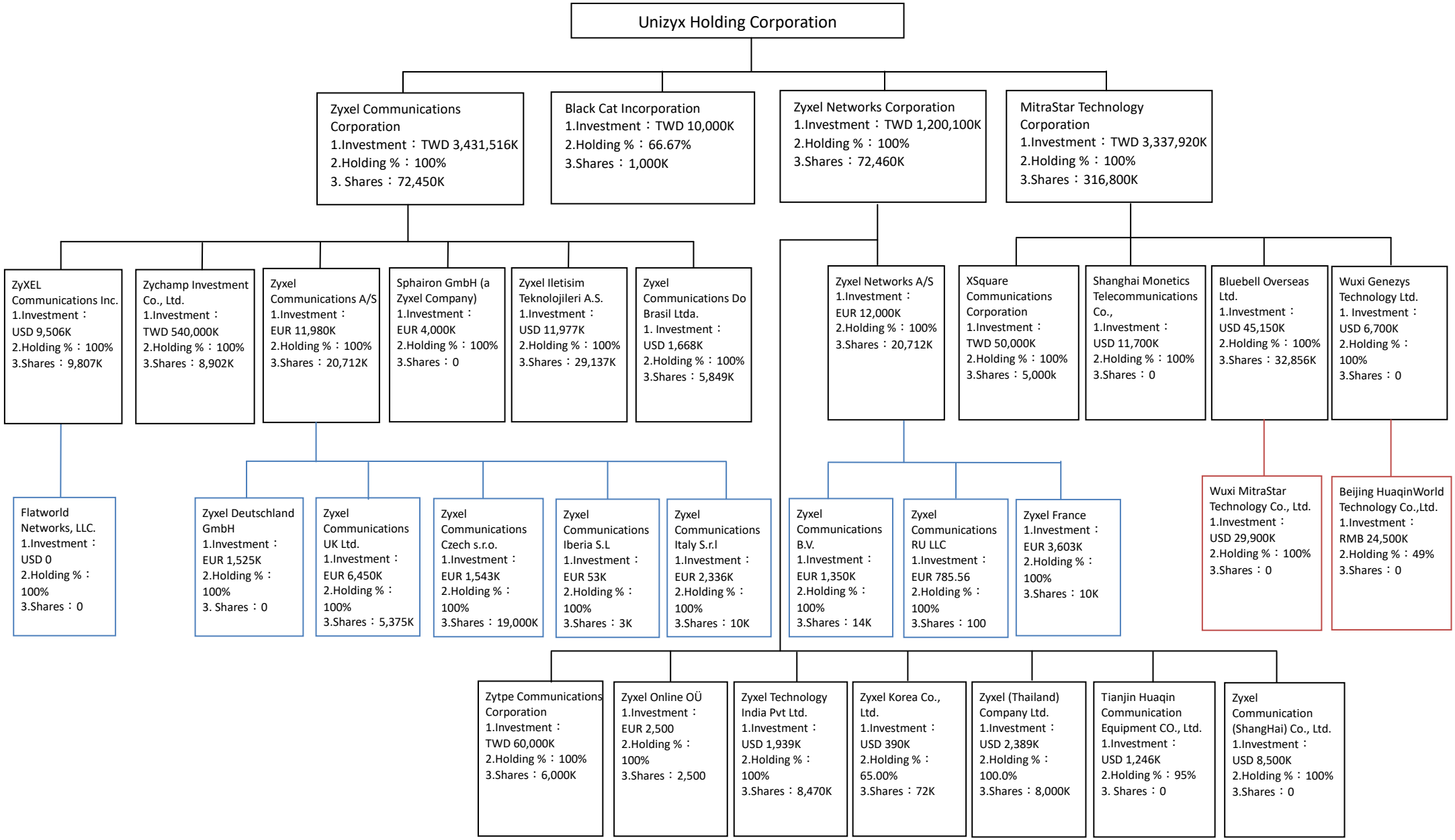
2. Private Placement Securities for the Most Recent Year until the Date of Publication of the Annual Report: none.

3. Held or Disposed of the Company's Stocks by Subsidiaries for the Most Recent Year until the Date of Publication of the Annual Report: none.

4. Other Supplementary Information: none.

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

Unizyx Holding Corporation
Investment organization chart
Date：Dec 31, 2020



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

As of December 31, 2020

Name of affiliate (Note)	Title	Name of Representative	Shareholding	
			Shares (thousand shares)	%
Zyxel	Chairman	Shun-I Chu	72,450	100
	Director	Gordon Yang	72,450	100
	Director/President	Denise Lin	72,450	100
	Supervisor	Sharon Kuo	72,450	100
MitraStar	Chairman	Shun-I Chu	316,800	100
	Director	Gordon Yang	316,800	100
	Director/President	Wayne Huang	316,800	100
	Supervisor	Leslie Feng	316,800	100
ZNet	Chairman/President	Gordon Yang	72,460	100
	Director	Shun-I Chu	72,460	100
	Director	Woei Lo	72,460	100
	Supervisor	Chin-Yi Sheng	72,460	100
Black Cat	Chairman	Woei Lo	1,000	67
	Director	Shun-I Chu	1,000	67
	Director/President	Edward Yu	1,000	67
	Supervisor	Leslie Feng	1,000	67
ZyAS	Director	Gordon Yang	20,712	100
	Director	Shun-I Chu	20,712	100
	Director	Torben Thomasen	20,712	100
	President	Jannik Palle Haargaard	-	-
ZyUSA	Director/President	Hou-I Chu	9,807	100
	Director	Shun-I Chu	9,807	100
	Director	Gordon Yang	9,807	100
Zychamp	Chairman/President	Shun-I Chu	8,902	100
	Director	Wei Lo	8,902	100
	Director	Leslie Feng	8,902	100
	Supervisor	Sharon Kuo	8,902	100
ZyTR	Chairman	Shun-I Chu	29,137	100
	Director	Woei Lo	29,137	100
	Director	Gordon Yang	29,137	100
	President	Jannik Palle Haargaard	-	-
ZyTPE	Chairman	Shun-I Chu	6,000	100
	Director/President	Chao-Huei Liao	6,000	100
	Director	Ping-Chin Li	6,000	100
	Supervisor	Woei Lo	6,000	100
Sphairon	Director	Shun-I Chu	-	100
	President	Karsten Gewecke	-	-
ZNet KR	Director	Gordon Yang	72	65
	Director	Gary Chen	72	65
	Director/President	Sanghyun Kim	38	35
ZNet AS	Director	Shun-I Chu	20,712	100
	Director	Gordon Yang	20,712	100
	Director	Torben Thomasen	20,712	100
	President	Jannik Palle Haargaard	-	-
ZNet TH	Chairman	Shun-I Chu	8,000	100
	Director	Gordon Yang	8,000	100
	Director	Sarochinee Wattanabupha	-	-
	President	Kevin Wan	-	-
ZNet FR	Legal Representative	Jannik Palle Haargaard	10	100
ZNet IN	Director	Shun-I Chu	8,470	100

Name of affiliate (Note)	Title	Name of Representative	Shareholding	
			Shares (thousand shares)	%
	Director	Gordon Yang	8,470	100
	Director	Shaheen Begum	8,470	100
	President	Gary Chen	—	—
ZyDE	Director	Shun-I Chu	—	100
	Director	Gordon Yang	—	100
	Director	Torben Thomasen	—	100
	President	Jannik Palle Haargaard	—	—
ZyCZ	Legal Representative	Jannik Palle Haargaard	19,000	100
ZyUK	Director	Shun-I Chu	5,375	100
	Director	Gordon Yang	5,375	100
	Director/President	Jannik Palle Haargaard	5,375	100
ZNet BNL	Director	Shun-I Chu	14	100
	Director	Gordon Yang	14	100
	Director/President	Jannik Palle Haargaard	14	100
ZyES	Director/President	Jannik Palle Haargaard	3	100
ZyBR	Director	Shun-I Chu	5,849	100
	President	Gilmar De Farias (agent)	—	—
ZyIT	Director	Gordon Yang	10	100
	Director/President	Jannik Palle Haargaard	10	100
ZNet RUs	Director	Denis Yurievich Tyapaev	—	100
	President	Jannik Palle Haargaard	—	—
ZNet EE	Director	Nathan Yen	3	100
Bluebell	Legal Representative	Shun-I Chu	32,856	100
XSquare	Chairman/President	Wayne Huang	5,000	100
	Director	Gordon Yang	5,000	100
Tianjin Huagin	Chairman	Cheng Chang	—	5
	Director/President	Shun-I Chu	—	95
	Supervisor	Jason Pu	—	95
ZNet SHA	Chairman	Shun-I Chu	—	100
	Legal Representative/President	Gordon Yang	—	100
Monetics	Legal Representative	Woei Lo	—	100
	Supervisor	TJ Chen	—	100
Genezys	Legal Representative	Wayne Huang	—	100
	President	Chuan-Fu Deng	—	—
	Supervisor	Woei Lo	—	100
Wuxi MSTC	Legal Representative	Woei Lo	—	100
	President	Fu-Bang Huang	—	—

Note: Please refer pages 101~102 for the full names of the affiliates

Unizyx Holding Corporation

Audit Committee's Review Report

Unizyx's 2020 Business Report, Financial Statements and proposal for deficit compensated were prepared and submitted by the Board of Directors. The Financial Statements were audited by KPMG and issued an Independent Audit Report. The Business Report, Financial Statements and proposal for deficit compensated, have been reviewed and determined to be correct and accurate by the Audit Committee of Unizyx Holding Corporation. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report..

Please review and approve.

To

Unizyx Holding Corporation 2021 Annual Shareholders' Meeting

Feng Chian, Convener of the Audit Committee

March 15, 2021

Unizyx Holding Corporation

Internal Control System Statement

Date_March 15, 2021

Based on the findings of a self-assessment, the Company states the following with regard to its internal control system during the year 2020:

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

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

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

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

Based on the findings of such evaluation, the Company believes that, on December 31, 2020, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.

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

This Statement was passed by the Board of Directors in their meeting held on March 15, 2021, with none of the nine attending directors expressing dissenting opinions, and the remainder all affirming the content of this statement.

Unizyx Holding Corporation

Chairman: Shun-I Chu

Chief Executive Officer: Gordon Yang

Stock Code:3704

Unizyx Holding Corporation and Subsidiaries

Consolidated Financial Statements

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

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

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

Representation Letter

The entities that are required to be included in the combined financial statements of Unizyx Holding Corporation as of and for the year ended December 31, 2020 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements", endorsed by the Financial Supervisory Commission. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Unizyx Holding Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Unizyx Holding Corporation
Chairman: Shun-I Chu
Date: March 15, 2021

安侯建業聯合會計師事務所
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Independent Auditors' Report

To the Board of Directors of Unizyx Holding Corporation:

Opinion

We have audited the consolidated financial statements of Unizyx Holding Corporation and its subsidiaries ("the Company"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (" IFRSs"), International Accounting Standards (" IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee (" IFRIC") and the former Standing Interpretations Committee (" SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

1. Valuation of Accounts Receivable

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

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

Description of key audit matters:

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

How the matter was addressed in our audit:

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

2. Valuation of Inventories

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

Description of key audit matters:

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

How the matter was addressed in our audit:

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

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Other Matter

Unizyx Holding Corporation has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2020 and 2019, on which we have issued an unqualified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are An-Chih Cheng and Shing-Hai Wei.

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

Notes to Readers

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

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

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

Unizyx Holding Corporation and subsidiaries

Consolidated Balance Sheets

December 31, 2020 and 2019

(Expressed in thousands of New Taiwan Dollars)

Assets	December 31, 2020 Amount	%	December 31, 2019 Amount	%
Current assets:				
Cash and cash equivalents (note 6(1))	$ 4,078,159	21	3,219,348	21
Financial assets at fair value through profit or loss－current (note 6(2))	-	-	2,051	-
Financial assets at amortized cost－current (note 6(3))	569,159	3	221	-
Notes and accounts receivable, net (note 6(5))	5,841,093	30	4,715,847	30
Accounts receivable－related parties, net (note 7)	4,794	-	19,991	-
Other receivables－related parties (note 7)	5,959	-	1,732	-
Inventories (note 6(6))	4,900,890	25	3,485,268	23
Other financial assets－current	89,467	-	69,573	-
Other current assets, others	918,884	5	791,593	5
	16,408,405	84	12,305,624	79
Non-current assets:				
Financial assets at fair value through other comprehensive income－non-current (note 6(4))	26,999	-	8,669	-
Financial assets at amortized cost－non-current (notes 6(3) and 8)	70,669	-	19,224	-
Investments accounted for using the equity method (note 6(7))	24,059	-	32,373	-
Property, plant and equipment, net (notes 6(10) and 8)	1,592,121	8	1,639,267	11
Right-of-use assets (note 6(11))	471,029	3	475,036	3
Intangible assets, net (note 6(12))	259,758	1	124,792	1
Deferred income tax assets (note 6(18))	513,652	3	609,085	4
Refundable deposits (note 8)	131,690	1	155,955	1
Net defined benefit assets (note 6(17))	69,783	-	85,000	1
Other non-current assets	21,000	-	30,799	-
	3,180,760	16	3,180,200	21
Total assets	**$ 19,589,165**	**100**	**15,485,824**	**100**

Liabilities and Equity	December 31, 2020 Amount	%	December 31, 2019 Amount	%
Current liabilities:				
Short-term borrowings (notes 6(13) and 8)	$ 1,614,247	8	1,626,803	11
Short-term notes and bills payable (note 6(14))	300,000	2	-	-
Financial liabilities at fair value through profit or loss－current (note 6(2))	46,359	-	2,469	-
Contract liabilities－current (note 6(22))	74,760	-	89,595	-
Notes and accounts payable	5,232,851	27	3,349,407	22
Accounts payable－related parties (note 7)	546,513	3	79,840	-
Payroll and bonus payable	788,435	4	680,582	4
Royalty payable	169,340	1	280,526	2
Other payables－related parties (note 7)	46,489	-	-	-
Income tax payable	91,938	-	7,502	-
Provision for warranty obligations－current (note 6(15))	546,982	3	575,449	4
Lease liabilities－current (note 6(16))	46,575	-	44,021	-
Other current liabilities, others (note 6(8))	1,077,049	6	901,820	6
	10,581,538	54	7,638,014	49
Non-current liabilities:				
Deferred income tax liabilities (note 6(18))	251,828	2	153,279	1
Lease liabilities－non-current (note 6(16))	443,497	2	448,832	3
Net defined benefit liabilities (note 6(17))	5,496	-	3,192	-
Guarantee deposits received	575	-	539	-
	701,396	4	605,842	4
Total liabilities	11,282,934	58	8,243,856	53
Equity (note 6(19))**:**				
Equity attributable to the shareholders of the parent company:				
Capital stock	4,476,438	23	4,411,773	29
Capital surplus	3,827,886	20	3,755,876	24
Retained earnings	447,480	2	(362,370)	(2)
Other equity	(351,910)	(2)	(463,227)	(3)
Treasury stock	(120,861)	(1)	(120,861)	(1)
	8,279,033	42	7,221,191	47
Non-controlling interests	27,198	-	20,777	-
Total equity	8,306,231	42	7,241,968	47
Total liabilities and equity	**$ 19,589,165**	**100**	**15,485,824**	**100**

See accompanying notes to consolidated financial statements.

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

Unizyx Holding Corporation and subsidiaries

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

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

	2020		2019	
	Amount	%	Amount	%
Operating revenues (notes 6(22) and 7)	$ 22,250,630	100	24,026,346	100
Cost of goods sold (notes 6(6) and 7)	16,470,531	74	18,935,820	79
Gross profit	5,780,099	26	5,090,526	21
Operating expenses (note 7)**:**				
Selling and marketing	2,044,671	9	2,203,757	9
General and administrative	845,039	4	870,134	3
Research and development	1,599,814	7	1,839,885	8
Expected credit loss (gain) (note 6(5))	(2,119)	-	940	-
Total operating expenses	4,487,405	20	4,914,716	20
Operating income (loss)	1,292,694	6	175,810	1
Non-operating income (expenses):				
Other income (notes 6(23) and 7)	185,179	1	47,863	-
Other gains and losses (notes 6(23) and 7)	(71,072)	-	(45,816)	-
Shares of gain (loss) of associates accounted for using the equity method, net (note 6(7))	(12,450)	-	(18,283)	-
Interest income	14,471	-	13,478	-
Interest expense (note 6(23))	(23,311)	-	(38,443)	-
Foreign exchange loss, net (note 6(25))	(209,623)	(1)	(172,623)	(1)
	(116,806)	-	(213,824)	(1)
Income (loss) before income taxes	1,175,888	6	(38,014)	-
Income tax expenses (benefits) (note 6(18))	344,887	2	(139,992)	-
Net income (loss)	831,001	4	101,978	-
Other comprehensive income (loss):				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit plans (note 6(17))	(18,094)	-	(3,122)	-
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (note 6(19))	9,068	-	(26,813)	-
Total items that will not be reclassified subsequently to profit or loss	(9,026)	-	(29,935)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign financial statements	127,975	-	(116,868)	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(18))	(25,562)	-	13,166	-
Total items that may be reclassified subsequently to profit or loss	102,413	-	(103,702)	-
Other comprehensive income for the year	93,387	-	(133,637)	-
Total comprehensive income for the year	**$ 924,388**	**4**	**(31,659)**	
Net income (loss) attributable to:				
Shareholders of the parent company	$ 827,944	4	106,753	
Non-controlling interests	3,057	-	(4,775)	-
	$ 831,001	**4**	**101,978**	
Total comprehensive income attributable to:				
Shareholders of the parent company	$ 921,167	4	(24,310)	-
Non-controlling interests	3,221	-	(7,349)	-
	$ 924,388	**4**	**(31,659)**	-
Earnings per share (New Taiwan Dollars) (note 6(21))**:**				
Basic earnings per share	**$ 1.91**		**0.25**	
Diluted earnings per share	**$ 1.90**		**0.24**	

See accompanying notes to consolidated financial statements.

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

Unizyx Holding Corporation and subsidiaries

Consolidated Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in thousands of New Taiwan Dollars)

	Equity attributable to the shareholders of the parent														
	Capital Stock				Retained earnings				Total other equity interest						
	Common stock	Advance receipts for share capital	Total share capital	Capital surplus	Legal reserve	Special reserve	Accumulated deficits	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total	Treasury stock	Subtotal of equity attributable to the shareholders of the parent	Non-controlling interests	Total equity
Balance at January 1, 2019	$ 4,411,773	-	4,411,773	3,725,204	279,833	200,347	(919,774)	(439,594)	(294,693)	(40,593)	(335,286)	(120,861)	7,241,236	65,098	7,306,334
Effects of retrospective application of new accounting standards	-	-	-	-	-	-	(23,664)	(23,664)	-	-	-	-	(23,664)	-	(23,664)
Balance at January 1, 2019 after adjustment	4,411,773	-	4,411,773	3,725,204	279,833	200,347	(943,438)	(463,258)	(294,693)	(40,593)	(335,286)	(120,861)	7,217,572	65,098	7,282,670
Net income (loss) for the period	-	-	-	-	-	-	106,753	106,753	-	-	-	-	106,753	(4,775)	101,978
Other comprehensive income (loss) for the period	-	-	-	-	-	-	(3,122)	(3,122)	(101,128)	(26,813)	(127,941)	-	(131,063)	(2,574)	(133,637)
Total comprehensive income (loss) for the period	-	-	-	-	-	-	103,631	103,631	(101,128)	(26,813)	(127,941)	-	(24,310)	(7,349)	(31,659)
Compensation expense of employee stock options	-	-	-	19,641	-	-	-	-	-	-	-	-	19,641	-	19,641
Changes in ownership interests in subsidiaries accounted for using the equity method	-	-	-	4,486	-	-	(2,459)	(2,459)	-	-	-	-	2,027	(2,027)	-
Changes in ownership interests in associates accounted for using the equity method	-	-	-	6,545	-	-	(284)	(284)	-	-	-	-	6,261	-	6,261
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(34,945)	(34,945)
Balance at December 31, 2019	4,411,773	-	4,411,773	3,755,876	279,833	200,347	(842,550)	(362,370)	(395,821)	(67,406)	(463,227)	(120,861)	7,221,191	20,777	7,241,968
Net income (loss) for the period	-	-	-	-	-	-	827,944	827,944	-	-	-	-	827,944	3,057	831,001
Other comprehensive income (loss) for the period	-	-	-	-	-	-	(18,094)	(18,094)	102,249	9,068	111,317	-	93,223	164	93,387
Total comprehensive income (loss) for the period	-	-	-	-	-	-	809,850	809,850	102,249	9,068	111,317	-	921,167	3,221	924,388
Compensation expense of employee stock options	-	-	-	37,563	-	-	-	-	-	-	-	-	37,563	-	37,563
Exercise of employee stock options	-	64,665	64,665	14,226	-	-	-	-	-	-	-	-	78,891	-	78,891
Changes in ownership interests in subsidiaries accounted for using the equity method	-	-	-	20,221	-	-	-	-	-	-	-	-	20,221	(20,221)	-
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	40,000	40,000
Decrease in non-controlling interests due to losing control	-	-	-	-	-	-	-	-	-	-	-	-	-	(16,579)	(16,579)
Balance at December 31, 2020	**$ 4,411,773**	**64,665**	**4,476,438**	**3,827,886**	**279,833**	**200,347**	**(32,700)**	**447,480**	**(293,572)**	**(58,338)**	**(351,910)**	**(120,861)**	**8,279,033**	**27,198**	**8,306,231**

See accompanying notes to consolidated financial statements.

