



安瑞科技股份有限公司

Array Inc.

2021 Annual Report

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<http://newmops.tse.com.tw>

Array Inc: <http://www.arraynetworks.com.tw>

Notice to readers

For the convenience of readers, the 2021 Annual Report has been translated into English from the original Chinese version. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese version shall prevail.

1. Spokesperson, Deputy Spokesperson and Litigious & non-litigious agent :

| | |
|--|----------------------------------|
| Spokesperson : Yao Zhao | Telephone : +1-408-240-8703 |
| Title : President & CEO | E-mail : mzhao@arraynetworks.net |
| Deputy Spokesperson : Ivory Yang | Telephone : +886-2-2784-6000 |
| Title : Accounting Manager | E-mail : iyang@arraynetworks.net |
| Litigious & non-litigious agent : Ivory Yang | Telephone : +886-3-579-7715 |
| Title : Accounting Manager | E-mail : iyang@arraynetworks.net |

2. The company's headquarters, branch offices, and factories :

- (1) Name : Array Inc.
Address : 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands
Tel : (1) 408 240-8700
- (2) Headquarters & U.S. Subsidiary : Array Networks Inc. (Array US)
Address : 1371 McCarthy Blvd. Milpitas, CA 95035 U.S.A.
Tel : (1) 408 240-8700
- (3) Cayman Subsidiary : Array Networks, Inc. (Array Cayman)
Address : 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands
Tel : (1) 408 240-8700
- (4) Japan Subsidiary : Array Networks Japan Kabishiki Kaisha (Array Japan)
Address : Yamashita-Co 80-3 Dear Tower 1015, Naka-Ku, Yokohama-Shi, Kanagawa, 231-0023 Japan
Tel : (81) 45-664-6116
- (5) India Subsidiary : Array Networks India Private Limited (Array India)
Address : L-151, 3rd Floor, C.K.Pearl Complex, 14th Cross, 5th Main, 6th Sector, HSR Layout
Bangalore - 560 102, Karnataka, India
Tel : (91) 080-41329296
- (6) Zentry Subsidiary : Zentry Security Inc. (Zentry)
Address : 1371 McCarthy Blvd, Milpitas, CA 95035 U.S.A.
Tel : (1) 408 240-8700
- (7) Array Dubai Branch: Array Networks DMCC Branch (Array Dubai Branch)
Address : Unit No. 4160, DMCC Business Centre, Level 1, Jumeirah Lakes Towers, Dubai, U.A.E
Tel : (971) 44344316
- (8) Array Taiwan Rep-office :
Address : 9F. No. 283, Sec. 2, Fu-Hsing South Road, Taipei, Taiwan
Tel : (886)2-2784-6000

3. Board of Directors

| Title | Name | Titl | Name | Nationality | Past and Current Positions |
|----------|-------------------|----------------------|--------------|-------------|--|
| Chairman | Yao Zhao | Independent Director | Robert Hsieh | R.O.C. | Vice Chairman, Microtek International Inc. |
| Director | William P. Fuller | | | | |
| Director | Teng-Yue Wang | | | | |

4. Stock Transfer Agency :

| | |
|---|--|
| Name : Corporate Trust Operation and Service Department, CTBC Bank Co., Ltd. | Website : www.ctbcbank.com |
| Address : 5F., No. 83, Sec. 1, Chongqing S. Rd., Taipei City, Taiwan | Tel : (02) 6636-5566 |

5. Certified Public Accountant for most recent year :

| | |
|--|--|
| Name : Li-Wen Kuo and Chun-Hung Chen | |
| Business Office : Deloitte & Touche Taipei, Taiwan | Website : www.deloitte.com.tw |
| Address : 20F, Taipei Nan Shan Plaza, No. 100, Songren Rd., Xinyi Dist., Taipei 11073, Taiwan | Tel : (02)2725-9988 |

6. Overseas Securities Exchange : N/A ◦

7. Corporate Website: www.arraynetworks.com.tw

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Chapter 1. Letter to Shareholders

2021 Operating Results

■ Business Plan Implementation

2021 was a year of navigating dynamic market environments, the most notable being response and recovery associated with the COVID-19 pandemic and its effects on vendor supply chains and customer business operations. In this context, the company experienced a recovery in demand for its core application delivery and security products in specific regions, as well as higher than usual demand for the company's AG Series SSL VPN secure remote access solution.

The global pandemic and response continue to be a catalyst, dramatically increasing the market opportunities for Array's Zero Trust Network Access (ZTNA) subsidiary Zentry Security. According to the Markets and Markets™ research firm, the Zero-Trust Security Market size is projected to grow from USD 15.6 billion in 2019 to USD 38.6 billion by 2024, at a CAGR of 19.9% from 2019 to 2024.

For the company's core line of application delivery and security solutions, AVX Series network virtualization platforms continue to provide enterprises and service providers with a differentiated platform that provides the agility of virtualization, hardware-like guaranteed performance, simplified deployment, an open platform capable of running any virtual appliance (VA) or virtual network function (VNF) and the ability to dramatically reduce HW and SW costs and minimize the cost of space, power, cooling and provisioning.

Array's application delivery and security products, including application delivery controllers (ADC), SSL VPN, WAN Optimization, Web application firewall (WAF), DDoS prevention and SSL intercept (SSLi) continue to be made available for a range of deployment models: as virtual appliances available for cloud and virtual environments as well as Array's AVX Series Network Hyperconverged Infrastructure, and also available as dedicated physical appliances – allowing businesses to scale performance, availability, security and access for applications in today's dynamic network environments.

As businesses evolve to public and private cloud applications, and increasingly rely on software services (SaaS), infrastructure services (IaaS), software-centric networking and encrypted communications, they continue to increase spending on application delivery and security solutions to scale services and meet growing demand. As a result, Array's strengths in network hyperconverged infrastructure, Layer-7 traffic management, SSL offload, SSL visibility, Web application security, secure application access (AAA), GSLB, SSL VPN and ZTNA capabilities continue to be in high demand.

APV Series application delivery controllers contributed 30%, AVX Series network HCI contributed 20%, AG Series SSL VPN contributed 8% and support contributed 42% of the company's NT\$433M (US\$15.47M) total FY21 revenue.

■ Budget Implementation

The Company has not publicly disclosed its 2021 budget; disclosure is not required for execution.

■ Financial Results Analysis

Revenue for FY21 was NT\$433M (US\$15.47M), a 9.7% (Note) decrease compared with NT\$507M (US\$17.14M) for FY20. Japan recorded growth of 37% and India increased by 23%, North America declined by 49%, China declined by 98%, and the rest of the world declined by 12%. Gross margins improved to 74%, total operating expenses for FY21 were NT\$430M (US\$15.34M), an increase from NT\$444M (US\$15.02M) for FY20. The ability to keep operating expenses steady year-over-year is primarily due to aligning expenses with income and expected credit loss improved significantly. FY21 operating losses are NT\$107M (US\$3.82M). Net loss for FY21 is at NT\$96M (US\$3.41M), down by 2% compared with FY20's NT\$103M (US\$3.49M). Array's balance sheet remained healthy, with total current asset of NT\$635M (US\$23M) or 81% of total assets at the end of FY21.

(Note: the comparison is based on functional currency of the company US\$, same as hereinafter.)

■ Examination of Research & Development Work

2021 was marked by two key initiatives in the area of research and development. The first is the development of Array's new AVX x900 and APV x900 modular hardware platforms. The second is the development and

launch of Zentry Trusted Access, a cloud-hosted version of the company's zero trust network access (ZTNA) solution.

- AVX x900 Series network hyperconverged infrastructure (N-HCI) platforms and APV Series x900 application delivery controller (ADC) platforms are next-generation modular hardware systems designed to provide the ultimate in performance and flexibility for Array's core application delivery and security solutions. Research and development over the course of 2021 will culminate with the launch of new Array hardware platforms in early 2022.
- In October, Array's subsidiary Zentry Security launched a new cloud-hosted version of its Zentry Trusted Access zero trust network access (ZNTA) solution. Migrating from an on-premises enterprise owned and operated solution to a cloud SaaS service, Zentry is now perfectly aligned with market and customer expectations for next-generation secure access. The Zentry research and development team created a flexible, simple, secure, and cost-effective solution that provides secure access to business-critical applications and network resources for a world that has increasingly moved to a remote workforce.

■ Honors & Awards

Array was recognized by numerous analyst firms and thought leaders throughout FY21 for the company's continued success and innovation in the area of network hyperconverged infrastructure and secure application delivery.

- In February, Array earned the ICSA Labs Web Application Firewall Certification for the company's ASF Series products, which provide a wide range of protection against vulnerabilities, zero-day attacks and internet attack types recognized by OWASP and WASC, including SQLi, XSS, and XXE, as well as against HTTP Request Splitting, Clickjacking, and complicated client-side attacks (DOM-based XSS).
- In June, Array announced that it secured third position in the application delivery controller (ADC) market as per IDC Ethernet Switch Tracker for Q1 2021. Array emerged as one of the leaders with its market share at 17.6 percent and was recognized as one of the Top Three ADC Players in India in Q1 2021.
- In November, Array's subsidiary Zentry Security launched Zentry Trusted Access, a cloud-delivered service that extends the company's zero trust solutions to cloud-native businesses and enterprises embracing cloud adoption. Zentry Trusted Access Cloud Edition provides the same streamlined secure access features as its on-premises counterpart, giving SMEs improved productivity, better security, greater visibility, and a reduced attack surface.
- In December, Array announced that its AG Series SSL VPN product (vxAG running on AVX7800) earned the ICSA Labs SSL-TLS VPN 4.0 Certification. The vxAG virtual secure access gateway runs on Array's Network Functions Platform as well as virtualized servers and industry-standard hypervisors to flexibly enable on-demand, full-featured secure access for users whenever and wherever needed.

2022 Business Plan & Future Development Strategy

In addition to continued demand for its network hyper-converged infrastructure and application delivery product lines, the company expects to see continued uptick in demand for its SSL VPN secure remote access and Zentry zero trust network access (ZTNA) solutions, in light of the continued impact of the Corona Virus pandemic. As companies increasingly seek to provide new or expanded capabilities to work from home, Array is poised to capitalize on today's new normal.

Where customers need greater agility, Array continues to broaden its support for popular virtual machines, hypervisors and public cloud platforms such as AWS, Azure, Google Cloud Platform, Oracle Cloud and Alibaba Cloud. Where virtualization is preferred, but greater performance is required, customers may deploy Array's virtual ADC or virtual SSL VPN, or 3rd-party networking and security functions on Array AVX Series for a superior combination of agility and guaranteed hardware-like performance.

In addition, there remains a significant market demand for Array's dedicated APV Series application delivery controller appliances – driven by customer requirements for even higher levels of performance and scalable SSL.

For FY22, Array Networks' goal is to aggressively drive the transition towards the company's next generation technologies. Leveraging our strengths in technology leadership, operational efficiency, and customer relationships, we intend to lead the way – introducing our Zentry Trusted Access ZTNA solution to customers

transforming their approach to remote working and promoting network hyperconverged infrastructure to customers in need of guaranteed performance in shared virtual environments. Please refer to Chapter 5 of Array's annual report for more detail of the business policy, furnish a sales volume forecast and the basis thereof, and provide other important production and sales policies.

Effect of External Competition, Legal Environment & Overall Business Environment

The Company is registered in the Cayman Islands, the main operating country is in the United States. The Company's product performance is ahead of its competitive peers. Please refer Chapter 5 and Chapter 7 of status of Risk assessment of Array's annual report for the analysis and evaluation of the effect of external competition, the legal environment, and the overall business environment.

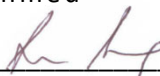
Last but not the least, we would like to thank you – our shareholders – for your continuous support and belief in our efforts.

Michael Zhao



Chairman & Chief Executive Officer

Sameena Ahmed



Chief Financial Officer

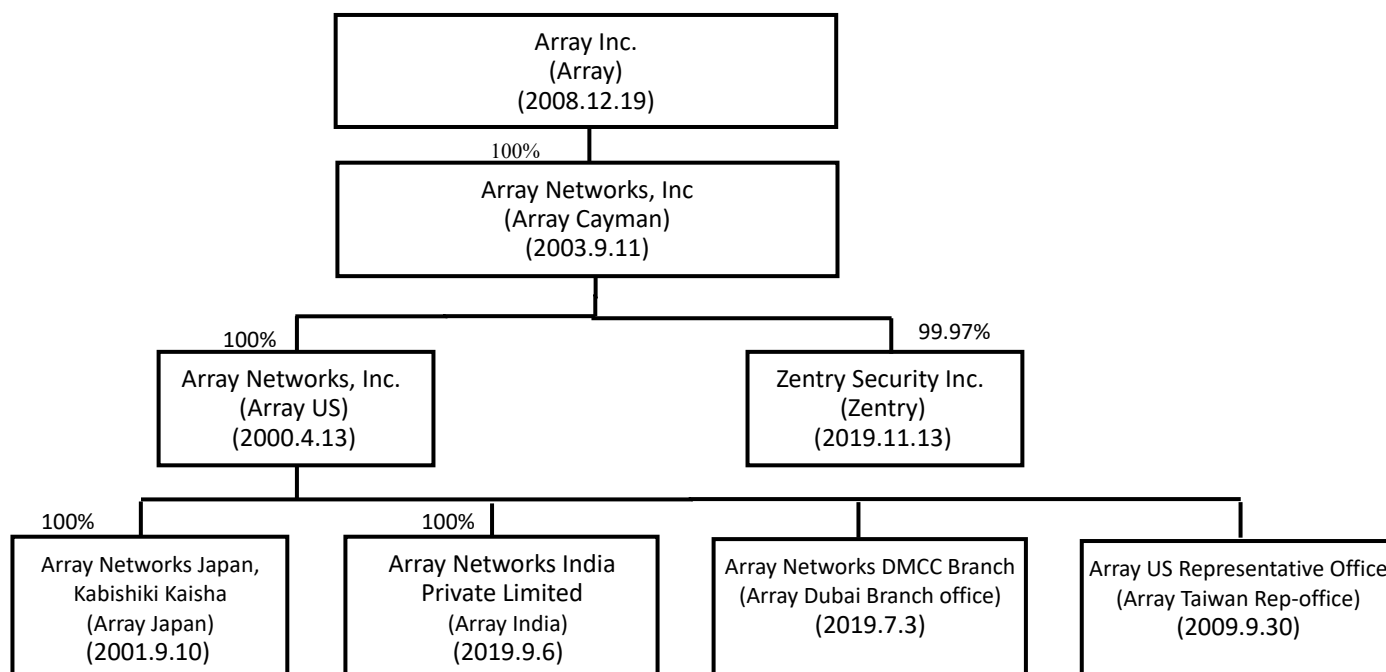
Chapter 2. Company Profile

2.1. Date of Incorporation and an Introduction to Array

1. Date of Incorporation

Array Inc. (“Array” or the “Company”) was incorporated on December 19, 2008 in the Cayman Islands for the purpose of reorganizing Array Networks, Inc. (“Array Cayman”) and its subsidiaries. The reorganization was completed on May 1, 2009 pursuant to a share swap agreement. Following the reorganization, Array Cayman became a wholly-owned subsidiary of the Company. Array is the leader in Network Hyperonverged Infrastructure (N-HCI), a network functions platform company, develops purpose-built systems for deploying virtual app delivery, networking and security functions with guaranteed performance. Headquartered in Silicon Valley, Array is poised to capitalize on explosive growth in the areas of virtualization, cloud and software-centric computing. The Company and subsidiaries mainly research, manufacture and sell N-HCI platforms, SSL intercept and visibility appliances, Application Delivery Controller (ADC), high-end SSL PVN systems, Remote Desktop Access Solutions, Application Acceleration and WAN Optimization Controllers.

2. Organization of Group



| Companies | Group Position and Business Policy |
|--------------|---|
| Array | Investment and a holding business. |
| Array Cayman | Investment and a holding business. |
| Array US | 1. Positioned as a network functions platform company, as the relevant products' technology sources and define future products development plan. 2. The business policy is to continually establish relationships with Fortune 2000 companies in Europe and the United States. |
| Zentry | 1. Zentry modernizes the secure access with enhanced security, improved productivity, and ease of use. It helps customers migrate to Zero Trust Security model from obsolete perimeter model (Firewall & VPN). |
| Array Japan | 1. Positioned as a network functions platform company in Japan, sales, marketing, customer service and technical support for NFP, ADC and SSL VPN products. 2. The business policy is to understand and resolve customer issues and provide immediate information to the R&D center. |

| Companies | Group Position and Business Policy |
|-------------|--|
| Array India | 1. Positioned as a network functions platform company in India, sales, marketing, customer service and technical development and support for NFP, ADC and SSL VPN products in India. |

3. Risk Matters:

The Company’s subsidiaries meeting the standard of a "major subsidiary" in the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants in the last fiscal year or the fiscal year of the listing application shall additionally include an exposition on the risks of the subsidiaries.

The Group is in compliance with the so-called “major subsidiary” certification standards, including Array Cayman and Array US. The following “the Group” are collectively referred to as “the Company”. Please refer to Chapter 7 of “7.6 Status of Risk assessment” of this annual report for the various risks, such as the overall economy, any changes in the political and economic environments, foreign exchange controls, taxes and relevant laws and regulations of its place of registration and major places of operation, and whether such places recognize the effect of conclusive judgments of Taiwan civil courts.

2.2. A brief history of the Company

| Year | Array’s History and Milestone |
|------|--|
| 2000 | <ul style="list-style-type: none"> ● Array Networks was established in 2000 by a group of engineers from Alteon Websystems in the Silicon Vally California under the laws of Delaware. |
| 2001 | <ul style="list-style-type: none"> ● Shipped first integrated traffic management product, the Array 500 and Array 1000 – these were the first products in the market place to integrate server load balancing with caching, SSL acceleration, connection multiplexing and compression. Started sales in North America and Japan. |
| 2002 | <ul style="list-style-type: none"> ● Shipped our first SSL VPN products. |
| 2003 | <ul style="list-style-type: none"> ● Array SP tops the most important performance categories for the SSL VPN tests conducted by LightReading. ● Under a Plan of merger and reorganization, Array Cayman was set up by H&Q Asia Pacific as a 100% holding Company which acquired Array US. ● Established a new subsidiary and R&D center in Beijing, China. Array (China) was registered in December 2003 as a wholly owned foreign enterprise with 100% ownership held by Array Cayman. |
| 2004 | <ul style="list-style-type: none"> ● Mr. Yao Zhao joins Array as President and CEO. ● Array was selected as a company to watch by Stratecast partners / Frost & Sullivan. |
| 2005 | <ul style="list-style-type: none"> ● Array wins the “Clear Choice” for Best SSL VPN from China Network World. ● Selected as Deloitte & Touche Technology Fast 50 (fastest revenue growth based on audited financial results) (1st time) |
| 2006 | <ul style="list-style-type: none"> ● Selected as Deloitte & Touche Technology Fast 50 (2nd time) ● Array received Best in Class SSL VPN vendor recognition from Frost & Sullivan. ● Array named “Top 50 Service Provider vendor” by Service Provider weekly. ● Array SPX5000 honored as an SC Magazine “Best Buy”, captures Service Provider Weekly’s Editor’s Choice award, and wins China Network World “Clear Choice for Best SSL VPN” award ● Array SPX3000 captured IT Week Magazine’s Editor’s Choice award. |
| 2007 | <ul style="list-style-type: none"> ● Acquired Infosec Technologies ● SC Magazine – SPX3000 received “SC Recommended” product award. ● Received “Best of Interop Finalist 2007” award for SiteDirect. ● Selected by Deloitte & Touche for its Fast 50 Award (3rd year). |
| 2008 | <ul style="list-style-type: none"> ● Array Inc. (The Company) was established in the Cayman Islands on December 19th. |

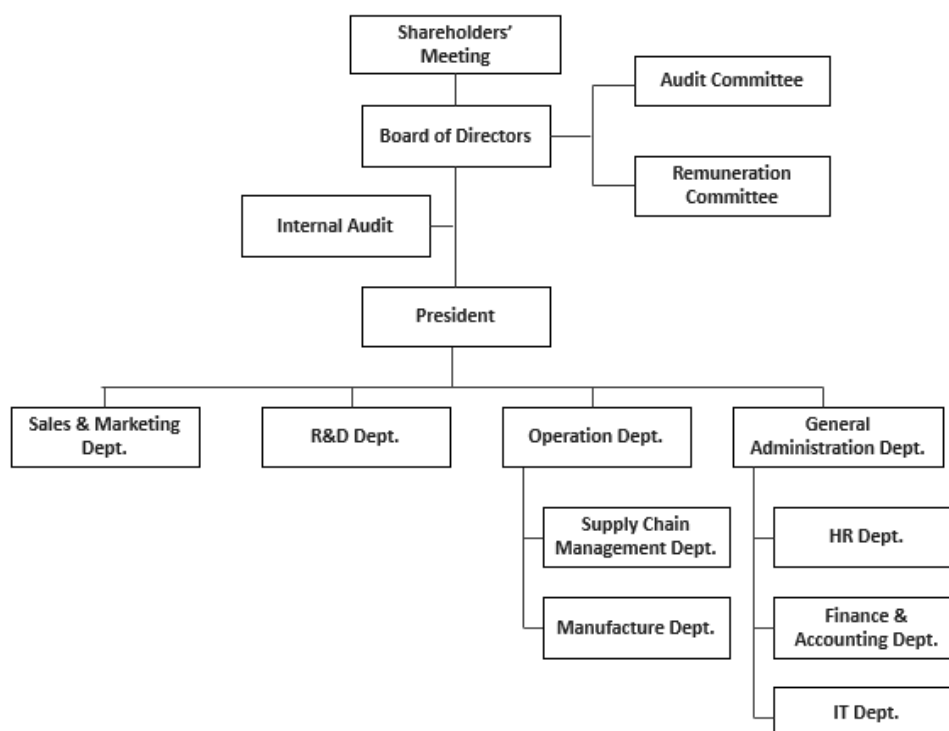
| Year | Array's History and Milestone |
|------|--|
| | <ul style="list-style-type: none"> ● Signed up the premier distribution partner in India, and also signed up many new partners in Asia Pacific and Europe. ● Selected by Deloitte & Touche for its Fast 50 Award. This is the fourth year in a row that the Company has managed to be listed among the top 50 companies in Silicon Valley. ● Array Networks named a CRN Emerging Tech Vendor. |
| 2009 | <ul style="list-style-type: none"> ● Array listed in Emerging Marke on May 13th. ● Established Taiwan Repesantation office and Expanding the Taiwan market. ● Certified ISO9001. |
| 2010 | <ul style="list-style-type: none"> ● Array went IPO on June 24th, 2010 and shares were traded on Taiwan's Gretai Securities Market. ● Array became the first vendor to support enterprise-class remote desktop for iPad and Android, All the features of DesktopDirect, are available from iPhones, iPads and Android based tablets and smart phones. Continuing innovation in the area of mobile device support is driving increased demand as businesses address how to introduce these devices into the work place. |
| 2011 | <ul style="list-style-type: none"> ● Network Products Guide also named Array's flagship APV 9650 as the 2011 Application Delivery Product of the Year; Array's SpeedCore™ Application Delivery Networking Platform was named a 2011 Hot Technology by Network Products Guide. ● Array received the 2011 Frost & Sullivan India IT & Telecom Excellence Award for 'Application Delivery Controller Vendor of the Year'. |
| 2012 | <ul style="list-style-type: none"> ● Array listed as an "Innovator" in Info-Tech Research Group's 2012 Application Delivery Controller Vendor Landscape Report. ● Array's APV Series application delivery controllers successfully passed the world's largest IPv6 transition technology test. ● Arey received the 2012 Frost & Sullivan India IT & Telecom Excellence Award for 'Application Delivery Controller Vendor of the Year'. |
| 2013 | <ul style="list-style-type: none"> ● Array completed the assimilation of its newly acquired WAN optimization controller technology. ● Winner of Frost & Sullivan Indias Information and Communications Technology (ICT) "Application Delivery Controller Vendor of the Year" award. ● Siver Winner in Network Products Guide application delivery category for APV Series release 8.4. |
| 2014 | <ul style="list-style-type: none"> ● Array was recognized as an Innovator in Info-Tech Research Group's 2014 Application Delivery Controller Vendor Landscape. ● Frost & Sullivan ranked Array as having the second largest market share for application delivery controllers in India. ● Array's vision and execution was recognized by Gartner in the 2014 Magic Quadrant for Application Delivery Controllers. ● Recorded by Frost & Sullivan as having the 3rd largest market share in China for ADC and the largest market share in China for SSL VPN. |
| 2015 | <ul style="list-style-type: none"> ● Under the regulation and control of network safety and active implementation of localization policy by China government, the Company sold and passed ownership and control of Beijing Infosec Information Security WOFE and Beijing Infosec Technologies Co., Ltd. to the acquirer under a sale agreement and approved by shareholders meeting. The transaction was completed on October, 2015. ● Array was the winner of Gold and Silver in the 11th Annual 2015 Security Industry's Global Excellence Awards. ● Array's vision and execution was recognized by Garter in the 2015 Magic Quadrant for Application Delivery Controllers as well as in the 2015 Magic Quadrant for WAN Optimization Controllers. |
| 2016 | <ul style="list-style-type: none"> ● Named by the Business Intelligence Group 2016 Stratus Award in the Infrastructure-as-a-Service (IaaS) category for the Array's AVX Series. ● Finalist for Interop 2016 Best of Show Awards for the AVX3600 network functions platform. ● Ranked by IDC among the top 3 ADC vendors in India. ● Gartner's Magic Quadrant recognized Array's WAN Optimization for the 4th consecutive |

| Year | Array's History and Milestone |
|------|---|
| | year. |
| 2017 | <ul style="list-style-type: none"> ● Under the regulation and control of network safety and active implementation of localization policy by China government, the Company get approval by shareholders meeting and dispose 82% of the equity of Array China. ● Named by the Business Intelligence Group as a 2017 Stratus Award winner in their annual contest. ● Gartner's 2017 Market Guide recognized Array's new ADC deployment models brought to market with new Network Functions Platform product line. |
| 2018 | <ul style="list-style-type: none"> ● 2018 was defined by the growth of Array Networks as The Network Functions Platform Company. ● Winner of Intel's prestigious "Network Builders Winner's Circle" award. |
| 2019 | <ul style="list-style-type: none"> ● Registered a Subsidiary in India, Array Networks India Private Limited under Array Networks Inc. (US) and set up a Branch office in Dubai to strengthen the Middle east and Africa market. ● Established new US Subsidiary Zentry Security Inc. to modernize and migrate to Zero Trust Security model business. ● Array China is no longer a related party in substance after the disposal of 18% ownership in November. ● Array was awarded ISO certification for Information Security Management System (ISMS). The ISO certification has allowed Array to become the first application delivery controller (ADC) company to get its India operations ISO certified. |
| 2020 | <ul style="list-style-type: none"> ● Set up Array Center for Technology Innovation (ACTI) to focus on the product innovation and design center in Bangalore, India. ● Array's AG Series SSL VPN product (vxAG running on AVX7800) earned the ICSA Labs SSL-TLS VPN 4.0 Certification. |
| 2021 | <ul style="list-style-type: none"> ● Array was recognized as one of the Top Three ADC Players in India that and secured third position in the application delivery controller (ADC) market as per IDC Ethernet Switch Tracker for Q1 2021. ● In November, Array's subsidiary Zentry Security launched Zentry Trusted Access, a cloud-delivered service that extends the company's zero trust solutions to cloud-native businesses and enterprises embracing cloud adoption. Zentry Trusted Access Cloud Edition provides the same streamlined secure access features as its on-premises counterpart, giving SMEs improved productivity, better security, greater visibility, and a reduced attack surface. |