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

Unizyx Holding Corporation and subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in thousands of New Taiwan Dollars)

	2020	2019
Cash flows from operating activities:		
Income (loss) before income tax	$ 1,175,888	(38,014)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	268,051	290,340
Amortization expense	95,806	77,858
Expected credit loss (gain)	(2,119)	940
Provision for warranties and after service cost	54,620	116,648
Provision of allowance for sales discounts	119,161	42,712
Net loss (profit) on financial assets or liabilities at fair value through profit or loss	57,091	(197)
Interest expense	23,311	38,443
Interest income	(14,471)	(13,478)
Share-based compensation expense	37,563	19,641
Share of loss of associates accounted for using the equity method	12,450	18,283
Loss (gain) on disposal of property, plant and equipment	(109)	600
Loss on disposal of intangible assets	164	353
Loss on liquidation of subsidiaries	71	36,942
Provision for (reversal of) inventory obsolescence	(113,239)	275,936
Others	859	(86)
Total adjustments to reconcile profit (loss)	539,209	904,935
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets or liabilities at fair value through profit or loss	(11,150)	2,469
Notes and accounts receivable (including related parties)	(1,096,506)	2,353,745
Other receivables－related parties	(4,227)	-
Inventories	(1,244,079)	1,065,929
Other financial assets and other current assets	(176,900)	(33,370)
Total changes in operating assets	(2,532,862)	3,388,773
Changes in operating liabilities:		
Notes and accounts payable (including related parties)	2,350,568	(1,741,949)
Other payables－related parties	46,489	(5,072)
Contract liabilities and other current liabilities	44,111	14,841
Net defined benefit assets and liabilities	(573)	(700)
Total changes in operating liabilities	2,440,595	(1,732,880)
Total changes in operating assets and liabilities	(92,267)	1,655,893
Total adjustments	446,942	2,560,828
Cash inflow generated from operations	1,622,830	2,522,814
Interest received	13,826	14,865
Dividends received	2,158	1,193
Interest paid	(23,188)	(38,853)
Income taxes paid	(68,873)	(127,246)
Net cash flows from operating activities	1,546,753	2,372,773

(Continued)

See accompanying notes to consolidated financial statements.

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

Unizyx Holding Corporation and subsidiaries

Consolidated Statements of Cash Flows (continue)

For the years ended December 31, 2020 and 2019

(Expressed in thousands of New Taiwan Dollars)

	2020	2019
Cash flows from investing activities:		
Acquisition of financial assets at amortized cost	(1,039,062)	(4,679)
Proceeds from repayments of financial assets at amortized cost	419,062	375,092
Net cash outflow from loss of control of subsidiaries	(33,584)	-
Net cash outflow from acquisition of subsidiaries	(85,273)	(26,010)
Acquisition of property, plant and equipment	(175,819)	(140,338)
Proceeds from disposal of property, plant and equipment	962	1,138
Decrease (increase) in refundable deposits	24,265	(78,248)
Acquisition of intangible assets	(187,833)	(11,692)
Proceeds from disposal of intangible assets	-	4,385
Increase in other non-current assets	(27,181)	(45,844)
Net cash flows from (used in) investing activities	(1,104,463)	73,804
Cash flows from financing activities:		
Increase in short-term borrowings	6,595,762	10,912,636
Decrease in short-term borrowings	(6,611,976)	(11,226,740)
Increase in short-term notes and bills payable	806,000	930,000
Decrease in short-term notes and bills payable	(506,000)	(1,130,000)
Increase (decrease) in guarantee deposits received	33	(352)
Payment of lease liabilities	(49,439)	(50,466)
Exercise of employee stock options	78,891	-
Change in non-controlling interests	40,000	(34,945)
Net cash flows from (used in) financing activities	353,271	(599,867)
Effect of exchange rate changes on cash and cash equivalents	63,250	(127,894)
Net increase in cash and cash equivalents	858,811	1,718,816
Cash and cash equivalents at the beginning of period	3,219,348	1,500,532
Cash and cash equivalents at the end of period	**$ 4,078,159**	**3,219,348**

See accompanying notes to consolidated financial statements.

1. Company history

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

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

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

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

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

(Continued)

The consolidated financial statements as of December 31, 2020 and 2019, included Unizyx and its subsidiaries (hereinafter refer to as the "Company").

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

The consolidated financial statements were authorized for issue by the Board of Directors on March 15, 2021.

3. New standards, amendments and interpretations adopted:

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

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

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

As a practical expedient, a lessee may elect not to assess whether a rent concession that meets certain conditions is a lease modification, rather any changes in lease liability are recognized in profit or loss. The amendments have been endorsed by FSC in July 2020, with early application from January 1, 2020 permitted. Related accounting policy is explained in Note 4(11).

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

B. Other amendments

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

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

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

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

(Continued)

(3) The impact of IFRS issued by 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 International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. 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 consolidated financial statements:

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

4. Summary of significant accounting policies:

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

(Continued)

Unizyx Holding Corporation and subsidiaries
Notes to the Consolidated Financial Statements

(1) Statement of compliance

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

(2) Basis of preparation

A. Basis of measurement

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

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

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

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

B. Functional and presentation currency

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

(3) Basis of consolidation

A. Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise Unizyx and its subsidiaries.

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

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

(Continued)

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

B. List of subsidiaries in the consolidated financial statements

The consolidated entities were as follows:

Name of Investor	Name of Subsidiary	Business Nature	Percentage of Ownership (%) December 31, 2020	Percentage of Ownership (%) December 31, 2019	note
Unizyx	Zyxel	Development, manufacturing and sales of communications and networking products	100 %	100 %	
Unizyx	MitraStar	Development, manufacturing and sales of communications and networking products	100 %	100 %	
Unizyx	ZNet	Development and sales of communications and networking products	100 %	100 %	
Unizyx	Black Cat Incorporation (Black Cat)	Development and sales of information security products, and consultant management services	67 %	77 %	note 3
Zyxel	ZyChamp Investment Co., Ltd. (Zychamp)	Investment activities	100 %	100 %	
Zyxel	Zyxel Communications Inc. (ZyUSA)	Sales and marketing	100 %	100 %	
Zyxel	Zyxel Communications A/S (ZyAS)	Sales and marketing	100 %	100 %	
Zyxel	Sphairon GmbH (a Zyxel Company) (Sphairon)	Development of communications and networking products	100 %	100 %	
Zyxel	Zyxel Iletisim Teknolojileri A.S. (ZyTR)	Sales and marketing	100 %	100 %	
Zyxel	Zyxel Communications Do Brasil Ltda. (ZyBR)	Sales and marketing	100 %	100 %	
Zyxel	Zyxel Middle East FZE (ZyME)	Sales and marketing	-	100 %	note 2

(Continued)

Name of Investor	Name of Subsidiary	Business Nature	Percentage of Ownership (%) December 31, 2020	Percentage of Ownership (%) December 31, 2019	note
Zyxel	Ardomus Networks Corporation (Ardomus)	Development and sales of network digital control products	-	61 %	note 2
MitraStar	Bluebell Overseas Ltd. (Bluebell)	Investment activities	100 %	100 %	
MitraStar	Wuxi Genezys Technology Ltd. (Genezys)	Development of communications and networking products	100 %	100 %	
MitraStar	Shanghai Monetics Telecommunications Corporation (Monetics)	Sales of communications, networking products and network technology transfer service	100 %	100 %	
MitraStar	XSquare Communications Corporation (XSquare)	Development and sales of communications and networking products	100 %	-	
ZNet	Zytpe Communications Corporations (ZyTPE)	Development and sales of communications and networking products	100 %	100 %	note 1
ZNet	Zyxel Technology India Pvt Ltd. (ZNet IN)	Sales and marketing	100 %	100 %	note 1
ZNet	Zyxel Online OU (ZNet EE)	Sales and marketing	100 %	100 %	note 1
ZNet	Zyxel Communications (Shanghai) Co., Ltd. (ZNet SHA)	Sales of communications, networking products and technical consulting service	100 %	100 %	note 1
ZNet	Zyxel Networks A/S (ZNet AS)	Sales and marketing	100 %	100 %	note 1
ZNet	Zyxel (Thailand) Company, Ltd. (ZNet TH)	Sales and marketing	100 %	100 %	notes 1
ZNet	Tianjin Huagin Communications Equipment Co., Ltd. (Tianjin Huagin)	Sales of communications and networking products and technical consulting service	95 %	95 %	note 1
ZNet	Zyxel Korea Co., Ltd. (ZNet KR)	Sales and marketing	65 %	65 %	note 1

(Continued)

Name of Investor	Name of Subsidiary	Business Nature	Percentage of Ownership (%) December 31, 2020	Percentage of Ownership (%) December 31, 2019	note
Bluebell	Wuxi MitraStar Technology Co., Ltd. (Wuxi MSTC)	Manufacturing and sales of communications and networking products and technical consulting service	100 %	100 %	
ZyAS	Zyxel Deutschland GmbH (ZyDE)	Sales and marketing	100 %	100 %	
ZyAS	Zyxel Communications UK Ltd. (ZyUK)	Sales and marketing	100 %	100 %	
ZyAS	Zyxel Communications Czech s.r.o. (ZyCZ)	Sales and marketing	100 %	100 %	
ZyAS	Zyxel Communications Iberia S.L (ZyES)	Sales and marketing	100 %	100 %	
ZyAS	Zyxel Communications Italy S.r.l (ZyIT)	Sales and marketing	100 %	100 %	
ZNet AS	Zyxel Communications B.V. (ZNet BNL)	Sales and marketing	100 %	100 %	note 1
ZNet AS	Zyxel Communications RU LLC (ZNet RUS)	Sales and marketing	100 %	100 %	note 1
ZNet AS	Zyxel France (ZNet FR)	Sales and marketing	100 %	100 %	
ZyUSA	Flatworld Networks LLC (Flatworld)	Sales and marketing	-	-	note 4

Note 1: Zyxel and ZyAS spun off its channel business related net operating assets to ZNet and its subsidiary ZNet AS on April 1, 2019. Based on the spin-off, Zyxel spun off its channel business related subsidiaries, including VICTOR、ZyTPE、ZyIN、ZyKR、ZyTH、ZyEE、VICTOR's subsidiaries, ZySHA and Tianjin Huagin, to ZNet. ZyAS spun off its subsidiaries, including ZyBNL and ZyRUS, to ZNet AS.

Note 2: ZyME was liquidated in May 2020. Ardomus was no longer a subsidiary of the Company since July 2020. Please refer to D on p.16 for the change in subsidiaries included in the consolidated financial statements.

Note 3: In July 2020, Black Cat increased its authorized share capital by cash, in which Unizyx did not subscribe for additional shares, resulting in Unizyx's percentage of ownership in Black Cat to decrease from 77% to 67%.

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

(Continued)

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

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

In order to improve market competitiveness and increase the overall efficiency of the Company, Unizyx set up a new 100%-held subsidiary, ZNet, in January, 2019. It was included in the consolidated financial statements since its inception.

For the purpose of expanding channel business in France, ZNet purchased 100% shares of ZNet FR in October 2019. It was included in the consolidated financial statements since then.

In order to improve its industry alliance and technical cooperation, MitraStar established its newly 100% owned subsidiary, XSquare, in May 2020, wherein it was included in the consolidated financial statements since its inception.

In June 2020, Ardomus increased its authorized share capital by cash, in which Zyxel did not subscribe for additional shares, resulting in Zyxel's percentage of ownership in Ardomus decreasing from 61% to 48%. Furthermore, Zyxel did not obtain the majority seats of Ardomus' board during the election in July 2020, resulting in a loss of control over Ardomus. Thereafter, Ardomus was no longer included in the consolidated financial statements since the date of loss of control.

(4) Foreign currencies

A. Foreign currency transactions

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

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

B. Foreign operations

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

(Continued)

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

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

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

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

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

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

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

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

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

An entity shall classify a liability as current when:

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

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

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

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

(6) Cash and cash equivalents

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

(Continued)

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.

(7) Financial instruments

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

A. Financial assets

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

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

(a) Financial assets measured at amortized cost

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

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

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

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

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

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

(Continued)

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

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

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

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

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

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

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

(d) Impairment of financial assets

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

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.

(Continued)

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

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

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

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

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

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

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

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

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

(Continued)

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

(e) Derecognition of financial assets

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

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

B. Financial liabilities and equity instruments

(a) Classification of debt or equity

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

(b) Equity instruments

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

(c) Treasury shares

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

(d) Financial liabilities

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

(Continued)

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

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

(e) Derecognition of financial liabilities

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

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

(f) Offsetting of financial assets and liabilities

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

C. Derivative financial instruments

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

(8) Inventories

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

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

(9) Investment in associates

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

(Continued)

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

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

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

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

(10) Property, plant and equipment

A. Recognition and measurement

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

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

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

B. Subsequent cost

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

C. Depreciation

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

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

(a) Buildings: 25 to 40 years.

(b) Building improvements: 5 to 15 years.

(Continued)

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

(d) Office equipment and others: 3 to 10 years.

(e) Buildings and building improvements constitute mainly buildings and their related facilities, air-condition systems etc. Each such part depreciates based on its useful life of 5 to 40 years.

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

(11) Leases

A. Identifying a lease

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

(a) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

(b) the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

(c) the Company has the right to direct the use of the asset throughout the period of use only if either:

- the Company has the right to direct how and for what purpose the asset is used throughout the period of use; or
- the relevant decisions about how and for what purpose the asset is used are predetermined and:
  - the Company has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
  - the Company designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(Continued)

B. As a lessee

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

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

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

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

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

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

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

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

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

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

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

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

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

(e) there is any lease modification

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

(Continued)

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

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

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

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

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

(c) any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2021; and

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

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

C. As a lessor

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

(12) Intangible assets

A. Recognition and measurement

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

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

(Continued)

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

B. Subsequent expenditure

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

C. Amortization

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

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

(13) Impairment of non-financial assets

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

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

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

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

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

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

(Continued)

(14) Provisions

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

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

(15) Revenue recognition

A. Revenue from contracts with customers

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

(a) Sale of goods

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

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

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

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

(Continued)

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

(b) Rendering of services

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

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

(c) Financing components

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

B. Rental income

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

(16) Government grants

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

(17) Employee benefits

A. Defined contribution plans

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

B. Defined benefit plans

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

(Continued)

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

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

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

C. Short-term employee benefits

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

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

(18) Share-based payment

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

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

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

(19) Income tax

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

(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 the following:

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

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

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

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

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

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

   (a) the same taxable entity; or

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

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

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

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

(Continued)

(20) Business combination

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

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

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

(21) Earnings per share

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

(22) Operating segment information

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

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

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

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

(Continued)

The Company determines the lease term as the non-cancellable period of the lease, together with periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option, and periods covered by an option to terminate the lease if the lessee is reasonably not to exercise that option. In assessing whether a lessee is reasonably to exercise the options, the Company considers all relevant facts and circumstances that create an economic incentive for the lessee. The Company reassesses whether it is reasonably certain to exercise an extension option or not to exercise the option upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. If there is a change in the lease term, the Company recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Please refer to note 6(11)&(16).

Information about critical assumptions and estimates in applying accounting policies that may have significant impact on the consolidated financial statements in the following year is as follows:

(1) Valuation of Accounts Receivable

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

(2) Valuation of Inventories

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

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

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

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

(Continued)

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

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

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

6. Explanation of significant accounts

(1) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Petty cash, demand deposits, and checking accounts	$ 2,495,073	2,208,037
Cash equivalents－time deposits	1,583,086	1,011,311
	$ 4,078,159	**3,219,348**

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

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

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

	December 31, 2020	December 31, 2019
Financial assets held for trading:		
Beneficiary certificates – open-end fund	**$ -**	**2,035**

Gains (losses) of open-ended beneficiary certificates were as follows:

2020	2019
$ (524)	**181**

B. Sensitivity analysis－equity market price risk

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

	2020		2019	
Securities market price at reporting date	**Other comprehensive income (loss), net of taxes**	**Net income (loss)**	**Other comprehensive income (loss), net of taxes**	**Net income (loss)**
Increase 10%	**$ -**	**-**	**-**	**204**
Decrease 10%	**$ -**	**-**	**-**	**(204)**

(Continued)

C. Non-hedging derivative financial instruments

The Company uses derivative financial instruments to hedge certain foreign exchange risks that the Company is exposed to throughout its operating activities. Based on the accounting standards, the Company's derivative financial instruments do not qualify for hedge accounting. The forward exchange agreements not settled as of December 31, 2020 and 2019 were as follows:

	December 31, 2020			
Financial instruments	**Notional amount (in thousands of EUR)**	**Currency**	**Duration of contract**	**Fair value**
Sell forward foreign currency exchange contract	$ 5,640	Sell EUR/ Buy USD	2020.11.16~2021.06.18	$ (7,435)
Sell forward foreign currency exchange contract	3,000	Sell EUR/ Buy USD	2020.07.28~2021.02.26	(4,593)
Sell forward foreign currency exchange contract	3,000	Sell EUR/ Buy USD	2020.08.10~2021.03.12	(4,160)
Sell forward foreign currency exchange contract	3,500	Sell EUR/ Buy USD	2020.09.15~2021.04.19	(4,098)
Sell forward foreign currency exchange contract	3,500	Sell EUR/ Buy USD	2020.08.07~2021.03.11	(3,945)
Sell forward foreign currency exchange contract	3,000	Sell EUR/ Buy USD	2020.11.17~2021.06.21	(3,567)
Sell forward foreign currency exchange contract	2,090	Sell EUR/ Buy USD	2020.10.16~2021.05.17	(3,339)
Sell forward foreign currency exchange contract	2,000	Sell EUR/ Buy USD	2020.09.17~2021.03.22	(2,657)
Sell forward foreign currency exchange contract	2,000	Sell EUR/ Buy USD	2020.08.27~2021.03.31	(2,438)
Sell forward foreign currency exchange contract	1,560	Sell EUR/ Buy USD	2020.09.14~2021.04.16	(1,970)
Sell forward foreign currency exchange contract	2,870	Sell EUR/ Buy USD	2020.12.08~2021.07.12	(1,741)

(Continued)

December 31, 2020				
Financial instruments	**Notional amount (in thousands of EUR)**	**Currency**	**Duration of contract**	**Fair value**
Sell forward foreign currency exchange contract	2,000	Sell EUR/ Buy USD	2020.09.01~2021.04.06	(1,718)
Sell forward foreign currency exchange contract	1,500	Sell EUR/ Buy USD	2020.11.09~2021.06.14	(1,670)
Sell forward foreign currency exchange contract	2,500	Sell EUR/ Buy USD	2020.12.11~2021.07.15	(1,357)
Sell forward foreign currency exchange contract	700	Sell EUR/ Buy USD	2020.08.18~2021.03.22	(749)
Sell forward foreign currency exchange contract	2,000	Sell EUR/ Buy USD	2020.12.24~2021.07.28	(691)
Sell forward foreign currency exchange contract	440	Sell EUR/ Buy USD	2020.12.09~2021.07.12	(231)
Financial liabilities measured at fair value through profit or loss－current				**$ (46,359)**

December 31, 2019				
Financial instruments	**Notional amount (in thousands of EUR)**	**Currency**	**Duration of contract**	**Fair value**
Sell forward foreign currency exchange	1,000	Sell EUR/ Buy USD	2019.11.04~2020.06.08	$ 14
Sell forward foreign currency exchange	1,000	Sell EUR/ Buy USD	2019.10.31~2020.06.04	2
Financial assets measured at fair value through profit or loss－current				**$ 16**

(Continued)

	December 31, 2019			
Financial instruments	**Notional amount (in thousands of EUR)**	**Currency**	**Duration of contract**	**Fair value**
Sell forward foreign currency exchange	8,160	Sell EUR/ Buy USD	2019.12.30~2020.08.03	$ (906)
Sell forward foreign currency exchange	2,820	Sell EUR/ Buy USD	2019.12.17~2020.07.20	(490)
Sell forward foreign currency exchange	3,000	Sell EUR/ Buy USD	2019.12.31~2020.08.03	(308)
Sell forward foreign currency exchange	3,000	Sell EUR/ Buy USD	2019.12.27~2020.08.03	(265)
Sell forward foreign currency exchange	1,500	Sell EUR/ Buy USD	2019.12.18~2020.07.20	(258)
Sell forward foreign currency exchange	2,240	Sell EUR/ Buy USD	2019.12.13~2020.07.17	(90)
Sell forward foreign currency exchange	1,020	Sell EUR/ Buy USD	2019.11.05~2020.06.08	(88)
Sell forward foreign currency exchange	500	Sell EUR/ Buy USD	2019.11.04~2020.06.08	(42)
Sell forward foreign currency exchange	1,000	Sell EUR/ Buy USD	2019.10.30~2020.06.01	(22)
Financial liabilities measured at fair value through profit or loss－current				**$ (2,469)**

Gains (losses) of the forward exchange agreements were as follows:

	2020	**2019**
Unrealized gain (loss)	$ (46,359)	(2,453)
Realized gain (loss)	(10,208)	2,469
	$ (56,567)	**16**

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

(Continued)

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

	December 31, 2020	December 31, 2019
Time deposits (over 3 months)	$ 569,159	221
Pledged time deposits	70,669	19,224
	$ 639,828	**19,445**
Current	**$ 569,159**	**221**
Non-current	**$ 70,669**	**19,224**

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

A. The Company held domestic time deposits, at an interest rate ranging from 0.08%~0.77% and from 1.02% during the years ended December 31, 2020 and 2019, respectively; with maturity date between Feburary 26, 2021 and December 7, 2021 and between September 13, 2020 and December 8, 2020.

B. For credit risk, please refer to note 6(25).

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

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

	December 31, 2020	December 31, 2019
Non-publicly traded stocks (domestic companies)	$ 26,999	7,271
Non-publicly traded stocks (foreign companies)	-	1,398
	$ 26,999	**8,669**

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

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

A. For fair value and market risk; Please refer to note 6(25).

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

(Continued)

(5) Notes and accounts receivable, net

A. Notes and accounts receivable, net

	December 31, 2020	December 31, 2019
Notes receivable	$ 16,170	-
Letters of credit receivable	1,011	-
Accounts receivable	5,916,807	4,857,217
	5,933,988	4,857,217
Less: Provision for loss allowance	(92,895)	(141,370)
	$ 5,841,093	**4,715,847**

As of January 1, 2019, the ending balance of notes and accounts receivable, net was $7,004,816.

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

The loss allowance provision was determined as follows:

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

(Continued)

	December 31, 2019		
	Gross carrying amount	**Weighted-average loss rate**	**Loss allowance provision**
Current	$ 3,998,739	0.10%	4,041
Overdue 1~30 days	388,586	-	-
Overdue 31~60 days	194,982	-	-
Overdue 61~90 days	47,526	4.94%	2,349
Overdue 91~180 days	101,744	13.64%	13,877
Overdue 181~360 days	28,653	84.70%	24,268
Overdue more than 361 days	96,987	99.84%	96,835
Total	**$ 4,857,217**		**141,370**

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

	2020	**2019**
Balance at January 1	$ 141,370	144,107
Impairment loss recognized (reversed)	(2,119)	940
Amounts written off	(34,932)	(1,176)
Effect of movements in exchange rates	(11,424)	(2,501)
Balance at December 31	**$ 92,895**	**141,370**

C. Financial assets pledged as collateral

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

(6) Inventories

A. The details of inventories were as follows:

	December 31, 2020	**December 31, 2019**
Raw materials	$ 1,918,737	821,405
Work in process and semi-finished goods	437,346	251,183
Finished goods and merchandises	2,544,807	2,412,680
	$ 4,900,890	**3,485,268**

(Continued)

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

	2020	2019
Inventories sold	$ 16,529,150	18,543,236
Provision (reversal) for inventory obsolescence for the period	(113,239)	275,936
Provision for warranties and after service cost for the period	54,620	116,648
	$ 16,470,531	**18,935,820**

For provision for warranties and after service cost for the period, please refer to note 6(15).

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

(7) Investments accounted for using the equity method

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

	December 31, 2020	December 31, 2019
Summarized information of the carrying amount of associates that were not individually material	**$ 24,059**	**32,373**

	2020	2019
Net gain (loss) attributable to the Company	**$ (12,450)**	**(18,283)**

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

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

(8) Business combination

As approved by the Board of Directors' meeting on July 1, 2019, for the purpose of expanding sales channel in France, the Company acquired 100% shares of ZNet FR, which is a sales service company for network products.

From the acquisition date to December 31, 2019, the revenue and net loss of ZNet FR amounted to $102,040 and $18,054, respectively. If the acquisition had taken place on January 1, 2019, the management estimated that the Company' s revenue and net profit would be $24,321,579 and $102,144, respectively. To determine the abovementioned amounts, the management hypothesized the acquisition occurred on January 1, 2019, and the adjustment of fair-value was the same with that at the acquisition date.

(Continued)

The major categories of considerations transferred, assets acquired and liabilities assumed on the acquisition date, were as follows:

A. Fair value of considerations transferred

The Company acquired 100% of the equity of ZNet FR in cash amounting to $122,449. As of December 31, 2020 and 2019, the Company had paid $85,273 and $28,421, and unpaid payment amounting to $8,755 and $94,028 was recognized in other current liabilities.

B. Acquired identifiable assets and assumed liabilities

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

Cash and cash equivalents	$	2,411
Accounts receivable, net		74,821
Inventories		73,767
Property, plant and equipment, net		3,585
Intangible assets		48,724
Other current assets		2,710
Other non-current assets		908
Other current liabilities		(84,477)
	$	**122,449**

(9) Loss control of subsidiaries

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

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

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

(Continued)

(10) Property, plant and equipment

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

	Land	Building	Machinery and equipment	Research and development equipment	Office and other equipment	Construction in progress and inspection equipment	Total
Cost:							
Balance at January 1, 2020	$ 34,189	2,173,112	514,726	294,792	890,710	6,129	3,913,658
Additions for the period	-	11,940	7,596	49,200	71,132	35,951	175,819
Disposals for the period	-	(6,218)	(585)	(29,112)	(45,868)	-	(81,783)
Losing control of subsidiary	-	-	-	(496)	(2,133)	-	(2,629)
Reclassification	-	-	-	(1,584)	1,826	(5,799)	(5,557)
Effect of movements in exchange rates	(1,710)	2,953	6,904	1,273	7,604	548	17,572
Balance at December 31, 2020	**$ 32,479**	**2,181,787**	**528,641**	**314,073**	**923,271**	**36,829**	**4,017,080**
Balance at January 1, 2019	$ 35,027	2,187,949	535,286	283,318	917,794	638	3,960,012
Additions for the period	-	18,572	2,994	45,675	67,682	5,415	140,338
Disposals for the period	-	(3,131)	(7,405)	(31,202)	(70,575)	-	(112,313)
Acquisition of subsidiary through mergers	-	-	635	-	2,950	-	3,585
Reclassification	-	215	-	-	(215)	-	-
Effect of movements in exchange rates	(838)	(30,493)	(16,784)	(2,999)	(26,926)	76	(77,964)
Balance at December 31, 2019	**$ 34,189**	**2,173,112**	**514,726**	**294,792**	**890,710**	**6,129**	**3,913,658**
Depreciation:							
Balance at January 1, 2020	$ -	986,950	381,820	168,449	737,172	-	2,274,391
Depreciation for the period	-	66,730	41,441	35,717	73,370	-	217,258
Disposals for the period	-	(6,218)	(585)	(28,880)	(45,247)	-	(80,930)
Losing control of subsidiary	-	-	-	(184)	(607)	-	(791)
Reclassification	-	-	-	(879)	-	-	(879)
Effect of movements in exchange rates	-	1,251	5,993	1,091	7,575	-	15,910
Balance at December 31, 2020	**$ -**	**1,048,713**	**428,669**	**175,314**	**772,263**	**-**	**2,424,959**
Balance at January 1, 2019	$ -	932,107	353,737	163,736	746,985	-	2,196,565
Depreciation for the period	-	68,183	48,118	37,985	83,848	-	238,134
Disposals for the period	-	(3,131)	(7,405)	(30,899)	(69,140)	-	(110,575)
Reclassification	-	215	-	-	(215)	-	-
Effect of movements in exchange rates	-	(10,424)	(12,630)	(2,373)	(24,306)	-	(49,733)
Balance at December 31, 2019	**$ -**	**986,950**	**381,820**	**168,449**	**737,172**	**-**	**2,274,391**
Carrying amounts:							
Balance at December 31, 2020	**$ 32,479**	**1,133,074**	**99,972**	**138,759**	**151,008**	**36,829**	**1,592,121**
Balance at December 31, 2019	**$ 34,189**	**1,186,162**	**132,906**	**126,343**	**153,538**	**6,129**	**1,639,267**
Balance at January 1, 2019	**$ 35,027**	**1,255,842**	**181,549**	**119,582**	**170,809**	**638**	**1,763,447**

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

(Continued)

(11) Right-of-use assets

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

	Land	Building	Transportation equipment	Office equipment	Total
Cost:					
Balance at January 1, 2020	$ 404,144	111,827	3,659	6,104	525,734
Additions for the period	-	44,368	538	-	44,906
Disposal for the period	-	(2,009)	(559)	-	(2,568)
Effect of movements in exchange rates	115	4,003	(36)	-	4,082
Balance at December 31, 2020	**$ 404,259**	**158,189**	**3,602**	**6,104**	**572,154**
Balance at January 1, 2019	$ -	-	-	-	-
Effects of retrospective application of new accounting standards	404,433	106,746	2,010	6,104	519,293
Additions for the period	-	10,477	2,391	-	12,868
Disposal for the period	-	(2,118)	(716)	-	(2,834)
Effect of movements in exchange rates	(289)	(3,278)	(26)	-	(3,593)
Balance at December 31, 2019	**$ 404,144**	**111,827**	**3,659**	**6,104**	**525,734**
Depreciation:					
Balance at January 1, 2020	$ 16,805	31,079	1,213	1,601	50,698
Depreciation for the period	16,803	30,805	1,584	1,601	50,793
Disposal for the period	-	(1,339)	(534)	-	(1,873)
Effect of movements in exchange rates	8	1,517	(18)	-	1,507
Balance at December 31, 2020	**$ 33,616**	**62,062**	**2,245**	**3,202**	**101,125**
Balance at January 1, 2019	$ -	-	-	-	-
Depreciation for the period	16,813	32,181	1,611	1,601	52,206
Disposal for the period	-	(371)	(394)	-	(765)
Effect of movements in exchange rates	(8)	(731)	(4)	-	(743)
Balance at December 31, 2019	**$ 16,805**	**31,079**	**1,213**	**1,601**	**50,698**
Carrying amount:					
Balance at December 31, 2020	**$ 370,643**	**96,127**	**1,357**	**2,902**	**471,029**
Balance at December 31, 2019	**$ 387,339**	**80,748**	**2,446**	**4,503**	**475,036**
Balance at January 1, 2019	**$ -**	**-**	**-**	**-**	**-**

(Continued)

(12) Intangible assets

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

	Intellectual property	Trading rights	Computer software	Total
Costs:				
Balance at January 1, 2020	$ 1,480	214,585	143,232	359,297
Additions for the period	183,827	118	3,888	187,833
Disposal for the period	(980)	(12,168)	(18,395)	(31,543)
Losing control of subsidiary	-	-	(350)	(350)
Reclassification	(900)	18,879	5,566	23,545
Effect of movements in exchange rates	(141)	10,197	328	10,384
Balance at December 31, 2020	**$ 183,286**	**231,611**	**134,269**	**549,166**
Balance at January 1, 2019	$ 980	175,104	150,056	326,140
Additions for the period	500	1,266	9,926	11,692
Disposal for the period	-	(1,562)	(12,970)	(14,532)
Acquisition of subsidiary through mergers	-	48,724	-	48,724
Reclassification	-	(395)	(1,180)	(1,575)
Effect of movements in exchange rates	-	(8,552)	(2,600)	(11,152)
Balance at December 31, 2019	**$ 1,480**	**214,585**	**143,232**	**359,297**
Amortization:				
Balance at January 1, 2020	$ 1,009	126,080	107,416	234,505
Amortization for the period	16,884	26,070	15,693	58,647
Disposal for the period	(980)	(12,168)	(18,231)	(31,379)
Losing control of subsidiary	-	-	(175)	(175)
Reclassification	-	18,879	879	19,758
Effect of movements in exchange rates	29	7,719	304	8,052
Balance at December 31, 2020	**$ 16,942**	**166,580**	**105,886**	**289,408**
Balance at January 1, 2019	$ 980	108,063	100,016	209,059
Amortization for the period	29	23,410	20,338	43,777
Disposal for the period	-	(1,562)	(8,232)	(9,794)
Reclassification	-	928	(2,503)	(1,575)
Effect of movements in exchange rates	-	(4,759)	(2,203)	(6,962)
Balance at December 31, 2019	**$ 1,009**	**126,080**	**107,416**	**234,505**

(Continued)

	Intellectual property	Trading rights	Computer software	Total
Carrying amounts:				
Balance at December 31, 2020	**$ 166,344**	**65,031**	**28,383**	**259,758**
Balance at December 31, 2019	**$ 471**	**88,505**	**35,816**	**124,792**
Balance at January 1, 2019	**$ -**	**67,041**	**50,040**	**117,081**

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

(13) Short-term borrowings

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

	December 31, 2020	December 31, 2019
Unsecured borrowings	$ 1,524,247	1,552,803
Secured borrowings	90,000	74,000
	$ 1,614,247	**1,626,803**
Range of interest rates at year end	**0.45%~1.20%**	**0.63%~4.70%**

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

(14) Short-term notes and bills payable

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

	December 31, 2020	December 31, 2019
Commercial papers payable	**$ 300,000**	**-**
Range of interest rates at year end	**0.87%**	**-**

(15) Provision－current

Provision for warranty and after service cost was as follows:

	2020	2019
Balance at January 1	$ 575,449	540,742
Provision for the period	54,620	116,648
Write-off for the period	(81,879)	(76,742)
Effect of movements in exchanges rates	(1,208)	(5,199)
Balance at December 31	**$ 546,982**	**575,449**

(Continued)

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

(16) Lease liabilities

Carrying amounts of lease liabilities were as follows:

	December 31, 2020	December 31, 2019
Current	$ 46,575	44,021
Non-current	$ 443,497	448,832

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

The amounts recognized in profit or loss were as follows:

	2020	2019
Interest on lease liabilities	$ 5,429	5,847
Expenses relating to short-term leases	$ 29,297	35,666
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	$ 18,937	15,755

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

	2020	2019
Total cash outflow for leases	$ 91,940	106,558

A. Real estate leases

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

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

B. Other leases

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

(Continued)

(17) Employee benefits

A. Defined benefit plans

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

	December 31, 2020	December 31, 2019
Present value of defined benefit obligations	$ 247,545	218,707
Fair value of plan assets	(311,832)	(300,515)
Net defined benefit assets	**$ (64,287)**	**(81,808)**

Details of recognized liabilities (assets) were as follows:

	December 31, 2020	December 31, 2019
Net defined benefit assets	$ (69,783)	(85,000)
Net defined benefit liabilities	5,496	3,192
	$ (64,287)	**(81,808)**

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

(a) Composition of plan assets

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

The Company' s Bank of Taiwan labor pension reserve account balance amounted to $311,832 at the reporting date. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Fund.

The accumulated employee retirement reserve provided by Zyxel and MitraStar is sufficient to support the payment, therefore, the Company ceased to contribute to its pension fund from September 1, 2017 to August 31, 2021 and from January 1, 2019 to December 31, 2021 after obtaining an approval from the authority, respectively. Thus, Zyxel and MitraStar does not expect to make any defined benefit plan contribution to its pension fund in the following year after the reporting date.

(Continued)

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

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

		2020	2019
Defined benefit obligation at January 1	$	218,707	204,982
Current service cost		609	894
Current interest cost		2,371	2,734
Remeasurements of the net defined benefit assets (liabilities)			
─Actuarial losses (gains) arising from changes in experience adjustment		556	6,163
─Actuarial losses (gains) arising from changes in financial assumptions		26,420	6,368
Paid from pension plan		(1,118)	(2,434)
Defined benefit obligation at December 31	**$**	**247,545**	**218,707**

(c) Movements of defined benefit plan assets

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

		2020	2019
Fair value of plan assets at January 1	$	300,515	289,212
Interest income		3,296	3,812
Remeasurements of the net defined benefit assets (liabilities)			
─Actuarial gains (losses) arising from changes in experience adjustment		8,882	9,409
Contribution to the plan		257	516
Paid from pension plan		(1,118)	(2,434)
Fair value of plan assets at December 31	**$**	**311,832**	**300,515**

(d) Effect of the asset ceiling

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

(Continued)

(e) Expenses recognized in profit or loss

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

	2020	2019
Current service cost	$ 609	894
Net interest on the net defined benefit liabilities (assets)	(925)	(1,078)
	$ (316)	**(184)**

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

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

	2020	2019
Accumulated amount at January 1	$ 1,201	4,323
Recognized during the period	(18,094)	(3,122)
Accumulated amount at December 31	**$ (16,893)**	**1,201**

(g) Actuarial assumptions

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

	December 31, 2020	December 31, 2019
Discount rate	0.625%~0.75%	1.00%~1.125%
Future salary increase rate	2.00%~3.00%	2.00%~3.00%

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

The weighted-average duration of the defined benefit obligation is 15.01 years.

(h) Sensitivity analysis

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

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

(Continued)

	Impact on present value of defined benefit obligations	
	Increase 0.25%	**Decrease 0.25%**
December 31, 2019		
Discount rate	$ (7,024)	7,339
Future salary increase rate	7,125	(6,858)

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

There were no changes in the method and assumptions used in calculating the sensitivity analysis for 2020 and 2019.

B. Defined contribution plans

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

The pension costs of the Company's domestic company under the defined contribution method were $77,673 and $78,886 for 2020 and 2019, respectively. Payment was made to the Bureau of Labor Insurance.

The total pension costs of the Company's overseas subsidiaries under the defined contribution method were $55,375 and $69,903 for 2020 and 2019, respectively.

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

(18) Income tax

A. Income tax expense (benefit)

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

	2020	**2019**
Current tax expense (benefit)		
Current period	$ 156,038	(80,700)
Adjustment for prior periods	20,429	27,030
	176,467	(53,670)
Deferred tax expense		
Origination and reversal of temporary differences	168,420	(86,322)
Income tax expense (benefit)	**$ 344,887**	**(139,992)**

(Continued)

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

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

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

	2020	2019
Profit (loss) before income tax	$ 1,175,888	(38,014)
Income tax using the Unizyx's domestic tax rate	235,178	(7,603)
Effect of tax rates in foreign jurisdiction	38,011	36,324
Investment (gain) loss of foreign subsidiaries recognized using the equity method	68,935	(93,538)
Prior-year adjustments	20,429	27,030
Effect of unrecognized deferred tax assets and liabilities	19,575	(102,926)
Others	(37,241)	721
	$ 344,887	**(139,992)**

B. Deferred tax assets and liabilities

(a) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2020	December 31, 2019
Loss on overseas investment accounted for using the equity method	$ 111,190	193,788
Loss carryforward	141,575	192,223
Allowance for inventory obsolescence	25,151	28,931
Gain on overseas investment accounted for using the equity method	(95,608)	(95,608)
	$ 182,308	**319,334**

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

(Continued)

(b) Recognized deferred tax assets and liabilities

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

Deferred tax assets:

	January 1, 2019	Recognized in income statement	Recognized in other comprehensive income	December 31, 2019	Recognized in income statement	Recognized in other comprehensive income	December 31, 2020
Unrealized profit on intercompany sales	$ 80,697	12,818	-	93,515	11,488	-	105,003
Provision for warranties and after service cost	96,931	5,987	-	102,918	(4,816)	-	98,102
Allowance for inventory obsolescence	72,441	48,446	-	120,887	(44,463)	-	76,424
Loss on overseas investment accounted for using the equity method	14,353	23,537	-	37,890	31,657	-	69,547
Exchange differences on translation of foreign financial statements	63,520	-	13,166	76,686	-	(19,122)	57,564
Temporary difference of subsidiary	47,037	(274)	-	46,763	1,056	-	47,819
Loss carry forward	169,819	(92,329)	-	77,490	(75,654)	-	1,836
Others	91,648	(38,712)	-	52,936	4,421	-	57,357
	$ 636,446	**(40,527)**	**13,166**	**609,085**	**(76,311)**	**(19,122)**	**513,652**

Deferred tax liabilities:

	January 1, 2019	Recognized in income statement	Recognized in other comprehensive income	December 31, 2019	Recognized in income statement	Recognized in other comprehensive income	December 31, 2020
Gain on overseas investment accounted for using the equity method	$ (232,462)	93,699	-	(138,763)	(89,601)	-	(228,364)
Net defined benefit assets	(19,873)	11,000	-	(8,873)	(1,649)	-	(10,522)
Exchange differences on translation of foreign financial statements	-	-	-	-	-	(6,440)	(6,440)
Others	(27,793)	22,150	-	(5,643)	(859)	-	(6,502)
	$ (280,128)	**126,849**	**-**	**(153,279)**	**(92,109)**	**(6,440)**	**(251,828)**

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

(Continued)

As of December 31, 2020, the unused loss carryforwards and related expiration years of the Company's domestic subsidiaries were as follows:

Year of loss	Expiration year	Unused loss carryforward
2011 (assessed)	2021	$ 2,547
2015 (assessed)	2025	626
2016 (assessed)	2026	117
2018 (assessed)	2028	38
2019 (filed)	2029	9,707
2020 (estimated)	2030	9,299
		$ 22,334

In accordance with the tax law of each region where the foreign subsidiaries of the Company are located, losses on foreign subsidiaries as assessed by the tax authorities can be carried forward to offset the future years' taxable profits. As of December 31, 2020, the tax effects of the unused loss carryforwards amounted to $138,944.

C. Examination and approval

The income tax returns of Unizyx, Zyxel, and MitraStar had been examined and assessed by the tax authority for the years through 2018.

(19) Capital and other equity

A. Common stock

On August 16, 2010, Unizyx was set up through Zyxel's share swap, and the total share capital was $5,170,483. As of December 31, 2020 and 2019, Unizyx's authorized common stock amounted to $7,000,000, of which $520,000 was for use as employee stock options, convertible preferred stock, or convertible corporate bonds. The issued common stock amounted to $4,411,773, with par value of $10 TWD per share.

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

(Continued)

B. Capital surplus

The details of Unizyx's capital surplus were as follows:

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

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

(b) According to Article 30 of the Business Mergers and Acquisitions Act, the additional paid-in capital of the holding company transferred from unappropriated retained earnings of a company through a share swap with other companies is not affected by the restriction of Article 241(i) of the Company Act. According to Article 47 of the Financial Holding Company Act and Ruling No. 0910003413, if the additional paid-in capital resulting from the share swap is orginated from previous unappropriated earnings of subsidiaries, it can be appropriated as cash dividends or capitalized in the current year; also the capitalization ratio is not restricted by Article 8 of the Securities and Exchange Act Enforcement Rules. Further, according to Ruling No. 0910016280, since this additional paid-in capital is not generated from the holding company's operations, there is no remuneration of the Board of Directors and bonus to employees. As of December 31, 2020 and 2019, the additional paid-in capital generated from Zyxel's unappropriated earnings before the share swap was $1,139,082.