Chapter 3. Corporate Governance

3.1. Organization

1. Organization Chart



2. The tasks of the Company's principal divisions

| Department | Functions |
|------------------------------|---|
| President's Office | Strategic planning, business planning authorization and supervision. |
| Sales & Marketing Dept. | Responsible for corporate image planning; maintaining and enhancing external public relations; corporate marketing activities worldwide; and analyzing industry data and trends. It is also in charge of formulating and implementing corporate marketing and product plans. |
| Research & Development Dept. | Advanced product and technology research and development, intellectual property development and management. |
| Operation Management Dept. | Including Supplies chain management, product manufacturing and production capacity allocation. |
| General Administration Dept. | Including Finance, Human Resource and IT department, Finance dept. is responsible for the summarization and supply of accounting information, management and operation of finance and investment, annual budgeting, credit control, and stocks services. HR dept. is responsible for planning and execution of human resource management, training and general affairs. IT dept., is responsible for management of internal and external information systems. |

3.2. Information on the Company's Directors, General Manager, Vice Presidents, deputy assistant general managers, and the supervisors of all the Company's divisions and branch units

1. Information on the Company's Directors

As of April 3, 2022; Unit: share

| Title / Name | Nationality or Registration | Gender /Age | Date Elected | Term (Years) | Date First Elected | Shareholding when Elected | | Current Shareholding | | Spouse & Minor Shareholding | | Experience (Education) | Other Position |
|--|-----------------------------|-------------|--------------|--------------|--------------------|---------------------------|------|----------------------|------|-----------------------------|---|---|---|
| | | | | | | Shares | % | Shares | % | Shares | % | | |
| Chairman and President Yao Zhao | U.S. | Male/57 | 2021/8/6 | 3 | 2009/1/9 | 3,565,073 | 6.98 | 3,565,073 | 6.98 | 0 | 0 | <ul style="list-style-type: none"> • Founder & CEO, AsiaInfo Holdings, Inc. • Ph. D in Machinery and Aerospace Engineering, University at Buffalo, the State University of New York • MBA, The State University of New Jersey | <ul style="list-style-type: none"> • Chairman & President, Array Inc. (Note 3) |
| Director Teng-Yue Wang | R.O.C. | Male/50 | 2021/8/6 | 3 | 2021/8/6 | 0 | 0 | 0 | 0 | 0 | 0 | <ul style="list-style-type: none"> • Sr. Director of Gorilla Technology • Bachelor Degree in Applied Mathematics, NCTU (National Chiao Tung University) | <ul style="list-style-type: none"> • Chairman & CEO of PacketX Technology • Director, Array Inc. |
| Director William P. Fuller | U.S. | Male/84 | 2021/8/6 | 3 | 2009/4/24 | 70,751 | 0.14 | 70,751 | 0.14 | 0 | 0 | <ul style="list-style-type: none"> • President, The Asia Foundation, San Francisco • Vice Chairman, China Vest, San Francisco • Deputy Assistant Administrator, USAID, Washington • Director, USAID (Indonesia) • Representative, the Ford Foundation (Bangladesh) • Consulting Economist, the Ford Foundation(Thailand) • Economist, the World Bank(Paris) • Program Office, UNICEF (Cairo, New York, Beirut) • Ph. D, Stanford University • MBA, Harvard University • Bachelor & Master Degree in Political Science, Stanford University | <ul style="list-style-type: none"> • Director, Array Inc. • President Emeritus, The Asia Foundation, San Francisco • Director, Bank of the Orient, San Francisco • Director, China Foundation for the Promotion of Education and Culture, Taipei • Director of Give2 Asia, San Francisco • Director, Japan Society of Northern California, San Francisco • Trustee, World Affairs Council, San Francisco • Member, Advisory Council, Asia Society of Northern California • Member, Council on Foreign Relations, New York • Former Director, Asian Development Bank Institute |
| Independent Director Grace Tsai (Note 4) | R.O.C. | Female /60 | 2021/8/6 | 3 | 2009/4/24 | 0 | 0 | 0 | 0 | 0 | 0 | <ul style="list-style-type: none"> • CFO, Precision Silicon Corp. • Consultant, Episil Holding Inc. • Director, Hexalux Optoelectronics Corp. • Supervisor, Trend-Lighting Corp • Bachelor Degree in Public Finance, National ChengChin University | |

| Title / Name | Nationality or Registration | Gender /Age | Date Elected | Term (Years) | Date First Elected | Shareholding when Elected | | Current Shareholding | | Spouse & Minor Shareholding | | Experience (Education) | Other Position |
|---|-----------------------------|-------------|--------------|--------------|--------------------|---------------------------|---|----------------------|---|-----------------------------|---|---|--|
| | | | | | | Shares | % | Shares | % | Shares | % | | |
| Independent Director Robert Hsieh | R.O.C. | Male/75 | 2021/8/6 | 3 | 2009/4/24 | 0 | 0 | 0 | 0 | 0 | 0 | <ul style="list-style-type: none"> Chairman, World Vision Executive Director, 宏鼎 Venture Capital Director, Ulead Systems, Inc. Vice Chairman, Microtek International Inc. Executive Director, 2M Invest Inc., Denmark. Director, C-Cube, USA Director, Sierra Imaging, USA Director, iPlanet, USA Ph.D. in Electronic Engineering, University of Cincinnati Bachelor Degree in Electrical Engineering, National Cheng Kung University | <ul style="list-style-type: none"> Director, DEH LAB Director, Intumit Inc. Independent Supervisor, ECMOS Chairman, ePass2U Technology Co., Ltd. Director, Sekonova Biotech Independent Director, Array Inc. |
| Independent Director Jason Hsuan (Note 4) | R.O.C. | Male | 2021/8/6 | 3 | 2009/12/21 | 0 | 0 | 0 | 0 | 0 | 0 | <ul style="list-style-type: none"> PM, General Electric VP, PepsiCo. Ph.D. in Systems Engineering from the Polytechnic Institute of Brooklyn Master degree in Systems Engineering from Boston University Bachelor Degree in Electrical Engineering, National Cheng Kung University | |

Note 1: No member of the Board of Directors held Array's shares by nominee arrangement.

Note 2: Managers or Directors who are spouses or within second-degree relative of consanguinity to the directors: None.

Note 3: Chairman and President are the same person, it is because the former chairman Robert Shen resigned on March 16, 2022. The board of directors elected the Director and President Mr. Yao Zhao to serve as the chairman concurrently; the board of directors of the Company has resolved to re-elect seven directors (including three independent directors) at the 2022 general meeting, and the chairman will be elected after the re-election.

Note 4: Independent Director Ms. Grac Tsai and Mr. Jason Hsuan resigned on April 3, 2022.

(1) Major shareholders of Array’s Director that is an institutional shareholders: Not Applicable, no Director that is an institutional shareholder of Array.

(2) Major shareholders of the major shareholders that are juridical persons: Not Applicable, no Director that is an institutional shareholder of Array.

(3) Directors’ Professional qualifications and Independent Directors’ independence status

| Criteria Name & Title | Professional Qualification and Experience | Independent Directors’ Independence Status | Number of other Taiwanese Public Companies Concurrently Servig as an Independent Director |
|-----------------------------------|--|--|---|
| Chairman Yao Zhao | For Directors’ professional qualification and experience, please refer to “3.2. of 1.Information on the Company’s Directors” on page 12-13 of this Chapter of Annual Report. | Not Applicable | 0 |
| Director Teng-Yue Wang | | | 0 |
| Director William P. Fuller | | | 0 |
| Independent Director Robert Hsieh | None of the Directors has been in or is under any circumstances stated in Article 30 of the Company Law. (Note 1) | All of the following situations apply to each and every of the Independent Directors: 1. Satisfy the requirements of Article 14-2 of “Securities and Exchange Act” and Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” (Note 2) issued by Taiwan’s Securities and Futures Bureau. 2. Independent Director (or nominee arrangement) as well as his/her spouse and minor children do not hold any Company’s shares. 3. Received no compensation or benefits for providing commercial, legal, financial, accounting services or consultation to the Company or to any its affiliates within the preceding two years, and the service provided is either an “audit service” or a “non-audit service”. | 0 |

Note 1: A person shall not act in a management capacity for a company, and if so appointed, must be immediately discharged if they have been:

1. Convicted for a violation of the Statutes for the Prevention of Organizational Crimes and: has not started serving the sentence; has not completed serving the sentence; or five years have not
2. elapsed since completion of serving the sentence, expiration of probation, or pardon;
3. Convicted for fraud, breach of trust or misappropriation, with imprisonment for a term of more than one year, and: has not started serving the sentence; has not completed serving the
4. sentence; or two years have not elapsed since completion of serving the sentence, expiration of probation, or pardon;
5. Convicted for violation of the Anti-Corruption Act, and: has not started serving the sentence; has not completed serving the sentence; or two years have not elapsed since completion of serving
6. the sentence, expiration of probation, or pardon;
7. Adjudicated bankrupt or adjudicated to commence a liquidation process by a court, and having not been reinstated to his or her rights and privileges;
8. Sanctioned for unlawful use of credit instruments, and the term of such sanction has not expired yet;
9. if she/he does not have any or limited legal capacity; or
10. if she/he has been adjudicated to require legal guardianship and such requirement has not been revoked yet.

Note 2: 1. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

2. Not serving concurrently as an independent director on more than three other public companies in total.

3. During the two years before being elected and during the term of office, meet any of the following situations:

- (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;
- (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 amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders;
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in

- the preceding (1) subparagraph, or of any of the above persons in the preceding subparagraphs (2) and (3);
- (5) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, ranks as of its top five shareholders, or has representative director(s) serving on the company's board based on Article 27 of the Company Law;
 - (6) Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company;
 - (7) Not a director, supervisor, or employee of a company of which the chairman or CEO (or equivalent) themselves or their spouse also serve as the company's chairman or CEO (or equivalent);
 - (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; and
 - (9) Other than serving as a compensation committee member of the company, not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, and the service provided is an "audit service" or a "non-audit service which total compensation within the recent two years exceeds NT\$500,000".

(4) Board Diversity and Independence

The members of the Company's Board of Directors are nominated via rigorous selection processes. It not only considers background diversity, professional competence and experience, but also attaches great importance to his/her personal reputation on ethics and leadership. The Company aims to have at least of one third independent directors and at least one female director to serve on the Board. There are seven members of the board of directors selected for the fifth term of the Company, three of which are independent directors, including one female director. However, due to the resignation of three directors, there are four members of the board of directors of the Company, who still have diverse backgrounds, including professional backgrounds in different industries, business and management, domestic and American nationalities, experience in industries and international markets, and expertise in business, finance and technology. All directors have expertise in business, finance and technology, possess the knowledge, skills and literacy required to perform their duties, have rich experience in business management and operational judgment, and lead the company and shareholders to obtain the greatest shareholder rights. Presently, the four members of the Board of Directors, including one independent Director, and there is no marital or is within the second degree of kinship relationship between or among the Directors. As such, the Board of Directors carries independence. The Company will process the re-election of seven directors (including three independence directors) at the 2022 general meeting, and will implement the policy of diversity and independence of board members.

2. Information regarding Management Team of all the Company's divisions and branch units

As of April 3, 2022; Unit: share

| Title / Name | Nationality | Gender | On-board Date | Shareholding | | Spouse & Minor Shareholding | | Education and Selected Past Positions | Selected Current Positions at Other Companies |
|--|-------------|--------|---------------|--------------|------|-----------------------------|---|---|---|
| | | | | Shares | % | Shares | % | | |
| Chairman & President Yao Zhao (Note 3) | U.S. | Male | 2004/1/1 | 3,565,073 | 6.98 | 0 | 0 | <ul style="list-style-type: none"> • Founder & CEO, AsialInfo Holdings, Inc. • Ph. D in Machinery and Aerospace Engineering, University at Buffalo, the State University of New York • MBA, The State University of New Jersey | • Chairman & President of Array Inc. |
| Vice President Paul Andersen | U.S. | Male | 2017/10/21 | 0 | 0 | 0 | 0 | <ul style="list-style-type: none"> • Bachelor's Degree in Marketing from San Jose State University • Senior Director of Marketing for Array Networks | • VP of Sales, North America |
| Vice President Fara Zarrabi | U.S. | Male | 2006/4/3 | 0 | 0 | 0 | 0 | <ul style="list-style-type: none"> • VP of Operations and Customer Service at Netenrich, Inc. • VP of Operations, SonicWALL, Inc. • VP of Operations, Genesys Telecommunications Laboratories, Inc. • Director of Operations, Network Appliance, Inc. • B.S. in Electronic Engineering of the University of California, Berkeley | • VP of HW Engineering & Operations |
| Vice President/CFO Sameena Ahmed | U.S. | Female | 2004/8/30 | 0 | 0 | 0 | 0 | <ul style="list-style-type: none"> • Controller of Optical Microwave Networks • Masters Degree in Business Administration from University of Madras, India, Certified Public Accountant | CFO & worldwide financial accounting, reporting, human resources, legal and corporate administration at Array |
| Accounting Manager/ Litigious & non-litigious Ivory Yang | R.O.C. | Female | 2009/5/13 | 66,000 | 0.13 | 0 | 0 | <ul style="list-style-type: none"> • Director of Finance Dept. and Internal Audit manager at Browave • Accounting Manager of MTI • Bachelor's Degree in Statistic from Feng Chia University | Accounting Manager of the Company |
| Internal Auditor Anny Hsu | R.O.C. | Female | 2015/9/1 | 6,000 | 0.01 | 0 | 0 | <ul style="list-style-type: none"> • Sr. Accountant of Browave Corp. • Sr. Auditor of PriceWaterhouse Coopers Taiwan • Sr. Auditor of Taiwan Union CPA Office • Bachelor's Degree in Accounting from Shih Chien University | Leader of the Company's Internal Auditor |

Note 1:None of above managers held Array's shares by nominee arrangement.

Note 2: None of above managers had a spouse or relative within two degrees of consanguinity serving as a manager at Array.

Note 3: Chairman and President are the same person, it is because the former chairman Robert Shen resigned on March 16, 2022. The board of directors elected the Director and President Mr. Yao Zhao to serve as the chairman concurrently; the board of directors of the Company has resolved to re-elect seven directors (including three independent directors) at the 2022 general meeting, and the chairman will be elected after the re-election..

3. Remuneration of Directors, Supervisors, President, and Vice President in 2021

(1) Remuneration Paid to Directors (included Independent Directors)

Unit: NT\$1,000

| Title/Name | Director's Remuneration | | | | | | | | Total Remuneration (A+B+C+D) as a % of Net Income | | Relevant remuneration received by Directors who are also employees | | | | | | Total Compensation (A+B+C+D+E+F+G) as a % of Net Income | | Compensation paid to Directors from non-consolidated affiliates or Parent Company | | |
|---|-------------------------|--------------------------------|------------------------------|--------------------------------|-------------------------------|--------------------------------|----------------|--------------------------------|---|--------------------------------|--|--------------------------------|--------------------------------|--------------------------------|-------------------------------------|---------------------------|---|---------------------------|---|-------------|--------------------------------|
| | Base Compensation (A) | | Severance Pay & Pensions (B) | | Compensation to Directors (C) | | Allowances (D) | | | | Base Compensation, Bonus, and allowances (E) | | Severance Pay and Pensions (F) | | Employees' Profit sharing Bonus (G) | | | | | | |
| | The Company | From all consolidated Entities | The Company | From all consolidated Entities | The Company | From all consolidated Entities | The Company | From all consolidated Entities | The Company | From all consolidated Entities | The Company | From all consolidated Entities | The Company | From all consolidated Entities | The Company | | From all consolidated Entities | | | The Company | From all consolidated Entities |
| | | | | | | | | | | | | | | | Cash | Stock (Fair Market Value) | Cash | Stock (Fair Market Value) | | | |
| Chairman Robert Shen (Note 3) | 0 | 0 | 0 | 0 | 0 | 0 | 280 | 0 | -0.29% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -0.29% | 0 |
| Director George Chen (Note 3) | 0 | 0 | 0 | 0 | 0 | 0 | 291 | 0 | -0.31% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -0.31% | 0 |
| Director William P. Fuller | 0 | 0 | 0 | 0 | 0 | 0 | 544 | 0 | -0.57% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -0.57% | 0 |
| Director Teng-Yue Wang (Note 3) | 0 | 0 | 0 | 0 | 0 | 0 | 56 | 0 | -0.06% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -0.06% | 0 |
| Independent Director Grace Tsai (Note 3) | 0 | 0 | 0 | 0 | 0 | 0 | 420 | 0 | -0.44% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -0.44% | 0 |
| Independent Director Robert Hsieh | 0 | 0 | 0 | 0 | 0 | 0 | 308 | 0 | -0.32% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -0.32% | 0 |
| Independent Director Jason Hsuan (Note 3) | 0 | 0 | 0 | 0 | 0 | 0 | 336 | 0 | -0.35% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -0.35% | 0 |
| Director Yao Zhao | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 17,341 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -18.13% | 0 |

Note 1. Director and Independent Directors' remuneration policies procedures, standards and structure, as well as the linkage to responsibilities, risks and time spent:

- The remuneration of the Directors and Independent Directors shall be appropriated according to the Memorandum and Articles of Association of the Company, the amount of such remuneration is authorized to be decided by the Board of Directors, taking into consideration suggestions made by the remuneration committee, the extent and value of the services provided for the management of the Company and the standard of the same industry worldwide.
- The Memorandum and Articles of Association also provide that any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine.
- The Directors shall specify the exact percentages or amounts to be paid to Directors and distributed to the Shareholders in the proposal for distribution of profits, and submit it for the Shareholders' approval at the general meeting.

Note 2. Other than disclosure in the above table, Directors remuneration earned by providing services (e.g. providing consulting services as a non-employee) to the Company and all consolidated entities in the 2021 financial statements: None.

Note 3. Mr. George Chen tenure expired on August 5, 2021. Mr. Teng-Yue Wang was elected as Director of the Company at 2021 Annual General Meeting on August 6, 2021. Mr. Robert shen resign the Director on March 16, 2022; Ms. Grace Tsai and Mr. Jason Hsuan resigned on April 3, 2022.

Table of Remuneration Bracket

| Bracket | Name of Directors | | | |
|--|--------------------|--|--------------------------|--|
| | Total of (A+B+C+D) | | Total of (A+B+C+D+E+F+G) | |
| | The Company | Companies in the consolidated financial statements | The Company | Companies in the consolidated financial statements |
| Under NT\$1,000,000 | | Robert Shen, George Chen, William P. Fuller, Teng-Yue Wang, Grace Tsai, Rober Hsieh, Jason Hsuan | | Robert Shen, George Chen, William P. Fuller, Teng-Yue Wang, Grace Tsai, Rober Hsieh, Jason Hsuan |
| NT\$1,000,000 (Includes) ~ NT\$2,000,000 (Not Included) | | | | |
| NT\$2,000,000 (Includes) ~ NT\$3,500,000 (Not Included) | | | | |
| NT\$3,500,000 (Includes) ~ NT\$5,000,000 (Not Included) | | | | |
| NT\$5,000,000 (Includes) ~ NT\$10,000,000 (Not included) | | | | |
| NT\$10,000,000 (Includes) ~ NT\$15,000,000 (Not included) | | | | |
| NT\$15,000,000 (Includes) ~ NT\$30,000,000 (Not included) | | | | Yao Zhao |
| NT\$30,000,000 (Includes) ~ NT\$50,000,000 (Not included) | | | | |
| NT\$50,000,000 (Includes) ~ NT\$100,000,000 (Not included) | | | | |
| Over NT\$100,000,000 | | | | |
| Total (Unit: NT\$1,000) | | | | 19,576 |

(2) Remuneration to Supervisors: The Company has no supervisors, thus not applicable.

(3) Remuneration to President and Vice Presidents: There is no allocation of 2021 employees' bonus to President and Vice Presidents.

Unit: NT\$1,000

| Title/Name | Salary (A) | | Severance Pay & Pensions (B) | | Bonuses and Allowances (C) | | Employees' Bonuses (D) | | | | Total Remuneration (A+B+C+D) | | Paid to President and Vice Presidents from Non-consolidated Affiliates or Parent Company |
|--|-------------|--------------------------------|------------------------------|--------------------------------|----------------------------|--------------------------------|------------------------|---------------------------|--------------------------------|---------------------------|------------------------------|--------------------------------|--|
| | The Company | From all consolidated Entities | The Company | From all consolidated Entities | The Company | From all consolidated Entities | The Company | | From all consolidated Entities | | The Company | From all consolidated Entities | |
| | | | | | | | Cash | Stock (Fair Market Value) | Cash | Stock (Fair Market Value) | | | |
| President & CEO Yao Zhao | 0 | 44,884 | 0 | 0 | 0 | 1,861 | 0 | 0 | 0 | 0 | 0 | -48.87% | None |
| Vice President Paul Andersen | | | | | | | | | | | | | |
| Vice President Fara Zarrabi | | | | | | | | | | | | | |
| Vice President / CFO Sameena Ahmed | | | | | | | | | | | | | |
| Vice President Vinod B. Pisharody (Note 1) | | | | | | | | | | | | | |

Note 1: Vice President Vinod B. Pisharody resigned on February 19, 2021.