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

(d) The Board of Directors resolved on March 15, 2021 to distribute cash dividends, with NTD 0.5 per share, by using the capital surplus. The resolution will need to be approved in the shareholders' meeting of the Company. The information will be available on the Market Observation Post system website.

(Continued)

C. Retained earnings

(a) Legal reserve

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

(b) Special reserve

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

(c) Distribution of earnings

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

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

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

(Continued)

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

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

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

D. Treasury stock

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

E. Other equity

(a) Exchange differences on translation of foreign financial statements

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

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

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

(20) Share-based payment

A. Unizyx

Unizyx registered and issued 15,000 thousand and 19,018 thousand units of employee stock options in August 2020 and November 2018. Each unit can be exercised to purchase at one share of Unizyx. The duration of the plan is 5 years, and the plan was approved by the FSC. As of December 31, 2020, the information related to the employee stock option was as follows:

(Continued)

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

The estimated fair value of the options granted ranges from $5.4 (TWD) and $2.1~$3.1 (TWD) at the date of grant using the Black-Scholes option pricing model. Unizyx granted to the Company's employees 15,000 thousand and 19,018 thousand units of employee stock options, and the Company recognized compensation cost amounting to $25,771 and $17,816 in the years of 2020 and 2019, respectively. Weighted-average assumptions were as follows:

	2020 1st	2018 1st
Expected dividend yield	3.08%	3.08%
Expected volatility	40.256%~46.059%	36.108%~44.619%
Risk-free interest rate	0.1899%~0.2381%	0.608%~0.688%
Expected life	2~3 years	2~3 years

Information related to employee stock options was as follows:：

(a) Employee stock options in 2020

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

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

(Continued)

(b) Employee stock options in 2018

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

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

B. ZNet

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

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

The estimated fair value of the options granted ranges from $3.3 (TWD) and $3.9 (TWD) at the date of grant using the Black-Scholes option pricing model, respectively. ZNet granted the Company's employees 7,000 thousand and 5,618 thousand units of employee stock options, and the Company recognized compensation cost amounting to $11,792 and $1,825 in the year of 2020 and 2019. Weighted average assumptions were as follows:

	2020 1st	**2019 1st**
Expected dividend yield	-	-
Expected volatility	40.000%	40.408%
Risk-free interest rate	0.1923%	0.5432%
Expected life	2 years	2 years

(Continued)

Information related to employee stock options was as follows:

(a) Employee stock options in 2020

	2020	
Employee stock options	**Options (in thousands)**	**Weighted-average exercise price (TWD)**
Outstanding at beginning of year	-	$ -
Granted	7,000	14.0
Exercised	-	-
Forfeited	-	-
Outstanding at end of year	**7,000**	14.0
Exercisable at end of year	**-**	

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

(b) Employee stock options in 2019

	2020		2019	
Employee stock options	**Options (in thousands)**	**Weighted-average exercise price (TWD)**	**Options (in thousands)**	**Weighted-average exercise price (TWD)**
Outstanding at beginning of year	5,603	$ 14.0	-	$ -
Granted	-	-	5,618	14.0
Exercised	-	-	-	-
Forfeited	(467)	-	(15)	-
Outstanding at end of year	**5,136**	14.0	**5,603**	14.0
Exercisable at end of year	**-**		**-**	

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

(Continued)

(21) Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

(22) Revenue from contracts with customers

A. The details of revenue were as follows:

	2020				
	Brand	**Product**	**Channel**	**Investment**	**Total**
Primary geographical markets:					
United States	$ 2,705,036	2,594,447	10,410	-	5,309,893
France	25,670	2,293,044	400,170	-	2,718,884
China	7,044	1,740,802	19,088	-	1,766,934
Other countries	5,692,270	3,785,237	2,970,812	6,600	12,454,919
	$ 8,430,020	**10,413,530**	**3,400,480**	**6,600**	**22,250,630**
Major products lines:					
Broadband	$ 6,527,136	9,413,771	303,079	-	16,243,986
Business	387,469	118,165	2,552,212	-	3,057,846
Others	1,515,415	881,594	545,189	6,600	2,948,798
	$ 8,430,020	**10,413,530**	**3,400,480**	**6,600**	**22,250,630**

(Continued)

	2019				
	Brand	**Product**	**Channel**	**Investment**	**Total**
Primary geographical markets:					
United States	$ 3,039,445	1,482,694	-	-	4,522,139
China	16,524	3,530,775	18,444	-	3,565,743
France	162,726	2,483,754	182,308	-	2,828,788
Other	5,881,698	4,795,551	2,425,827	6,600	13,109,676
	$ 9,100,393	**12,292,774**	**2,626,579**	**6,600**	**24,026,346**
Major products lines:					
Broadband	$ 7,171,283	11,084,710	339,081	-	18,595,074
Business	1,067,250	95,618	1,779,583	-	2,942,451
Others	861,860	1,112,446	507,915	6,600	2,488,821
	$ 9,100,393	**12,292,774**	**2,626,579**	**6,600**	**24,026,346**

B. Contract balances

	December 31, 2020	**December 31, 2019**	**January 1, 2019**
Contract liabilities	**$ 74,760**	**89,595**	**259,836**

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

The contract liabilities primarily relate to the advance consideration received from customers for the sales contracts, for which revenue is recognized when products are delivered to customers. The amounts of revenue recognized for the years ended December 31, 2020 and 2019 that were included in the contract liability balances at the beginning of the periods were $85,701 and $255,638, respectively.

(23) Non-operating income and expenses

A. Other income

The details of other income of the Company were as follows:

	2020	**2019**
Relief subsidy and rental concession related to COVID-19	$ 121,571	-
Compensation income	26,199	9,048
Obligation waived due to expiration of claim rights	13,379	34,569
Government grant	7,757	-
Rental and other income	16,273	4,246
	$ 185,179	**47,863**

(Continued)

B. Other gains and losses

The details of other gains and losses of the Company were as follows:

		2020	2019
Net gains (losses) on financial assets at fair value through profit or loss (note 6(2))	$	(57,091)	197
Gain (loss) on disposal of property, plant and equipment		109	(600)
Loss on disposal of intangible assets		(164)	(353)
Loss on liquidation of subsidiaries		(71)	(36,942)
Others		(13,855)	(8,118)
	$	**(71,072)**	**(45,816)**

C. Interest Expense

The details of interest expense were as follows:

		2020	2019
Interest expense from bank borrowings	$	17,882	32,596
Interest expense from lease liabilities		5,429	5,847
	$	**23,311**	**38,443**

(24) Employee compensation and directors' remuneration

In accordance with Unizyx's Articles of Incorporation, Unizyx shall accrue its remuneration to employees and directors based on a certain percentage of the current-year's profit (profit before income tax, excluding remuneration to employees and directors) less, accumulated deficit as follows: no less than 0.01% as employee remuneration and no more than 2% as directors' remuneration. The aforementioned employee remuneration will be distributed in cash or in the form of shares to the employees of the controlling company and subsidiaries who meet certain criteria approved by the Board of Directors. For the years ended December 31, 2020 and 2019, Unizyx incurred accumulated deficits; therefore, no remuneration to employees and directors was accrued for the years then ended.

(25) Financial instruments

A. Credit risk

(a) Credit risk exposures

As of December 31, 2020 and 2019, the Company's maximum exposure to credit risk was mainly from the carrying amount of financial assets amounting to $10,790,990 and $8,201,891, respectively.

(Continued)

(b) Disclosures of the concentration of credit risk

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

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

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

(c) Receivables and debt securities

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

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

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, 2020						
Non-derivative financial liabilities						
Short-term borrowings	$ 1,614,247	(1,616,516)	(1,616,516)	-	-	-
Short-term notes and bills payable	300,000	(300,000)	(300,000)	-	-	-
Notes and accounts payable	5,232,851	(5,232,851)	(5,232,851)	-	-	-
Accounts payable－related parties	546,513	(546,513)	(546,513)	-	-	-
Payroll and bonus payable	788,435	(788,435)	(788,435)	-	-	-
Royalty payable	169,340	(169,340)	(169,340)	-	-	-
Other payables－related parties	46,489	(46,489)	(46,489)	-	-	-
Lease liabilities (current and non-current)	490,072	(550,086)	(51,789)	(52,890)	(81,994)	(363,413)
Accrued expense (recognized in other current liabilities)	833,326	(833,326)	(833,326)	-	-	-
Guarantee deposits received	575	(575)	-	(575)	-	-
Derivative financial liabilities						
Financial liabilities at fair value through profit or loss-current outflows	46,359	(46,693)	(46,693)	-	-	-
	$ 10,068,207	**(10,130,824)**	**(9,631,952)**	**(53,465)**	**(81,994)**	**(363,413)**

(Continued)

	Carrying amount	Cash flow of contract	Within 1 year	1-2 years	2-5 years	Over 5 years
December 31, 2019						
Non-derivative financial liabilities						
Short-term borrowings	$ 1,626,803	(1,631,803)	(1,631,803)	-	-	-
Notes and accounts payable	3,349,407	(3,349,407)	(3,349,407)	-	-	-
Payroll and bonus payable	680,582	(680,582)	(680,582)	-	-	-
Accounts payable－related parties	79,840	(79,840)	(79,840)	-	-	-
Royalty payable	280,526	(280,526)	(280,526)	-	-	-
Lease liabilities (current and non-current)	492,853	(557,733)	(49,366)	(58,150)	(74,188)	(376,029)
Accrued expense (recognized in other current liabilities)	757,315	(757,315)	(757,315)	-	-	-
Guarantee deposits received	539	(539)	-	(539)	-	-
Derivative financial liabilities						
Financial liabilities at fair value through profit or loss-current						
Outflows	2,469	(2,462)	(2,462)	-	-	-
	$ 7,270,334	**(7,340,207)**	**(6,831,301)**	**(58,689)**	**(74,188)**	**(376,029)**

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

C. Currency risk

(a) Exposure to currency risk

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

	December 31, 2020			December 31, 2019		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial Assets						
Monetary items						
USD	$ 114,662	28.48	3,265,574	78,895	29.98	2,365,272
Non-Monetary items						
EUR	-	-	-	2,000	33.59	note
Financial Liabilities						
Monetary items						
USD	140,892	28.48	4,012,604	84,841	29.98	2,543,533
EUR	39,951	35.02	1,399,084	25,606	33.59	860,106
Non-Monetary items						
EUR	41,300	35.02	note	23,240	33.59	note

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

(Continued)

(b) Sensitivity analysis

The Company' s exposure to foreign currency risk arises from the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable (including related parties), other receivables (including related parties), short-term borrowings, and notes and accounts payables(including related parties) that are denominated in foreign currency. 5% depreciation or appreciation of the TWD against the above foreign currency at December 31, 2020 and 2019, would have increased (decreased) the net income as follows. (This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the reporting date. The analysis assumes that all other variables remain constant.)

	2020	2019
Depreciation	$ (107,306)	(51,918)
Appreciation	$ 107,306	51,918

(c) Exchange gains and losses of functional currency

For the years ended December 31, 2020 and 2019, the foreign exchange losses (including realized and unrealized) were $209,623 and $172,623, respectively. It is impractical to disclose the foreign exchange losses by each significant foreign currency due to the variety of the functional currencies of the Company.

D. Interest rate analysis

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

If the interest rate had increased or decreased by 0.25%, the Company's net income before tax would have increased or decreased by $2,202 and $1,453 for the years ended December 31, 2020 and 2019, respectively, with all other variable factors remaining constant. This is mainly due to floating interest rates of the Company' s cash and cash equivalents and short-term borrowings.

E. Fair value of financial instruments

(a) Categories of financial instruments and fair value

The carrying amounts of the Company' s current non-derivative financial instruments were considered to approximate their fair value due to their short-term nature. This methodology applies to financial assets and financial liabilities at amortized cost, including cash and cash equivalents, receivables (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, 2020 were as follows:

	December 31, 2020				
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
	$ -	-	-	-	-
Financial assets at fair value through other comprehensive income－non-current	**$ 26,999**	**-**	**-**	**26,999**	**26,999**
Financial liabilities at fair value through profit or loss－current	**$ 46,359**	**-**	**46,359**	**-**	**46,359**

	December 31, 2019				
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss－current	$ 2,051	2,035	16	-	2,051
Financial assets at fair value through other comprehensive income －non-current	8,669	-	-	8,669	8,669
	$ 10,720	**2,035**	**16**	**8,669**	**10,720**
Financial liabilities at fair value through profit or loss －current	**$ 2,469**	**-**	**2,469**	**-**	**2,469**

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

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

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

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

(c) There is no transfer between the levels for the years ended December 31, 2020 and 2019.

(Continued)

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

	2020	2019
Financial assets at fair value through other comprehensive income		
Balance at January 1	$ 8,669	35,482
Addition for the period	9,262	-
Gains or losses recognized in other comprehensive income	9,068	(26,813)
Balance at December 31	**$ 26,999**	**8,669**

(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	• Net price ratio multiplier (December 31, 2020: 1.46~3.10 and December 31, 2019:1.49~4.04) • Liquidity discount (December 31, 2020 and December 31, 2019: 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

(26) Financial risk management

A. Overview

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

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

(Continued)

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(25).

As of December 31, 2020 and 2019, the Company had provided guarantees for its 100%-owned subsidiaries.

D. Liquidity risk

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

E. Market risk

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

(Continued)

Beneficiary certificates held by the Company are presented under financial assets measured at fair value. Such assets are measured at fair value, and the Company is exposed to market price volatility.

(a) Currency risk

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

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

(b) Interest rate risk

The Company holds variable-rate financial assets and liabilities. Please refer to note 6(25) for interest rate risk.

(27) Capital management

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

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

	December 31, 2020	December 31, 2019
Total liabilities	$ 11,282,934	8,243,856
Less: cash and cash equivalents	(4,078,159)	(3,219,348)
Net debt	**$ 7,204,775**	**5,024,508**
Total equity (adjusted capital)	**$ 8,306,231**	**7,241,968**
Debt-to-adjusted-capital ratio	**86.74%**	**69.38%**

As of December 31, 2020, the Company has not changed its capital management method.

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

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

A. For leased right-of-use assets, please refer to note 6(11).

(Continued)

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

	January 1, 2020	Cash flow	Foreign exchange movement and others	December 31, 2020
Short-term borrowings	$ 1,626,803	(16,214)	3,658	1,614,247
Short-term notes and bills payable	-	300,000	-	300,000
Lease liabilities	492,853	(49,439)	46,658	490,072
Guarantee deposits received	539	33	3	575
Total liabilities from financing activities	**$ 2,120,195**	**234,380**	**50,319**	**2,404,894**

	January 1, 2019	Cash flow	Foreign exchange movement and others	December 31, 2019
Short-term borrowings	$ 1,950,119	(314,104)	(9,212)	1,626,803
Short-term notes and bills payable	200,000	(200,000)	-	-
Lease liabilities	535,205	(50,466)	8,114	492,853
Guarantee deposits received	899	(352)	(8)	539
Total liabilities from financing activities	**$ 2,686,223**	**(564,922)**	**(1,106)**	**2,120,195**

7. Related-party transactions

(1) Names and relationship with related parties

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

Name of related party	Relationship with the Company
ZYXEL Foundation	The chairman is the same as Unizyx's
LIONIC Corp.	The director is the chairman of Unizyx before June 21, 2019
ZyFX Technologies Inc. (ZyFX)	ZYXEL Foundation's subsidiary
Zyell Solutions Corporation (Zyell)	ZyFX's subsidiary
ZQAM	Formerly, it was the Company's associate, but became ZyFX's subsidiary since October 2020.

(Continued)

Name of related party	Relationship with the Company
Ardomus	Formerly, it was the Company's subsidiary, but became the Company's associate since July 2020.

(2) Significant related-party transactions

A. Operating Revenues

Account Name	Related Party Category	2020	2019
Sales of goods	Other related parties	$ 78,922	20,114
	Associates	71,292	33,333
		150,214	53,447
Others	Other related parties	6,600	6,600
	Associates	694	177
		7,294	6,777
		$ 157,508	**60,224**

Except for some products without transaction with other customers to compare with, there was no significant difference between the sales price of the Company for related parties and that of the third parties. The terms of payment are 90 days, and the credit terms for third parties are 30 to 180 days after delivery. Receivables from related parties were not pledged as collateral, and were assessed not to provide for any loss allowance.

B. Purchase

Related Party Category	2020	2019
Other related parties	$ 617,487	106,934
Associates	16,430	15,649
	$ 633,917	**122,583**

Except for some products without transaction with other vendors to compare with, there was no significant difference between the purchase price of the Company for related parties and that of the third parties. The payment term for purchase from related parties was 90 days after purchase, which was not materially different from those offered to third parties.

C. Other transactions

Account Name	Related Party Category	2020	2019
Operating	Other related parties	$ 25,746	9,050
Expenses/Cost of goods sold	Associates	8	542
		$ 25,754	**9,592**

(Continued)

Account Name	Related Party Category	2020	2019
Non-operating	Associates	$ 1,332	1,051
income	Other related parties	2,607	1,024
		$ 3,939	**2,075**

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

D. Receivables from related parties

Account Name	Related Party Category	December 31, 2020	December 31, 2019
Accounts receivable－	Other related parties	$ 4,011	2,980
related parties	Associates	783	17,011
		$ 4,794	**19,991**
Other receivables－	Other related parties	$ 5,709	1,732
related parties	Associates	250	-
		$ 5,959	**1,732**

E. Payables to related parties

Account Name	Related Party Category	December 31, 2020	January 1, 2019
Accounts payable－	Other related parties	$ 546,513	75,846
related parties	Associates	-	3,994
		$ 546,513	**79,840**
Other payables－related parties	Other related parties	**$ 46,489**	**-**

(3) Transactions with key management personnel

Key management personnel compensation comprised:

	2020	2019
Short-term employee benefits	$ 51,859	37,716
Post-employment benefits	926	726
Share-based payment compensation	3,845	2,531
	$ 56,630	**40,973**

Please refer to note 6(20) for further explanations related to share-based payment transactions.

(Continued)

8. Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Purpose of pledge	December 31, 2020	December 31, 2019
Property, plant and equipment	Guarantee of short-term borrowings	$ 430,327	445,366
Financial assets at amortized cost－non-current	Contract fulfillment and warranty guarantee	50,461	19,224
Financial assets at amortized cost－non-current	Guarantee of rental of land from SIPA	20,208	-
Refundable deposits	Guarantee of quality assurance	35,195	60,701
		$ 536,191	**525,291**

9. Commitments and contingencies

(1) Significant commitments

A. The amounts of notes pledged at the bank by Zyxel, MitraStar and ZNet for financing purposes were as follows:

December 31, 2020	December 31, 2019
$ 5,347,760	**4,704,730**

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

(in thousands USD)

December 31, 2020	December 31, 2019
$ 649	**301**

C. In order to bid on the project of particular customer, ZyAS obtained a letter of performance guarantee letter from the bank. The amounts were as follows:

(in thousands EUR)

December 31, 2020	December 31, 2019
$ 1,000	**1,000**

(Continued)

D. In order to bid on projects, ZyTPE submitted a performance guarantee letter. The amounts were as follows:

	December 31, 2020	December 31, 2019
$	16,323	7,135

E. MitraStar signed a research agreement with Taiwan SMECF commissioned by the Ministry of Economic Affairs. In order to receive the project grant, MitraStar should obtain a performance guarantee letter from the bank and submit a promissory note as follows:

	December 31, 2020
Promissory letter	$ 14,900
Guarantee letter	$ 14,900

The abovementioned guarantees were issued from the bank, which were endorsed by Unizyx.

F. In order to obtain the bid of customer, ZyTR requested a bank to issue a guarantee letter. The amounts were as follows:

(in thousands USD)

	December 31, 2020	December 31, 2019
$	3,608	4,940

G. The Company rented a piece of land from SIPA, and the bank had issued the guarantees. The amounts were as follows:

	December 31, 2020	December 31, 2019
$	-	20,208

The abovementioned guarantees were issued from the bank, which were endorsed by Unizyx.

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

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

(2) Contingencies liabilities

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

(Continued)

B. In June 2020, Cadence Design System Inc. asserted that the Company infringed its certain patents and filed a lawsuit against Zyxel and MitraStar. The case is on trial in Taiwan Taipei District Court and the Company has engaged a lawyer to defend its right. However, the Company believes that the lawsuit mentioned above will not have any significant impact on its current operations.

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

10. Losses due to major disasters: None

11. Subsequent events:None

12. Other

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

By function / By item	2020			2019		
	Classified as cost of goods sold	Classified as operating expenses	Total	Classified as cost of goods sold	Classified as operating expenses	Total
Employee benefits						
Salaries	360,431	2,580,944	2,941,375	330,828	2,690,467	3,021,295
Labor and health insurance	28,950	237,057	266,007	31,785	255,808	287,593
Pension	31,151	101,581	132,732	28,064	120,541	148,605
Others	19,861	85,057	104,918	15,611	89,471	105,082
Depreciation	85,571	182,480	268,051	98,775	191,565	290,340
Amortization	15,292	80,514	95,806	2,745	75,113	77,858

13. Other disclosures:

(a) Information on significant transactions

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

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

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

(iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures): Please refer to Table 3.

(Continued)

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

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

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

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

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

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

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

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

(c) Information on investment in Mainland China:

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

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

(iii) Significant transactions:

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

(d) Major shareholders:

(in unit of shares)

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

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

(Continued)

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

14. Segment information

(1) General information and industrial information

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

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

(2) Segment information

The Company's operating segment information and reconciliations were as follows:

	2020					
	Brand	**Products**	**Channel**	**Investment**	**Reconciliation and elimination**	**Total**
External revenue	$ 8,430,020	10,413,530	3,400,480	6,600	-	22,250,630
Inter-segment revenue	278,862	2,755,062	337,779	123,747	(3,495,450)	-
Total revenue	**$ 8,708,882**	**13,168,592**	**3,738,259**	**130,347**	**(3,495,450)**	**22,250,630**
Reportable segment operating income (loss)	**$ 778,939**	**389,017**	**120,643**	**(2,992)**	**7,087**	**1,292,694**
Depreciation and amortization	**$ 110,451**	**195,414**	**64,437**	**601**	**(7,046)**	**363,857**
Reportable segment assets	**$ 9,198,869**	**9,419,184**	**2,846,686**	**267,089**	**(2,166,722)**	19,565,106
Investment accounted for using the equity method						24,059
Total assets						**$ 19,589,165**

(Continued)

	2019					
	Brand	**Products**	**Channel**	**Investment**	**Reconciliation and elimination**	**Total**
External revenue	$ 9,100,393	12,292,774	2,626,579	6,600	-	24,026,346
Inter-segment revenue	1,064,454	2,688,449	966,465	147,214	(4,866,582)	-
Total revenue	**$ 10,164,847**	**14,981,223**	**3,593,044**	**153,814**	**(4,866,582)**	**24,026,346**
Reportable segment operating income (loss)	**$ (629,200)**	**964,478**	**(156,066)**	**29,815**	**(33,217)**	**175,810**
Depreciation and amortization	**$ 119,982**	**210,587**	**37,201**	**428**	**-**	**368,198**
Reportable segment assets	**$ 7,497,097**	**6,876,130**	**3,007,124**	**165,331**	**(2,092,231)**	15,453,451
Investment accounted for using the equity method						32,373
Total assets						**$ 15,485,824**

(3) Information by product and service

For information on products and services for the years ended December 31, 2020 and 2019, please refer to note 6(22).

(4) Geographic information

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

A. Revenue from external customers:

For information on revenue from external customers for the years ended December 31, 2020 and 2019, please refer to note 6(22).

B. Non-current assets:

Area	**December 31, 2020**	**December 31, 2019**
Taiwan	$ 1,349,662	1,356,109
China	653,692	661,016
Other countries	340,554	252,769
	$ 2,343,908	**2,269,894**

(5) Information on major customers

	2020	**2019**
Customer A	**$ 2,552,786**	**1,418,805**
Customer B	**$ 1,030,322**	**2,767,660**

(Continued)

Unizyx Holding Corporation and subsidiaries

Loans to other parties

For the year ended December 31, 2020

Table 1 (In Thousands of New Taiwan Dollars)

Number (Note 1)	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance (Note 4)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 2)	Transaction amount for business between two parties	Reasons for short-term financing	Loss allowance	Collateral		Individual funding loan limits (Note 3)	Maximum limit of fund financing (Note 3)	Note
													Item	Value			
1	Zyxel	ZyIT	Other accounts receivable－related parties	Yes	556,737	100,143	100,143	-	2	-	Operating Capital	-	-	-	385,288	1,541,154	Note 8
1	Zyxel	ZyBR	〃	Yes	241,556	44,583	44,583	-	2	-	Operating Capital	-	-	-	385,288	1,541,154	Note 5 and 8
1	Zyxel	ZNet IN	〃	Yes	14,599	14,032	14,032	-	2	-	Operating Capital	-	-	-	385,288	1,541,154	Note 8
1	Zyxel	Others (Note 7)	〃	Yes	291,347	2,224	2,224	-	2	-	Operating Capital	-	-	-	385,288	1,541,154	Note 8
						106,982	106,982										
2	MitraStar	ZQAM	〃	Yes	16,957	-	-	-	1	71,506	-	-	-	-	71,506	1,392,226	Note 8
2	MitraStar	Monetics	〃	Yes	88,759	-	-	-	2	-	Operating Capital	-	-	-	348,056	1,392,226	Note 8
						-	-										
3	ZNet	ZNet IN	〃	Yes	53,368	28,280	28,280	-	2	-	Operating Capital	-	-	-	113.591	454.364	Note 6 and 8
3	ZNet	ZNet SHA	〃	Yes	12,292	5,327	5,327	-	2	-	Operating Capital	-	-	-	113.591	454.364	Note 8
						33,607	33,607										

Note 1: The numbers denote the following:
0 represents Unizyx
1 represents Zyxel
2 represents MitraStar
3 represents ZNet
Investees are listed in accordance with names and in sequential order starting with 1.

Note 2: Purposes of fund financing for the borrower:
1. For those companies with business transaction with the Company, please fill in 1.
2. For those companies with short-term financing needs, please fill in 2.

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

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

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

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

Note 5: The ending balance included the amount of credit balance of investments accounted for using the equity method amounting to $ 449,603.

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

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

Note 8: The inter-company transactions and balances had been eliminated in the consolidated financial statements.

Unizyx Holding Corporation and subsidiaries

Guarantees and endorsements for other parties

For the year ended December 31, 2020

Table 2 (In Thousands of New Taiwan Dollars)

Number	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period (Note 3)	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 3)	Guarantee provided by parent company	Guarantee provided by a subsidiary	Guarantee provided to subsidiaries in Mainland China
		Name	Relationship with the Company (Note 2)										
0	Unizyx	MitraStar	2	4,139,517	2,026,625	2,015,120	214,900	-	24.34%	4,139,517	Y	N	N
0	Unizyx	ZNet	2	4,139,517	1,434,050	1,432,400	607,799	-	17.30%	4,139,517	Y	N	N
						3,447,520	822,699						
1	ZyAS	ZyIT	2	4,139,517	35,020	35,020	-	-	0. 42%	4,139,517	N	N	N

Note 1: The numbers denote the following:
0 represents Unizyx
1 represents ZyAS
Investees are listed in accordance with names and in sequential order starting with 1.

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

Note 3: The policies for the limit on the total amount of guarantees and endorsements are prescribed as follow:
1. The total amount of guarantees and endorsements provided by each guarantor to any specific party or subsidiary shall not exceed 50% of Unizyx's net worth. The total amount of guarantees and endorsements provided by each guarantor and Company's subsidiary shall not exceed 50% of Unizyx's net worth. The total amount of guarantees and endorsements provided by each guarantor and Company's subsidiary to any specific party shall not exceed 50% of Unizyx's net worth. If the total amount of guarantees and endorsements provided by each guarantee and Company's subsidiary exceeds 50% of Unizyx's net worth, the Company should disclose its necessity and rationality at the shareholder's meeting.
2. For those companies with business transactions, except for the abovementioned rules of limit, the amount of each guarantee and endorsement shall not exceed the transaction amount between two parties, which is the higher amount of the sales or purchases.

Unizyx Holding Corporation and subsidiaries

Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures)

For the year ended December 31, 2020

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

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units	Carrying value	Percentage of ownership (%)	Fair Value	
Unizyx	Stock: ZQAM	Investee	Financial assets at fair value through other comprehensive income－non current	2,263	**9,262**	13%	9,262	
Zyxel	Stock: Ubiik Inc.	Investee	Financial assets at fair value through other comprehensive income－non current	956	15,657	9%	15,657	
Zyxel	Stock: Lionic Corp	〃	〃	500	794	3%	794	
Zyxel	Stock: Global Channel Resource Pte. Ltd.	〃	〃	600	-	8%	-	
Zyxel	Stock: Zowie Technology Corp.	〃	〃	19	-	-	-	
Zyxel	Stock: Aetas Technology Inc.	〃	〃	296	-	1%	-	
					16,451			
Zychamp	Stock: Unizyx	Final parent company	Financial assets at fair value through other comprehensive income－non current	9,391	358,277	2%	358,277	Note
Zychamp	Stock: Homeyen Networks Co., Ltd.	Investee	〃	169	1,286	11%	1,286	
Zychamp	Stock: Essence Technology Solution, Inc.	〃	〃	91	-	3%	-	
Zychamp	Stock: Handlink Technologies Inc.	〃	〃	296	-	1%	-	
Zychamp	Stock: L7 Networks Inc.	〃	〃	1	-	1%	-	
Zychamp	Stock: Accfast Technology Corp.	〃	〃	113	-	5%	-	
					359,563			

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

Unizyx Holding Corporation and subsidiaries

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

For the year ended December 31, 2020

Table 4 (In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase /Sale	Amount	Percentage of total purchases / sales	Payment terms	Unit price	Payment terms	Ending balance (Note 3)	Percentage of total notes / accounts receivable (payable)	
Zyxel	ZyAS	Subsidiary to subsidiary	Sales	2,271,623	33%	150 days after delivery	Note 1		1,389,933	35%	Note 5
Zyxel	ZyUSA	Subsidiary to subsidiary	Sales	2,064,156	30%	135 days after delivery	Note 1		581,975	15%	Note 5
Zyxel	ZyIT	Subsidiary to subsidiary	Sales	725,403	10%	150~180 days after delivery	Note 1		688,106	17%	Note 5
Zyxel	ZyTR	Subsidiary to subsidiary	Sales	138,078	2%	165 days after delivery	Note 1		494	-	Note 5
Zyxel	ZyBR	Subsidiary to subsidiary	Sales	100,894	1%	180 days after delivery	Note 1		160,690	4%	Note 4 and 5
Zyxel	ZyFX	Subsidiary to other related party	Purchase	(615,112)	(9%)	90 days after receipt	Note 2		(545,479)	(23%)	
ZNet	ZNet AS	Subsidiary to subsidiary	Sales	1,327,297	64%	90~150 days after delivery	Note 1		949,855	73%	Note 5
ZNet	ZyTPE	Subsidiary to subsidiary	Sales	366,609	18%	90 days after delivery	Note 1		223,920	17%	Note 5
ZNet	ZyUSA	Subsidiary to subsidiary	Sales	141,118	7%	135 days after delivery	Note 1		28,067	2%	Note 5
MitraStar	Zyxel	Subsidiary to subsidiary	Sales	2,678,608	20%	90 days after delivery	Note 1		1,097,599	33%	Note 5
MitraStar	Monetics	Subsidiary to subsidiary	Sales	998,045	8%	45~140 days after delivery	Note 1		432	-	Note 5
MitraStar	Wuxi MSTC	Subsidiary to subsidiary	Processing and purchase	(5,743,375)	(44%)	90 days after receipt	Note 2		(465,835)	(16%)	Note 5
MitraStar	Zyxel	Subsidiary to subsidiary	Purchase	(722,292)	(5%)	90 days after receipt	Note 2		-	-	Note 5
ZyAS	ZyDE	Subsidiary to subsidiary	Sales	326,534	12%	120 days after delivery	Note 1		74,166	8%	Note 5
ZyAS	ZyUK	Subsidiary to subsidiary	Sales	250,242	9%	120 days after delivery	Note 1		83,249	9%	Note 5
ZyAS	ZyTR	Subsidiary to subsidiary	Sales	143,643	5%	130 days after delivery	Note 1		8,398	1%	Note 5

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase /Sale	Amount	Percentage of total purchases / sales	Payment terms	Unit price	Payment terms	Ending balance (Note 3)	Percentage of total notes / accounts receivable (payable)	
ZyAS	ZyCZ	Subsidiary to subsidiary	Sales	133,290	5%	120 days after delivery	Note 1		97,673	10%	Note 5
ZyAS	ZyIT	Subsidiary to subsidiary	Sales	100,222	4%	120~180 days after delivery	Note 1		65,485	7%	Note 5

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

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

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

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

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

Unizyx Holding Corporation and subsidiaries

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

For the year ended December 31, 2020

Table 5 (In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Ending balance (Note 2)	Turnover days	Overdue		Amounts received in subsequent period (Note 1)	Loss allowance	Note
					Amount	Action taken			
Zyxel	ZyAS	Subsidiary to subsidiary	1,389,933	2	-	-	514,498	-	Note 4
Zyxel	ZyIT	Subsidiary to subsidiary	688,106	1	329,467	Enhanced Collecting	200,707	-	Note 4
Zyxel	ZyUSA	Subsidiary to subsidiary	581,975	3	-	-	326,354	-	Note 4
Zyxel	ZyBR	Subsidiary to subsidiary	160,690	-	100,310	Enhanced Collecting	-	-	Note 3 and 4
ZNet	ZNet AS	Subsidiary to subsidiary	949,855	2	638,350	Enhanced Collecting	358,294	-	Note 4
ZNet	ZyTPE	Subsidiary to subsidiary	223,920	3	-	-	40,766	-	Note 4
MitraStar	Zyxel	Subsidiary to subsidiary	1,097,599	3	-	-	955,119	-	Note 4
Wuxi MSTC	MitraStar	Subsidiary to subsidiary	465,835	7	-	-	465,835	-	Note 4

Note 1: Information as of February 28, 2021.

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

Note 3: The abovementioned ending balance included the amount of credit balance of investments accounted for using the equity method amounting to $449,603.

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

Unizyx Holding Corporation and subsidiaries

Business relationships and significant intercompany transactions

For the year ended December 31, 2020

Table 6 (In Thousands of New Taiwan Dollars)

Number (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions, 2019			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
1	Zyxel	ZyAS	3	Operating revenues	2,271,623	150 days after delivery	10%
1	Zyxel	ZyUSA	3	Operating revenues	2,064,156	135 days after delivery	9%
1	Zyxel	ZyIT	3	Operating revenues	725,403	150~180 days after delivery	3%
1	Zyxel	Others (Note 3)	3	Operating revenues	404,626	30~180 days after delivery	2%
1	Zyxel	ZyAS	3	Accounts receivable－related parties, net	1,389,933		7%
1	Zyxel	ZyIT	3	Accounts receivable－related parties, net	587,963		3%
1	Zyxel	ZyUSA	3	Accounts receivable－related parties, net	581,975		3%
2	ZNet	ZNet AS	3	Operating revenues	1,327,297	90~150 days after delivery	6%
2	ZNet	ZyTPE	3	Operating revenues	366,609	90 days after delivery	2%
2	ZNet	Others (Note 3)	3	Operating revenues	303,598	30~180 days after delivery	1%
2	ZNet	ZNet AS	3	Accounts receivable－related parties, net	949,855		5%
2	ZNet	ZyTPE	3	Accounts receivable－related parties, net	223,920	90 days after delivery	1%
3	MitraStar	Zyxel	3	Operating revenues	2,678,608	90 days after delivery	12%
3	MitraStar	Monetics	3	Operating revenues	998,045	45~140 days after delivery	4%
3	MitraStar	Others (Note 3)	1 and 3	Operating expense	233,703		1%
3	MitraStar	Wuxi MSTC	3	Cost of goods sold	5,743,375	90 days after receipt	26%
3	MitraStar	Zyxel	3	Cost of goods sold	722,292	90 days after receipt	3%
3	MitraStar	Zyxel	3	Accounts receivable－related parties, net	1,097,599		6%
3	MitraStar	Wuxi MSTC	3	Accounts payable－related parties, net	465,835		2%
4	ZyAS	ZyDE	3	Operating revenues	326,534	120 days after delivery	1%
4	ZyAS	ZyUK	3	Operating revenues	250,242	120 days after delivery	1%

Number (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions, 2019			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
4	ZyAS	Others (Note 3)	3	Operating revenues	548,820	21~180 days after delivery	2%
4	ZyAS	Others (Note 3)	3	Accounts receivable－related parties, net	487,726		2%

Note 1: The numbers denote the following:
0 represents Unizyx
1 represents Zyxel
2 represents ZNet
3 represents MitraStar
4 represents ZyAS
Investees are listed by names and numbered starting with 1.
Note 2: The nature of relationship is as follows:
1 represents parent company to subsidiary
2 represents subsidiary to parent company
3 represents subsidiary to subsidiary
Note 3: Other transactions with the amount that less than 1% of the consolidated net revenue or total assets were not disclosed.

Unizyx Holding Corporation and subsidiaries

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

For the year ended December 31, 2020

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

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Highest percentage of ownership during the year	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares	Percentage of ownership	Carrying value				
Unizyx	Zyxel	Taiwan	Development, manufacturing and sales of communications and networking products	3,431,516	3,431,516	72,450	100	3,471,252	100	346,667	339,625	Subsidiary, note 1 and 6
Unizyx	MitraStar	Taiwan	Development, manufacturing and sales of communications and networking products	3,337,920	3,337,920	316,800	100	3,445,868	100	433,596	416,074	Subsidiary, note 1 and 6
Unizyx	ZNet	Taiwan	Development and sales of communications and networking products	1,200,100	1,200,100	72,460	100	1,108,126	100	32,846	63,488	Subsidiary, note 1 and 6
Unizyx	Black Cat	Taiwan	Development and sales of information security products, and consultant management services	10,000	10,000	1,000	67	25,683	77	10,520	7,520	Subsidiary and note 6
Unizyx	ZQAM	Taiwan	Development, manufacturing and sales of communications and networking products	Note 2	101,450	-	-	-	42	(23,938)	(10,030)	Note 2
								8,050,929			**816,677**	
Zyxel	Zychamp	Taiwan	Investment activities	540,000	540,000	8,902	100	356,868	100	(135)	Note 3	Subsidiary and note 6
Zyxel	ZyAS	Denmark	Sales and marketing	501,390 (EUR 11,980)	501,390 (EUR 11,980)	20,712	100	342,714	100	247,797	Note 3	Subsidiary and note 6
Zyxel	ZyUSA	U.S.A.	Sales and marketing	271,810 (USD 9,506)	271,810 (USD 9,506)	9,807	100	239,481	100	76,039	Note 3	Subsidiary and note 6
Zyxel	ZyTR	Turkey	Sales and marketing	362,862 (USD 11,977)	362,862 (USD 11,977)	29,137	100	205,452	100	34,127	Note 3	Subsidiary and note 6

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Highest percentage of ownership during the year	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares	Percentage of ownership	Carrying value				
Zyxel	Sphairon	Germany	Development of communications and networking products	154,320 (EUR 4,000)	154,320 (EUR 4,000)	-	100	136,964	100	2,924	Note 3	Subsidiary and note 6
Zyxel	ShareTech	Taiwan	Development, manufacturing and sales of communications and networking products	10,950	10,950	730	38	12,660	38	5,319	Note 3	Associate
Zyxel	Ardomus	Taiwan	Development and sales of network digital control products	48,411	48,411	4,841	48	11,399	61	(12,287)	Note 3	Associate
Zyxel	ZyME	United Arab Emirates	Sales and marketing	Note 5	216 (USD 7)	-	-	-	100	-	Note 3	Subsidiary and note 6
Zyxel	ZyBR	Brazil	Sales and marketing	53,373 (USD 1,668)	53,373 (USD 1,668)	5,849	100	(449,603)	100	(276,383)	Note 3	Subsidiary and note 6
								855,935				
ZyAS	ZyDE	Germany	Sales and marketing	67,461 (EUR 1,525)	67,461 (EUR 1,525)	-	100	128,971	100	15,004	Note 3	Subsidiary and note 6
ZyAS	ZyUK	United Kingdom	Sales and marketing	319,542 (EUR 6,450)	319,542 (EUR 6,450)	5,375	100	49,584	100	(1,290)	Note 3	Subsidiary and note 6
ZyAS	ZyIT	Italy	Sales and marketing	78,335 (EUR 2,336)	48,793 (EUR 1,450)	10	100	44,429	100	33,258	Note 3	Subsidiary and note 6
ZyAS	ZyCZ	Czech Republic	Sales and marketing	66,283 (EUR 1,543)	66,283 (EUR 1,543)	19,000	100	16,272	100	10,705	Note 3	Subsidiary and note 6
ZyAS	ZyES	Spain	Sales and marketing	2,165 (EUR 53)	2,165 (EUR 53)	3	100	2,519	100	326	Note 3	Subsidiary and note 6
								241,775				
MitraStar	Bluebell	British Virgin Islands	Investment activities	1,519,277 (USD 45,150)	1,519,277 (USD 45,150)	32,856	100	1,795,042	100	70,179	Note 3	Subsidiary and note 6
MitraStar	XSquare	Taiwan	Development and sales of communications and networking products	50,000	-	5,000	100	42,656	100	(7,344)	Note 3	Subsidiary and note 6
								1,837,698				

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Highest percentage of ownership during the year	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares	Percentage of ownership	Carrying value				
ZNet	ZNet AS	Denmark	Sales and marketing	415,320 (EUR 12,000)	415,320 (EUR 12,000)	20,712	100	174,371	100	(164,657)	Note 3	Subsidiary and note 6
ZNet	ZyTPE	Taiwan	Development and sales of communications and networking products	Note 4	Note 4	6,000	100	125,895	100	8,979	Note 3	Subsidiary and note 6
ZNet	ZNet TH	Thailand	Sales and marketing	74,969 (USD 2,389)	74,969 (USD 2,389)	8,000	100	63,974	100	11,124	Note 3	Subsidiary and note 6
ZNet	ZNet KR	South Korea	Sales and marketing	11,127 (USD 390)	11,127 (USD 390)	72	65	23,285	65	3,828	Note 3	Subsidiary and note 6
ZNet	ZNet EE	Estonia	Sales and marketing	88 (EUR 3)	88 (EUR 3)	3	100	88	100	-	Note 3	Subsidiary and note 6
ZNet	ZNet IN	India	Sales and marketing	17,176 (USD 568)	17,176 (USD 568)	8,470	100	(279,348)	100	(26,285)	Note 3	Subsidiary and note 6
								108,265				
ZNet AS	ZNet FR	France	Sales and marketing	122,449 (EUR 3,603)	122,449 (EUR 3,603)	10	100	100,163	100	4,893	Note 3	Subsidiary and note 6
ZNet AS	ZNet BNL	Netherlands	Sales and marketing	54,089 (EUR 1,350)	54,089 (EUR 1,350)	14	100	48,415	100	2,038	Note 3	Subsidiary and note 6
ZNet AS	ZNet RUS	Russia	Sales and marketing	28 (EUR 1)	28 (EUR 1)	-	100	2,496	100	575	Note 3	Subsidiary and note 6
								151,074				

Note 1: The share of the investee company's loss comprises the share of subsidiary's loss after the elimination of unrealized gross profit on inter-company sales transactions.
Note 2: The investment in ZQAM was classified as financial assets at fair value through other comprehensive income – non-current since October 2020. Please refer to note 6(3).
Note 3: The share of profits/losses of the investee company is not disclosed herein as such amount is already included in the share of profits/losses of the investor company.
Note 4: The issued capital of ZyTPE comprised of $50,000 capital increase by cash and $60,000 capital increase by retained earnings. In March 2019, $50,000 capital was returned to the investor.
Note 5: ZyME was liquidated in May 2020.
Note 6: The inter-company transactions and balances had been eliminated in the consolidated financial statements.