Table of Remuneration Bracket

| Bracket | Name of President and Vice Presidents | |
|--|---------------------------------------|--|
| | The Company | Companies in the consolidated financial statements |
| Under NT\$1,000,000 | | |
| NT\$1,000,000 (Includes) ~ NT\$2,000,000 (Not Included) | | |
| NT\$2,000,000 (Includes) ~ NT\$3,500,000 (Not Included) | | |
| NT\$3,500,000 (Includes) ~ NT\$5,000,000 (Not Included) | | Vinod B. Pisharody |
| NT\$5,000,000 (Includes) ~ NT\$10,000,000 (Not included) | | Sameena Ahmed 、 Paul Andersen 、 Fara Zarrabi |
| NT\$10,000,000 (Includes) ~ NT\$15,000,000 (Not included) | | |
| NT\$15,000,000 (Includes) ~ NT\$30,000,000 (Not included) | | Yao Zhao |
| NT\$30,000,000 (Includes) ~ NT\$50,000,000 (Not included) | | |
| NT\$50,000,000 (Includes) ~ NT\$100,000,000 (Not included) | | |
| Over NT\$100,000,000 | | |
| Total (Unit: NT\$1,000) | | 46,745 |

(4) Remuneration of the top five remuneration managers:

Unit: NT\$1,000

| Title/Name | Salary (A) | | Severance Pay & Pensions (B) | | Bonuses and Allowances (C) | | Employees' Bonuses (D) | | | | Total Remuneration (A+B+C+D) | | Paid to President and Vice Presidents from Non-consolidated Affiliates |
|---------------------------------------|-------------|--------------------------------|------------------------------|--------------------------------|----------------------------|--------------------------------|------------------------|---------------------------|--------------------------------|---------------------------|------------------------------|--------------------------------|--|
| | The Company | From all consolidated Entities | The Company | From all consolidated Entities | The Company | From all consolidated Entities | The Company | | From all consolidated Entities | | The Company | From all consolidated Entities | |
| | | | | | | | Cash | Stock (Fair Market Value) | Cash | Stock (Fair Market Value) | | | |
| President & CEO Yao Zhao | 0 | 17,341 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -18.13% | 0 |
| Vice President / CFO Sameena Ahmed | 0 | 9,136 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -9.55% | 0 |
| Vice President Fara Zarrabi | 0 | 8,485 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -8.87% | 0 |
| Vice President Paul Andersen | 0 | 6,395 | 0 | 0 | 0 | 1,441 | 0 | 0 | 0 | 0 | 0 | -8.19% | 0 |
| Vice President Vinod B. Pisharody | 0 | 3,527 | 0 | 0 | 0 | 420 | 0 | 0 | 0 | 0 | 0 | -4.13% | 0 |

4. Separately compare and describe total remuneration, as a percentage of net income stated in the Company’s financial reports, as paid by the Company and by each other Company included in the consolidated financial statements during the past 2 fiscal years to Directors, President and Vice Presidents, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

(1) Total remuneration paid to Directors, President and Vice President in the consolidated financial statements, and the percentage of net income during the past 2 fiscal years:

Unit: NT\$1,000

| Items\Year | 2020 | | 2021 | |
|--|----------|------|---------|------|
| | Amount | % | Amount | % |
| Paid to Directors | 60,036 | -58% | 48,981 | -51% |
| Paid to President and Vice Presidents | | | | |
| Net Income (Losses) of consolidated report | -103,239 | 100% | -95,646 | 100% |

(2) The Company’s remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

(A) The remuneration of the Directors shall be appropriated according to the Memorandum and Articles of Association of the Company, the amount of such remuneration is authorized to be decided by the Board of Directors, taking into consideration suggestions made by the remuneration committee, the extent and value of the services provided for the management of the Company and the standard of the same industry worldwide.

(B) The compensation for presidents and vice presidents shall be released according to the Company’s performance evaluation system, and reviewed by Remuneration Committee and approved by Board of Directors. The compensation is measured based on the employee’s personal achievements, contribution made to the business operation, and the market averages.

3.3. Implementation of Corporate Governance

1. Board of Directors: A total of seven (A) meetings of the Board of Directors were held in 2021. Directors’ attendance status is as follows:

| Title | Name | Attendance in Person (B) | By Proxy | Attendance Rate in Person (%) (B/A) | Remarks |
|----------------------|-------------------|--------------------------|----------|-------------------------------------|--|
| Director | Robert Shen | 7 | 0 | 100% | Resigned as Director & Chairman on Mar. 16, 2022 |
| Chairman | Yao Zhao | 7 | 0 | 100% | None |
| Director | George Chen | 4 | 0 | 100% | Term expired on Aug. 5, 2022 |
| Director | William P. Fuller | 7 | 0 | 100% | None |
| Director | Teng-Yue Wang | 3 | 0 | 100% | New appointment on Aug. 6, 2022 |
| Independent Director | Grace Tsai | 7 | 0 | 100% | Resigned on Apr. 3, 2022 |
| Independent Director | Robert Hsieh | 7 | 0 | 100% | None |
| Independent Director | Jason Hsuan | 6 | 1 | 86% | Resigned on Apr. 3, 2022 |

Other mentionable items:

1. If there are the circumstances referred to in Article 14-3 of Securities and Exchange Act and resolutions of the Board of Directors' meetings objected to by Independent Directors or subject to qualified opinion and recorded or declared in writing, the dates of meetings, sessions, contents of motions, all independent Directors' opinion and the Company's response to independent Directors' opinion should be specified: Please refer to the important resolutions of the Board of Directors on page 45 for the opinions of the independent Directors and the Company's response.

2. If there is Directors' avoidance of motions in conflict of interest, the Directors' names, contents of motions, causes for avoidance and voting should be specified:

| Contents of topics | Name of Directors | Reasons of motions in conflict of interest | Participation in voting | Remarks |
|--|-------------------|---|---|--|
| To approve the remuneration pay out to the Managerial officers and Board of Directors. | Yao Zhao | Director Mr. Zhao declared that he has conflict of interest in the topics and therefore recused himself during the matter being discussed and resolved. | Director Mr. Zhao recused himself during the matter being discussed and resolved, the resolutions were approved by the other Directors present in person. | 14 th session of the 4 rd Board of Directors meeting |

3. Performance evaluation of the Board of Directors: The Company has established the Rules and procedures for Board of Directors performance assessments, the Company shall regularly evaluate the performance of the board and individual board members through self-evaluation or peer review by board members. The 2021's implementation of the performance evaluation of the board of directors and the evaluation results are as follows, and have been reported to the Board of Directors on March 16, 2022, and processed the filing to the competent authority accordingly.

| Evaluation periods | Scope of evaluation | Method of evaluation | Assessment Content | Assessment Result |
|-------------------------------|--|-------------------------|---|--|
| Jan. 1, 2021 to Dec. 31, 2021 | Performance evaluations of board members | through self-evaluation | The Company's Performance evaluations of board members have covered the following aspects and a total of 23 indicators were evaluated. 1. Alignment of the goals and mission of the company. 2. Awareness of the duties of a director. 3. Participation in the operation of the company. 4. Management of internal relationships and communication. 5. Professionalism and continuing education of the directors. 6. Internal controls. | After the board members' self-evaluation, the average points of the six major assessment items are: 1) 5.00, 2) 5.00, 3)4.77, 4) 4.54, 5) 4.71 and 6) 5.00; the score of fourth and fifth items is low, the assessment results have been reported to the board of directors for reference and improvement. |

| | | | | |
|---|--|--------------------------------------|--|---|
| | The evaluation of the Board as a whole | The internal evaluation of the Board | <p>The Company's Performance evaluations of the board have covered the following aspects and a total of 45 indicators were evaluated.</p> <ol style="list-style-type: none"> 1. Participation in the operation of the company. 2. Improvement in the quality of decision making of the board. 3. Composition and structure of the board. 4. Election/appointment and continuing education of the directors. 5. Internal controls. | <p>The average points of the five major assessment items evaluated are: 1) 4.77, 2) 4.83, 3)4.57, 4) 3.63 and 5) 4.86. In 2021, due to COVID-19 and most directors live abroad, the score of the fourth item of directors continuing education is low. The assessment results have been reported to the board of directors for reference and improvement.</p> |
| <p>4. Measures taken to strengthen the functionality of the Board: The Board of Directors has established an Audit Committee and a Remuneration Committee to assist the Board in carrying out its various duties.</p> | | | | |

2. Audit Committee

The Company's Audit Committee consists of all three independent Directors, one of whom is a financial expert consultant. The Audit Committee assists the Board in fulfilling its oversight of the quality and integrity of the accounting, auditing, reporting, and financial control practices of the Company, and other duties as set forth in the Company Act, the Securities and Exchange Act, and other applicable laws and regulations. The Audit Committee is responsible to review the following major matters:

- Financial reports;
- Auditing and accounting policies and procedures;
- Internal control systems and including related policies and procedures;
- Material asset of derivatives transactions;
- Material lending funds, endorsements or guarantees;
- Offering or issuance of any equity-type securities;
- Derivatives and cash investments;
- Potential conflicts of interests involving executive officers and directors;
- Performance, independence, qualification of independent auditor;
- Hiring or dismissal of an attesting CPA, or the compensation given thereto; and
- Appointment or discharge of financial, accounting, or internal auditing officers, etc.

The Company's Audit Committee is empowered by its Charter to conduct and study or investigation it deems appropriate to fulfill its responsibilities. The Committee thereof may engage an attorney, certified public accountant, other professional, or access department's managers and Company's internal auditors to attend the meeting and conduct a necessary audit or provide advice related to the exercise of the Committee's powers.

A total of five (A) Audit Committee meetings were held in 2021. Independent director attendance was as follows:

| Title | Name | Attendance in Person (B) | By Proxy | Attendance Rate % (B/A) | Remarks |
|---|--------------|--------------------------|----------|-------------------------|--------------------------|
| Independent Director | Grace Tsai | 5 | 0 | 100% | Resigned on Apr. 3, 2022 |
| Independent Director | Robert Hsieh | 2 | 2 | 40% | None |
| Independent Director | Jason Hsuan | 4 | 1 | 80% | Resigned on Apr. 3, 2022 |
| <p>Other mentionable items:</p> <ol style="list-style-type: none"> 1. If there are the circumstances referred to in Article 14-5 of Securities and Exchange Act and resolutions which were not approved by the Audit Committee but were approved by two thirds or more of all directors, the dates of meetings, sessions, contents of motions, resolutions of Audit Committee, the contents of independent directors' objections, reservations or major suggestions, and the Company's | | | | | |

response to Audit Committee’s opinion should be specified: Please refer to the important resolutions of the Board of Directors on page 45 for the resolutions of Audit Committee and the Company’s response.

2. If there is Independent Directors’ avoidance of motions in conflict of interest, the Independent Directors’ names, contents of motions, causes for avoidance and voting should be specified: None
3. Communications between the independent directors, the Company’s Chief Internal Auditor and CPAs (e.g. the items, methods and results of audits of corporate finance or operations, etc.)
 - (1)Independent Directors and internal auditors regularly communicate with each other among the meetings and the communication functioned well. Internal auditors present the execution and improvement of audit plan among the meetings. Also, the communicate and exchange ideas to assess internal control effectiveness.
 - (2)Independent Directors and the Company’s CPAs regularly communicate with each other among the meetins. CPAs report the Company’s financial results and fully discuss with Directors on the issues related to the relationship and other matters affecting the independence of accountants, the scope and methods of review, major accounting policies, estimates, events or transactions, key review matters, and other recommendations, etc.

The communications between the independent directors, the internal auditors, and the independent auditors are listed in the table below.

| Audit Committee Meeting Date | Communications between the Independent Directors and the Internal Auditors | Communications between the Independent Directors and the Independent Auditors |
|--|---|---|
| Mar. 11, 2021 | <ul style="list-style-type: none"> ● Internal Auditor’s report ● 2020 Statement of Internal Control System | <ul style="list-style-type: none"> ● External auditor relationship (i.e. qualification, performance and independence) ● Report of regulatory developments ● Any audit problems, key audit matters, material changes in Accounting Policies, Accounting Estimates, events any transactions; or any difficulties and management’s response in connection with 2020 annual financial statements (Closed Door Session) |
| May 6, 2021 | <ul style="list-style-type: none"> ● Internal Auditor’s report | |
| Aug. 24, 2021 | <ul style="list-style-type: none"> ● Internal Auditor’s report ● Amendments to Array’s internal control policies and procedures | <ul style="list-style-type: none"> ● External auditors’ independence declaration ● Any audit problems, key audit matters, material changes in Accounting Policies, Accounting Estimates, events any transactions; or any difficulties and management’s response in connection with 2021 second quarter financial statements (Closed Door Session) |
| Nov. 10, 2021 | <ul style="list-style-type: none"> ● Internal Auditor’s report ● 2022 internal audit plan | <ul style="list-style-type: none"> ● External auditors’ independence declaration ● Any review problems or difficulties and management’s response in connection with 2021 third quarter financial statements (Closed Door Session) |
| <ul style="list-style-type: none"> ● Result: all of the above matters were reviewed and/or approved by the Audit Committee whereupon independent directors raised no objection. | | |

3. Corporate Governance Execution Status and Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed companies”:

| Assessment Items | Implementation Status | | | Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and its reasons |
|--|-----------------------|----|--|---|
| | Yes | No | Explanation | |
| 1. Does Company follow “Taiwan Corporate Governance Implementation” to establish and disclose its corporate governance practices? | | V | The Company does not have a formal code of practice for Corporate governance. | Although the Company does not have a formal code of practice for Corporate governance, Array has always followed relevant regulations in implementing comprehensive corporate governance practices as the assessment explanation. The formal code can be established when needed or compliance with the laws. |
| 2. Shareholding Structure & Shareholders’ Rights (1) Does Company have Internal Operation Procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters. If yes, has these procedures been implemented accordingly? (2) Does Company possess a list of major shareholders and a list of ultimate owners of these major shareholders? (3) Has the Company built and executed a risk management mechanism and “firewall” between the Company and its affiliates? (4) Has the Company established internal rules prohibiting insider trading on undisclosed information? | V V V V | | (1) The Company has designated appropriate departments, such as Investor Relations, Public Relations, Legal Department, etc., to handle shareholder suggestions or complaints. (2) The Finance & Share Services Division is responsible for collecting the updated information of major shareholders and the list of ultimate owners of these major shareholders. (3) When designing the structure of its subsidiaries, the Company has implemented a firewall mechanism. The Company and its subsidiaries have established appropriate Internal Control System. (4) The Company has established “Operating Procedures for Handling Internal Material Information and Preventing Insider Trading”, strictly prohibiting staffs and managers from insider trading with material nonpublic information. | None |
| 3. Composition and Responsibilities of the Board of Directors. (1) Has the Board of Directors established a diversity policy, set goals, and implemented them accordingly? | | V | (1) The Company doesn’t establish a diversity policy. | Although the Company doesn’t establish a diversity policy, the members of the Company’s Board of |

| Assessment Items | Implementation Status | | | Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and its reasons |
|---|-----------------------|----|---|--|
| | Yes | No | Explanation | |
| (2)Other than the Compensation Committee and the Audit Committee which are required by law, does the Company plan to set up other Board committees? | | V | (2) The Company doesn’t establish other functional committees in addition to the Remuneration Committee and the Audit Committee. | Directors are nominated via rigorous selection processes. It not only considers background diversity, professional competence and experience, but also attaches great importance to his/her personal reputation on ethics and leadership. The Company will evaluate and establish other functional committees based on the operation requirement. |
| (3)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 an renewal? | V | | (3) The Company has established the Rules and procedures for Board of Directors performance assessments, the Company shall regularly evaluate the performance of the board and individual board members through self-evaluation or peer review by board members. Please refer 3.3 of Board of Directors for the 2021’s implementation of the performance evaluation of the board of directors and the evaluation results. The results of performance have been reported to the Board of Directors on March 16, 2022, and as reference for directors’ remuneration an renewal. | None |
| (4)Does the Company regularly evaluate its external auditors’ independence? | V | | (4) The Company evaluates the independence of CPAs once a year. The result of the most recent evaluation was reviewed by the Audit Committee on Nov. 10, 2021 and approved by the Board on Nov. 12, 2021. Please refer below table (Note) for the evaluation item of the independence standard, the Company also obtains a statement of independence issued by the accounting firm. | None |
| 4. Does the Company appointed competent and appropriate 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 relatd to board | V | | The Board of Director of the Company appointed the Board Secretary to be in charge of corporate governance affairs. | None |

| Assessment Items | Implementation Status | | | Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and its reasons |
|---|-----------------------|----|--|--|
| | Yes | No | Explanation | |
| meetings and shareholders’ meeting according to law, and recording minutes of board meetings and shareholders’ meetings)? | | | | |
| 5. Has the Company established means of communicating with its Stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? | V | | The Company has designated appropriate departments, such as Investor Relations, Public Relations, Legal Department, etc., to communicate with shareholders on a case by case basis, as needed. Furthermore, the contact information providing access to the Company’s spokesperson and relevant departments is available on the Company’s website. | None |
| 6. Has the Company appointed a professional registrar for its Shareholders’ Meeting? | V | | The Company has engaged CTBC Bank’s agency department to handle matters relating to Shareholder meetings. | None |
| 7. Information Disclosure (1) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status? | V | | (1) The Company has set up a Chinese/English website (http://www.arraynetworks.com.tw) to disclose information regarding the Company’s financials, business and corporate governance status. | None |
| (2) Does the Company use other information disclosure channels (e.g., maintaining an English-language website, appointing responsible people to handle information collection and designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)? | V | | (2) The Company has designated financial department and Spokespersons to handle information collection and disclosure. | None |
| (3) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline? | V | | (3) The Company follows relevant laws and regulations to announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operation status of each month before the prescribed deadline. Please see (https://mops.twse.com.tw/mops/web/index). | None |
| 8. 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 | V | | (1) The Company discloses its financial statements and corporate governance information on its websites (http://www.arraynetworks.com.tw). The Company aims to provide free access to transparent information for employees, investors, suppliers and shareholders. | None |

| Assessment Items | Implementation Status | | | Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and its reasons |
|--|-----------------------|----|--|--|
| | Yes | No | Explanation | |
| records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)? | | | <p>(2) The Company’s Directors are experts in their professional specialties. The Company provides new regulation updates that require the attention of Directors. The executive team of the Company also reports to the Board periodically. Director training records can be found on the MOPS website.</p> <p>(3) The Company has already instituted internal control systems as required by law and has properly implemented the systems. The Company also conducts risk assessments on banks, customers, and suppliers in order to reduce credit risks.</p> <p>(4) The Company’s Board of Directors avoid issues when there are conflicts of interests.</p> <p>(5) The Company maintains D&O insurance for its Directors and key officers.</p> | |
| <p>9. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange</p> <p>The implementation status of the improvement over the year and to be enhancement items as below:</p> <p>(1) The Company has disclosed English Annual report and Financial statement prior 16 days of shareholders meeting.</p> <p>(2) To encourage the directors of the Company to participate in continuing education / training, and attend shareholders' meetings.</p> | | | | |

(Note): The Company’s evaluation items of the independence standard of CPAs as below:

| Evaluation Items | | Result of Evaluation | Compliance with the independence |
|------------------|--|----------------------|----------------------------------|
| 1. | Whether the CPA is acting as Director of the Company or its related enterprises? | No | Yes |
| 2. | Whether the CPA owns at least 1% outstanding shares or being top ten shareholders of the Company or its related enterprises? | No | Yes |
| 3. | Whether the CPA is acting as General Manager or key managerial Officer of the Company or its related enterprises? | No | Yes |
| 4. | Whether the CPA has a direct or material indirect financial interest in the Company or its related enterprises? | No | Yes |
| 5. | Whether a former partner within one year of disassociating from the firm joins the Company as a Director, or Officer or is in a key position to exert significant influence over the subject matter of the engagement? | No | Yes |
| 6. | Whether the CPA has a significant close business relationship with the Company? | No | Yes |
| 7. | Whether the CPA enters into a potential employment negotiations with the Company? | No | Yes |

| Evaluation Items | | Result of Evaluation | Compliance with the independence |
|------------------|---|----------------------|----------------------------------|
| 8. | Whether the members of the assurance team have being a Director, or Supervisor of the Company or its related enterprises, or employed by the Company or its related enterprises in a position to exert significant influence over the subject matter of the engagement within the last two years? | No | Yes |
| 9. | Whether the member of the engagement team has a close or immediate family member who is a Director, or officer of the Company or an employee of the Company who is in a position to exert significant influence over the subject matter of the engagement? | No | Yes |
| 10. | Whether any amount of loans extended or any amount of guarantee provided between the CPA and the Company or the Directors of the Company? | No | Yes |
| 11. | Whether the CPA provides non-assurance services which performed by the firm for the Company that may affects directly a material item of the assurance engagement? | No | Yes |
| 12. | Whether the CPA provided audit services to the Company for seven consecutive years? | No | Yes |
| 13. | Does the CPA confirm that the Associated Accounting Firm has complied with the norms of independence? | Yes | Yes |
| 14. | Is the CPA complying with No. 10 of the Norm of Professional Ethics for Certified Public Accountant of the Republic of China of the CPA on independence? | Yes | Yes |
| 15. | Whether the Company takes the CPA's "Detached Declaration of independence"? | Yes | Yes |

Continuing Education / Training of Directors and supervisors in 2021:

| Title | Name | Study period | Sponsoring Organization | Course | Training hours | Whether it meet the Rules Governing Implementation of Continuing Education for Directors and Supervisors of TWSE/TPEX Listed Companies? |
|----------------------|-------------------|--------------|-------------------------|--|----------------|--|
| Director | Yao Zhao | None | None | None | 0 | No, Directors are abroad for a long time and are not allowed to participate in domestic courses. The Company has been regularly providing relevant regulations and course materials for directors to study for themselves. |
| Director | Teng-Yue Wang | None | None | None | 0 | |
| Director | William P. Fuller | None | None | None | 0 | |
| Independent Director | Robert Hsieh | None | None | None | 0 | |
| Independent Director | Jason Hsuan | None | None | None | 0 | |
| Independent Director | Grace Tasi | 2021/10/18 | Taipei Exchange | Propaganda Seminar of Insider Equity for OTC and Emerging market Companies | 3 | |

Continuing Education / Training of Management in 2021:

| Title | Name | Study period | Sponsoring Organization | Course | Training hours | Reasons of without relevant training |
|-----------------------------|--------------------|--------------------------|---|---|----------------|--|
| President&(CEO) | Yao Zhao | None | None | None | 0 | The Managers are mainly responsible for foreign operations, long-term abroad, or due to language factors, can not participate in domestic training courses, the Company has been regularly providing relevant regulations and course materials for managers to learn for themselves. |
| Vice President | Vinod B. Pisharody | None | None | None | 0 | |
| Vice President | Paul Andersen | None | None | None | 0 | |
| Vice President | Fara Zarrabi | None | None | None | 0 | |
| Vice President/CFO | Sameena Ahmed | None | None | None | 0 | |
| Accounting Manager | Ivory Yang | 2021/11/22 2021/11/23 | Accounting Research and Development Foundation | Continuing Education for Accounting manager | 12 | Not applicable |
| Manager of Internal Auditor | Anny Hsu | 2021/10/18 2021/12/2 | The Institute of Internal Auditors – Chinese Taiwan | Continuing Education for Internal Auditor of Public company | 12 | Not applicable |

4. Remuneration Committee Members' Professional Qualifications and Independent Analysis

(1) The Company's Remuneration Committee members are listed in the table below.

As of April 3, 2022

| Criteria Name/Title | Professional Qualification and Experience | Independent Directors' Independence Status | Number of Other Taiwanese Public Companies Concurrently Serving as a Compensation Committee Member | Remarks |
|--|--|---|--|----------------------|
| Independent Director (Convener) Grace Tsai | The Company's Remuneration Committee is comprised of all three independent directors. For members professional qualification and experience, please refer to "3.2. of 1. Information on the Company's Directors" on page 12-13 of this Chapter of Annual Report. | All the Remuneration Committee members meet any of the following situations: 1. Satisfy the requirements of Article 14-6 of "Securities and Exchange Act" and the requirements of "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange" (Note) issued by Taiwan's Securities and Futures Bureau. 2. Independent Director (or nominee arrangement) as well as his/her spouse and minor children do not hold any shares of the Company. 3. Received no compensation or benefits for providing commercial, legal, financial, accounting services or consultation to the Company or to any its affiliates within the preceding two years, and the service provided is either an "audit service" or a "non-audit service" | 0 | Resigned on 2022/4/3 |
| Independent Director Robert Hsieh | | | 0 | |
| Independent Director Jason Hsuan | | | 0 | Resigned on 2022/4/3 |

Note: During the two years before being elected and during the term of office, meet any of the following situations:

- (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;
- (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 amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders;
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding (1) subparagraph, or of any of the above persons in the preceding subparagraphs (2) and (3);
- (5) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, ranks as of its top five shareholders, or has representative director(s) serving on the company's board based on Article 27 of the Company Law;
- (6) Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company;
- (7) Not a director, supervisor, or employee of a company of which the chairman or CEO (or equivalent) themselves or their spouse also serve as the company's chairman or CEO (or equivalent);
- (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; and
- (9) Other than serving as a compensation committee member of the company, not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, and the service provided is an "audit service" or a "non-audit service which total compensation within the recent two years exceeds NT\$500,000".

(2) The responsibilities and duties of operations of the Remuneration Committee:

- Set up and review the policies, systems, standards, and structures of the performance review and the compensation and benefits of the Company's officers and directors.
- Periodically assess and set up the compensation and benefits of the Company's officers and directors.
- Retain and terminate any consultant to be used to assist the Committee in the evaluation of the CEO, executive officer and director compensation, including the authority to approve any such consultant's fees and other retention terms.

- Annually review and approve the corporate goals and objectives relevant to CEO compensation and evaluate the CEO performance in light of these goals and objective.
- Annually review and approve the corporate goals and objectives relevant to executive officers compensation.
- Annually review and make recommendations to the Board with respect to adoption and approval of, or amendments to, all cash-based and equity-based incentive compensation plans and arrangements, and the shares and amounts reserved thereunder after taking into consideration the Company’s strategy of long-term and equity-based compensation.