Unizyx Holding Corporation and subsidiaries

Information on investment in Mainland China

For the year ended December 31, 2020

Table 8

(1) Information on investment in Mainland China

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Issued Capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of investee	Direct/indirect shareholding (%) by the Company	Highest percentage of ownership during the year	Share of profits/losses of investee (Note 6)	Carrying amount as of December 31, 2020	Accumulated repatriation of investment income
					Out-flow	Inflow							
Tianjin Huagin	Sales of communications and networking products and technical consulting service	44,375	Note 1	42,156	-	-	42,156	(118)	ZNet directly holds 95%	ZNet directly holds 95%	(112)	1,617	-
ZNet SHA	Sales of communications, networking products and technical consulting service	266,259	Note 1	266,259	-	-	266,259	4,140	ZNet directly holds 100%	ZNet directly holds 100%	4,142 Note 6	1,899	-
Wuxi MSTC	Manufacturing and sales of communications and networking products and technical consulting service	1,013,953	Note 2	1,013,953	-	-	1,013,953	70,564	MitraStar indirectly holds 100%	MitraStar indirectly holds 100%	70,564	1,853,786	-
Genezys	Development of communications and networking products	209,806	Note 3	209,806	-	-	209,806	6,412	MitraStar directly holds 100%	MitraStar directly holds 100%	6,412	239,575	-
Monetics	Sales of communications, networking products and network technology transfer service	360,658	Note 3 and 4	72,193	210,210	-	282,403	56,148	MitraStar directly holds 100%	MitraStar directly holds 100%	56,148	208,250	-
Beijing HuaqinWorld	Sales of communications, networking products and network technology transfer and consulting service	236,860	Note 5	-	-	-	-	-	MitraStar indirectly holds 49%	MitraStar indirectly holds 49%	-	-	-

(2) Limitation on investment in Mainland China

Company	Accumulated investment amount remitted from Taiwan to Mainland China as of December 31, 2019	Approved investment amount by Ministry of Economic Affairs Investment Commission	Limitation on investment in Mainland China in accordance with regulations of Ministry of Economic Affairs Investment Commission (Note 7)
ZNet	308,415	308,415	690,161
MitraStar	1,506,162	1,584,417	2,088,338

Note 1: Direct investment in the company in Mainland China by ZNet.
Note 2: Indirect investment in Mainland China through an existing investee company (Bluebell) in a third region.
Note 3: Direct investment in the company in Mainland China by MitraStar.
Note 4: The issued capital of Monetics amounting to $78,255 was invested by Bluebell through self-funding. In May 2019, ownership of Monetics was transferred to MitraStar due to adjustment of organizational structure.
Note 5: The investment in Beijing HuaqinWorld was invested by Genezys through self-funding, which is not applicable for the calculation of limitation on the investment in Mainland China.
Note 6: The amount comprises the share of ZNet SHA's loss amounting to $4,140 after the elimination of unrealized gross profit on inter-company sales transactions.
Note 7: In accordance with the Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China amended on August 29, 2008, the limitation on investment in Mainland China shall not exceed 60% of the Company's net worth as of December 31, 2020.

Stock Code:3704

Unizyx Holding Corporation

Parent-Company-Only Financial Statements

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

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

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

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Independent Auditors' Report

To the Board of Directors of Unizyx Holding Corporation:

Opinion

We have audited the financial statements of Unizyx Holding Corporation ("the Company"), which comprise the balance sheets as of December 31, 2020 and 2019, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent-company-only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

Evaluation of investments accounted for using the equity method

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

Description of key audit matters:

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

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

How the matter was addressed in our audit:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are An-Chih Cheng and Shing-Hai Wei.

KPMG

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

Notes to Readers

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

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

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

Unizyx Holding Corporation

Balance Sheets

December 31, 2020 and 2019

(Expressed in thousands of New Taiwan Dollars)

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

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

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

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

Unizyx Holding Corporation

Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

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

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

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

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

Unizyx Holding Corporation

Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in thousands of New Taiwan Dollars)

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

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

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

Unizyx Holding Corporation

Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in thousands of New Taiwan Dollars)

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

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

1. Company history

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

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

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

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

(Continued)

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

2. Approval date and procedures of the financial statements:

The parent-company-only financial statements were authorized for issue by the Board of Directors on March 15, 2021.

3. New standards, amendments and interpretations adopted:

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

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

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

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

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

B. Other amendments

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

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

(Continued)

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its parent-company-only financial statements:

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

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

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

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

4. Summary of significant accounting policies:

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

(1) Statement of compliance

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

(2) Basis of preparation

A. Basis of measurement

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

(Continued)

B. Functional and presentation currency

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

(3) Foreign currencies

A. Foreign currency transactions

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

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

B. Foreign operations

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

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

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

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

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

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

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

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

(Continued)

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

An entity shall classify a liability as current when:

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

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

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

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

(5) Cash and cash equivalents

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

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

(6) Financial instruments

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

A. Financial assets

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

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

(Continued)

(a) Financial assets measured at amortized cost

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

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

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

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

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

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

(c) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents and accounts receivable).

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

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

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

(Continued)

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

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

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

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

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

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

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

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

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

(Continued)

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

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

(d) Derecognition of financial assets

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

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

B. Financial liabilities and equity instruments

(a) Classification of debt or equity

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

(b) Equity instruments

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

(c) Treasury shares

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

(Continued)

(d) Financial liabilities

Other financial liabilities (including from related parties) are initially measured at fair value plus transaction costs that are directly attributed; which are subsequently measured at amortized cost using the effective interest method.

(e) Derecognition of financial liabilities

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

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

(f) Offsetting of financial assets and liabilities

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

(7) Investment in associates

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

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

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

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

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

(Continued)

(8) Investments in subsidiaries

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

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

(9) Property, plant and equipment

A. Recognition and measurement

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

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

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

B. Subsequent cost

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

C. Depreciation

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

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

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

(10) Intangible assets

A. Recognition and measurement

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

(Continued)

B. Subsequent expenditure

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

C. Amortization

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

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

(11) Impairment of non-financial assets

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

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

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

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

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

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

(12) Revenue recognition

A. Revenue from contracts with customers

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

(Continued)

(a) Rendering of services

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

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

(b) Financing components

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

(13) Employee benefits

A. Defined contribution plans

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

B. Defined benefit plans

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

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

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

(Continued)

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

C. Short-term employee benefits

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

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

(14) Share-based payment

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

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

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

(15) Income tax

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

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

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

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

(Continued)

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

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

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

   (a) the same taxable entity; or

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

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

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

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

(16) Earnings per share

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

(17) Operating segment information

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

(Continued)

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

The preparation of the parent-company-only financial statements based on the Regulations Governing the Preparation of Financial Reports by Securities Issuers in the Republic of China requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and reported amount of assets, liabilities, income and expense. Actual results may differ from these estimates.

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

There were no critical assumptions and estimates in applying accounting policies that may have significant effect on the amounts recognized in the parent-company-only financial statements.

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

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

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

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

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

When there is a transfer between levels of the fair value hierarchy, the Company recognizes the transfer at the reporting date. For the assumptions used in fair value measurement, please refer to note 6(13) of the financial instruments.

6. Explanation of significant accounts

(1) Cash and cash equivalents

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

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

(Continued)

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

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

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

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

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

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

(3) Investments accounted for using the equity method

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

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

A. Subsidiaries:

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

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

B. Associates:

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

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

(Continued)

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

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

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

(4) Property, plant and equipment

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

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

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

(5) Intangible assets

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

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

(Continued)

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

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

(6) Employee benefits

A. Defined benefit plans

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

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

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

(a) Composition of plan assets

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

The Company' s Bank of Taiwan labor pension reserve account balance amounted to $20,989 at the reporting date. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Fund.

(Continued)

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

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

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

(c) Movements of defined benefit plan assets

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

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

(d) Effect of the asset ceiling

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

(e) Expenses recognized in profit or loss

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

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

(Continued)

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

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

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

(g) Actuarial assumptions

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

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

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

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

(h) Sensitivity analysis

If there was a change in the actuarial assumptions as of December 31, 2020 and 2019, the impact on the present value of the defined benefit obligation would be as follows:

		Impact on present value of defined benefit obligations	
		Increase 0.25%	Decrease 0.25%
December 31, 2020			
Discount rate	$	(343)	355
Future salary increase rate		342	(333)
December 31, 2019			
Discount rate	$	(301)	312
Future salary increase rate		303	(294)

(Continued)

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

There were no changes in the method and assumptions used in calculating the sensitivity analysis for 2020 and 2019.

B. Defined contribution plans

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

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

(7) Income tax

A. Income tax expense (benefit)

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

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

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

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

(Continued)

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

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

B. Deferred tax assets and liabilities

Changes in the amount of deferred tax assets were as follows:

	January 1, 2019	Recognized in income statement	Recognized in other comprehensive income	December 31, 2019	Recognized in income statement	Recognized in other comprehensive income	December 31, 2020
Loss carryforward	$ 257	(257)	-	-	-	-	-
Others	-	-	-	-	754	-	754
	$ 257	**(257)**	-	-	**754**	-	**754**

According to the R.O.C. Income Tax Act, the previous 10 years' losses of the Company's domestic subsidiaries as assessed by the tax authorities can offset the current year's net income for income tax purposes.

C. Combined corporate income tax returns

The following is the reconciliation from the Company's current income tax expense, deferred income tax expense (benefit), deferred income tax assets, net, and payables to related parties under IAS 12 "Income Taxes" to the combined corporate tax returns. The related balances were computed for filing the final corporate income tax returns, with the Company being the taxpayer:

	2020				
	Current income tax expenses	Deferred income tax expenses	Deferred income tax assets, net	Other payables — related parties	Income tax payable (Income tax refund receivable)
Amounts computed under IAS 12	$ 1,782	(15,745)	15,745	-	-
Adjustments	(14,991)	14,991	(14,991)	21,197	6,206
Amounts computed for filing the combined corporate income tax returns	**$ (13,209)**	**(754)**	**754**	**21,197**	**6,206**

(Continued)

A loss carryforward amounting to $14,991 incurred by the Company in 2020 was used by the other affiliated companies by filing the combined corporate income tax returns with other affiliated companies, resulting in a reduction in the deferred income tax assets amounting to $14,991; meanwhile, the tax payable generated from other affiliated companies amounting to $6,206 would be paid by the Company. Therefore, the other receivable amounting to $21,197 was recognized in other receivables – related parties.

	2019				
	Current income tax expenses	**Deferred income tax expenses**	**Deferred income tax assets, net**	**Other payables ─ related parties**	**Income tax payable (Income tax refund receivable)**
Amounts computed under IAS 12	$ 6,569	-	-	91	5,476
Adjustments	-	257	-	6,190	(6,190)
Amounts computed for filing the combined corporate income tax returns	**$ 6,569**	**257**	**-**	**6,281**	**(714)**

The Company assessed that its prior years' loss carryforwards would be utilized against its income tax payable in 2019 amounting to $5,476. However, due to a combined income tax return to be filed with other subsidiaries, the Company utilized the loss carryforward and withholding tax of its subsidiaries for deduction instead. The Company recorded the utilization of its subsidiaries' loss carryforward amounting to $6,281 as other payables ─ related parties.

D. Examination and approval

The income tax returns of the Company had been examined and assessed by the tax authority for the years through 2018.

(8) Capital and other equity

A. Common stock

On August 16, 2010, the Company was set up through Zyxel's share swap, and the total share capital was $5,170,483. As of December 31, 2020 and 2019, the Company' s authorized common stock amounted to $7,000,000, of which $520,000 was for use as employee stock options, convertible preferred stock, or convertible corporate bonds. The issued common stock amounted to $4,411,773, with par value of $10 TWD per share.

In 2020, the Company issued 6,466 thousand new shares of common stock at par value amounting to $64,665, which was recognized as advance receipts for share capital, due to the exercise of employee stock options. The related registration procedures are still in progress.

(Continued)

B. Capital surplus

The details of the Company's capital surplus were as follows:

	December 31, 2020	December 31, 2019
Additional paid-in capital	$ 3,513,099	3,489,819
Treasury stock transactions	204,503	204,503
Employee stock options	77,644	49,135
Changes in equities of subsidiaries accounted for using the equity method	26,095	5,874
Changes in equities of associates accounted for using the equity method	6,545	6,545
	$ 3,827,886	**3,755,876**

(a) When the Company was set up through Zyxel's share swap on August 16, 2010, the amount of net assets in excess of the par value calculated by the share swap method was $4,089,976, which was recorded as additional paid-in capital.

(b) According to Article 30 of the Business Mergers and Acquisitions Act, the additional paid-in capital of the holding company transferred from unappropriated retained earnings of a company through a share swap with other companies is not affected by the restriction of Article 241(i) of the Company Act. According to Article 47 of the Financial Holding Company Act and Ruling No. 0910003413, if the additional paid-in capital resulting from the share swap is orignated from previous unappropriated earnings of subsidiaries, it can be appropriated as cash dividends or capitalized in the current year; also the capitalization ratio is not restricted by Article 8 of the Securities and Exchange Act Enforcement Rules. Further, according to Ruling No. 0910016280, since this additional paid-in capital is not generated from the holding company's operations, there is no remuneration of the Board of Directors and bonus to employees. As of December 31, 2020 and 2019, the additional paid-in capital generated from Zyxel's unappropriated earnings before the share swap was $1,139,082.

(c) In accordance with the R.O.C. Company Act, realized capital surplus can only be reclassified as share capital or distributed as cash dividends after offsetting losses. The aforementioned capital surplus include share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital surplus to be reclassified under share capital shall not exceed 10 % of the actual share capital amount.

(d) The Board of Directors resolved on March 15, 2021 to distribute cash dividends, with NTD 0.5 per share, by using the capital surplus. The resolution will need to be approved in the shareholders' meeting of the Company. The information will be available on the Market Observation Post system website.

(Continued)

C. Retained earnings

(a) Legal reserve

If the Company generates profit for the year, the distribution of the legal reserve, either by new shares or by cash, shall be resolved in the shareholders' meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25 % of the paid-in capital.

(b) Special reserve

In accordance with Ruling No. 1010012865 issued by the Financial Supervisory Commission on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special reserve during earnings distribution. The amount to be reclassified should be equal to the current-period total net debit balance of other equity components of the shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special reserve (and does not qualify for earnings distribution) to account for cumulative changes to other equity components of the shareholders' equity pertaining to prior periods. Any subsequent reversals pertaining to the net debit balance of other equity components of the shareholders' equity shall qualify for additional distributions.

(c) Distribution of earnings

Pursuant to regulations promulgated by the FSC, a special reserve equivalent to the total amount of items that are accounted for as deductions from stockholders' equity shall be set aside from current earnings, and not distributed. The special reserve shall be made available for appropriation to the extent of reversal of deductions from stockholders' equity in subsequent periods.

According to the articles of incorporation, in years of earnings, the Company has to offset any accumulated deficit, pay income tax, and appropriate 10% of the balance as a legal reserve before distribution of earnings, unless the amount in the legal reserve is already equal to or greater than the total paid-in capital. Thereafter, an amount shall be set aside or reversed as a special reserve in accordance with related laws, regulations, or provisions of the competent authorities. Distribution of the remaining profit after setting aside the abovementioned amounts, together with the balance of the unappropriated retained earnings of the previous year, shall be proposed by the Board of Directors to be approved at the shareholders' meeting.

The dividend policy of the Company is based on the Company's profit condition, future operating development, and assurance of stockholders' equity. Considering the common stock, capital structure, operating status, and earnings, the Company may distribute dividends in the form proposed by the Board of Directors, including stock issuance based on retained earnings and/or cash dividends. The dividend distribution must be through a resolution passed by the Board of Directors that complies with the Company's balanced and stable dividend policy.

(Continued)

The appropriated earnings will preferably be distributed in the form of cash dividends, with distribution of stock dividends being the other alternative. Distribution of stock dividends should be no more than 50% of total dividends.

On June 12, 2020 and 2019, the resolutions of loss off-setting proposal for the years of 2019 and 2018 were approved by shareholders' meeting, respectively. The related information is available on the Market Observation Post System website.

On March 15, 2021, the loss off-setting proposal for the year of 2020 was approved by the Board of Directors' meeting of the Company. The plan to offset the 2020 operation loss will need to be approved in the shareholders' meeting of the Company. The information will be available on the Market Observation Post System website.

D. Treasury stock

As of December 31, 2020 and 2019, the Company's shares held by ZyChamp Investment Co., Ltd. amounted to 9,391 thousand shares, and original costs were both $120,861; the market values were $358,276 and $189,698, respectively.

E. Other equity

(a) Exchange differences on translation of foreign financial statements

	2020	2019
Balance at January 1	$ (395,821)	(294,693)
Foreign exchange differences (net of tax) of subsidiaries	102,249	(101,128)
Balance at December 31	**$ (293,572)**	**(395,821)**

(b) Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income

	2020	2019
Balance at January 1	$ (67,406)	(40,593)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income of subsidiaries (net of tax)	9,068	(26,813)
Balance at December 31	**$ (58,338)**	**(67,406)**

(9) Share-based payment

A. The Company

The Company registered and issued 15,000 thousand and 19,018 thousand units of employee stock options in August 2020 and November 2018, respectively. Each unit can be exercised to purchase at one share of the Company. The duration of the plan is 5 years, and the plan was approved by the FSC. As of December 31, 2020, the information related to the employee stock option was as follows:

(Continued)

Type	Authorization date	Grant date	Issued units (in thousands)	Grant period	Exercise price per share (TWD)	Adjusted exercise price per share (TWD)
Employee stock options in 2020	Aug. 21, 2020	Sep. 22, 2020	15,000	Service periods between 2 to 3 years	24.7	24.7
Employee stock options in 2018	Nov 20, 2018	Nov 21, 2018	19,018	Service periods between 2 to 3 years	12.2	12.2

The estimated fair value of the options granted ranges from $5.4 (TWD) and $2.1~$3.1 (TWD) at the date of grant using the Black-Scholes option pricing model. The Company granted to its employees 1,696 thousand and 1,063 thousand units of employee stock options, and the Company recognized compensation cost amounting to $3,227 and $1,077 in the years of 2020 and 2019, respectively. Furthermore, the Company granted to the employees of subsidiaries 13,304 thousand and 17,955 thousand units of employee stock options, and subsidiaries recognized compensation cost amounting to $22,544 and $16,739 in the years of 2020 and 2019, respectively. Weighted-average assumptions were as follows:

	2020 lst	2018 lst
Expected dividend yield	3.08%	3.08%
Expected volatility	40.256%~46.059%	36.108%~44.619%
Risk-free interest rate	0.1899%~0.2381%	0.608%~0.688%
Expected life	2~3 years	2~3 years

Information related to employee stock options granted to the employees of the Company, MitraStar, Zyxel and ZNet was as follows:

(a) Employee stock options in 2020

	2020	
Employee stock options	Options (in thousands)	Weighted-average exercise price (TWD)
Outstanding at beginning of year	-	$ -
Granted	15,000	24.7
Exercised	-	-
Outstanding at end of year	**15,000**	24.7
Exercisable at end of year	**-**	

As of December 31, 2020, the weighted-average remaining contractual life for outstanding option award was 4.73 years.

(Continued)

(b) Employee stock options in 2018

Employee stock options	2020 Options (in thousands)	2020 Weighted-average exercise price (TWD)	2019 Options (in thousands)	2019 Weighted-average exercise price (TWD)
Outstanding at beginning of year	17,328	$ 12.2	18,678	$ 12.2
Granted	-	-	-	-
Exercised	(6,466)	12.2	-	-
Forfeited	(365)	-	(1,350)	-
Outstanding at end of year	**10,497**	12.2	**17,328**	12.2
Exercisable at end of year	**2,015**		**-**	

As of December 31, 2020 and 2019, the weighted-average remaining contractual life for outstanding option awards was 2.89 and 3.89 years, respectively.

B. ZNet

As approved by the Board of Directors' meeting in November, 2020 and 2019, ZNet issued 7,000 thousand and 6,000 thousand units of employee stock options, respectively. Each unit can be purchased at one share of ZNet. The duration of the plan is 5 years. As of December 31, 2020, the information related to the employee stock option rights was as follows:

Type	Grant date	Issued units (in thousands)	Grant period	Exercise price per share (TWD)	Adjusted exercise price per share (TWD)
Employee stock options in 2020	Nov. 10, 2020	7,000	Service periods between 2 years	14.0	14.0
Employee stock options in 2019	Nov. 8, 2019	5,618	Service periods between 2 years	14.0	14.0

The estimated fair value of the options granted ranges from $3.3 and $3.9 (TWD) at the date of grant using the Black-Scholes option pricing model, respectively. ZNet granted the Company's employees 805 thousand and 281 thousand units of employee stock options, and the Company recognized compensation cost amounting to $781 and $92 in the year of 2020 and 2019, respectively. Furthermore, ZNet granted to its, Zyxel and ZyTPE's employees 6,195 thousand and 5,337 thousand units of employee stock options, and recognized compensation cost amounting to $11,011 and $1,733 in the years of 2020 and 2019. Weighted average assumptions were as follows:

(Continued)

	2020 lst	2019 lst
Expected dividend yield	-	-
Expected volatility	40.000%	40.408%
Risk free interest rate	0.1923%	0.5432%
Expected life	2 years	2 years

Information related to employee stock options granted to the employees of ZNet, was as follows:

(a) Employee stock options in 2020

	2020	
Employee stock options	**Options (in thousands)**	**Weighted average exercise price (TWD)**
Outstanding at beginning of year	-	$ -
Granted	805	14.0
Exercised	-	-
Forfeited	-	-
Outstanding at end of year	**805**	14.0
Exercisable at end of year	**-**	

As of December 31, 2020, the weighted-average remaining contractual life for outstanding option award was 4.86 years.

(b) Employee stock options in 2019

	2020		2019	
Employee stock options	**Options (in thousands)**	**Weighted average exercise price (TWD)**	**Options (in thousands)**	**Weighted average exercise price (TWD)**
Outstanding at beginning of year	281	$ 14.0	-	$ -
Granted	-	-	281	14.0
Exercised	-	-	-	-
Forfeited	(21)	-	-	-
Outstanding at end of year	**260**	14.0	**281**	14.0
Exercisable at end of year	**-**		**-**	

(Continued)

As of December 31, 2020 and 2019, the weighted average remaining contractual life for outstanding option awards was 3.85 and 4.85 years, respectively.

(10) Earnings per share

Basic earnings per share

		2020	2019
Net income (loss) attributable to ordinary shareholders of the Company	$	**827,944**	**106,753**
Weighted-average number of shares outstanding during the year (in thousands of shares)		**432,651**	**431,786**
Basic earnings per share (TWD)	$	**1.91**	**0.25**

Diluted earnings per share

		2020	2019
Net income (loss) attributable to ordinary shareholders of the Company	$	**827,944**	**106,753**
Weighted average number of shares outstanding during the year (in thousands of shares)		432,651	431,786
Effect of potential dilutive ordinary shares (in thousands of shares)		3,605	5,521
		436,256	**437,307**
Diluted earnings per share (TWD)	$	**1.90**	**0.24**

(11) Revenue from contracts with customers

The details of revenue were as follows:

		2020	2019
Primary geographical markets:			
Taiwan	$	**130,347**	**153,814**
Major products lines:			
Service	$	**130,347**	**153,814**

(12) Employee compensation and directors' remuneration

In accordance with the Company' s Articles of Incorporation, the Company shall accrue its remuneration to employees and directors based on a certain percentage of the current-year's profit (profit before income tax, excluding remuneration to employees and directors) less, accumulated deficit as follows: no less than 0.01% as employee remuneration and no more than 2% as directors' remuneration. The aforementioned employee remuneration will be distributed in cash or in the form of shares to the employees of the controlling company and subsidiaries who meet certain criteria approved by the Board of Directors. For the years ended December 31, 2020 and 2019, the Company incurred accumulated deficits; therefore, no remuneration to employees and directors was accrued for the years then ended.

(Continued)

(13) Financial instruments

A. Credit risk

(a) Credit risk exposures

As of December 31, 2020 and 2019, the Company's maximum exposure to credit risk was mainly from the carrying amount of financial assets amounting to $251,735 and $160,690, respectively.

(b) Concentration of credit risk

The Company's potential credit risk is primarily derived from deposits with banks, cash equivalents, accounts receivable and other accounts receivable－related parties. As of December 31, 2020 and 2019, the Company maintained its cash and cash equivalents in two domestic financial institutions. Thus, credit risk is significantly concentrated. However, these financial institutions are creditworthy, and hence, the Company believes that there is no significant loss due to credit risk.

B. Liquidity risk

Except for other payables－related parties, which is expected to be paid within a year, there is no liquidity risk of being unable to raise capital to settle contract obligations since the Company has sufficient capital and working capital to fulfill its contract obligations.

C. Interest rate analysis

The Company's internal management was reported with the exposure to changes in interest rates of 0.25%, which is considered by management to be a reasonable change of interest rate.

If the interest rate had increased or decreased by 0.25%, the Company's net income before tax would have increased or decreased by $267 and $81 for the years ended December 31, 2020 and 2019, respectively, with all other variable factors remaining constant. This is mainly due to floating interest rates of the Company's cash and cash equivalents.

D. Fair value of financial instruments

(a) Categories of financial instruments and fair value

The carrying amounts of the Company's current non-derivative financial instruments were considered to approximate their fair value due to their short-term nature. This methodology applies to financial assets and financial liabilities at amortized cost, including cash and cash equivalents, receivables (including related parties), and other financial assets – current.

Disclosures of fair value are not required for the financial instruments mentioned above. Except for the above financial assets and financial liabilities at amortized cost, the carrying amount and fair value of other financial instruments of the Company as of December 31, 2020 were as follows:

(Continued)

	December 31, 2020				
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income－non-current	**$ 9,262**	**-**	**-**	**9,262**	**9,262**

(b) Valuation techniques for financial instruments measured at fair value

Financial instruments without an active market held by the Company are measured at fair value according to the market approach; the fair value is assessed by using the price-equity ratio and price-earnings ratio of the competitors.

(c) Reconciliation of Level 3 fair values－equity investment without an active market

	2020
Financial assets at fair value through other comprehensive income－equity investment without an active market	
Balance on January 1, 2020	$ -
Addition for the period	9,262
Balance on December 31, 2020	**$ 9,262**

(d) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company's financial instruments that use Level 3 inputs to measure the fair value include financial assets at fair value through other comprehensive income– equity investments.

The Company classified the equity investments without an active market as recurring level 3 fair values in the value hierarchy due to the use of significant unobservable inputs. The significant unobservable inputs of the equity investments without an active market are independent, therefore, there is no correlation between them.

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income – equity investment without an active market	Market approach	• Price-equity ratio (December 31, 2020：1.46) • Discount for lack of marketability (December 31, 2020：30%)	• The higher the price-equity ratio, the higher the fair value • The higher the discount for lack of marketability, the lower the fair value

(Continued)

(14) Financial risk management

A. Overview

The Company is exposed to the following risks due to usage of financial instruments:

(a) Credit risk
(b) Liquidity risk
(c) Market risk

This note presents information about the Company's exposure to each of the above risks and the Company' s objectives, policies, and processes for measuring and managing risk. For further information, please refer to the relevant notes.

B. Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The board is responsible for developing and monitoring the Company's risk management policies, and meets regularly for discussions.

The Company' s risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Board of Directors oversees how management monitors compliance with the Company' s risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Board of Directors is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, and the results of which are reported to the Board of Directors.

C. Credit risk

Please refer to note 6(13).

As of December 31, 2020 and 2019, the Company had provided guarantees for its 100%-owned subsidiaries.

D. Liquidity risk

There is no liquidity risk of being unable to raise capital to settle contract obligations since the Company has sufficient capital and working capital to fulfill its contract obligations.

E. Market risk

The Company's service revenues and general administrative expenses are mainly denominated in TWD. As a result, the Company's assets and liabilities in foreign currency are not exposed to volatility of foreign currency exchange rates.

(Continued)

(a) Currency risk

TWD is the Company's functional currency, which is also used in the abovementioned transactions. Thus, there is no currency risk.

(b) Interest rate risk

The Company holds variable-rate financial assets and liabilities. Please refer to note 6(13) for interest rate risk.

(15) Capital management

The board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence and to sustain future development of the business. Capital consists of share capital, capital surplus, and retained earnings of the Company. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary stockholders.

The Company's debt-to-equity ratios at the reporting date were as follows:

	December 31, 2020	December 31, 2019
Total liabilities	$ 38,985	38,182
Total equity (adjusted capital)	$ 8,279,033	7,221,191
Debt-to-adjusted-capital ratio	0.47%	0.53%

As of December 31, 2020, the Company has not changed its capital management method.

7. Related-party transactions

(1) Names and relationship with related parties

The followings are subsidiaries and related parties that have had transactions with the Company during the periods covered in the parent-company-only financial statements:

Name of related party	Relationship with the Company
Zyxel	The Company's subsidiary
MitraStar	The Company's subsidiary
ZNet	The Company's subsidiary
Black Cat Incorporation (Black Cat)	The Company's subsidiary
ZyChamp Investment Co., Ltd. (Zychamp)	Zyxel's subsidiary
Zyxel Communications Inc. (ZyUSA)	Zyxel's subsidiary
Zyxel Communications A/S (ZyAS)	Zyxel's subsidiary
Sphairon GmbH (a Zyxel Company) (Sphairon)	Zyxel's subsidiary
Zyxel Iletisim Teknolojileri A.S. (ZyTR)	Zyxel's subsidiary
Zyxel Communications Do Brasil Ltda. (ZyBR)	Zyxel's subsidiary

(Continued)

Name of related party	Relationship with the Company
Zyxel Middle East FZE (ZyME)	Zyxel's subsidiary
Ardomus Networks Corporation (Ardomus)	Formerly, it was Zyxel's subsidiary, but became Zyxel's associate since July 2020.
XSquare Communications Corporation (XSquare)	MitraStar's subsidiary (set up in May 2020)
Bluebell Overseas Ltd. (Bluebell)	MitraStar's subsidiary
Shanghai Monetics Telecommunications Corporation (Monetics)	Formerly, it was a subsidiary of MitraStar and Bluebell, but became 100% owned by MitraStar in May 2019.
Wuxi Genezys Technology Ltd. (Genezys)	MitraStar's subsidiary
Wuxi MitraStar Technology Co., Ltd. (Wuxi MSTC)	Bluebell's subsidiary
Zytpe Communications Corporation (ZyTPE)	ZNet's subsidiary (note)
Zyxel Technology India Pvt Ltd. (ZNet IN)	ZNet's subsidiary (note)
Zyxel Online OU (ZNet EE)	ZNet's subsidiary (note)
Zyxel Communications (Shanghai) Co., Ltd. (ZNet SHA)	ZNet's subsidiary (note)
Zyxel Networks A/S(ZNet AS)	ZNet's subsidiary (note)
Zyxel (Thailand) Company Ltd. (ZNet TH)	ZNet's subsidiary (note)
Tianjin Huagin Communications Equipment Co., Ltd. (Tianjin Huagin)	ZNet's subsidiary (note)
Zyxel Korea Co., Ltd.(ZNet KR)	ZNet's subsidiary (note)
Zyxel Deutschland GmbH (ZyDE)	ZyAS's subsidiary
Zyxel Communications UK Ltd. (ZyUK)	ZyAS's subsidiary
Zyxel Communications Czech s.r.o. (ZyCZ)	ZyAS's subsidiary
Zyxel Communications Italy S.r.l (ZyIT)	ZyAS's subsidiary
Zyxel Communications Iberia S.L (ZyES)	ZyAS's subsidiary
Zyxel Communications B.V. (ZNet BNL)	ZNet AS's subsidiary (note)
Zyxel Communications RU LLC (ZNet RUS)	ZNet AS's subsidiary (note)
Zyxel France (ZNet FR)	ZNet AS's subsidiary (set up in October, 2019)
ZYXEL Foundation	The chairman is the same as the Company's
ZyFX Technologies Inc. (ZyFX)	ZYXEL Foundation's subsidiary
Ecowork Inc. (Ecowork)	Formerly, it was a subsidiary of Zyxel, but liquidated in August, 2019.
Zyxel Singapore Private Ltd. (ZySG)	Formerly, it was a subsidiary of Zyxel, but liquidated in January, 2019.

(Continued)

Name of related party	Relationship with the Company
Zyxel Malaysia SDN BHD (ZyMY)	Formerly, it was a subsidiary of VICTOR, but liquidated in January, 2019.
VICTOR BLUE LIMITED (VICTOR)	Formerly, it was a subsidiary of Zyxel, but liquidated in July, 2019.

Note: In order to improve market competitiveness and increase the overall efficiency of the Company, ZNet and its subsidiary ZNet AS were spun off from Zyxel and its subsidiary to become 100%-held subsidiaries of the Company on April 1, 2019. Zyxel and ZyAS spun off its channel business related net operating assets to ZNet and its subsidiary, ZNet AS. Based on the spin-off, Zyxel spun off its channel business related subsidiaries, including VICTOR、ZyTPE、ZyIN、ZyKR、ZyTH、ZyEE、VICTOR's subsidiaries ZySHA and Tianjin Huagin, to ZNet. ZyAS spun off its subsidiaries, including ZyBNL and ZyRUS, to ZNet AS.

(2) Significant related-party transactions

A. Operating revenues

The revenues on service related to finance service were as follows:

Account Name	Related Party Category	2020	2019
Service Revenue	Subsidiary－MitraStar	$ 47,267	53,294
	Subsidiary－Zyxel	39,994	70,481
	Subsidiary－ZNet	35,886	22,839
	Other related parties	6,600	6,600
	Subsidiary	600	600
		$ 130,347	**153,814**

B. Receivables from related parties

Account Name	Related Party Category	December 31, 2020	December 31, 2019
Accounts receivable	Subsidiary－MitraStar	$ 14,064	12,353
	Subsidiary－Zyxel	12,673	14,789
	Subsidiary－ZNet	9,958	9,093
	Other related parties	1,733	1,733
	Subsidiary	156	158
		$ 38,584	**38,126**

C. Payables to related parties

Account Name	Related Party Category	December 31, 2020	December 31, 2019
Other payables－related parties	Subsidiary	**$ 424**	**428**

(Continued)

D. Endorsements

The endorsements provided to related parties were as follows:

Related Party Category	2020 Highest Balance	2020 Ending Balance	2019 Highest Balance	2019 Ending Balance
Subsidiary－MitraStar	**$ 2,026,625**	**2,015,120**	**2,272,400**	**2,024,870**
Subsidiary－ZNet	**$ 1,434,050**	**1,432,400**	**850,000**	**850,000**

E. Tax combination

The Company and its subsidiaries, Zyxel, MitraStar and ZNet, filed their corporate income tax on a combined basis. The estimated income tax receivables and payables were as follows:

Account Name	Related Party Category	December 31, 2020	December 31, 2019
Other receivables－related parties	Subsidiary－Zyxel	$ 11,033	-
	Subsidiary－MitraStar	10,238	-
		$ 21,271	**-**
Other payables－related parties	Subsidiary－ZNet	$ 74	-
	Subsidiary－Zyxel	-	3,742
	Subsidiary－MitraStar	-	2,539
		$ 74	**6,281**

(3) Transactions with key management personnel

Key management personnel compensation comprised:

	2020	2019
Short-term employee benefits	$ 21,417	11,610
Post-employment benefits	187	185
Share-based payment compensation	1,911	292
	$ 23,515	**12,087**

Please refer to note 6(9) for further explanations related to share-based payment transactions.

8. Pledged assets:None

9. Commitments and contingencies

Please refer to note 7(2) for further explanations related to endorsements.

10. Losses due to major disasters:None

11. Subsequent events:None

(Continued)

12. Other

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function / By item	2020 Classified as operating expenses	2019 Classified as operating expenses
Employee benefits		
Salaries	97,719	90,298
Labor and health insurance	7,075	6,393
Pension	3,690	3,721
Remuneration of directors	3,348	2,726
Others	5,451	4,230
Depreciation	489	316
Amortization	112	112

The following provides information of the number of employees and employee benefits in 2020 and 2019, respectively:

	2020	2019
Number of employees	**$ 82**	**81**
Number of directors who were not employees	**$ 7**	**7**
Average employee benefit costs	**$ 1,519**	**1,414**
Average employee salary expenses	**$ 1,303**	**1,220**
Adjustment of average employee salary expenses	**6.8%**	
Remuneration of supervisors	**$ -**	**-**

Remuneration policies for directors, managerial personnel and employee were as follows:

In accordance with Article 29 of Unizyx's Articles of Incorporation, directors' remuneration shall not exceed 2% of the current year's profits. The reasonable payment is determined by the board of directors, and personal performance, business result, industry business risks and market trends are used as evaluation criteria. The remuneration is also reviewed by the Compensation Committee, thereafter, submitted to the Board of Directors for resolution. Subjects to actual business condition, the remuneration formulation procedure to seek the balance between Unizyx's sustainable operation and risk control, and related laws & regulations, will be reviewed as well.

(Continued)

The remuneration policy for employees shall be determined based on the assessment of the Company's business performance, contribution and future need of development strategy, as well as the level of remuneration for the same position prevailing in the same industry and the range of payment applicable to the authority of the same position in the Company. The remuneration is adjusted annually according to the business conditions, and the bonus is determined in accordance with the individual performance and growth ability.

The remuneration policy for the president shall be determined in accordance with the assessment of the Company' s business performance, contribution, team's stability, future development, and social responsibility, as well as the level of remuneration for the same position prevailing in the same industry and the range of payment applicable to the authority of the same position in the Company. The remuneration is also reviewed by Remuneration Committee, thereafter, submitted to the Board of Directors for discussion based on the reasonable practice according to business conditions.

13. Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company:

(i) Loans to other parties: Please refer to Table 1.

(ii) Guarantees and endorsements for other parties: Please refer to Table 2.

(iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures): Please refer to Table 3.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock: Please refer to Table 4.

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock: Please refer to Table 5.

(ix) Trading in derivative instruments: None

(b) Information on investees (excluding information on investees in Mainland China): Please refer to Table 6.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information: Please refer to Table 7.

(ii) Limitation on investment in Mainland China: Please refer to Table 7.

(iii) Significant transactions:

Please refer to consolidated financial statements note 13 " Information on significant transactions" for the significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of the consolidated financial statements.

(d) Major shareholders:

(in unit of shares)

Shareholder's Name / Shareholding	Shares	Percentage
Shun-I Chu	100,173,833	22.38 %

Note: (i) The information on major shareholders who hold 5 percent or more of the issuer' s common stocks and preferred stocks, including treasury stocks, is quarterly provided by Taiwan Depository and Clearing Corp. The share capital disclosed on the financial report, and the actual numbers of dematerialized securities, may be different due to their discrepancies in calculation.

(ii) If the shareholder entrusts the shares to the trust, the shareholding will be disclosed by the trustee' s account individually. As for those shareholders who are responsible for the declaration of insiders' shareholding with more than 10 percent in accordance with the Securities and Exchange Act, their shareholdings shall include their own shares and the trust in which they have the authority to decide the allocation of their trust assets. Please refer to the Market Observation Post System for information on the insiders' shareholding.

14. Segment information

Please refer to consolidated financial statements for the year ended December 31, 2020.

Unizyx Holding Corporation and subsidiaries

Loans to other parties

For the year ended December 31, 2020

Table 1 (In Thousands of New Taiwan Dollars)

Number (Note 1)	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance (Note 4)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 2)	Transaction amount for business between two parties	Reasons for short-term financing	Loss allowance	Collateral		Individual funding loan limits (Note 3)	Maximum limit of fund financing (Note 3)	Note
													Item	Value			
1	Zyxel	ZyIT	Other accounts receivable－related parties	Yes	556,737	100,143	100,143	-	2	-	Operating Capital	-	-	-	385,288	1,541,154	
1	Zyxel	ZyBR	〃	Yes	241,556	44,583	44,583	-	2	-	Operating Capital	-	-	-	385,288	1,541,154	Note 5
1	Zyxel	ZNet IN	〃	Yes	14,599	14,032	14,032	-	2	-	Operating Capital	-	-	-	385,288	1,541,154	
1	Zyxel	Others (Note 7)	〃	Yes	291,347	2,224	2,224	-	2	-	Operating Capital	-	-	-	385,288	1,541,154	
						106,982	106,982										
2	MitraStar	ZQAM	〃	Yes	16,957	-	-	-	1	71,506	-	-	-	-	71,506	1,392,226	
2	MitraStar	Monetics	〃	Yes	88,759	-	-	-	2	-	Operating Capital	-	-	-	348,056	1,392,226	
						-	-										
3	ZNet	ZNet IN	〃	Yes	53,368	28,280	28,280	-	2	-	Operating Capital	-	-	-	113.591	454.364	Note 6
3	ZNet	ZNet SHA	〃	Yes	12,292	5,327	5,327	-	2	-	Operating Capital	-	-	-	113.591	454.364	
						33,607	33,607										

Note 1: The numbers denote the following:
0 represents Unizyx
1 represents Zyxel
2 represents MitraStar
3 represents ZNet
Investees are listed in accordance with names and in sequential order starting with 1.

Note 2: Purposes of fund financing for the borrower:
1. For those companies with business transaction with the Company, please fill in 1.
2. For those companies with short-term financing needs, please fill in 2.

Note 3: The policies for the limit on total financing amount and the financing limit for any individual entity are prescribed as follow:

The total financing amount shall not exceed 40% of the lender's net worth, which is based on its latest audited or reviewed parent-company-only financial statements. The financing limit for any individual entity varies with different purposes of fund financing, listed as follows:

1. For those borrowers with business transaction with the lender, the amount of each fund financing shall not exceed the higher amount of the total purchases from, or sales to, the borrower in the most recent year or in the current year.
2. For those borrowers with short-term financing needs, the amount of each funding financing shall not exceed 10% of the lender's net worth, which is based on its latest audited or reviewed parent-company-only financial statements.