(3) Information on the operation of the Remuneration Committee:

- (i) The Company’s Remuneration Committee consists of all three independent Directors.
- (ii) This tenure of the Committee has commenced from August 6, 2021 and will be expired on August 5, 2024, a total of three (A) Remuneration Committee meetings were held in 2021. Committee members’ attendance was as follows:

| Title | Name | Attendance in Person (B) | By Proxy | Attendance Rate in Person (%) (B/A) | Notes |
|----------|-------------|--------------------------|----------|-------------------------------------|--------------------------|
| Convener | Grace Tsai | 3 | 0 | 100% | Resigned on Apr. 3, 2022 |
| Member | Rober Hsieh | 2 | 1 | 67% | None |
| Member | Jason Hsuan | 2 | 1 | 67% | Resigned on Apr. 3, 2022 |

Other mentionable items:

1. In cases the Borad doesn’t adopt or revise Remuneration Committee’s proposals, the Company shall list date, number of the Board meeting, agenda, the Board’s resolution and the Company’s response to Remuneration Committee’s prososal: None.
2. In cased Remuneration Committee members have dissenting opinions or qualified opinions against the resolution and recorded with notes in paper, the Company shall list date, number of the Remuneration Committee meeting, agenda, all members’ opinion and the follow-up of the members’ opinion: None.
3. The Remuneration Committee meetings were held in 2021, the dates of meetings, sessions, contents of motions, and results of resolutions, and the Company’s response to the Remuneration Committee’s opinions:

| Session-No. of Meeting / Dates | Major Resolutions | Results of Resolutions | The Company’s response to the Remuneration Committee’s opinions |
|--------------------------------|--|--|--|
| IV-6 2021/3/5 | 1. To approve 2020’s remuneration pay out to the Managerial officers 2. To approve the resignation of executive officers | Remuneration Committee approved the resolution | None resolution objected to by Remuneration Committee or subject to qualified opinion and recorded or declared in writing. |
| IV-7 2021/4/29 | 1. To approve the 2021’s remuneration plan to the Managerial officers and Board of Directors 2. To approve the Severance plan for Management officers in the event of Change in Control | | |
| V-1 2021/11/8 | To approve 2021’s stock option grant for the management team | | |

5. The state of the Company's progress on sustainable development and Deviations from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”, and the reason for any such variance:

| Promotion Items | Implementation Status | | | Discrepancies with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons |
|---|-----------------------|----|--|--|
| | Yes | No | Explanation | |
| 1. Does the Company develop guidelines for sustainability and establish a sustainability unit which is delegated to Management by the Board of Directors and subject to supervision by the board. | | V | Although the Company has not set up a dedicated department for promoting sustainable development, but the Company upholds the business philosophy and vision, and the department relate to sustainable development affairs is designed to fulfill the sustainability of the Company. | Although the Company has not set up a dedicated department, the Company will follow the regulations of “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” when there are statutes or actual necessary considerations. |
| 2. 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? | V | | Please refer to Chapter 7 of 7.6 of this annual report | None |
| 3. Environmental Topic | | | | None |
| (1) Has the Company establish proper environmental management systems based on the characteristics of their industries? | V | | (1) The Company has established an appropriate environmental management system, positioning green security software manufacturers, and attaches great importance to the EU's WEEE and RoHS environmental protection directives. In order to fulfill the corporate environmental responsibility, we are committed to promoting and achieving ISO9001 international environmental certification. | |
| (2) Has the Company improved the utilization rate of each resource and used the re-generated material with low impact on the environment? | V | | (2) The Company's production is mainly based on software development. The hardware is only assembled. There is no special pollution, and there are no problems with facilities and equipment or emission permits. However, the Company is still committed to use of green materials and various wastes. The treatment is all about environmental protection as the most important consideration. | |
| (3) Does the Company evaluate current and future climate change potential risks and opportunities and take measures related to climate related topics? | V | | (3) The Company is also actively facing issues such as climate change, environmental protection and global warming, in addition to implementing various | |

| Promotion Items | Implementation Status | | | Discrepancies with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons |
|--|-----------------------|----|--|--|
| | Yes | No | Explanation | |
| (4) 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? | | V | energy-saving measures within the group, as well as conducting autonomous greenhouse gas inventory planning; more actively promoting softer information. Hardware helps companies reduce energy consumption and increase the efficiency of information equipment to reduce power demand and address cooling needs. (4) The Company's production is mainly based on software development. The hardware is only assembled. There is no special pollution, the Company doesn't collect any data for greenhouse gas emissions, water usage and waste quantity in the past two years. | |
| 4. Social Topic (1) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles? (2) 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? (3) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training? | V V V | | (1) In accordance with local laws and regulations, the Company signs labor contracts with employees to protect the legitimate interests of employees and respect the human rights of employees. (2) The Company reviews the remuneration standard in accordance to market rates and stipulates a reasonable remuneration policy according to macroeconomic indices to ensure a competitive level of remuneration. Also, by offering a platform of two-way communication through regular performance evaluations and future plan developments, we achieve individual and organization development by rewarding based on performance and encourage employees to grow with the Company. (3) In accordance with the laws and regulations of each place of operation, the Company continues to promote the safe and healthy working environment of employees through daily inspections and audits, and educates new employees on the safety and | None |

| Promotion Items | Implementation Status | | | Discrepancies with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons |
|--|-----------------------|----|---|--|
| | Yes | No | Explanation | |
| (4) Has the Company established effective career development training plans? | V | | health of their work environment. (4) The Company treats Employees as an important assets. In order to make employees develop their strengths and continue to create competitive advantages of the Company, the Company plans necessary and appropriate internal education training courses according to the functions of employees, and arranges employees to participate in external education training courses from time to time. | |
| (5) Does the Company's product and service comply with related regulations and international rules for customers' health and safety, privacy, sales, labelling and set policies to protect consumers' or customers' right and consumer appeal procedures? | V | | (5) The Company is in the communication network industry, and has a customer complaint handling process to protect consumer rights. The Company is positioned as a green security software manufacturer, marketing and labeling of products and services, and complying with relevant laws and international standards of each place of operation. | |
| (6) 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? | V | | (6) The Company has established an assessment mechanism for suppliers. The main materials of the Company's products are provided by suppliers that have passed environmental certification and comply with domestic and international environmental regulations. | |
| 5. Does the Company adopt internationally recognized standards or guidelines when producing corporate social responsibility reports, to disclose the status of their implementation of the corporate social responsibility policy? Did the Company obtain a third party assurance or verification to ensure the reliability of the information in their CSR reports? | | V | The Company is committed to the promotion of corporate social responsibility, but has not yet compiled a corporate social responsibility report, so it has not disclosed relevant information on the Company's website and MOPS. | The Company's relevant information on corporate social responsibility with relevance and reliability will be disclosed on its website and MOPS, depending on the actual needs. |
| 6. If the Company has established the corporate social responsibility principles based on the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies", please describe any discrepancy between the Principles and their implementation: The Company doesn't establish the corporate social responsibility principles yet. | | | | |

| Promotion Items | Implementation Status | | | Discrepancies with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons |
|---|-----------------------|----|-------------|--|
| | Yes | No | Explanation | |
| 7. Other important information to facilitate better understanding of the Company's corporate social responsibility practices: Please refer this Annual report regarding the Company's corporate social responsibility practices. | | | | |

6. Taiwan Corporate Conduct and Ethics Implementation as Required by the Taiwan Financial Supervisory Commission and Deviations from “The Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”

In order to pursue the Company's sustainable development and implement corporate social responsibility, all members of the Company are required to be honest, integrity, confidential, and respectful as the highest standards of business operation and sets up various internal guidelines based on the core values as well as all related laws and standards. Also, the Company has set up many internal guidelines to ensure ethical corporate management and compliance.

| Assessment Items | Implementation Status | | | Deviations from “The Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and its reasons |
|--|-----------------------|-------------------|--|--|
| | Yes | No | Explanation | |
| <p>1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures</p> <p>(1) 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 the commitment regarding implementation of such policy from the Board of Directors and the top management team?</p> <p>(2) Where 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</p> | | <p>V</p> <p>V</p> | <p>(1) The Company has not established a formal ethics policy, under the framework of the Ethics Code, the Company has established a regulatory compliance program that includes policies, guidelines and procedures in different compliance areas, including: Employment Regulations, Internal Controls, Insider Trading and Financial Reporting. It is our belief that these policies are crucial in strengthening overall compliance with the Ethics Code and compliance program.</p> <p>(2) The Directors and Managers of the Company adhere to the core principle of integrity. If any matter involves a conflict of interest, the affected Director(s) or Manager(s) shall avoid such conflict and refrain from participating in resolutions in such matter.</p> | <p>The Company will establish a formal ethics policy and measure in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies when the regulation or operation required. No significant difference.</p> |

| Assessment Items | Implementation Status | | | Deviations from “The Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and its reasons |
|---|-----------------------|----|--|--|
| | Yes | No | Explanation | |
| <p>paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed companies?</p> <p>(3) Whether the Company has established relevant policies that are duly enforced to prevent unethical conduct, provided implementation procedures, guidelines, consequences of violation and complaint procefares, and periodically reviews and revises such policies?</p> | V | | (3) The Company’s employees are expected to fully understand and comply with all laws and regulations that govern our businesses, as well as relevant policies, guidelines and procedures, and make ethical decisions in every circumstance. The Internal Auditor of the Company also plays a critical role in ensuring the Company’s compliance with the Ethics Code and relevant rules and regulations. Internal Auditor conducts audits of various control points within the Company in accordance with its annual audit plan approved by the Board of Directors to ensure that our financial, managerial, and operating information is accurate, reliable, and timely. | |
| <p>2. Ethic Management Practice</p> <p>(1) 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?</p> <p>(2) Whether the Company has set up a unit which is dedicated to promoting the Company’s ethical standards and regularly (at least once a year) reports directly to the Board of Directors on its ethical corporate management policy and relevant matters, and program to prevent unethical conduct and monitor its implementation?</p> <p>(3) Whether the Company has established policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?</p> | V | V | <p>(1) The Company conducts due diligence on counterparties’ integrity records and includes ethical principles in relevant contracts before trading with upstream and downstream companies to minimize the risks.</p> <p>(2) The Board of Director of the Company strives to perform the responsibilities of supervising the corporate conduct and ethics compliance practice through the Audit Committee, Remuneration Committee and Internal Audit department. The Company also designated general administration department to fulfill corporate social responsibility.</p> <p>(3) The Company has not established a formal policy to prevent conflict of interests, for matters related to conflicts of interest, employees of the Company can report to his/her superisor or report directly to the relevant members of the General manager's office.</p> | No significant difference. |

| Assessment Items | Implementation Status | | | Deviations from “The Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and its reasons |
|--|-----------------------|----|---|---|
| | Yes | No | Explanation | |
| <p>(4) 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?</p> <p>(5) Does the Company provide internal and external ethical conduct training programs on a regular basis?</p> | V | | (4) The Company has built up an effective accounting system and internal control systems that is constantly under review and evaluation to ensure the system’s design and execution remains effective. Internal auditors and CPAs audit the system referred in the prior paragraph. | |
| | V | | (5) The Company conducted throughout the year to refresh employees’ commitment to ethical conduct, and to get updated information on laws and regulations related to their daily operations. | |
| <p>3. Implementation of Complaint Procedures</p> <p>(1) Does the Company establish specific complain and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received?</p> <p>(2) Whether the Company has established shandard operation procedures for investigating the complaints received, follow-up measures after investigation are completed, and ensuring such complaints are handled in a confidential manner?</p> <p>(3) Does the Company adopt proper measures to prevent an complainant from retaliation for his/her filing a complaint?</p> | V | | (1) The Company established the Reporting Procedure of unethical behavior. It has been declosed on Company’s website, employees can use this system to report unethical and improper behaviors and the Company will designate senior management to handle the case. | None |
| | V | | (2) The Company established the SOP and relevant confidentiality mechanisms. | |
| | V | | (3) The Company established precautions in order to protect whistleblowers. | |
| <p>4. Information Disclosure</p> <p>(1) Does the Company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and Market Observation Post System (“MOPS”)</p> | | V | The Company doesn’t establish the corporate conduct and ethics policy, but the company is committed to the promotion of integrity management, so it has not disclosed the content of the integrity management code and information about implementation status on the Company's website and MOPS. | The Company will establish a formal ethics policy and measure in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies when the regulation or operation required. No significant difference. |

| Assessment Items | Implementation Status | | | Deviations from “The Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and its reasons |
|--|-----------------------|----|-------------|--|
| | Yes | No | Explanation | |
| 5. If the Company has established corporate governance policies based on TSE Corporate Conduct and Ethics Best Practice, please describe any discrepancy between the policies and their implementation: The Company doesn’t establish the Company’s corporate conduct and ethics policy. | | | | |
| 6. Other important information to facilitate better understanding of the Company’s corporate conduct and ethics compliance practices (e.g., review the Company’s corporate conduct and ethics policy): None. | | | | |

7. If the company has adopted corporate governance best-practice principles or related bylaws, disclose how these are to be searched: Not applicable.
8. Other significant information that will provide a better understanding of the state of the company's implementation of corporate governance may also be disclosed: Not applicable.
9. The section on the state of implementation of the company's internal control system shall furnish the following:
 - (1) A Statement on Internal Control: Please refer to "Array's Internal Control System Statements" on page 44 of this Annual Report.
 - (2) Where a CPA has been hired to carry out a special audit of the internal control system, furnish the CPA audit report: Not applicable.
10. For the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, disclose legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, where the result of such penalty could have a material effect on shareholder equity or securities prices, disclose the penalty, the main shortcomings, and condition of improvement: None.
11. Material resolutions of a shareholders meeting or a board of directors meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: Please refer page 45~46 of this Annual Report.
12. Where, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, an independence director has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof: None.
13. A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the company's chairman, general manager, principal accounting officer, principal financial officer, chief internal auditor, chief corporate governance officer, and principal research and development officer:

| Title | Name | Date of Appointed | Date of Termination | Reasons for Resignation or Dismissal |
|----------------------|--------------------|-------------------|---------------------|--------------------------------------|
| Chairman | Robert Shen | Apr. 24, 2009 | Mar. 16, 2022 | Resignation |
| CTO & VP Engineering | Vinod B. Pisharody | Aug. 6, 2018 | Feb. 19, 2021 | Resignation |

3.4. Information on CPA professional fees

Auditor Information

| Accounting Firm | Name of CPA | | Period Covered by CPA's Audit | Note |
|-------------------|-------------|----------------|-------------------------------|---|
| Deloitte & Touche | Li-Wen Kuo | Yi-Wen Wang | 2021.1.1 ~2021.9.30 | The Company did not change the accounting firm this year, however, in compliance with relevant Deloitte's regulatory requirements on retention, the current engagement partners Li-Wen Kuo and Yi-Wen Wang were replaced by Vita Kuo and Chun-Hung Chen since fourth quarter of 2021. |
| | Li-Wen Kuo | Chun-Hung Chen | 2021.10.1 ~2021.12.31 | |

Audit Fee Scale

Unit: NT\$1,000

| Fee Scale | Fee Item | Audit Fee | Non-Audit Fee | Total |
|-----------|--|-----------|---------------|-------|
| 1 | Less than NT\$2 million | | | |
| 2 | NT\$2 million (includes) ~NT\$4 million (not included) | | | |
| 3 | NT\$4 million (includes) ~NT\$6 million (not included) | 5,602 | 0 | 5,602 |
| 4 | NT\$6 million (includes) ~NT\$8 million (not included) | | | |
| 5 | NT\$8 million (includes) ~ NT\$10 million (not included) | | | |
| 6 | Above NT\$10 million (includes) | | | |

- When non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed: None.
- When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: None.
- When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: None.

3.5. Information on replacement of certified public accountant within the last 2 fiscal years or any subsequent interim period: The Company doesn't change its certified public accountant within the last 2 fiscal years, however, in compliance with relevant Deloitte's regulatory requirements on rotation, the current engagement partners Li-Wen Kuo and Yi-Wen Wang were replaced by Li-Wen Kuo and Chun-Hung Chen since fourth quarter of 2021, which has been approved by Audit Committee and Board of Director on November 10th, 2021 and November 12th, 2021 respectively..

3.6. Where the Company's chairperson, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm: None.

3.7. Any transfer of equity interests and/or pledge of or change in equity interests by a director, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.

Shares Trading with Related Parties

| Name | Reason of Transfer | Date of Transaction | Transferee | Relationship between Transferee and Directors, Managers and Major Shareholders | Shares | Transaction Price (NTD) |
|---|--------------------|---------------------|------------------------------------|--|------------|-------------------------|
| Array Holdings for APGFIII Fund LPs (Shareholder Name at Shareholder list: China Trust Commercial Bank in Custody for Array Holdings for APGFIII Fund LPs investment account) | Acquired | Jan. 19, 2022 | Asia Pacific Growth Fund III, L.P. | Not related party (Note) | 21,172,000 | 9.21 |

(Note) Due to the need for internal adjustment of ownership structure, Asia Pacific Growth Fund III, L.P., the Company's more than 10 percent shareholder, has transferred 21,172 thousand shares of the Company's ordinary shares to Array Holdings for APGF III Fund LPs on January 19, 2022. The existing shareholders of Array Holdings for APGF III Fund LPs have changed on March 16, 2022 and April 26, 2022.

Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

| Title | Name | 2021 | | As of April 3, 2022 | |
|-------------------------------|--|--------------------------------------|--|--------------------------------------|--|
| | | Holding Increase (Decrease) (Note 1) | Pledged Holding Increase (Decrease) (Note 2) | Holding Increase (Decrease) (Note 1) | Pledged Holding Increase (Decrease) (Note 2) |
| Chairman | Robert Shen (Resigned on Mar. 16, 2022) | 0 | 0 | 0 | 0 |
| Director & President (Note 3) | Yao Zhao | 0 | 0 | 0 | 0 |
| Director | George Chen (Tenure expired on Aug. 5, 2021) | 0 | 0 | 0 | 0 |
| Director | Teng-Yue Wang (Inauguration date: Aug. 6, 2021) | 0 | 0 | 0 | 0 |
| Director | William P. Fuller | 0 | 0 | 0 | 0 |
| Independence Director | Grace Tsai (Resigned on Apr. 3, 2022) | 0 | 0 | 0 | 0 |
| Independence Director | Robert Hsieh | 0 | 0 | 0 | 0 |
| Independence Director | Jason Hsuan (Resigned on Apr. 3, 2022) | 0 | 0 | 0 | 0 |
| Vice President | Vinod B. Pisharody (Resigned on Feb. 19, 2021) | 0 | 0 | 0 | 0 |
| Vice President | Paul Andersen | 0 | 0 | 0 | 0 |
| Vice President | Fara Zarrabi | 0 | 0 | 0 | 0 |
| Vice President & CFO | Sameena Ahmed | 0 | 0 | 0 | 0 |
| Major Shareholder | Asia Pacific Growth Fund III, L.P. (Dismissal date: Jan. 19, 2022) | 0 (30,000) | 0 | 0 (21,172,000) | 0 |
| Major Shareholder | Array Holdings for APGFIII Fund LPs (Shareholder Name at Shareholder list: China Trust Commercial Bank in Custody for Array Holdings for APGFIII Fund LPs investment account) (Inauguration date: Jan. 19, 2022) | 0 | 0 | 21,172,000 | 0 |

Note 1: Stock trade with related party: None.

Note 2: None of Directors, Managers and Major Shareholders pledge shock.

Note 3: Mr. Robert Shen resigned on Mar. 16, 2022, the board of directors of the Company elected the Director and President Mr. Yao Zhao to serve as the chairman concurrently.

3.8. Relationship information, if among the Company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another:

As of April 3, 2022

| Top 10 Shareholders | Shareholding | | Shareholding under Spouse & Minor | | Shareholding under 3 rd Party | | Top 10 Shareholders who related parties to each other | | Note |
|---|--------------|--------|-----------------------------------|---|--|---|---|--------------|------|
| | Shares | % | Shares | % | Shares | % | Name | Relationship | |
| Array Holdings for APGFIII Fund LPs (Shareholder Name at Shareholder list: China Trust Commercial Bank in Custody for Array Holdings for APGFIII Fund LPs investment account) | 21,172,000 | 41.42% | 0 | 0 | 0 | 0 | None | None | None |
| ZHAO, YAO | 3,565,073 | 6.98% | 0 | 0 | 0 | 0 | None | None | None |
| Cao, Zhi Liang | 2,426,905 | 4.75% | 0 | 0 | 0 | 0 | None | None | None |
| Chiang, Wei Hua | 1,941,159 | 3.80% | 0 | 0 | 0 | 0 | None | None | None |
| Chiang, Yu Chun Ying | 1,692,112 | 3.31% | 0 | 0 | 0 | 0 | None | None | None |
| Chiang, Yu Lian | 1,623,000 | 3.18% | 0 | 0 | 0 | 0 | None | None | None |
| Fan, ZhenLong | 1,032,970 | 2.02% | 0 | 0 | 0 | 0 | None | None | None |
| China Trust Commercial Bank in Custody for Array Foreign employees collective account | 746,726 | 1.46% | 0 | 0 | 0 | 0 | None | None | None |
| Lin, Jin Shu | 460,000 | 0.90% | 0 | 0 | 0 | 0 | None | None | None |
| Huang, Xiu-Fen | 410,000 | 0.80% | 0 | 0 | 0 | 0 | None | None | None |

3.9. The total number of shares and total equity stake held in any single enterprise by the Company, its Directors, Managers, and any companies controlled either directly or indirectly by the Company

Unit: Share / %

| Long-Term Investment | Investments by the Company | | Investments directly or indirectly by Directors and Managers of the Company | | Total Investment | |
|----------------------|----------------------------|--------|---|----|------------------|--------|
| | Shares | % | Shares | % | Shares | % |
| Array US | | 100% | 0 | 0% | | 100% |
| Array Japan | Not applicable | 100% | 0 | 0% | Not applicable | 100% |
| Zentry | (Note) | 99.97% | 0 | 0% | (Note) | 99.97% |
| Array India | | 100% | 0 | 0% | | 100% |

Note: Not applicable : The investment isn't a Corporations or doesn't issue shares, and expressed in proportion of ownership.

Array Inc.

Internal Control System Statements

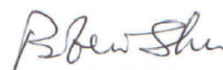
Date : March 16, 2022

Based on the findings of a self-assessment, Array Inc. ("Array") states the following with regards to its internal control system during the period from Jan. 1, 2021 to Dec. 31, 2021:

1. Array is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. Array has established such a system aimed at providing reasonable assurance regarding the achievement of objectives in the following categories: (1) effectiveness and efficiency of operations (including profitability, performance, and safeguarding of assets), (2) reliability, timely and transparent of the reporting, and (3) compliance with applicable laws, regulations and bylaws.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three objectives mentioned above. Moreover, the effectiveness of an internal control system may be subject to changes of environment or circumstances. Nevertheless, the internal control system of Array contains self-monitoring mechanisms, and Array takes corrective actions whenever a deficiency is identified.
3. Array 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 (herein below, the "Regulations"). The criteria adopted by the Regulations identifies five components of internal control based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring operations. Each component further contains several items. Please refer to the Regulations for details.
4. Array has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, Array believes that, during the period, its internal control system (including its supervision and management of subsidiaries), as well as its internal controls to monitor the achievement of its objectives concerning operational effectiveness and efficiency, reliability, timely and transparent of the reporting, and compliance with applicable laws, regulations and bylaws, were effective in design and operation, and reasonably assured the achievement of the above-stated objectives.
6. This Statement will be an integral part of Array'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 Law.
7. This Statement has been passed by the Board of Directors in their meeting held on March 16, 2022 Taiwan Time, with none of the five attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Array Inc.

Robert Shen



Chairman of the Board of Directors

Michael Zhao



President & Chief Executive Officer

Material resolutions of Board of Directors meeting in 2021 and up to the date of publication of the annual report:

| Session-No. of Meeting / Dates | Major Resolutions | Relate to Article 14.3 or 14.5 of Taiwan's Securities and Exchange Act | Independent director's opinion and the Company's response | Results of resolutions of Board of Directors or Audit Committee |
|--------------------------------|---|--|---|---|
| IV-14 2021/3/12 | 1. To approve 2020 Business Report and Financial Statements | √ | None | Audit Committee and Borad approved this resolution |
| | 2. To approve the proposal "Covering of Losses" | √ | | |
| | 3. To approve the Statement of Internal Control System for 2021 | √ | | |
| | 4. Re-elect Board of Directors | | | Board approved this resolution |
| | 5. To convene the 2021 Annual General Meeting | | | |
| | 6. To propose the candidates of Director | | | |
| | 7. To grant waiver to the new Directors' and Independent Directors' engaging in any business within the scope of the Company's business | | | |
| | 8. To approve 2021 target plan | | | |
| | 9. To approve the resignation of executive officers | | | |
| | 10. To approve bonus will not be distributed to the Managerial officers and Board of Directors 2020's remuneration pay out to the Managerial officers | | | Audit Committee and Borad approved this resolution |
| | 11. To approve the new investment of US\$4M to a total of \$7M for Zentry Security Inc. under Array Networks Inc. (Cayman) | √ | | |
| | 12. To approve the Convertible loan of US\$3M to the Subsidiary – ZENTRY SECURITY INC. under Array Networks Inc. (Cayman) | √ | | Board approved this resolution |
| | 13. To approve the issuance of Zentry's Stock Option | | | |
| IV-15 2021/4/26 | 1. To approve the candidate of Director nominated by shareholders | | None | Board approved this resolution |
| IV-16 2021/5/6 | 1. To approve the Financial Statements for first quarter of 2021 | | None | Audit Committee and Borad approved this resolution |
| | 2. To approve the 2021's compensation package to the Managerial officers | | | Board approved this resolution |
| IV-17 2021/7/2 | 1. To approve the date of 2021's Annual General Meeting | | None | Board approved this resolution |
| | 2. To approve the issuance of Employee Stock Option of the Company | √ | | Audit Committee and Borad approved this resolution |
| | 3. To approve the Severance plan for Management officers in the event of Change in Control | | | Board approved this resolution |
| V-1 2021/8/6 | 1. Election of Chairman | | None | Board approved this resolution |
| | 2. To appoint the members of Audit Committee | | | |
| | 3. To appoint the members of Remuneration Committee | | | |
| V-2 2021/8/25 | 1. To approve 2021 Semi-annual Financial Statements | √ | None | Audit Committee and Borad approved this resolution |
| | 2. To approve the amended 2021 1st Employee Stock Option Issuance and Subscription Plan | | | Board approved this resolution |
| | 3. To approve the amendments of Rules and Procedures of Board of Directors Meeting and Internal Control Policy of the Company. | √ | | Audit Committee and Borad approved this resolution |
| | 4. To approve US\$3M credit line with Cathay Bank | | | Board approved this resolution |
| | 5. To approve the changes of Deputy Spokesperson and Deputy Internal Auditor | √ | | Audit Committee and Borad approved this resolution |
| V-3 2021/11/12 | 1. To approve Consolidated Financial Statements for the nine months ended September 30, 2021 | √ | None | Audit Committee and Borad approved this resolution |
| | 2. To approve the audit plan for 2022 | √ | | |
| | 3. To approve the change of audit partner and the independence assessment result of the Company's | √ | | |

| Session-No. of Meeting / Dates | Major Resolutions | Relate to Article 14.3 or 14.5 of Taiwan's Securities and Exchange Act | Independent director's opinion and the Company's response | Results of resolutions of Board of Directors or Audit Committee |
|--------------------------------|---|--|---|---|
| | Certified Public Accountants (CPAs) of Financial Statement and Associated Accounting Firm | | | |
| | 4. To approve the existing convertible loan of \$3M as capital into the Subsidiary – ZENTRY SECURITY INC. and a new Convertible loan of US\$1.5M to Zentry under Array Networks Inc. (Cayman) | V | | |
| | 5. To approve the grant list of 2021's Employee Stock Option issuance | V | | |
| V-4 2022/3/16 | 1. Chairman Robert Shen's resignation and by-election of Chairman | | None | Board approved this resolution |
| | 2. To approve 2021 Business Report and Financial Statements | V | | Audit Committee and Borad approved this resolution |
| | 3. To approve 2021 Statement of Appropriations for Profits and Losses | V | | |
| | 4. To approve the Statement of Internal Control System for 2021 | V | | Board approved this resolution |
| | 5. To approve the amendments of Memorandum and the Articles of Association | | | |
| | 6. To approve the amendments of Procedures for Acquisition or Disposal of Assets | V | | |
| | 7. To convene the 2022 Annual General Meeting | | | Board approved this resolution |
| | 8. To approve 2022 target plan | | | Audit Committee and Borad approved this resolution |
| | 9. To approve the Convertible loan of US\$1.5M to the Subsidiary – ZENTRY SECURITY INC. under Array Networks Inc. (Cayman) | V | | |
| V-5 2022/3/31 | 1. To approve the amendments of Memorandum and the Articles of Association | | None | Board approved this resolution |
| | 2. The change of Board of Directors | | | |
| | 3. Re-elect Board of Directors | | | |
| | 4. To grant waiver to the new Directors' engaging in any business within the scope of the Company's business | | | |
| | 5. To approve the issues that will be reported and to be discussed and/or approved at the 2022 Annual General Meeting (add the election and new topics) | | | |
| | 6. To approve the appointment of Chief Executive Officer of Subsidiary – Zentry Security Inc. | | | |

Material Resolutions of Shareholders' Meeting dated August 6, 2021 and Implementation Status

1. Adopted 2020 Business Report and Financial Statements.
2. Adopted 2020's "Covering of Losses" proposal.
3. Election of 5th session of seven Directors (including three independent Directors).
4. To grant waiver to the Directors' and Independent Directors' engaging in any business within the scope of the Company's business.

Implementation Status

All the resolutions of the Shareholders' Meeting have been fully implemented in accordance with the resolutions.

Chapter 4. Information on capital raising activities

4.1. The Company's capital, any issuance of shares, corporate bonds, preferred shares, global depository receipts, and employee stock warrants, new restricted employee shares, any merger and acquisition activities (including mergers, acquisitions, and demergers).

1. Source of capital stock

Unit: NT\$

| Month/ Year | Issue Price (Per share) | Authorized Capital | | Paid-in Capital | | Remarks | | |
|----------------|----------------------------------|--------------------|---------------|-----------------|-------------|-----------------------|--|--------|
| | | Shares | Amount | Shares | Amount | Sources of Capital | Capital Increase by Assets other than Cash | Others |
| 2008/12/19 | 10 | 105,000,000 | 1,050,000,000 | 1 | 10 | Note 1 | - | Set up |
| 2009/05/01 | 10 | 105,000,000 | 1,050,000,000 | (1) | (10) | | | |
| 2009/05/01 | 10 | 105,000,000 | 1,050,000,000 | 52,592,530 | 525,925,300 | Share Swap | Share Swap | Note 2 |
| 2010/05/04 | 13.75 | 105,000,000 | 1,050,000,000 | 54,092,530 | 540,925,300 | Cash Capitaliation | None | - |
| 2010/06/15 | - | 105,000,000 | 1,050,000,000 | 57,642,530 | 576,425,300 | Warrants exercised | None | |
| 2010/06/15 | - | 105,000,000 | 1,050,000,000 | 57,668,155 | 576,681,550 | Options exercised | None | |
| 2010/06/24 | 48 | 105,000,000 | 1,050,000,000 | 67,168,155 | 671,681,550 | Cash Capitaliation | None | Note 3 |
| 2010/08/31 | - | 105,000,000 | 1,050,000,000 | 67,673,921 | 676,739,210 | Options exercised | None | |
| 2010/09/30 | - | 105,000,000 | 1,050,000,000 | 67,679,963 | 676,799,630 | Options exercised | None | |
| 2010/10/31 | - | 105,000,000 | 1,050,000,000 | 67,707,255 | 677,072,550 | Options exercised | None | |
| 2010/11/30 | - | 105,000,000 | 1,050,000,000 | 67,712,255 | 677,122,550 | Options exercised | None | |
| 2010/12/31 | - | 105,000,000 | 1,050,000,000 | 67,745,172 | 677,451,720 | Options exercised | None | |
| 2011/01/31 | - | 105,000,000 | 1,050,000,000 | 68,197,440 | 681,974,400 | Options exercised | None | |
| 2011/02/28 | - | 105,000,000 | 1,050,000,000 | 68,207,440 | 682,074,400 | Options exercised | None | |
| 2011/03/31 | - | 105,000,000 | 1,050,000,000 | 68,638,378 | 686,383,780 | Options exercised | None | |
| 2011/04/12 | - | 105,000,000 | 1,050,000,000 | 69,296,378 | 692,963,780 | Options exercised | None | |
| 2011/06/30 | - | 105,000,000 | 1,050,000,000 | 69,336,378 | 693,363,780 | Options exercised | None | |
| 2011/07/31 | - | 105,000,000 | 1,050,000,000 | 69,381,128 | 693,811,280 | Options exercised | None | |
| 2011/08/31 | - | 105,000,000 | 1,050,000,000 | 69,393,524 | 693,935,240 | Options exercised | None | |
| 2011/10/31 | - | 105,000,000 | 1,050,000,000 | 69,509,566 | 695,095,660 | Options exercised | None | |
| 2012/04/30 | - | 105,000,000 | 1,050,000,000 | 70,117,232 | 701,172,320 | Options exercised | None | |
| 2012/07/31 | - | 105,000,000 | 1,050,000,000 | 70,171,024 | 701,710,240 | Options exercised | None | |
| 2012/08/31 | - | 105,000,000 | 1,050,000,000 | 70,211,024 | 702,110,240 | Options exercised | None | |
| 2012/10/31 | - | 105,000,000 | 1,050,000,000 | 70,246,024 | 702,460,240 | Options exercised | None | |
| 2012/11/30 | - | 105,000,000 | 1,050,000,000 | 70,824,774 | 708,247,740 | Options exercised | None | |
| 2013/01/31 | - | 105,000,000 | 1,050,000,000 | 70,876,441 | 708,764,410 | Options exercised | None | |
| 2013/02/28 | - | 105,000,000 | 1,050,000,000 | 71,776,441 | 717,764,410 | Options exercised | None | |
| 2013/03/31 | - | 105,000,000 | 1,050,000,000 | 71,781,441 | 717,814,410 | Options exercised | None | |
| 2013/04/30 | - | 105,000,000 | 1,050,000,000 | 71,819,941 | 718,199,910 | Options exercised | None | |
| 2013/07/31 | - | 105,000,000 | 1,050,000,000 | 71,860,941 | 718,609,910 | Options exercised | None | |
| 2013/08/31 | - | 105,000,000 | 1,050,000,000 | 71,870,941 | 718,709,910 | Options exercised | None | |
| 2013/09/30 | - | 105,000,000 | 1,050,000,000 | 72,050,941 | 720,509,910 | Options exercised | None | |
| 2013/10/31 | - | 105,000,000 | 1,050,000,000 | 72,234,691 | 722,346,910 | Options exercised | None | |
| 2013/11/30 | - | 105,000,000 | 1,050,000,000 | 72,330,691 | 723,306,910 | Options exercised | None | |
| 2013/12/31 | - | 105,000,000 | 1,050,000,000 | 76,745,399 | 767,453,990 | Options exercised | None | |
| 2014/01/31 | - | 105,000,000 | 1,050,000,000 | 76,762,232 | 767,622,320 | Options exercised | None | |
| 2014/02/28 | - | 105,000,000 | 1,050,000,000 | 76,768,232 | 767,682,320 | Options exercised | None | |
| 2014/03/31 | - | 105,000,000 | 1,050,000,000 | 77,076,579 | 770,765,790 | Options exercised | None | |
| 2014/04/30 | - | 105,000,000 | 1,050,000,000 | 77,169,663 | 771,696,630 | Options exercised | None | |
| 2014/07/31 | - | 105,000,000 | 1,050,000,000 | 77,207,997 | 772,079,970 | Options exercised | None | |
| 2014/09/30 | - | 105,000,000 | 1,050,000,000 | 77,246,872 | 772,468,720 | Options exercised | None | |
| 2014/10/31 | - | 105,000,000 | 1,050,000,000 | 77,256,872 | 772,568,720 | Options exercised | None | |
| 2014/11/30 | - | 105,000,000 | 1,050,000,000 | 77,274,372 | 772,743,720 | Options exercised | None | |
| 2014/12/31 | - | 105,000,000 | 1,050,000,000 | 77,289,372 | 772,893,720 | Options exercised | None | |
| 2015/01/31 | - | 105,000,000 | 1,050,000,000 | 77,568,372 | 775,683,720 | Options exercised | None | |
| 2015/03/31 | - | 105,000,000 | 1,050,000,000 | 77,593,372 | 775,933,720 | Options exercised | None | |
| 2015/04/30 | - | 105,000,000 | 1,050,000,000 | 77,623,372 | 776,233,720 | Options exercised | None | |
| 2015/7/31 | - | 105,000,000 | 1,050,000,000 | 77,663,372 | 776,633,720 | Options exercised | None | |
| 2015/8/31 | - | 105,000,000 | 1,050,000,000 | 77,743,372 | 777,433,720 | Options exercised | None | |

| Month/ Year | Issue Price (Per share) | Authorized Capital | | Paid-in Capital | | Remarks | | |
|----------------|----------------------------------|--------------------|---------------|-----------------|-------------|------------------------------------|--|--------|
| | | Shares | Amount | Shares | Amount | Sources of Capital | Capital Increase by Assets other than Cash | Others |
| 2015/9/30 | - | 105,000,000 | 1,050,000,000 | 77,748,372 | 777,483,720 | Options exercised | None | |
| 2015/10/31 | - | 105,000,000 | 1,050,000,000 | 77,789,372 | 777,893,720 | Options exercised | None | |
| 2015/12/31 | - | 105,000,000 | 1,050,000,000 | 77,804,372 | 778,043,720 | Options exercised | None | |
| 2016/1/31 | - | 105,000,000 | 1,050,000,000 | 77,834,372 | 778,343,720 | Options exercised | None | |
| 2016/3/31 | - | 105,000,000 | 1,050,000,000 | 77,909,372 | 779,093,720 | Options exercised | None | |
| 2016/4/10 | - | 105,000,000 | 1,050,000,000 | 77,909,372 | 779,093,720 | Options exercised | None | |
| 2016/6/29 | - | 105,000,000 | 1,050,000,000 | 74,659,372 | 746,593,720 | Options exercised | None | |
| 2016/7/31 | - | 105,000,000 | 1,050,000,000 | 74,685,372 | 746,853,720 | Options exercised | None | |
| 2016/8/31 | - | 105,000,000 | 1,050,000,000 | 74,712,872 | 747,128,720 | Options exercised | None | |
| 2016/9/30 | - | 105,000,000 | 1,050,000,000 | 74,734,539 | 747,345,390 | Options exercised | None | |
| 2017/2/28 | - | 105,000,000 | 1,050,000,000 | 74,754,539 | 747,545,390 | Options exercised | None | |
| 2017/6/30 | - | 105,000,000 | 1,050,000,000 | 74,894,539 | 748,945,390 | Options exercised | None | |
| 2017/7/31 | - | 105,000,000 | 1,050,000,000 | 74,897,039 | 748,970,390 | Options exercised | None | |
| 2017/9/12 | - | 105,000,000 | 1,050,000,000 | 52,470,678 | 524,706,780 | Capital Reduction by cash | None | Note 4 |
| 2017/9/30 | - | 105,000,000 | 1,050,000,000 | 53,374,678 | 533,746,780 | Options exercised | None | |
| 2017/12/29 | - | 105,000,000 | 1,050,000,000 | 52,494,461 | 524,944,610 | Cancellation of Treasury shares | None | |
| 2017/12/31 | - | 105,000,000 | 1,050,000,000 | 52,522,461 | 525,224,610 | Options exercised | None | |
| 2019/5/15 | - | 105,000,000 | 1,050,000,000 | 51,098,332 | 510,983,320 | Cancellation of Treasury shares | None | |
| 2021/1/31 | - | 105,000,000 | 1,050,000,000 | 51,111,294 | 511,112,940 | Options exercised | None | |

Note 1: The Company issues 1 share at the time establishment and registration, the share buys back and cancels after the share swap.

Note 2: The Company issued 52,592,530 shares of common stock with NT\$10 par value per share for the purpose of reorganizing Array Cayman and its subsidiaries. The reorganization was completed on May 1, 2009 pursuant to a share swap agreement and listed in Emerging Market.

Note 3: Date of approval & approval document no.: June 7th, 2010, SFB #0990027651.

Note 4: Date of approval & approval document no.: July 3rd, 2017, SFB #1060023668.

As of April 3, 2022

| Securities Type | Authorized Capital (share) | | | Remark |
|-----------------|----------------------------|------------|-------------|----------------|
| | Outstanding | Un-Issued | Total | |
| Common Share | 51,111,294 | 53,888,706 | 105,000,000 | Listed on TPEX |

2. Composition of Shareholders

As of April 3, 2022

| Type of Shareholders | Government Agencies | Financial Institutions | Other Juridical Persons | Individuals | Foreign Institution & Persons (Note) | Treasury Share | Total |
|---------------------------|------------------------|---------------------------|-------------------------------|-------------|--|-------------------|------------|
| No. of Share | | | | | | | |
| Number of Shareholders | 0 | 0 | 8 | 2,036 | 16 | 1 | 2,061 |
| Shareholding | 0 | 0 | 53,572 | 22,936,357 | 26,213,365 | 1,908,000 | 51,111,294 |
| Holding Percentage | 0.00% | 0.00% | 0.10% | 44.88% | 51.29% | 3.73% | 100.00% |

Note: Included 0.50% from Mainland Area enterprise ("Mainland Area enterprise" means a juristic person, group, or other institution of the Mainland Area, or a company in which the same have invested in a third jurisdiction in accordance with Article 3 of the Regulations Governing Permission for People from the Mainland Area to Invest in the Taiwan Area.)

3. Distribution of Shareholding

(1) Distribution of Common share

Common share (The par value for each share is NT\$10)

As of April 3, 2022

| Class of Shareholding (Unit : Share) | No. of Shareholders | Shareholding (Share) | Percentage |
|---|---------------------|----------------------|------------|
| 1~999 | 635 | 314,853 | 0.62% |
| 1000 ~ 5000 | 963 | 2,113,706 | 4.14% |
| 5,001 ~ 10,000 | 212 | 1,641,188 | 3.21% |
| 10,001~ 15,000 | 62 | 805,694 | 1.58% |
| 15,001 ~ 20,000 | 38 | 678,783 | 1.33% |
| 20,001 ~ 30,000 | 55 | 1,388,078 | 2.72% |
| 30,001 ~ 40,000 | 23 | 833,208 | 1.63% |
| 40,001 ~ 50,000 | 15 | 684,129 | 1.34% |
| 50,001 ~ 100,000 | 28 | 1,979,147 | 3.87% |
| 100,001 ~ 200,000 | 12 | 1,624,235 | 3.18% |
| 200,001 ~ 400,000 | 7 | 2,070,328 | 4.05% |
| 400,001 ~ 600,000 | 2 | 870,000 | 1.70% |
| 600,001 ~ 800,000 | 1 | 746,726 | 1.46% |
| 800,001 ~ 1,000,000 | 0 | 0 | 0% |
| Over 1,000,000 | 8 | 35,361,219 | 69.17% |
| Total | 2,061 | 51,111,294 | 100.00% |

(2) Distribution of Preferred share: None

4. Major shareholders: Shareholders with a stake of 5% or greater, and if those are fewer than 10 shareholders, also list all shareholders who rank in the top 10 in shareholding percentage, and specify the number of shares and stake held by each shareholder.

As of April 3, 2022

| Shareholders \ Common Share | Total Shares Owned | Ownership (%) |
|--|--------------------|---------------|
| Array Holdings for APGFIII Fund LPs (Shareholder Name at Shareholder list: China Trust Commercial Bank in Custody for Array Holdings for APGFIII Fund LPs investment account) | 21,172,000 | 41.42% |
| ZHAO, YAO | 3,565,073 | 6.98% |
| Cao, Zhi Liang | 2,426,905 | 4.75% |
| Chiang, Wei Hua | 1,941,159 | 3.80% |
| Chiang, Yu Chun Ying | 1,692,112 | 3.31% |
| Chiang, Yu Lian | 1,623,000 | 3.18% |
| Fan, ZhenLong | 1,032,970 | 2.02% |
| China Trust Commercial Bank in Custody for Array Foreign employees collective account | 746,726 | 1.46% |
| Lin, Jin Shu | 460,000 | 0.90% |
| Huang, Xiu-Fen | 410,000 | 0.80% |

5. Market Price, Net Worth, Earnings and Dividends per Common Share

Unit: NT\$

| Item | Year | 2020 | 2021 | Jan. 1, 2022 ~ Mar. 31, 2022 | |
|------------------------|--|----------------------|----------|---------------------------------|----------------|
| Market Price per share | | | | | |
| | Highest Market Price | 14.70 | 14.00 | 11.10 | |
| | Lowest Market Price | 7.86 | 7.46 | 7.79 | |
| | Average Market Price | 12.07 | 10.34 | 9.62 | |
| Net Worth per share | | | | | |
| | Before Distribution | 10.00 | 7.81 | 6.55 | |
| | After Distribution | 10.00 | 7.81 | 6.55 | |
| Earning per share | | | | | |
| | Weighted average shares (thousand shares) | 49,190 | 49,203 | 49,203 | |
| | Earnings per share (Note 1) | (2.10) | (1.94) | (1.53) | |
| Dividends per share | | | | | |
| | Cash dividends | 0 | (note 5) | Not applicable | |
| | Stock Dividends | Earning distribution | 0 | (note 5) | Not applicable |
| | | Capital distribution | 0 | (note 5) | Not applicable |
| | Accumulated undistributed dividend | 0 | 0 | Not applicable | |
| Return on investment | | | | | |
| | Price/Earnings Ratio (Note 2) | (5.75) | (5.33) | Not applicable | |
| | Price/Dividend Ratio (Note 3) | 0 | (note 5) | Not applicable | |
| | Cash Dividend Yield (Note 4) | 0 | (note 5) | Not applicable | |

Note 1: Basic Earnings per share

Note 2: Price/Earnings Ratio = Average market price / Earnings per share

Note 3: Price/Dividend Ratio = Average market price / Cash dividends per share

Note 4: Cash Dividend Yield = Cash dividends per share / Annual average market price

Note 5: The Board of the Company has proposed no dividend and to be approved in 2022 Shareholders meeting.

6. Company's dividend policy and implementation thereof

(1) Dividend policy under the Memorandum and Articles of Association of the Company

The Company may distribute profit for each fiscal year in the form of cash dividends, bonus shares or other forms upon a proposal for distribution of profit by the board of directors and approval by the shareholders at the general meeting. The directors shall prepare such proposal to allocate the earnings for each fiscal year according to the following sequence:

- a) Payment of taxes;
- b) Making up losses from previous years;
- c) Setting aside 10% as legal reserve, until the accumulated legal reserve has equaled the total issued capital of the Company;
- d) Setting aside special reserve from the remaining earnings together with any undistributed retained earnings accrued from prior years in accordance with the applicable listing rules or as requested by the competent authorities;
- e) The rest may be distributed as cash dividends and/or bonus shares to the shareholders according to the distribution plan proposed by the board of directors;

Because the Company is still in the growth stage, any retained earnings together with any unappropriated retained earnings accrued from prior years of the Company may

be distributed as cash dividends and/or bonus shares in accordance with the law and applicable listing rules, after taking into consideration of the current or future investment environment, capital requirement, domestic and overseas competition environment and capital budget of the Company, as well as shareholders' interest, balance of dividends and long-term financial plan of the Company. The directors shall specify the exact percentages or amounts to be paid to directors and distributed to the shareholders in the proposal for the distribution of profit, and submit it for the shareholders' approval at the general meeting. Unless the board of directors determines otherwise after considering withholding tax and associated expenses related to the dividends distribution, dividends to be distributed to the shareholders shall not be less than 5% of the remaining balance after deducting the amounts stated in items (a) through (e) above. The cash dividends shall comprise no less than 10% of the dividends declared in such year.

If the Company has no loss, then by a shareholders' supermajority resolution, it shall distribute its legal reserve to the shareholders in accordance with the applicable listing rules or the orders of the competent authorities provided that, where the distributions are made out of the legal reserve, only the portion of the legal reserve in excess of 25% of the paid-in capital of the Company may be distributed.

(2) Proposal to distribute 2021 Profit

The Company proposed not to appropriate the 2021 retained earnings due to accumulated loss.

7. Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting: Not applicable.
8. Compensation of employees and directors

(1) The percentages or ranges with respect to employee and director compensation, as set forth in the Company's the Memorandum and Articles of Association:

The remuneration of the Directors may only be paid in cash. The amount of such remuneration is authorized to be decided by the Board of Directors, taking into account suggestions made by the remuneration committee, the extent and value of the services provided for the management of the Company and the standard of the same industry worldwide. Each Director shall be entitled to be repaid or prepaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by him in attending meetings of the Board or committees of the Board or general meetings or separate meetings of any class of Shares or of debentures of the Company or otherwise in connection with the discharge of his duties as a Director. Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Article.

Moreover, the Company may distribute profit for each fiscal year in the form of cash dividends, bonus shares or other forms upon a proposal for distribution of profit by the board of directors and approval by the shareholders at the general meeting, please refer paragraph 6 - Company's dividend policy and implementation thereof for

more detail.

- (2) The basis for estimating the amount of employee and director 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 Company proposed not to appropriate the 2021 retained earnings and without considering the distribution of employees and directors, so there is no discrepancy.

- (3) Information on any approval by the board of directors of distribution of compensation:

A. The amount of any employee compensation distributed in cash or stocks and compensation for directors and supervisors. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed: None.

B. The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation: Not applicable.

- (4) The actual distribution of employee and director 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 and director compensation, additionally the discrepancy, cause, and how it is treated: There is no any distribution to the Company's employees and director in 2020.