Note 4: The ending balance is the valid loan amount approved by the Board of Directors.

Note 5: The ending balance included the amount of credit balance of investments accounted for using the equity method amounting to $ 449,603.

Note 6: The ending balance included the amount of credit balance of investments accounted for using the equity method amounting to $ 279,348.

Note 7: Financings with amounts less than $10,000 were included herein.

Unizyx Holding Corporation and subsidiaries

Guarantees and endorsements for other parties

For the year ended December 31, 2020

Table 2 (In Thousands of New Taiwan Dollars)

Number	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period (Note 3)	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 3)	Guarantee provided by parent company	Guarantee provided by a subsidiary	Guarantee provided to subsidiaries in Mainland China
		Name	Relationship with the Company (Note 2)										
0	Unizyx	MitraStar	2	4,139,517	2,026,625	2,015,120	214,900	-	24.34%	4,139,517	Y	N	N
0	Unizyx	ZNet	2	4,139,517	1,434,050	1,432,400	607,799	-	17.30%	4,139,517	Y	N	N
						3,447,520	822,699						
1	ZyAS	ZyIT	2	4,139,517	35,020	35,020	-	-	0. 42%	4,139,517	N	N	N

Note 1: The numbers denote the following:
0 represents Unizyx
1 represents ZyAS
Investees are listed in accordance with names and in sequential order starting with 1.

Note 2: The relation between guarantor and guarantee and their endorsement should be disclosed as one of the following:
1. A company with which it does business.
2. A company in which the public company directly and indirectly holds more than 50% of the voting shares.
3. A company that directly and indirectly holds more than 50 % of the voting shares in the public company.
4. A company in which the public company holds, directly or indirectly, 90% or more of the voting shares.
5. A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
6. A company that all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.
7. Companies in the same industry provide among themselves joint and several securities for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: The policies for the limit on the total amount of guarantees and endorsements are prescribed as follow:
1. The total amount of guarantees and endorsements provided by each guarantor to any specific party or subsidiary shall not exceed 50% of Unizyx's net worth. The total amount of guarantees and endorsements provided by each guarantor and Company's subsidiary shall not exceed 50% of Unizyx's net worth. The total amount of guarantees and endorsements provided by each guarantor and Company's subsidiary to any specific -party shall not exceed 50% of Unizyx's net worth. If the total amount of guarantees and endorsements provided by each guarantee and Company's subsidiary exceeds 50% of Unizyx's net worth, the Company should disclose its necessity and rationality at the shareholder's meeting.
2. For those companies with business transactions, except for the abovementioned rules of limit, the amount of each guarantee and endorsement shall not exceed the transaction amount between two parties, which is the higher amount of the sales or purchases.

Unizyx Holding Corporation and subsidiaries

Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures)

For the year ended December 31, 2020

Table 3 (In Thousands of New Taiwan Dollars; In Thousands of Shares)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units	Carrying value	Percentage of ownership (%)	Fair Value	
Unizyx	Stock: ZQAM	Investee	Financial assets at fair value through other comprehensive income－non current	2,263	**9,262**	13%	9,262	
Zyxel	Stock: Ubiik Inc.	Investee	Financial assets at fair value through other comprehensive income－non current	956	15,657	9%	15,657	
Zyxel	Stock: Lionic Corp	〃	〃	500	794	3%	794	
Zyxel	Stock: Global Channel Resource Pte. Ltd.	〃	〃	600	-	8%	-	
Zyxel	Stock: Zowie Technology Corp.	〃	〃	19	-	-	-	
Zyxel	Stock: Aetas Technology Inc.	〃	〃	296	-	1%	-	
					16,451			
Zychamp	Stock: Unizyx	Final parent company	Financial assets at fair value through other comprehensive income－non current	9,391	358,277	2%	358,277	
Zychamp	Stock: Homeyen Networks Co., Ltd.	Investee	〃	169	1,286	11%	1,286	
Zychamp	Stock: Essence Technology Solution, Inc.	〃	〃	91	-	3%	-	
Zychamp	Stock: Handlink Technologies Inc.	〃	〃	296	-	1%	-	
Zychamp	Stock: L7 Networks Inc.	〃	〃	1	-	1%	-	
Zychamp	Stock: Accfast Technology Corp.	〃	〃	113	-	5%	-	
					359,563			

Unizyx Holding Corporation and subsidiaries

Related-party transactions for purchases and sales with amounts exceeding the lower of TWD100 million or 20% of the capital stock

For the year ended December 31, 2020

Table 4 (In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase /Sale	Amount	Percentage of total purchases / sales	Payment terms	Unit price	Payment terms	Ending balance (Note 3)	Percentage of total notes / accounts receivable (payable)	
Zyxel	ZyAS	Subsidiary to subsidiary	Sales	2,271,623	33%	150 days after delivery	Note 1		1,389,933	35%	
Zyxel	ZyUSA	Subsidiary to subsidiary	Sales	2,064,156	30%	135 days after delivery	Note 1		581,975	15%	
Zyxel	ZyIT	Subsidiary to subsidiary	Sales	725,403	10%	150~180 days after delivery	Note 1		688,106	17%	
Zyxel	ZyTR	Subsidiary to subsidiary	Sales	138,078	2%	165 days after delivery	Note 1		494	-	
Zyxel	ZyBR	Subsidiary to subsidiary	Sales	100,894	1%	180 days after delivery	Note 1		160,690	4%	Note 4
Zyxel	ZyFX	Subsidiary to other related-patty	Purchase	(615,112)	(9%)	90 days after receipt	Note 2		(545,479)	(23%)	
ZNet	ZNet AS	Subsidiary to subsidiary	Sales	1,327,297	64%	90~150 days after delivery	Note 1		949,855	73%	
ZNet	ZyTPE	Subsidiary to subsidiary	Sales	366,609	18%	90 days after delivery	Note 1		223,920	17%	
ZNet	ZyUSA	Subsidiary to subsidiary	Sales	141,118	7%	135 days after delivery	Note 1		28,067	2%	
MitraStar	Zyxel	Subsidiary to subsidiary	Sales	2,678,608	20%	90 days after delivery	Note 1		1,097,599	33%	
MitraStar	Monetics	Subsidiary to subsidiary	Sales	998,045	8%	45~140 days after delivery	Note 1		432	-	
MitraStar	Wuxi MSTC	Subsidiary to subsidiary	Processing and purchase	(5,743,375)	(44%)	90 days after receipt	Note 2		(465,835)	(16%)	
MitraStar	Zyxel	Subsidiary to subsidiary	Purchase	(722,292)	(5%)	90 days after receipt	Note 2		-	-	
ZyAS	ZyDE	Subsidiary to subsidiary	Sales	326,534	12%	120 days after delivery	Note 1		74,166	8%	
ZyAS	ZyUK	Subsidiary to subsidiary	Sales	250,242	9%	120 days after delivery	Note 1		83,249	9%	
ZyAS	ZyTR	Subsidiary to subsidiary	Sales	143,643	5%	130 days after delivery	Note 1		8,398	1%	
ZyAS	ZyCZ	Subsidiary to subsidiary	Sales	133,290	5%	120 days after delivery	Note 1		97,673	10%	
ZyAS	ZyIT	Subsidiary to subsidiary	Sales	100,222	4%	120~180 days after delivery	Note 1		65,485	7%	

Note 1: The selling prices of Zyxel and ZNet to its related parties are determined based on the market price, with the payment term of 30~180 days after delivery; however, the collection of payment is currently depended on the capital status of the subsidiaries. The selling prices of MitraStar to its related parties are determined based on the market price, with the payment term of 45~140 days after delivery; however, the collection of payment is currently depended on the capital status of the subsidiaries. The selling prices of ZyAS to its related parties are determined based on the market price, with the payment term of 21~180 days after delivery; however, the collection of payment is currently depended on the capital status of the subsidiaries.

Note 2: There is no significant difference between the payment term of MitraStar for its related parties and that of the third parties. The prices of processing are determined based on the mutual agreement between MitraStar and Wuxi MSTC. There is no significant difference between the payment term and pricing of Zyxel for its related parties and that of the third parties except for products with no transaction with other vendors to compare.

Note 3: The ending balance abovementioned included the amounts for financing that were classified as other accounts receivable－related parties.

Note 4: The ending balance included the amount of credit balance of investments accounted for using the equity method amounting to $449,603.

Unizyx Holding Corporation and subsidiaries

Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of capital stock

For the year ended December 31, 2020

Table 5 (In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Ending balance (Note 2)	Turnover days	Overdue		Amounts received in subsequent period (Note 1)	Loss allowance	Note
					Amount	Action taken			
Zyxel	ZyAS	Subsidiary to subsidiary	1,389,933	2	-	-	514,498	-	
Zyxel	ZyIT	Subsidiary to subsidiary	688,106	1	329,467	Enhanced Collecting	200,707	-	
Zyxel	ZyUSA	Subsidiary to subsidiary	581,975	3	-	-	326,354	-	
Zyxel	ZyBR	Subsidiary to subsidiary	160,690	-	100,310	Enhanced Collecting	-	-	Note 3
ZNet	ZNet AS	Subsidiary to subsidiary	949,855	2	638,350	Enhanced Collecting	358,294	-	
ZNet	ZyTPE	Subsidiary to subsidiary	223,920	3	-	-	40,766	-	
MitraStar	Zyxel	Subsidiary to subsidiary	1,097,599	3	-	-	955,119	-	
Wuxi MSTC	MitraStar	Subsidiary to subsidiary	465,835	7	-	-	465,835	-	

Note 1: Information as of February 28, 2021.

Note 2: The abovementioned ending balance included the amount for financing, which was recognized as other accounts receivable－related parties.

Note 3: The abovementioned ending balance included the amount of credit balance of investments accounted for using the equity method amounting to $449,603.

Unizyx Holding Corporation and subsidiaries

Information on investees (excluding information on investees in Mainland China)

For the year ended December 31, 2020

Table 6 (In Thousands of New Taiwan Dollars/Foreign Currency; In Thousands of Shares)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares	Percentage of ownership	Carrying value			
Unizyx	Zyxel	Taiwan	Development, manufacturing and sales of communications and networking products	3,431,516	3,431,516	72,450	100	3,471,252	346,667	339,625	Subsidiary and Note 1
Unizyx	MitraStar	Taiwan	Development, manufacturing and sales of communications and networking products	3,337,920	3,337,920	316,800	100	3,445,868	433,596	416,074	Subsidiary and Note 1
Unizyx	ZNet	Taiwan	Development and sales of communications and networking products	1,200,100	1,200,100	72,460	100	1,108,126	32,846	63,488	Subsidiary and Note 1
Unizyx	Black Cat	Taiwan	Development and sales of information security products, and consultant management services	10,000	10,000	1,000	67	25,683	10,520	7,520	Subsidiary
Unizyx	ZQAM	Taiwan	Development, manufacturing and sales of communications and networking products	Note 2	101,450	-	-	-	(23,938)	(10,030)	Note 2
								8,050,929		**816,677**	
Zyxel	Zychamp	Taiwan	Investment activities	540,000	540,000	8,902	100	356,868	(135)	Note 3	Subsidiary
Zyxel	ZyAS	Denmark	Sales and marketing	501,390 (EUR 11,980)	501,390 (EUR 11,980)	20,712	100	342,714	247,797	Note 3	Subsidiary
Zyxel	ZyUSA	U.S.A.	Sales and marketing	271,810 (USD 9,506)	271,810 (USD 9,506)	9,807	100	239,481	76,039	Note 3	Subsidiary
Zyxel	ZyTR	Turkey	Sales and marketing	362,862 (USD 11,977)	362,862 (USD 11,977)	29,137	100	205,452	34,127	Note 3	Subsidiary
Zyxel	Sphairon	Germany	Development of communications and networking products	154,320 (EUR 4,000)	154,320 (EUR 4,000)	-	100	136,964	2,924	Note 3	Subsidiary

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares	Percentage of ownership	Carrying value			
Zyxel	ShareTech	Taiwan	Development, manufacturing and sales of communications and networking products	10,950	10,950	730	38	12,660	5,319	Note 3	Associate
Zyxel	Ardomus	Taiwan	Development and sales of network digital control products	48,411	48,411	4,841	48	11,399	(12,287)	Note 3	Associate
Zyxel	ZyME	United Arab Emirates	Sales and marketing	Note 5	216 (USD 7)	-	-	-	-	Note 3	Subsidiary
Zyxel	ZyBR	Brazil	Sales and marketing	53,373 (USD 1,668)	53,373 (USD 1,668)	5,849	100	(449,603)	(276,383)	Note 3	Subsidiary
								855,935			
ZyAS	ZyDE	Germany	Sales and marketing	67,461 (EUR 1,525)	67,461 (EUR 1,525)	-	100	128,971	15,004	Note 3	Subsidiary
ZyAS	ZyUK	United Kingdom	Sales and marketing	319,542 (EUR 6,450)	319,542 (EUR 6,450)	5,375	100	49,584	(1,290)	Note 3	Subsidiary
ZyAS	ZyIT	Italy	Sales and marketing	78,335 (EUR 2,336)	48,793 (EUR 1,450)	10	100	44,429	33,258	Note 3	Subsidiary
ZyAS	ZyCZ	Czech Republic	Sales and marketing	66,283 (EUR 1,543)	66,283 (EUR 1,543)	19,000	100	16,272	10,705	Note 3	Subsidiary
ZyAS	ZyES	Spain	Sales and marketing	2,165 (EUR 53)	2,165 (EUR 53)	3	100	2,519	326	Note 3	Subsidiary
								241,775			
MitraStar	Bluebell	British Virgin Islands	Investment activities	1,519,277 (USD 45,150)	1,519,277 (USD 45,150)	32,856	100	1,795,042	70,179	Note 3	Subsidiary
MitraStar	XSquare	Taiwan	Development and sales of communications and networking products	50,000	-	5,000	100	42,656	(7,344)	Note 3	Subsidiary
								1,837,698			

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares	Percentage of ownership	Carrying value			
ZNet	ZNet AS	Denmark	Sales and marketing	415,320 (EUR 12,000)	415,320 (EUR 12,000)	20,712	100	174,371	186,888	Note 3	Subsidiary
ZNet	ZyTPE	Taiwan	Development and sales of communications and networking products	Note 4	Note 4	6,000	100	125,895	40,650	Note 3	Subsidiary
ZNet	ZNet TH	Thailand	Sales and marketing	74,969 (USD 2,389)	74,969 (USD 2,389)	8,000	100	63,974	(16,793)	Note 3	Subsidiary
ZNet	ZNet KR	South Korea	Sales and marketing	11,127 (USD 390)	11,127 (USD 390)	72	65	23,285	4,354	Note 3	Subsidiary
ZNet	ZNet EE	Estonia	Sales and marketing	88 (EUR 3)	88 (EUR 3)	3	100	88	-	Note 3	Subsidiary
ZNet	ZNet IN	India	Sales and marketing	17,176 (USD 568)	17,176 (USD 568)	8,470	100	(279,348)	(49,524)	Note 3	Subsidiary
								108,265			
ZNet AS	ZNet FR	France	Sales and marketing	122,449 (EUR 3,603)	122,449 (EUR 3,603)	10	100	100,163	4,893	Note 3	Subsidiary
ZNet AS	ZNet BNL	Netherlands	Sales and marketing	54,089 (EUR 1,350)	54,089 (EUR 1,350)	14	100	48,415	2,038	Note 3	Subsidiary
ZNet AS	ZNet RUS	Russia	Sales and marketing	28 (EUR 1)	28 (EUR 1)	-	100	2,496	575	Note 3	Subsidiary
								151,074			

Note 1: The share of the investee company's loss comprises the share of subsidiary's loss after the elimination of unrealized gross profit on inter-company sales transactions.
Note 2: The investment in ZQAM was classified as financial assets at fair value through other comprehensive income – non-current since October 2020. Please refer to note 6(3).
Note 3: The share of profits/losses of the investee company is not disclosed herein as such amount is already included in the share of profits/losses of the investor company.
Note 4: The issued capital of ZyTPE comprised of $50,000 capital increase by cash and $60,000 capital increase by retained earnings. In March 2019, $50,000 capital was returned to the investor.
Note 5: ZyME was liquidated in May 2020.

Unizyx Holding Corporation and subsidiaries

Information on investment in Mainland China

For the year ended December 31, 2020

Table 7

(1) Information on investment in Mainland China

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Issued Capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of investee	Direct/indirect shareholding (%) by the Company	Share of profits/losses of investee (Note 6)	Carrying amount as of December 31, 2020	Accumulated repatriation of investment income
					Out-flow	Inflow						
Tianjin Huagin	Sales of communications and networking products and technical consulting service	44,375	Note 1	42,156	-	-	42,156	(118)	ZNet directly holds 95%	(112)	1,617	-
ZNet SHA	Sales of communications, networking products and technical consulting service	266,259	Note 1	266,259	-	-	266,259	4,140	ZNet directly holds 100%	4,142 Note 6	1,899	-
Wuxi MSTC	Manufacturing and sales of communications and networking products and technical consulting service	1,013,953	Note 2	1,013,953	-	-	1,013,953	70,564	MitraStar indirectly holds 100%	70,564	1,853,786	-
Genezys	Development of communications and networking products	209,806	Note 3	209,806	-	-	209,806	6,412	MitraStar directly holds 100%	6,412	239,575	-
Monetics	Sales of communications, networking products and network technology transfer service	360,658	Note 3 and 4	72,193	210,210	-	282,403	56,148	MitraStar directly holds 100%	56,148	208,250	-
Beijing HuaqinWorld	Sales of communications, networking products and network technology transfer and consulting service	236,860	Note 5	-	-	-	-	-	MitraStar indirectly holds 49%	-	-	-

(2) Limitation on investment in Mainland China

Company	Accumulated investment amount remitted from Taiwan to Mainland China as of December 31, 2020	Approved investment amount by Ministry of Economic Affairs Investment Commission	Limitation on investment in Mainland China in accordance with regulations of Ministry of Economic Affairs Investment Commission (Note 7)
ZNet	308,415	308,415	690,161
MitraStar	1,506,162	1,584,417	2,088,338

Note 1: Direct investment in the company in Mainland China by ZNet.
Note 2: Indirect investment in Mainland China through an existing investee company (Bluebell) in a third region.
Note 3: Direct investment in the company in Mainland China by MitraStar.
Note 4: The issued capital of Monetics amounting to $78,255 was invested by Bluebell through self-funding. In May 2019, ownership of Monetics was transferred to MitraStar due to adjustment of organizational structure.
Note 5: The investment in Beijing HuaqinWorld was invested by Genezys through self-funding, which is not applicable for the calculation of limitation on the investment in Mainland China.
Note 6: The amount comprises the share of ZNet SHA's loss amounting to $4,140 after the elimination of unrealized gross profit on inter-company sales transactions.
Note 7: In accordance with the Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China amended on August 29, 2008, the limitation on investment in Mainland China shall not exceed 60% of the Company's net worth as of December 31, 2020.

Unizyx Holding Corporation

Statement of cash and cash equivalents

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Demand deposits		$ 106,849
Time deposits	Period : October 28, 2020~January 30, 2021	85,000
	Interest rate : 0.06%~0.37%	
		$ 191,849

Statement of changes in property, plant and equipment

Please refer to note6(4) for further information of Property, plant and equipment.

Statement of changes in intangible assets

Please refer to note6(5) for further information of Intangible assets.

Unizyx Holding Corporation

Statement of other current assets

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Income tax refund receivable	$ 714
Others (other assets with the amount less than 5% of other current assets)	288
	$ 1,002

Unizyx Holding Corporation

Statement of changes in investments accounted for using the equity method

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Name of investee	Balance as of December 31, 2019		Share of profits/losses of investee	Decrease in the period	Exchange differences on translation of foreign financial statments	Remeasurement of defined benefit plans of subsidiaries	Compensation expense of employee stock options	Unrealized gains(losses) from investments in equity instruments measured at fair value through other comprehensive in come of subsidiaries	Changes in capital surplus of subsidiaries	Balance as of December 31, 2020			Method of valuation	Pledged as collateral
	Shares (thousand)	Carrying value								Shares	Percentage of ownership%	Carrying value		
Zyxel	72,450	$ 3,057,546	339,625	-	44,365	1,211	11,224	9,068	8,213	72,450	100.00	3,471,252	Equity method	No
MitraStar	316,800	3,005,576	416,074	-	29,173	(16,791)	11,836	-	-	316,800	100.00	3,445,868	Equity method	No
ZNet	72,460	1,005,473	63,488	-	28,711	(41)	10,495	-	-	72,460	100.00	1,108,126	Equity method	No
Black Cat	1,000	6,155	7,520	-	-	-	-	-	12,008	1,000	66.67	25,683	Equity method	No
ZQAM	9,050	19,292	(10,030)	(9,262)	-	-	-	-	-	-	-	-	Equity method	No
		$ 7,094,042	**816,677**	**(9,262)**	**102,249**	**(15,621)**	**33,555**	**9,068**	**20,221**			**8,050,929**		

Unizyx Holding Corporation

Statement of other current liabilities

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Payroll and bonus payable	$ 19,302
Service fees payable	2,360
Business tax payable	1,780
Others (other liabilities with the amount less than 5% of other current liabilities)	3,343
	$ 26,785

Statement of general and administrative expenses

Item	Amount
Payroll and bonus	$ 98,975
Sevice fees	10,011
Labor insurance and health insurance	7,075
Othes (other expenses with the amount less than 5% of general and administrative expenses)	17,278
	$ 133,339

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Responsible person: Shun-I Chu

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