9. Repurchase of Company shares

As of April 30, 2022

| Session of the Repurchase | 5 th Session | 6 th Session |
|---|--|--|
| Purpose of the Repurchase | Buyback for employees to motivate employees and enhance employees' retention | Buyback for employees to motivate employees and enhance employees' retention |
| Repurchase Period | From May 23 th , 2019 to July 18 th , 2019 | From Aug. 13 th , 2019 to Oct. 8 th , 2019 |
| Price range of the Repurchase | NT\$6.88 ~ \$19.22 | NT\$6.98 ~ \$16.13 |
| Type & Number of shares bought back | Common Share 1,308,000 shares | Common Share 600,000 shares |
| Total value of shares repurchased | NT\$14,542,597 | NT\$6,945,506 |
| The ratio of the number of shares that were repurchased to the planned number of shares to be repurchased (%) | 52.32% | 50.00% |
| Number of shares retired or resold | 0 shares | 0 shares |
| Quantity of total treasury stock holdings | 1,308,000 shares | 1,908,000 shares |
| total treasury stock holdings of total shares issued (%) | 2.56 % | 3.73 % |

10. Information on Company's issuance of corporate bonds: None
11. Information on preferred shares: None
12. Information on global depository receipts: None
13. Status of Employee Stock Option Plan

(1) Unexpired Employee Stock Option issued by the Company in existence

As of April 30, 2022

| Employee Stock options granted | Granted in 2014 | Granted in 2018 | Granted in 2021 |
|--|--|---|------------------|
| Approval date by the Securities & Futures Bureau | May 23th, 2014 | Sep. 4th, 2018 | July 14th, 2021 |
| Issue (Grant) date | Jan. 15th, 2015 May. 20th, 2015 | Sep. 14th, 2018 Nov. 8th, 2018 Mar. 6th, 2019 Aug. 9th, 2019 | Nov. 12th, 2021 |
| Number of Options Granted (note 1) (Unit) | 4,000 | 2,000 | 1,655 |
| % of Shares Exercisable to outstanding shares | 7.83% | 3.91% | 3.24% |
| Options Duration | 10 years | | |
| Source of Option shares | New Common share | | |
| Vesting Schedule | Fifty percent (50%) of the Optioned Shares shall be vested on the 2nd anniversary of the Vesting Commencement Date, and 1/48 of the Optioned Shares shall be vested each month thereafter on the same day of the month as the Vesting Commencement Date. | | |
| Shares exercised (note 2) | 2,500 shares | 12,962 shares | 0 shares |
| Value of shares exercised | US\$ 1,500 | US\$ 4,795.94 | US\$ 0 |
| Shares Unexercised | 85,500 shares | 1,095,000 shares | 1,607,500 shares |
| Exercise price per share (note 3) | US\$1.41 US\$0.85 | US\$0.37 USD0.29 US\$0.45 US\$0.32 | US\$0.31 |
| % of Shares unexercised to outstanding shares | 0.17% | 2.14% | 3.15% |
| Impact to Shareholders' Equity | Dilution to original shareholders' holding is limited. | | |

Note 1 : The total number of options granted is approved issuance unit by the Securities & Futures Bureau, each unit of stock option is able to subscribe to 1,000 share of the Company's common stocks.

Note 2 : Excluding Stock option that has expired and waived the subscription.

Note 3 : The company processed a capital reduction and cash returned to Shareholders. The exercise price per share has been updated by the number of shares after the de-capitalization.

(2) Employee stock Option granted to Management team and to top 10 Employees, along with the cumulative number of options exercised by these employees as of the date of publication of the annual report:

As of April 30, 2022

| | Title | Name | Number of option acquired | No. of option acquired/ No. of option Issued | Exercised (Note 1) | | | | Not Exercised | | | |
|-------------------|---------------------|----------------------|---------------------------|--|--------------------|-----------------------|---------------|--------------------------------------|------------------|-------------------------|---------------|--------------------------------------|
| | | | | | Number of Option | Exercise Price | Option Amount | No. of option / No. of option Issued | Number of Option | Exercise Price (Note 3) | Option Amount | No. of option / No. of option Issued |
| Manager | President & CEO | Yao Zhao | 6,500,208 | 12.72% | 5,447,500 | US\$0.05 ~ 0.73 | US\$556,075 | 10.66% | 1,005,000 | US\$0.31 ~ 0.85 | US\$338,261 | 1.97% |
| | Vice President | Fara Zarrabi | | | | | | | | | | |
| | Vice President /CFO | Sameena Ahmed | | | | | | | | | | |
| | Vice President | Paul Andersen | | | | | | | | | | |
| Employee (Note 2) | Manager | Blank T. Nguyen | 1,731,000 | 3.39% | 448,000 | US\$0.05 ~ 0.48 | US\$66,220 | 0.88% | 885,000 | US\$0.29 ~ 1.41 | US\$329,740 | 1.73% |
| | Manager | Pu-Chau Hsu | | | | | | | | | | |
| | Manager | Paul, Shibu | | | | | | | | | | |
| | Accounting Manager | Ivory Yang | | | | | | | | | | |
| | Engineer | Hao T. Sam | | | | | | | | | | |
| | Sr. Engineer | Gautam, Manish | | | | | | | | | | |
| | Engineer | Tatyana V. Zhiltsova | | | | | | | | | | |
| | Manager | Zhao Duan | | | | | | | | | | |
| | Engineer | Sanjeev Chauhan | | | | | | | | | | |
| | Engineer | Cuong Huynh | | | | | | | | | | |

Note 1: Excluding Stock option that has expired and waived the subscription.

Note 2: Including Subsidiaries' employees, but excluded terminated employees.

Note 3: The Company processed a capital reduction and cash returned to Shareholders. The adjusted exercise price per share has been updated by the number of shares after the de-capitalization.

14. Status of New Restricted Employee Share Issuance: None

15. Mergers and Acquisitions: None

16. Status of New Shares Issuance in Connection with Mergers and Acquisitions: None

4.2. The status of Implementation of capital allocation plans

For the period as of the quarter preceding the date of publication of the annual report, with respect to each uncompleted share issuance or private placement or completed transactions without expected benefits in the past 3 years: Not applicable.

Chapter 5. Overview of Business Operations

5.1. Description of the Business

1. Scope of business

(1) The main business activities of the Company

Powered by its award-winning SpeedCore™ software, Array Networks is a global leader in application delivery and security, with over 5000 worldwide customer deployments. 2021 was defined by the continued leadership in the Network Hyperconverged Infrastructure (N-HCI) market, driven by Array's visionary AVX Series Network Functions Platform product line which solves performance and complexity challenges for businesses moving toward virtualized networking, security and application delivery. The Company primarily researches, develops, manufactures and sells N-HCI platforms, SSL intercept and visibility appliances, application delivery controllers, and high-end SSL VPN systems.

(2) Revenue mix

Unit: NT\$1,000; %

| Product Category | 2020 | | 2021 | |
|------------------|---------|--------|---------|--------|
| | Amount | % | Amount | % |
| ADC | 172,512 | 34.06 | 131,364 | 30.31 |
| N-HCI | 71,686 | 14.15 | 84,811 | 19.56 |
| SSL VPN | 39,655 | 7.83 | 36,356 | 8.39 |
| WOC | 1,950 | 0.39 | 28 | 0.01 |
| Support | 220,701 | 43.57 | 180,854 | 41.73 |
| Total | 506,504 | 100.00 | 433,413 | 100.00 |

(3) Products (services) currently offered by the Company

The Company is committed to developing network hyperconverged infrastructure platforms that integrate the Company's own and third-parties' virtual appliances to provide hardware-level performance guarantees (SLAs) and ease of deployment needed for virtualization by enterprises and service providers. The Company's virtualization platforms also significantly reduce software and hardware costs, and save space, electricity, cooling and configuration costs on an open platform that allows any virtual device or virtual network function (VNF) to operate. The Company's application delivery and security products, such as ADCs and SSL VPNs are available in both cloud and virtual versions, as well as dedicated hardware versions, to assist business users in improving the performance, availability, security and connectivity to applications in today's rapidly progressing network environment.

(4) New products (services) planned for development

2021 was marked by a major milestone in the area of research and development. In October, Array's subsidiary Zentry Security, a cybersecurity company offering innovative, all-inclusive secure remote access solutions for small and medium-sized enterprises

(SMEs), launched Zentry Trusted Access™ Cloud Edition. The Zentry research and development team created a comprehensive, cost-effective Zero Trust Network Access (ZTNA) solution that provides secure access to business-critical applications and network resources for a world that has increasingly moved to a remote workforce.

Where customers need greater agility in terms of moving application networking and security functions to the cloud, the Company continues to broaden its support for popular virtual machines, hypervisors and public cloud platforms such as AWS, Azure, Google Cloud Platform, Oracle Cloud and Alibaba Cloud. Where virtualization is preferred, but greater performance is required, customers may deploy Array's virtual ADC or virtual SSL VPN, or 3rd-party networking and security functions on Array N-HCI platforms for a superior combination of agility and guaranteed hardware-like performance. In addition to growing demand for Array's new AVX Series N-HCI product line, the Company is also experiencing a significant uptick in demand for virtual editions of its core ADC and SSL VPN product lines. The new purchasing dynamic is creating a market opportunity for selling virtualized networking, software-centric security and app delivery. The Company has a clear positioning in the target markets and leadership in technology, Array is ready to capitalize on growing market demand as enterprises look for the cutting-edge data center technologies such as network functions virtualization, hybrid cloud computing, and software-centric networking.

2. Industry outlook

(1) The current status and development of the industry

In recent years, several major market trends have developed that are worth observing:

- A. Hybrid Cloud: Many analysis agencies and trend observers believe that hybrid clouds will become an important option for IT departments. Due to the tight IT budgets in recent years and the increasing demand for applications and data, these two opposite trends have led the IT departments to shift some of their network needs to the cloud. Such strategy can reduce capital expenditures while providing the resilience necessary for business growth.
- B. Delivery of multi-user, multi-functional applications: which are a product of the hybrid cloud trend. The infrastructure-as-a-service (IaaS) provider begins to use virtual application delivery controllers (ADCs) to provide load balancing services. This service can provide greater convenience and flexibility for business users. However, in exchange for these advantages, these services can impact performance and introduce higher costs for the customer.
- C. Security: Various security issues have erupted in recent years and still are lingering. Not only have large enterprises been hacked, these cyber attacks often pose an effect on the national level (such as the Russian network attack on Ukrainian power grids), and internet terrorist attacks. Network security administrators need to continuously evaluate the security capabilities, such as SSL VPN and web application firewalls (WAF) in order to add a layer of network security protection to the multi-layer security strategy.
- D. Value vs. Brand: High-cost equipment provided by market-leading vendors with

many functions that are seldom used are facing a slowdown in growth. IT departments are beginning to evaluate products that are simpler but practical.

- E. Distribution of information management by the IT department: As large amounts of investment in virtual servers and centralized control goes mainstream for enterprise IT departments, more information management is gradually extended from the servers and storage devices to the network equipment, for example: ADCs for optimizing and simplifying data and application traffic, etc.
- F. The demand for flexible Network Function Virtualization (NFV) and Hyperconverged Infrastructure (HCI) is increasing. Dedicated hardware network devices are gradually unable to comply with the demands of modern network management experts, and are replaced by virtualized software devices built within large service systems. Rather than worrying about hardware aging and degradation in efficiency, and the need to continuously expand the space, water, electricity and network management personnel of the data center, NFV equipment can be easily upgraded, relocated, or backed up, in line with today's cloud-based operating environment. However, the performance of NFV equipment is not as good as that of the proprietary hardware equipment, which gives reasons for the market to cast doubt and remains to be solved.
- G. According to a global IT survey conducted by a network monitoring vendor, Paessler, small and medium-sized enterprises (SMEs) with fewer than 500 employees have a very high degree of acceptance of cloud technology. Although these companies still operate a variety of more complex enterprise-level applications on site, a large number of SMEs are planning to migrate to cloud-based applications in the next 1 - 1.5 years. However, cloud security remains a major obstacle. Even so, the trend of SMEs moving into the cloud-based applications has taken shape and Bring-Your-Own-Device (BYOD) will alter the business operation model.

Overall, various market research studies indicate that the growth momentum of load balancing and the new generation of ADCs will continue. The main sources of growth for deploying ADCs in the data center include the explosive growth of cloud, leased and virtual appliances, growth in data traffic volume in the data center, construction of new data centers, and acceleration in expanding of existing data centers. Specific delivery optimization, management and security functions of high performance application (Layers 7) are also increasingly important. As functions of a virtual data center continue to improve, the demand for ultra-high performance ADC software will not only be low-cost, but also the ability to maximize the flexibility of deploying large numbers of virtual ADCs. The Company believes that this trend of gradual migration away from the traditional load balancing/ADC will disrupt the existing market order, which will help increase the Company's market shares.

A. Industry status of Application Delivery Controllers (ADC)

Application delivery controllers are designed to mitigate delays in accessing data by remote users. In short, they speed up the opening of web pages by remote users. These types of products are also called network application accelerators or web application

front-ends. With the advent of the digital age, the network application level is broadened more and more, and remote users can conveniently access various application resources on the network through the browser, resulting in a huge network traffic and delays in the connection between the client and the server. More importantly, network servers often suffer from significantly performance reduction due to excessive load of input/output. Therefore, ADCs are needed to optimize network access. In particular, with the rapid adoption of cloud and mobile communications, a large amount of network traffic makes the network servers overwhelmingly overloaded.

On a technical level, ADCs are primarily derived from server load balancing (SLB) technology and are gradually covering multiple technologies to improve the performance of wide area network (WAN), such as compression, caching, TCP protocol optimization, and application protocol optimization, data reduction, QoS bandwidth management, traffic shaping, etc. The control of ADCs is also required when the server is virtualized. In terms of installation and deployment, the ADCs only need to be installed on a corporate network or at the front end of the cloud data center without having to match other auxiliary devices. In terms of customer types, in order to attract users to browse and stay on the internet, enterprises have a great demand for ADCs that can improve the performance of network traffic. Therefore, main customers of ADCs currently are content providers, portals, and enterprises with high degree of networking and higher overall demand.

According to Gartner's research report analysis, the application delivery controller (ADC) market continues to evolve, and various types of cloud-based and software-based applications have emerged. The latest changes are as follows:

- Various cloud-native applications are emerging and the microservice architecture is changing the requirements for ADCs and the products and services provided by vendors, such as Infrastructure-as-a-Service (IaaS) who provide ADC functionality.
- The ADC market is no longer limited to serving the application requirements of the traditional data center configuration.
- Small and open source vendors have come to the forefront and come out with various innovations, such as pure software ADCs.
- Enterprise customers gradually add ADC products from many vendors to optimize performance, functionality, and reduce deployment costs.

Therefore, Gartner suggests:

- The enterprise's internal applications, network, and security terms jointly engage in the discussion on the proper ADC architecture and then decide the long-term deployment plan.
- Extend the service life of traditional ADCs.
- Avoid using a single ADC brand for all usage scenarios and environments, in case that a single vendor can not cope with all requirements.

In addition to the existing features of the ADC, enterprise users are increasingly willing to use the security functions of the ADC. According to Gartner, about one-third of ADC procurements include web application firewall (WAF) feature. The trend stems from news coverage of security vulnerabilities, such as Heartbleed and Shellshock types of loopholes, continuous DDoS blocking service attacks, and even secret investigations by government agencies, which encourage companies to enhance network security

measures. These concerns have prompted companies to use the built-in security features of ADCs and to be more willing to allocate budgets for security capabilities of ADCs. It is apparent that the ADC appears in different forms in response to changes in the industry, and it also shows the necessity of ADCs.

With comprehensive implementation of a variety of WAN optimization technologies, such as compression, caching, TCP protocol optimization, application protocol optimization, data reduction, QoS bandwidth management, traffic shaping, the enterprise operation efficiency through the WAN is improved. As the capacity of data transmitted by enterprises over the internet is increasing, the data types become more and more complex. Even if the cost is increased and the bandwidth is broadened, the transmission performance still can't meet that required by enterprises. Therefore, more and more enterprises set up ADCs and network traffic management control devices in the network devices in order to increase network transmission speeds.

In terms of the market size, Markets & Markets estimates that the global application delivery controller market size is expected to grow from USD 2.4 billion in 2019 to USD 3.9 billion by 2024, at a Compound Annual Growth Rate (CAGR) of 10.0% during the forecast period.

B. The status of network function virtualization (NFV) industry

Numerous surveys show that the NFV market is expected to replace hardware firewalls, load balancing and other devices, and grow at an even higher rate than software-defined networks and storage. The current NFV outlook has the following attributes:

- Although only a few enterprises have deployed NFV in their operating environment, most enterprises are in the stage of studying NFV strategies and vendors.
- The main factors driving NFV are: 1. Expecting to accelerate the effective allocation of services; 2. Significantly increasing the agility and effectiveness of the IT architecture; 3. A gradual decline in expected funding (including CAPEX and OPEX).
- The key points for fully porting NFV are: 1. Separation of servers, virtualization, network and security teams existing in the enterprise structure; 2. Lacking professionals to operate the new architecture and equipment; 3. The maturity of NFV solutions is still pending verification; 4. How to manifest the returns of investment after fully porting; 5. How to ensure enterprise-level efficiency and security.
- As enterprises' internal IT architecture gradually adopts cloud-based environments and focuses mainly on software, the NFV porting will gain support progressively.

C. The status of the network security industry

With the development of information technology and the network, corporate information and personal data continue to be transmitted over the network. The demands over the correctness and confidentiality of relevant information inevitably presents dispersed loopholes in protection which cause users to continuously face various external attacks, such as virus, spyware, spam, digital identity theft, and phishing. With the cloud environment and mobile communication becoming more and more popular, security concerns are also one of the key considerations for corporate decision-making.

The requirements for corporate organizations to deploy the necessary information

security measures in every country have gradually increased. Examples include the Health Insurance Portability and Accountability Act (HIPAA) in the US specifically to protect the confidentiality of patient medical treatments, Sarbanes-Oxley Act that places specific demands the banking industry on the effectiveness of internal controls, and the second Basel Accords (Basel II) that regulate operational risk. In order to comply with the information security laws and regulations to avoid penalties, enterprises need to establish an information security environment that also conforms to the demand of the global information security market.

■ The status of the SSL VPN industry

A virtual private network (VPN), is a private network isolated from a public network that can ensure data security during transmission. Authorization permission is available for confidential data with specific portals and endpoints only. Nowadays, an enterprise has many branches and everyone has multiple type of mobile devices, and securing the private information of an enterprise becomes a tough challenge.

SSL VPNs use a highly secure transport mechanism such as SSL or HTTPS built into a standard web browser to transfer data without installing software and settings on the terminal device, providing additional security protection functions for terminal devices and distinguishing between the employee-oriented intranet and the business partner-oriented extranet. Since SSL VPNs do not require the installation of software, and no prior settings are needed, it offers better network penetration prevention and has the advantages of rapid deployment.

- Security enhancement: SSL VPN uses leading encryption, data integrity and authentication technology to provide the same transmission security as that of IPSec VPN. However, SSL VPN also can provide other security checks on the client end, for example, dynamic checking of the latest virus software and definitions before allowing access, which is not provided by many IPSec VPN solutions.
- Convenient transmission and connection: SSL VPN does not need to be pre-installed on the access device, nor settings on any client products, and supports various operating systems and terminals (such as tablet PCs, smart phones, etc.) with very good compatibility. SSL VPN provides a simple login interface familiar to end users, instead of complex client software and does not require a selected IP location. This feature is even more indispensable for consumers on mobile services and appears to be an advantage as enterprises allow the booming trend of BYOD.
- Easy to manage: SSL VPN does not need to perform settings on tablets, mobile phones, or remote PCs for every customer or vendor. In general, firewall confirmations often block IPSec VPN connections. Nevertheless, SSL VPN allows connections through firewalls. SSL VPN allows employees to browse important messages without streaming data to regular customers who do not have access to storing and retrieving the SSL VPN browser.

The main buyers of SSL VPN products are system integration service providers and financial institutes such as banks, financial service providers, and insurance providers. The purchase demand for SSL VPN products in the medical and educational industries is increasing as well. However, enterprises in the Asia Pacific

region are starting to regard SSL VPN products as a security feature, rather than considering them as a single project as in the past. Since the VPN manufacturing industry has been around for a long time, the technology has been well developed and the field is filled with numerous vendors, resulting in a slowdown in growth.

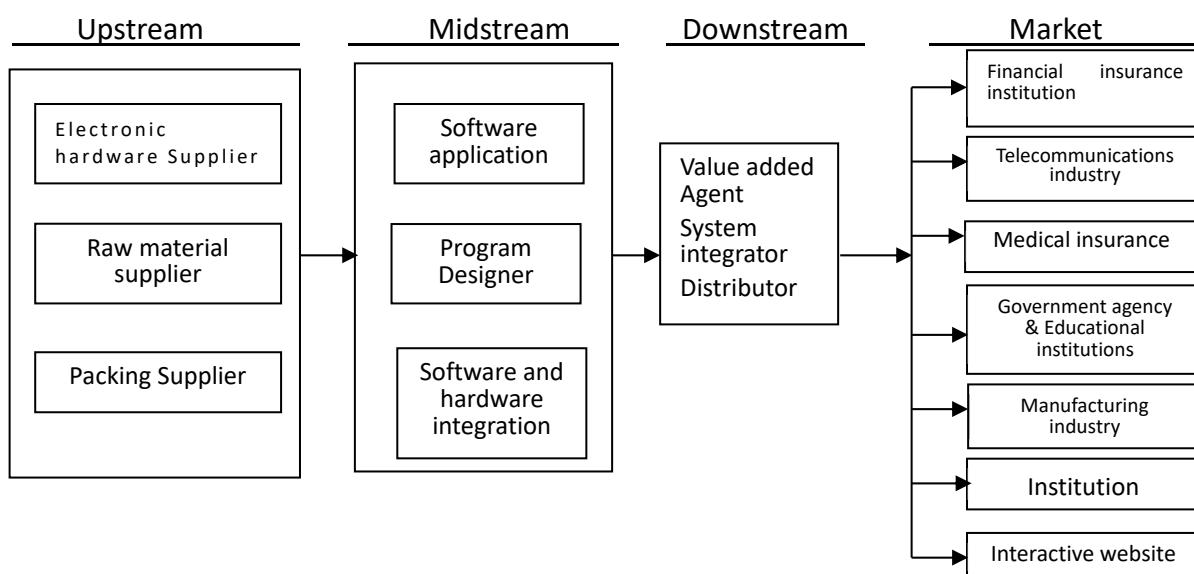
In the SSL VPN market, mobile security links and BYOD requirements through Array's MotionPro products have added momentum to the Company's growth. In term of WOC market, not only the demand for virtual WOC is increasing, but also the demand for physical WOC is also growing in the newly emerging market where the network architecture can not keep pace with the data traffic volume.

Although VPN is a mature product, it still plays an important role in guarding security. Gartner's survey on the VPN market points out that many appliances, for example routers, firewalls, unified threat management (UTM), all have embedded with VPN functions. For this safety device, Gartner recommends:

- Enterprises should continue to use the infrastructure VPN encryption methods as one of their security layers.
- VPN assures data during the transmission. However, users shall still take into account the data security in the terminal and sleep mode. The scope where VPN can not cover still need to use firewalls, intrusion prevention systems, and anti-malware devices for protection.
- Users should avoid VPN protection networks built by mixing different brands to prevent adding further complexity in control management.

To many users, the biggest challenge in using VPNs is for mobile devices. Most enterprises expect VPNs to be connected in a stable network environment without interruption. However, such conditions appear to be a variable in mobile devices. Therefore, one of the solutions is having apps find the VPN service when there is a demand and to operate between several network segments and protocols.

(2)The links between the upstream, midstream, and downstream segments of the industry supply chain



(3) The development trends for the Company's products

For products and solutions provided by Array, the development of cloud computing is a major growth momentum. More and more enterprises begin to use software-as-a-service (SaaS) instead of deploying and managing all kinds of enterprise-level applications like before. At the same time, enterprises also begin to implement infrastructure-as-a-service (IaaS) instead of continuously purchasing and maintaining their own equipment. In addition, when enterprises add and deploy their own equipment and applications, considerations are taken from the prospective of cloud computing as well. The Company has a strong layer-7 and SSL capabilities and is at a forefront of the cutting edge. The Company's products fully satisfy all types of applications delivered by SaaS service providers whenever application expansion is underway. The Company also provides a series of virtual equipment with integration of exclusive, multi-tenant, and flexible management, so that IaaS service providers can provide load-balancing-as-a-service (LBaaS). In addition, the upcoming integration service with VMware vCenter Orchestration will help enterprise IT staff leverage the Company's ADC technology to build private cloud services at any time.

In today's economic situation, the business community continues to adjust its structure, which makes cloud computing gradually become an indispensable part of it. The cloud, including IaaS, platform-as-a-service (PaaS), SaaS and cloud services, will drive enterprise and IT operations, creating a hybrid infrastructure and new cloud IT goals. The cloud integration and workflow, mainly targeting "local" devices, is still one of the most important capabilities that remains. The cloud service providers (and system integrators) will thrive and provide independent software developers and enterprises with SaaS, PaaS, and IaaS services. The cloud IT industry will also transform and be integrated with SaaS becoming the focus.

- All enterprise computer applications are related to the cloud. Up to 65% of new enterprise applications/solutions will be available in a cloud version or some types of hybrid version.
- The enterprise-level hybrid application version will be mainly a cloud version, whereas the "local" application will be transformed from the transaction-driven function to the data storage function.
- Cloud-based developments, such as PaaS, will be slower. As large and small enterprises manage their internal applications in new ways, SaaS will be the main cloud computing application model.
- The power from the union of omnipresent mobile communications and social networking will change the industry feature of enterprise-level SaaS and cloud enterprise solutions.
- All concerns about IaaS (such as lack of standards, transactions, and data / security integrity) will be solved one by one. Users will gradually understand the value of IaaS. For large enterprises, the advantages of deployment flexibility exceed the cost savings. For small or medium enterprises, service enhancement and regulation compliance are the key points.
- 65% of the private cloud deployment cases will be a single integrated facility that integrates various solutions.
- Enterprise-level application assemblies will gradually become a hybrid cloud with workflows as its backbone, as well as "local" data and functions that need to be

monitored, measured and managed to meet the needs of the enterprises.

- Various system integrators will drive the trend to help enterprise users move new and existing work to the cloud and to make the operations of cloud solutions more efficiently.

For network communication, a huge change soon to take place will be Software Defined Networking/Network Function Virtualization (SDN/NFV); SDN is considered to be about to rewrite the network industry with software, overturning the existing operating model, which can make management more centralized. SDN can also provide users with more flexibility, help network administrators save resources, and make network design and management easier. SDN is not a technology or product, but a concept of network design, an architecture. In detail, SDN separates the control plane and the data plane within the network traffic, and assigns the management rights to the telecommunication network providers and the administrators of the data center, which greatly increases the flexibility of management and saves the expenses for the frequent purchase of dedicated network equipment as well as the space.

Network Function Virtualization (NFV) is often compared with SDN. Although the two need not be deployed together, the industry considers these two as concepts that can complement each other and produce greater synergy. NFV operates various network functions (such as deep packet inspection, load balancing, data exchange, billing, etc.) on standard hardware without being limited to hardware devices. Once combined, enterprises may use common hardware and scalable software to flexibly implement various network functions and applications, using the standardized way in management and enhancing performance. The trend is taking shape; the Company and many research institutes predict that such trend will evolve into the mainstream of the industry within 3 to 5 years.

The industry trends observed by the Company are: mobile devices and various apps continue to drive network traffic growth, especially web-based apps, while security is a key consideration. In addition to SDN, software defined everything (SDE) is also increasing. However, there are still many pending issues to be solved and SDE is still a long way from popularization. Users increasingly demand unique features and performance, and the integration of products and SDN.

(4) The competition

F5 remains the market leader in ADC and application delivery solutions and is the Company's largest global competitor. In all regions and markets, Array faces competition from Citrix, A10, and Radware. In Array's focused market (e.g. IaaS, SaaS, and enterprises that need to use 2048-bit SSL for online transactions), Array provides Layer-7 performance and industry-leading 2048-bit SSL acceleration that is easy to use and cost-effective products that offer customers with more competitive advantages. The VPN market changed significantly in 2014: Juniper sold its Junos Pulse and MAG product lines to streamline its product lines and focused on strategic markets, including cloud computing. The buyer was a private equity firm, Siris Capital, and subsequently established an independent company, Pulse Secure, to sell SSL VPN. Pulse Secure has now been acquired by Ivanti. The main competitors are F5 and Ivanti/Pulse Secure.

3. The Company's technologies and its research and development work

(1) The Company's R&D spending in 2021 and the period from January 1st 2022 to the printing

date of this annual report was NT\$120,175 thousand.

(2) Developed technologies or product

The Company has been focusing on research and development, convinced that strong technology is the only way for the Company to continue to grow. The development in recent years has also proved that this direction is correct, and the leading technology has laid a good foundation for the Company. In the past five years, the Company has developed a large number of successful products. The list below represents the more important products and developments in recent 5 years:

- Introduced APV8.6 in June 2017 to support Nitrox V version - Enhanced SSL and ECC performance Linux based APV version 10.1 was released.
- AVX2.4 version comes out - improve WebUI, OVS and DHCP.
- Launched the AVX 2.6 version adds OVS DPDK 40G VF support and new license in December 2017.
- Released Array’s next-generation x800 Series application delivery and security appliances, in April of 2018
- Introduced new Array Networks Management Platform (AMP) that provides centralized configuration, monitoring and analytics in June 2018.
- Launched Array’s 2nd-generation x800 Series network functions platforms in August 2018.
- Added Array’s virtual application delivery controller on the Google Cloud Platform Marketplace in December 2018.
- The introduction of MARS (Monitor & Reporting System) that provides highly granular in-depth monitoring and reporting in March 2019.
- The launch of Array enterprise-class vAPV virtual application delivery controllers (ADC) and vxAG virtual SSL VPNs for use on the Amazon Web Services (AWS) GovCloud (US) in June 2019.
- The introduction of Amplifier, Array Networks’ first Make in India product, in August of 2020.
- In September of 2020, Array Networks’ subsidiary Zentry Security launches its first product, Zentry Trusted Access, and enters the Zero Trust Network Access market.
- In October of 2021, Array Networks’ subsidiary Zentry Security launches Zentry Trusted Access™ Cloud Edition, bringing a cloud-hosted Zero Trust Network Access (ZTNA) solution to the market and providing a platform for future product development.

4. The Company's long- and short-term business development plans

| Items | Short-term business development plans | Long-term business development plans |
|----------------------|--|---|
| Marketing Management | <ol style="list-style-type: none"> 1. Focus on operating the niche market; focus on the target customer base; and implement specific marketing strategies for the purchasing habits of the target customer group. 2. Select cost-effective media; regularly participate in specific product evaluation and attend tradeshows moderately to maintain a certain media exposure and introduce new technologies or products. 3. Apply the successful development experience in China to the development | <ol style="list-style-type: none"> 1. Through constant product upgrades to improve the product positioning to the position of the market leading brand, not only can establish a brand image of global leading technology, but also can enter the higher-end market. 2. Commercialization of new applications related to cloud computing and 4G mobile Internet access, which have been developed; increase the diversity of product sales combination; and use different marketing channels to improve |

| Items | Short-term business development plans | Long-term business development plans |
|------------------------------------|--|---|
| | <p>in Indian market.</p> <p>4. Expand the number of global distributors; integrate different sales channels, build a strong and complete distribution network; and strengthen the platform synergy of product cross-selling to increase the ratio of customer renewal.</p> | <p>the market penetration of products.</p> <p>3. Continue to increase security-related features; and increase user network security coverage.</p> |
| Research development | <p>1. Leverage the Group's accumulated relevant technologies and knowledge in application network architecture to continuously develop network application delivery and new application functions for remote access; and enhance market positioning through product upgrades.</p> <p>2. Continuously develop unique multi-core software technology to achieve high-speed packet processing; and continue to improve memory management and usage optimization under multi-core conditions to improve product performance.</p> | <p>1. Continue to develop key technologies and patents; and develop new generation products in response to industry trends to maintain the leading position in the industry.</p> <p>2. Develop a unique secure remote access and application delivery solution for mobile network services; and provide an enterprise security action application management platform.</p> <p>3. Continue to invest in data center integration, virtualization and cloud computing, research and development of emerging Internet applications such as SDN/NFV; realize the integration with cloud management platform; and reduce the overall cost of IT construction as the technology development focus of this stage.</p> |
| Financial and operating management | <p>Enhance the diversification of financing channels; and strengthen the financial structure and Group structure.</p> | <p>1. Strengthen the internal audit and control system and corporate governance structure to protect shareholders' rights and interests.</p> <p>2. Under a reasonable rate of return on investment, seek appropriate acquisition targets to enhance the size of the Group and expand the product combination, so that the synergy effect of the Group's cross-selling can be more apparent.</p> <p>3. Seek the strategic alliance between peers or those of different fields to make products become the mainstream system of the market; and stabilize the status of the Group's international brands.</p> |
| Human resources | <p>Recruit talents to join the Company; and promote the Company's global software industry status.</p> | <p>Encourage employees' potential; strengthen internal organizational management, and improve operational performance.</p> |

5.2. Market, Production and Marketing Situation

1. Market analysis

(1) The geographic areas where the main products of the Company are provided (supplied)

Unit: NT\$1,000; %

| Region \ Year | 2020 | | 2021 | |
|---------------|---------|-------|---------|-------|
| | Amount | % | Amount | % |
| North America | 127,565 | 25.19 | 61,734 | 14.25 |
| Japan | 107,411 | 21.21 | 139,009 | 32.07 |

| Region | Year | 2020 | | 2021 | |
|--------|------|---------|--------|---------|--------|
| | | Amount | % | Amount | % |
| China | | 66,914 | 13.21 | 1,036 | 0.24 |
| India | | 185,399 | 36.60 | 215,669 | 49.76 |
| Others | | 19,215 | 3.79 | 15,965 | 3.68 |
| Total | | 506,504 | 100.00 | 433,413 | 100.00 |

(2) Market share of main product ADC

According to forecasts by Markets & Markets, the global application delivery controller market size is expected to grow from USD 2.4 billion in 2019 to USD 3.9 billion by 2024, at a Compound Annual Growth Rate (CAGR) of 10.0% during the forecast period, mainly driven by emerging markets in China, India and Association of Southeast Asian Nations (ASEAN). In terms of competition, F5's advantages in global application delivery controllers continue, leading in the Asia Pacific region. A10, Radware and the Company hold the second to fourth market leading positions. The top five manufacturers in the Asia-Pacific region account for nearly 80% of the market, and the market is in an oligopolistic state. There are definite barriers to competition for the industry's latecomers.

Frost & Sullivan also predicts that the Indian market will keep growing. After the Company's years of efforts in the Indian market, the Company has been the second largest ADC brand in India since 2012, next to Radware.

In view of the industry type, the growth momentum of the ADC market in the Asia-Pacific region is mainly from service providers, and the industry also recognizes the importance of ADC products in building cloud architecture in response to the development of cloud computing.

(3) Supply and Demand conditions for the market in the future and market's growth potential

According to the report by Allied Market Research, the global application delivery controllers (ADC) market was estimated at US\$2.94 billion in 2017 and is estimated to reach US\$4.19 billion by 2023, registering a CAGR of 5.3% from 2017 to 2023. Moreover, the Asia-Pacific region should grow at the highest CAGR of 6.8% from 2017 to 2023. It is clear that ADC plays a decisive role in cloud computing and drives enterprise users' demand for ADC.

The importance of mobile devices, plus the gradual mobilization of enterprises, has led to the business users in the Asia Pacific region switching to web-based interface operations to improve business processes. As the multi-stage deployments to meet the needs of customers and employees emerge, enterprises also understand the value of ADC from a performance and security perspective. ADC security features, such as web application firewall (WAF) and SSL offloading have become a must-have feature on the ADC platform.

The new network platform products launched by the Company are still in the promotion stage. The NFV trend in the market is still under observation. There is no further quantitative prediction for this industry. However, according to Research & Markets, the network functions virtualization (NFV) market will likely grow to US\$36.3 billion by 2024. The Company's market positioning is clear. With the leading product technology, it is expected to gain growth momentum when enterprise customers introduce latest data center technologies, including network function virtualization, hybrid cloud computing,

and software-based network environments.

(4) The Company's competitive niche

A. Excellent strategy by the management

Due to the vast growing opportunities of the ADC market, the Company's main goal in the research and development, markets and sales in every region focuses on Network Functions Platforms with ADC and SSL VPN products set in the supporting roles, to assist customers in dealing with demands on application delivery network communications in all levels. In the ADC market, the Company will focus on the established market positioning and successful cases, achieved by the uniqueness and values of in-house ADC products, as the main direction of developments (e.g. IaaS, SaaS, and SSL). In addition, the Company will scale up its assistance to the channel partners in order to establish a complete sale architecture to achieve the performance goal in the future.

As the trend of cloud and virtualization is unfolding, it has a lasting impact on enterprises. The Company has been actively developing its cloud platform since 2015. In Amazon Web Services (AWS) and Microsoft Azure, users can choose Array's vAPV virtual application delivery controllers, which provide high availability and high performance for various applications and services operating in the public cloud.

More importantly, the Company's network function platform (NFP) products can meet customers' needs for NFV, while reducing the complexity of importing NFV and solving the following problems for customers:

- Enterprise organization changes: Enterprise network administrators are usually affiliated with different departments from security and server/virtual machine personnel. However, tasks of NFV require all departments to jointly draw up solutions and complexity of the porting process thus increases. Since the product has been designed with NFV-specific platform and complex virtualization configuration has been automated, which greatly reduces the needs of other professionals, the launch of NFP by the Company only needs to be executed by network management or security personnel.
- Technical requirements: Regardless of server specifications, hypervisor, CPU pinning, NUMA boundary settings, SR-IOV, drivers, physical machines and virtual gateway configurations, etc. have been automatically adjusted to significantly reduce the relevant technology thresholds. Moreover, the user-friendly WebUI interface also simplifies virtual appliances (VA) and virtual network functions (VNF).
- Efficacy: The Company's network function platform products provide the performance equivalent of that of hardware network device level, providing each VA/VNF-specific resources, such as CPU, hardware accelerated SSL, memory, virtual gateway and physical interface. The synergy generated is the combination of cloud agility and virtual machine performance at the dedicated hardware level.

B. Excellent technology by the research and development team

The Company has an excellent technical team and, in recent years, continues devoting in the research and development of new technologies. In addition to introducing the

Speed Core architecture, operating under multi-core CPUs, and improving the performance of ADC products, the product is more economical than products in the market having the same effectiveness. The product functions have evolved into a full scale of applications, providing a secure connection channel to any network connection method, such as wireless network, point-to-point access, external access and internal network access, to achieve the so-called zero-trust access functions. The AG series is ahead of all its peers in the industry, allowing 128,000 people to go online at the same time. In terms of server-side security protection, we provide virtual segmentation, allowing enterprise IT managers to set up to 256 control models, which do not conflict with each other, specifically for personnel of different levels or different departments to save costs. In the trend of cloud computing, this function is very helpful for cloud managers. Our product features are comparable to those of big manufacturers; the product provides enterprises with extremely low procurement threshold and space for flexible upgrade, a product with the best price/performance ratio in the market.

Looking ahead, the Company's core SSL technology is even more important in terms of 2048-bit SSL encryption requirements and high security requirements in network and cloud environments. In addition to providing the industry's best Transaction Per Second (TPS), a price that fits the budget of an enterprise increases the competitive advantage of the product. In addition, the Company is currently working with key cloud computing service providers in the US and China to quickly improve the performance of overall solutions to accommodate the growth of interactive traffic. At the same time, the Company increases its investment in the development of multi-core software technology to enable efficient packet processing, which has established the company's leading position in the ADC market.

The Company was recognized by numerous firms and thought leaders throughout FY21 for the company's continued success and innovation in the area of network hyperconverged infrastructure and secure application delivery.

- In February, Array earned the ICSA Labs Web Application Firewall Certification for the company's ASF Series products, which provide a wide range of protection against vulnerabilities, zero-day attacks and internet attack types recognized by OWASP and WASC, including SQLi, XSS, and XXE, as well as against HTTP Request Splitting, Clickjacking, and complicated client-side attacks (DOM-based XSS).
- In June, Array Networks announced that it secured third position in the application delivery controller (ADC) market as per IDC Ethernet Switch Tracker for Q1 2021. Array Networks emerged as one of the leaders with its market share at 17.6 percent market share and was recognized as one of the Top Three ADC Players in India in Q1 2021.
- In November, Array's subsidiary Zentry Security launched Zentry Trusted Access, a cloud-delivered service that extends the company's zero trust solutions to cloud-

native businesses and enterprises embracing cloud adoption. Zentry Trusted Access Cloud Edition provides the same streamlined secure access features as its on-premises counterpart, giving SMEs improved productivity, better security, greater visibility, and a reduced attack surface.

- In December, Array Networks announced that its AG Series SSL VPN product (vxAG running on AVX7800) earned the ICSA Labs SSL-TLS VPN 4.0 Certification. The vxAG virtual secure access gateway runs on Array's Network Functions Platform as well as virtualized servers and industry-standard hypervisors to flexibly enable on-demand, full-featured secure access for users whenever and wherever needed.

C. Excellent ability in cost control

In order to maintain product gross profit while preserving product competitiveness, the Company continues to reduce product costs and expand research and development momentum. On the one hand the Company purchases hardware from Taiwan suppliers to reduce costs, on the other hand the Company sets up R&D center in India to strengthen profitability. After continuous investing resources to strengthen product research and development and upgrade technology, the Company's product performance has been ahead of the competitive peers. The gross profit margin remains at a fair standard while, the same time, the product price is lower than those of other peers.

(5) Positive and negative factors for future development, and the Company's response to such factors.

A. Favorable factors

a. An industry with high growth

Due to the increase in the number of Internet users and the popularity of broadband networks, the business activities through the Internet will be more vigorous, which will lead to an increase in demand for network security control equipment. The Company's products have been cultivated intensively for many years, and its product performance has been ahead of those of peers. After getting rid of the label of localization, the scale of operation can be enhanced through the existing sales channels.

Frost & Sullivan analyzes the growth momentum of the ADC market:

- As enterprises moving to web-based operation, it leads to the enhancement in network equipment architecture: As business workflow processes become more web-based, enterprises are increasingly motivated to strengthen their network architecture to cope with the surge in network activity. ADC is viewed as one of the main factors for the enhancements of website performance. Enterprises are also willing to increase their investments for it.

- The extended capabilities of the ADC platform create new demands: As more enterprises begin to switch their focus to layer-7, and ADCs evolve from traditional server load balancing to a platform, the need of enterprises for ADCs is also growing. ADCs have gradually evolved into an integrated platform that offers a wide range of technologies in different categories, and has also enabled the ADC market to grow. For example, Asia-Pacific companies hope to see ADC integration security-related functions.
- Good user experience drives enterprises to improve their website functions: One of the main reasons that the enterprise gradually becomes web-based is that enterprises want to be more effective in connecting with customers and various types of collaborative vendors. User experience also must be enhanced, and the ADC's multi-faceted application optimization capabilities can help meet the needs of business interaction via web pages.
- The trend of cloud computing drives ADC to become a tool for enhancing service delivery: enterprises in the Asia-Pacific region have begun to study cloud computing in detail, and the emerging cloud services will increase the demand for ADCs, providing fast, efficient and secure functions when delivering applications.

For the new network function platform (NFP), industry research firm Global Data pointed out that the Company's NFP products have the following advantages:

- NFP provides a pay-as-you-go model. Customers can add features as the company grows. Several virtual machines can be supported on NFP's hardware platform, and the size of the virtual machines can be mutually adjusted, as long as it is within the scope of the license, or does not exceed the hardware specifications.
- The platform approach provides administrators with the flexibility to adjust the CPU, RAM, hard disk and network to ensure the performance, so as not to generate a single virtual machine getting most of the resources, and thus overlook the needs of other virtual machines.
- This platform integrates Microsoft System Center, OpenStack Neutron, and VMware vRealize Orchestrator to ensure uninterrupted management.
- This platform product supports Array's existing Virtual Edition ADC (vAPV ADC), which can immediately operate virtual ADCs using platform products. When customers need to add more devices to this platform, they can also reduce the need for hardware.
- This platform product supports service chaining. IT personnel can design the steps of the application process, and the traffic can be passed to the next station according to the design process.

b. Advantage of first mover in the Asia-Pacific region

Information security products have high cost conversion characteristics. For customers, changing existing suppliers means that enterprises need to bear certain risks, such as data access interruption and enterprise application services that do

not continuously operate, resulting in the advantage of first movers in this market. Benefiting from the large market share of the Asia-Pacific market, the Company's reputation and good word-of-mouth of the product have established certain barriers for entering the Asia-Pacific market, creating obstacles for potential competitors that will benefit the implementation of the Company's future development plans.

- c. The Company's development in compliance with the long-term trend of energy saving and carbon reduction

Under the trend of environmental awareness and rising energy prices, energy saving and carbon reduction have gradually become important topics of information technology. How to reduce the energy consumption and improve the efficiency of information equipment with less information software and hardware has become increasingly prominent. In addition, construction of the data center in the future, reviews on utilization that increases carbon dioxide emissions and other environmental impacts will be increasingly strict in order to reduce power demand and solve cooling needs. The Company's current products have a number of green certifications such as RoHS and WEEE. Under the increasingly stringent requirements by international regulations for energy conservation and carbon reduction, the Company's positioning as a green information security software manufacturer will help maintain the long-term brand value.

B. Unfavorable factors and countermeasures

Unfavorable factors: Facing the threat of competition from large-scale network security equipment manufacturers.

The development of the network equipment industry is dominated by the phenomenon of large vendors getting larger. In addition to the good reputation of large-scale network security companies such as F5 and Radware in the field of network security, which helps them sell products that emphasize security. Diversified product lines of the big manufacturers can effectively increase sales by providing customers with integrated solutions or fulfilling one-time purchases, and continue to lead in market share. In addition, large-scale network security equipment manufacturers use their abundant resources to directly acquire the needed technologies via acquisition methods and quickly entered the market of emerging products. Therefore, SSL VPN has risen in the network security market in recent years. F5 has integrated SSL VPN into its existing product platform to make its existing solutions more competitive, or launched relevant products, resulting in increasingly fierce competition in the SSL VPN market, and also pose a major threat to small manufacturers in the industry.

Countermeasures

In order to establish market segments, the Company actively targets government agencies, education, medical, financial and telecommunications industry as the target customer base. Considering that the aforementioned enterprises' webpages must accommodate multiple people to access information from other cities or home, the more complex in terms of security, network performance and network management, the Company has developed a network security platform that meets the needs of multiple target customers for the operation of the target customer base. In the sales strategy, it also cooperates with the purchasing habits of the target customer group.

We provide products with very low procurement threshold. After the customer adopts the Company's platform, it can be expanded to the highest level of performance before adding any hardware. With good product performance and continuous customer-oriented service, we were chosen and trusted by large telecom companies such as AT&T, China Mobile, major banks such as Industrial and Commercial Bank of China, Mitsubishi UFJ of Japan, large enterprises such as Oracle, Sinopec, National Bank of India, Internet merchant Jingdong Mall and Service organizations, insurance companies, financial solution providers, software service providers, and the world's second largest cloud service provider, IBM, and other international enterprises with the customer renewal rate as high as 60%.

The application of virtualization technology has received attention since it can save the enterprise considerable amount of management costs. The enterprise has accelerated server virtualization, data integration and desktop virtualization. The Company has been developing security protection solutions in virtualized environments in recent years to provide a safer and faster network remote access platform, in order to be ahead of other competitors to seize the market, and also effectively improve the market positioning of the Array brand to become the number one brand of remote access control systems. The newly launched network function platform is expected to take the lead and become the first choice for enterprises that seek NFV products.

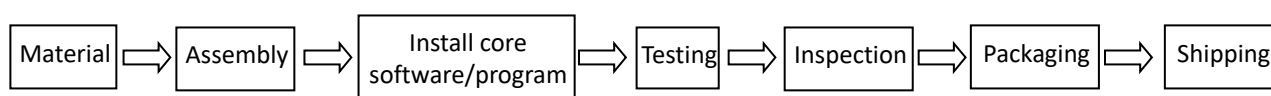
2. Usage and manufacturing processes for the Company's main products

(1) Key Product Application

| Products | Application |
|---|--|
| Application Delivery Controller (ADC) | Server load balancing provides scalability and high availability for applications, Web sites and cloud services by monitoring the health of servers, evenly distributing loads across servers and maintaining session persistence and a seamless user experience in the event that one or more servers become overburdened or unresponsive. Load balancing is a staple solution in virtually every data center. Array's 64-bit multi-core SpeedCore® architecture supports massive throughput and millions of concurrent connections for scaling application availability without impacting application performance. |
| Network Hyperconverged Infrastructure (N-HCI) | Enterprises and service providers are moving toward a virtual approach to network and security functions to gain agility and operational efficiencies. Array's AVX Series N-HCI platforms provide the best of both worlds – the agility of virtualization and the performance of dedicated appliances. Mix and match different size ADC, SSL VPN and 3rd-party networking, security and app delivery virtual appliances. Add, manage, change and delete VAs on a purpose-built platform that enables intuitive instantiation, service automation and guaranteed performance per virtual network function. |

| Products | Application |
|----------|--|
| SSL VPN | With increasing mobility, growing adoption of cloud services and a shift in thinking that emphasizes securing data in addition to securing networks and devices, modern enterprises require a new breed of remote and mobile access solutions. Array's scalable secure access gateway centralizes control over access to applications, desktops, files, networks and Web sites from a broad range of remote and mobile devices – providing secure connectivity, end-point and server-side security and application-level AAA policies on a per-user basis. Available as physical or virtual appliances, the AG Series is ideal for enterprises that need to support multiple communities of interest as well as service providers that need to provide remote access to globally dispersed data centers. |

(2) Usage and manufacturing processes for the Company's main products: The Company's production process is outlined below:



(3) Supply situation for the Company's major raw materials

The Company's main products include N-HCI, ADC and SSL VPN. The production line is located in the subsidiary Array US. The main raw materials are motherboard (MB), hard disk case, CPU, DRAM, SSL module, interface card, etc., that are mostly devices or electronic components of common specifications available in the market. Supplies of raw materials are in good condition, and there are many suppliers on the market. In terms of inventory control, the Company adopts the make-to-order combined with the management model of Just-In-Time. The Company's raw materials and production costs account for a small proportion of the product's selling price. The Company mainly integrates cutting-edge technology software, greatly enhances the product value, and provides customers with a overall more professional and complete solution.

(4) Key Supplies and Customers

(A) A list of any suppliers accounting for 10% or more of the Company's total procurement amount in either of the 2 most recent fiscal years, the amounts bought from each, the percentage of total procurement accounted for by each, and an explanation of the reason for increases or decreases in the above figures.

Unit: NT\$1,000; %

| No. | Supplier | 2020 | | | 2021 | | | |
|-----|----------|--------|------------------------|----------|----------|--------|------------------------|----------|
| | | Amount | % of total Procurement | Relation | Supplier | Amount | % of total Procurement | Relation |
| 1 | PE | 34,080 | 34.74 | none | PE | 13,465 | 23.11 | none |
| 2 | SPI | 11,488 | 11.71 | none | BAN | 5,839 | 10.02 | none |
| 3 | SCI | 8,891 | 9.07 | none | MLI | 5,710 | 9.80 | none |
| 4 | PT | 6,703 | 6.83 | none | SPI | 5,357 | 9.20 | none |
| 5 | MLI | 4,464 | 4.55 | none | SCI | 4,656 | 7.99 | none |
| 6 | Others | 32,472 | 33.10 | none | Others | 23,232 | 39.88 | none |
| | Total | 98,098 | 100.00 | | | 58,259 | 100.00 | |

The purchase amount in 2021 was 41% lower than that in 2020, mainly due to the increase in sales of software products, while the decrease in hardware products among the products sold in 2021, and some products have been developed towards virtualization, the required hardware materials and costs are gradually decreasing. The Company's major suppliers are long-term cooperative manufacturers. In order to avoid the concentration of purchases, the same materials may be dispersed by two or three suppliers. Therefore, the purchase amount of each supplier in 2020 and 2021 may be increased or decreased, but has not changed much.

- (B) A list of any clients accounting for 10% or more of the Company's total sales amount in either of the 2 most recent fiscal years, the amounts sold to each, the percentage of total sales accounted for by each, and an explanation of the reason for increases or decreases in the above figures.

Unit: NT\$1,000; %

| No. | Customer | 2020 | | | Relation | 2021 | | |
|-------|----------|---------|--------------------|----------|----------|----------|--------|--------------------|
| | | Amount | % of total revenue | Relation | | Customer | Amount | % of total revenue |
| 1 | Hita | 82,390 | 16.27 | none | Hita | 100,313 | 23.14 | none |
| 2 | Rdt | 64,039 | 12.64 | none | FCC | 86,729 | 20.01 | none |
| 3 | lfs | 60,399 | 11.92 | none | Rdt | 67,766 | 15.64 | none |
| 4 | Ins | 37,292 | 7.36 | none | NVC | 23,446 | 5.41 | none |
| 5 | FCC | 31,070 | 6.14 | none | Ins | 11,979 | 2.76 | none |
| 6 | Others | 231,314 | 45.67 | none | Others | 143,180 | 33.04 | none |
| Total | | 506,504 | 100.00 | | | 433,413 | 100.00 | |

Customers listed as above all are long-term cooperative customers.

- (5) An indication of the production volume for the 2 most recent fiscal years

Unit: NT\$1,000

| Year Production Volume and Value Product Category | 2020 | | | 2021 | | |
|--|----------|----------------------|---------------------|----------|----------------------|---------------------|
| | Capacity | Production Volume | Production Value | Capacity | Production Volume | Production Value |
| ADC | 3,000 | 980 | 64,934 | 3,000 | 653 | 49,747 |
| N-HCI/NFP | 800 | 140 | 24,677 | 800 | 161 | 23,680 |
| SSL VPN | 1,500 | 14 | 770 | 1,500 | 51 | 1,640 |
| WOC | 500 | 24 | 23 | 500 | 29 | 76 |
| Total | 5,800 | 1,158 | 90,404 | 5,800 | 894 | 75,143 |

- (6) An indication of the volume of units sold for the 2 most recent fiscal years

Unit: NT\$1,000

| Year Sales Volume and Value Product Name | 2020 | | 2021 | |
|---|--------------|-------------|--------------|-------------|
| | Sales Volume | Sales Value | Sales Volume | Sales Value |
| ADC | 963 | 172,512 | 631 | 131,364 |
| N-HCI/NFP | 128 | 71,686 | 140 | 84,811 |
| SSL VPN | 14 | 39,655 | 51 | 36,356 |
| WOC | 2 | 1,950 | 7 | 28 |
| ZTNA | - | 0 | - | 616 |
| Service revenue | - | 220,701 | - | 180,238 |
| Total | 1,107 | 506,504 | 829 | 433,413 |

5.3. Information of employed Employees: 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, their average years of service, average age, and education levels (including the percentage of employees at each level)

| Year | | 2020 | 2021 | As of Mar. 31, 2022 |
|--------------------------|----------------------|-------|-------|---------------------|
| Number of employees | R&D | 28 | 22 | 27 |
| | Sales & Marketing | 60 | 59 | 63 |
| | Others | 16 | 17 | 16 |
| | Total | 104 | 98 | 106 |
| Average Age | | 43 | 37 | 35 |
| Average Years of Service | | 7.05 | 6.16 | 5.70 |
| Education (%) | Doctoral | 1.25 | 1.19 | 1.12 |
| | Master | 28.75 | 25.00 | 19.10 |
| | University & College | 62.5 | 63.10 | 78.65 |
| | High School | 7.5 | 7.14 | 1.12 |
| | Below High School | 0 | 0 | 0 |

5.4. Disbursements for environmental protection

1. List any losses suffered by the Company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided. The Company's production is mainly based on software development. The hardware is only assembled, no special pollution is generated, and there are no requirements for facilities and equipment or emission permits. There have been no losses or dispositions due to environmental pollution.
2. Protective measures for the work environment and personal safety of the employees: The Company's products are mainly based on the added value brought by the software. The hardware only performs assembly, the US subsidiary is responsible for the assembly of the group products. The streamlined manufacturing staff is sufficient to support the entire group. The production process is environmentally friendly and simple. The Company supports green procurement, environmental protection and healthy working environment. The office is completely banned. Fire alarms are installed on all floors. Fire extinguishers are installed at designated points, and fire protection equipment is tested every quarter.

5.5. Labor relations

1. List any employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests.

(1) Employee benefit plans

Employee's welfare measures of Array US, the main operating location of the Company, are handled in accordance with the relevant provisions of the US Federal Social Security Program Rules and the Labor Law, and provide employee health insurance and Workers' Compensation Insurance, including the full amount of medical and health insurance for employees in the fields of medication, dental, eyes and long-term and short-term injuries, according to employees' age, medication records and status of family members, as well as 75% insurance premiums for their dependents.

The Company has established various management methods and regulations for employees, such as salary, promotion, rewards and punishments, vacations and social insurance, etc., in compliance with relevant local laws and regulations. The Company emphasizes employees' rights and interests, and the relationship between the employees and employer is harmonious. The Company also takes employee's opinions seriously. The employees can conduct the Open Door Policy. The subsidiaries of the major operating areas hold employee meetings from time to time. Employees can nominate candidates of outstanding employees every quarter. Employees reviewed and elected to be the outstanding employees for the quarter will be rewarded. The Company fully let employees understand various employee rights and the company's conduct of various maintenance measures in accordance with the company law.

(2) Continuing education and training

The employees' continuing education and training is divided into new personnel training and professional functional training, including pre-employment training for new recruits, and internal and external training according to the needs of the work. Regarding accounting supervisors, internal auditors and their deputies will carry out further studies in accordance with the "Regulations Governing the Qualification Requirements and Professional Development of Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges" and the "Regulations Governing Establishment of Internal Control Systems by Public Companies".

Unit: NT\$1,000

| Items | Number of person | Hours | Training Expense |
|----------------------------------|------------------|-------|------------------|
| New personnel training | 28 | 84 | 0 |
| Professional functional training | 70 | 210 | 329 |
| Total | 98 | 294 | 329 |

(3) Retirement systems and the status of their implementation

In order to help employees be settled in at work and to protect employees' retirement life, the Company will establish retirement guidelines in accordance with the relevant

local laws and regulations of each major operating subsidiary. The Company's main operating location is under the 401(K) retirement pension plan for the US subsidiary. The Company sets up a special 401K account for employees. The employee withdraws a certain percentage of his salary and deposits it into the pension account until he leaves the company. The Company also matches a certain amount of fund to employees according to a defined proportion, but the annual delivery limit shall not exceed US\$6,000.

2. List any loss sustained as a result of labor disputes in the most recent fiscal year, and during the current fiscal year up to the date of publication of the annual report (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of losses incurred to date or likely to be incurred in the future, and indicate mitigation measures being or to be taken. If the loss cannot be reasonably estimated, make a statement to that effect:

The Company's relationship with its employees has always been harmonious and there is no loss due to labor disputes. It is expected that there will be no losses arising from labor disputes in the future.

5.6. Information Security Management

1. Information Security Policy and Organization: The Company is committed to information security and confidentiality protection for its customers, shareholders, and partners. The Company's "Information Technology Department" is in charge for information security management of the Company, and has clearly formulated relevant policies, management procedures, and regulations to achieve complete information security and confidentiality protection.

Information Security Management Strategy and Resources: The Company's information system is managed at headquarter Array Networks Inc. (Array US), and established a security control mechanism for the computer network system to ensure the security of network transmission data and prevent unauthorized system access. The Company implements the firewall to control the data transmission and resource access between the outside and the Company's internal network; the Company's information security management policy is regularly published and communicated to all employees.

2. The Company has established enterprise risk management mechanism and information security incident handling procedures. The mechanism and procedures define relevant process and measures including information security incident notification procedure, designation of personnel responsible for handling material information security incidents, assessment of losses suffered and additional measures needed, assessment of impact of information security risks on the Company's financial and operations, and proposed countermeasures to information security risks. In 2021 and as of the date of this Annual Report, the Company has not suffered any losses due to material information security incidents.

- 5.7. Important contracts: the supply/distribution contracts, technical cooperation contracts, engineering/construction contracts, long-term loan contracts, and other contracts that would affect shareholders' equity, where said contracts were either still effective as of the date of publication of the annual report, or expired in the most recent fiscal year:

| Agreement Type | Counterparty (Note) | Term | Summary | Restrictions |
|---|---|---|---|--------------|
| Lease Agreement and its amendment | JA Survivor's Trust & TR T. P Property Trust, LLC | 2005.5.2-2010.8.31 2010.8.31-2015.8.31 2015.9.1-2020.10.31 2018.11.1-2025.12.31 | Office lease and the extension | None |
| Distributor Agreement | Customer - NVC | Started from May 31, 2002 with one year period, and automatic renewal of one year for each expiration. | Array appoints the Distributor as a nonexclusive distributor of the products sales. | None |
| Product sales contract | Customer - Oracle | Started from Jan. 31, 2007 with one year period, and automatic renewal of one year for each expiration. | Product sales contract | None |
| Products sale agreement | Customer - Hitachi | Started from Sep. 10, 2001 with one year period, and automatic renewal of one year for each expiration. | Array appoints the Distributor as a nonexclusive distributor of the products sales. | None |
| Products sale agreement | Customer - ERC | Started from Oct. 16, 2007 with two years period, and automatic renewal of one year for each expiration. | Nonexclusive distributor of the products sales. | None |
| Distributor Agreement | Array Japan | 2001.9.10-2003.3.31, and automatic renewal every year. | Product sales contract | None |
| Cooperation Agreement | AC | 2018.1.1-2027.12.31 | As the customer's sole supplier, and mutual parties sign the service contract that "AC" shall supply the Company with support and service for existing product needs. | None |
| Change of Control and Severance Agreement | Management officers | This Agreement is effective on July 2, 2022, and shall terminate upon the date that all obligations of the parties hereto with respect to this Agreement have been satisfied. | The Agreement is made and entered into by and between the Management officers and the Company in the event of change in control. According to the agreement, the Company shall pay termination benefits with a total of US\$2,000 thousand for terminating certain employees' employment before their normal retirement dates during the 12-month period beginning on the date of a change in the ownership of the Company. | None |

Note: Due to confidentiality clauses, some counterparty are disclosed by code.

Chapter 6. Financial Information

6.1. Condensed balance sheets and statements of comprehensive income for the past 5 fiscal years

1. Condensed balance sheets and statements of comprehensive income

(1) Five-Year Consolidated Condensed Balance Sheets for Taiwan-IFRSs.

Unit: NT\$1,000

| Year | | Five-Year Condensed Balance Sheet | | | | |
|---|---------------------|-----------------------------------|-----------|-----------|-----------|-----------|
| | | 2017 | 2018 | 2019 | 2020 | 2021 |
| Item | | | | | | |
| Current Assets | | 889,465 | 895,982 | 881,172 | 768,869 | 634,815 |
| Property, Plant and Equipment | | 10,802 | 26,694 | 23,000 | 20,018 | 15,337 |
| Intangible Assets | | 117,497 | 116,212 | 112,068 | 93,904 | 81,570 |
| Other Assets | | 37,970 | 45,504 | 71,630 | 62,133 | 50,392 |
| Total Assets | | 1,055,734 | 1,084,392 | 1,087,870 | 944,924 | 782,114 |
| Current Liabilities | Before Distribution | 184,637 | 210,671 | 248,946 | 233,452 | 215,398 |
| | After Distribution | 184,637 | 210,671 | 248,946 | 233,452 | (Note 1) |
| Noncurrent Liabilities | | 79,195 | 88,833 | 199,645 | 200,274 | 167,375 |
| Total Liabilities | Before Distribution | 263,832 | 299,504 | 448,591 | 433,726 | 382,773 |
| | After Distribution | 263,832 | 299,504 | 448,591 | 433,726 | (Note 1) |
| Equity Attributable to Shareholders of the Parent | | 791,902 | 784,888 | 639,279 | 511,198 | 399,296 |
| Capital Stock | | 525,224 | 525,224 | 510,983 | 510,983 | 511,112 |
| Capital Surplus | | 343,420 | 344,498 | 339,230 | 342,443 | 340,543 |
| Retained Earnings | Before Distribution | 34,909 | (5,027) | (114,564) | (217,803) | (313,429) |
| | After Distribution | 34,909 | (5,027) | (114,564) | (217,803) | (Note 1) |
| Other Equity | | (84,803) | (54,928) | (74,882) | (102,937) | (117,442) |
| Treasury Share | | (26,848) | (24,879) | (21,488) | (21,488) | (21,488) |
| Non-controlling interest | | 0 | 0 | 0 | 0 | 45 |
| Total Equity | Before Distribution | 791,902 | 784,888 | 639,279 | 511,198 | 399,341 |
| | After Distribution | 791,902 | 784,888 | 639,279 | 511,198 | (Note 1) |

Note 1: Pending on approval of shareholders at Annual General Shareholders' Meeting.

(2) Five-Year Consolidated Condensed statements of comprehensive income for Taiwan-IFRSs.

Unit: NT\$1,000

| Item | Year | Five-Year Condensed statements of comprehensive income | | | | |
|---|------|--|----------|-----------|-----------|-----------|
| | | 2017 | 2018 | 2019 | 2020 | 2021 |
| Net Sales | | 598,669 | 524,459 | 536,082 | 506,504 | 433,413 |
| Gross Profit | | 408,019 | 359,115 | 361,945 | 368,229 | 322,508 |
| Operating income | | 9,114 | (35,851) | (114,102) | (75,699) | (107,011) |
| Non-operating income and expenses | | 3,513 | 4,336 | 6,127 | (12,568) | 21,831 |
| Profit before income tax | | 12,627 | (31,515) | (107,975) | (88,267) | (85,180) |
| Net profit (loss) from continuing operations | | 9,369 | (39,679) | (122,273) | (103,239) | (95,646) |
| Net profit (loss) from discontinued operations | | (93,185) | 0 | 0 | 0 | 0 |
| Net Profit (Loss) | | (83,816) | (39,679) | (122,273) | (103,239) | (95,646) |
| Other comprehensive income (loss) | | (40,412) | 24,261 | (5,694) | (28,055) | (14,505) |
| Total comprehensive income (loss) for this year | | (124,228) | (15,418) | (127,967) | (131,294) | (110,151) |
| Net income (loss) attributable to owners of the Parent | | (83,816) | (39,679) | (122,273) | (103,239) | (95,626) |
| Net income (loss) attributable to non-controlling interests | | 0 | 0 | 0 | 0 | (20) |
| Total comprehensive income (loss) attributable to owners of the Parent | | (124,228) | (15,418) | (127,967) | (131,294) | (110,131) |
| Total comprehensive income (loss) attributable to non-controlling interests | | 0 | 0 | 0 | 0 | (20) |
| Loss per share(NT\$) | | (1.30) | (0.78) | (2.44) | (2.10) | (1.94) |

2. Name of the certified public accountant and the auditor's opinion for the past 5 fiscal years.

| Year | Accounting Firm | Name of Auditors (CPA) | Audit Opinion |
|------|-------------------|--------------------------------|---|
| 2017 | Deloitte & Touche | Yi-Wen Wang, Cheng-Ming Lee | An Unqualified Opinion with matter emphasis |
| 2018 | Deloitte & Touche | Li-Wen Kuo, Yi-Wen Wang | An Unqualified Opinion with matter emphasis |
| 2019 | Deloitte & Touche | Li-Wen Kuo, Yi-Wen Wang | An Unqualified Opinion |
| 2020 | Deloitte & Touche | Li-Wen Kuo, Yi-Wen Wang | An Unqualified Opinion |
| 2021 | Deloitte & Touche | Li-Wen Kuo, Chun-Hung Chen | An Unqualified Opinion |

6.2. Financial Analysis for the past 5 fiscal years.

| Item | Year | Financial Analysis for the past 5 fiscal years | | | | |
|---|---|--|----------|----------|----------|----------|
| | | 2017 | 2018 | 2019 | 2020 | 2021 |
| Capital structure analysis | Debt ratio (%) | 24.99 | 27.42 | 41.24 | 45.90 | 48.94 |
| | Long-term fund to property, plant and equipment ratio (%) | 8,064.22 | 3,261.88 | 3,647.50 | 3,554.16 | 3,694.80 |
| Liquidity analysis | Current ratio (%) | 481.74 | 423.88 | 353.96 | 329.35 | 294.72 |
| | Quick ratio (%) | 445.55 | 402.71 | 332.29 | 305.94 | 273.84 |
| | Times interest earned (Times) | 0.00 | 0.00 | (28.63) | (24.55) | (28.95) |
| Operating performance analysis | Average collection turnover (Times) | 4.48 | 1.98 | 1.70 | 1.74 | 1.81 |
| | Days sales outstanding | 81.47 | 184.34 | 214.71 | 209.77 | 201.66 |
| | Average inventory turnover (Times) | 2.90 | 3.24 | 4.26 | 3.15 | 2.79 |
| | Average payment turnover (Times) | 7.32 | 5.98 | 7.00 | 5.85 | 5.08 |
| | Average inventory turnover days | 125.86 | 112.65 | 85.68 | 115.87 | 130.82 |
| | Property, plant and equipment turnover (Times) | 49.29 | 27.97 | 21.58 | 23.55 | 24.52 |
| | Total assets turnover (Times) | 0.47 | 0.49 | 0.49 | 0.50 | 0.50 |
| Profitability analysis | Return on total assets (%) | (6.59) | (3.71) | (10.92) | (9.82) | (10.75) |
| | Return on equity attributable to owners of the parent (%) | (8.86) | (5.03) | (17.17) | (17.95) | (21.01) |
| | Pre-tax income to paid-in capital (%) | 2.40 | (6.00) | (21.13) | (17.27) | (16.67) |
| | Net margin (%) | (14.00) | (7.57) | (22.81) | (20.38) | (22.07) |
| | Earnings per share (NT\$) | (1.30) | (0.78) | (2.44) | (2.10) | (1.94) |
| Cash flow | Cash flow ratio (%) | (Note) | (Note) | (Note) | 17.33 | (Note) |
| | Cash flow adequacy ratio (%) | 95.44 | 60.09 | (Note) | 28.27 | 35.99 |
| | Cash flow reinvestment ratio (%) | (Note) | (Note) | (Note) | 5.86 | (Note) |
| Leverage | Operating leverage | 44.77 | (10.02) | (3.17) | (4.86) | (3.01) |
| | Financial leverage | 1.00 | 1.00 | 0.97 | 0.96 | 0.97 |
| Changes that exceed 20% in the past two years and explanation for those changes: | | | | | | |
| (1) Decrease on 2021's Cash flow ratio, Cash flow reinvestment ratio and Operating leverage : This is mainly due to the decline of revenue in the United States and China exceeded the growth in other regions, resulting the decrease of 2021's revenue compared with the previous year, and the increase in net operating loss, it caused a net cash outflow from operating activities. | | | | | | |
| (2) Increase on 2021's Cash flow adequacy ratio: This is mainly due to the capital expenditure and inventory in the last five years have shown a downward trend, it caused the decrease of 2021's Five-year sum of capital expenditures and inventory additions. | | | | | | |
| (Note): It is not listed because it does not generate net cash provided by operating activities. | | | | | | |

Note 1: Glossary:

1. Capital Structure Analysis:

- (1) Debt ratio = Total liabilities / Total assets
- (2) Long-term fund to property, plant and equipment ratio = (Shareholders' equity + non-current 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 property, plant and equipment
- (7) Total assets turnover = Net sales / 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) Pre-tax income to Paid-in Capital Ratio = Income before tax / Paid-in Capital
- (4) Net margin = Net income / Net sales
- (5) 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 flow reinvestment ratio = (Cash provided by operating activities – cash dividends) / (Gross property, plant and equipment + long-term investments + other noncurrent assets + working capital)

6. Leverage:

- (1) Operating leverage = (Net sales – variable cost) / Operating income
- (2) Financial leverage = Operating income / (Operating income – interest expenses)


6.3. Audit committee's report for the most recent year's financial statement

2021 Audit Committee's Review Report

The Board of Directors has prepared the Company's 2021 Business Report, consolidated Financial Statements and proposal for Covering of Losses. The CPA firm of Deloitte & Touche was retained to audit Array's consolidated Financial Statements and has issued an audit report relating to the consolidated Financial Statements. The Business Report, consolidated Financial Statements and the proposal of Covering of Losses have been reviewed and determined to be correct and accurate by the Audit Committee members of Array Inc. According to Article 14-4 of the Securities and Exchange Act, we hereby submit this report.

Array Inc.

Chairman of the Audit Committee: Grace Tsai

A handwritten signature in black ink, appearing to be "G. Tsai", written over a horizontal line.

Date: March 16, 2022

- 6.4. Financial statement for the most recent fiscal year, including an auditor's report prepared by a certified public accountant, and 2-year comparative balance sheet, statement of comprehensive income, statement of changes in equity, cash flow chart, and any related footnotes or attached appendices: Please refer to page 109~ 155 of this annual report.
- 6.5. Parent Company only financial statement for the most recent fiscal year, certified by a CPA: Not applicable.
- 6.6. If the Company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the said difficulties will affect the Company's financial situation: None.

Chapter 7. Financial Status, Financial Results and Status of Risk Management

7.1. Financial Status: The main reasons for any material change in the Company's assets, liabilities, or equity during the past 2 fiscal years, and the effect thereof, and the measures to be taken in response.

1. Financial status comparison

Unit: NT\$1,000

| Item | Year | 2020 | 2021 | Difference | | |
|-------------------------------|------|-----------|-----------|------------|----------|-------------|
| | | | | Amount | % | Explanation |
| Current Assets | | 768,869 | 634,815 | (134,054) | (17.44)% | |
| Property, Plant and Equipment | | 20,018 | 15,337 | (4,681) | (23.38)% | (1) |
| Right-of-use asset | | 56,554 | 45,909 | (10,645) | (18.82)% | |
| Intangible Assets | | 93,904 | 81,570 | (12,334) | (13.13)% | |
| Other Assets | | 5,579 | 4,483 | (1,096) | (19.65)% | |
| Total Assets | | 944,924 | 782,114 | (162,810) | (17.23)% | |
| Current Liabilities | | 233,452 | 215,398 | (18,054) | (7.73)% | |
| Noncurrent Liabilities | | 200,274 | 167,375 | (32,899) | (16.43)% | |
| Total Liabilities | | 433,726 | 382,773 | (50,953) | (11.75)% | |
| Capital Stock | | 510,983 | 511,112 | 129 | 0.03% | |
| Capital Surplus | | 342,443 | 340,543 | (1,900) | (0.55)% | |
| Retained Earnings | | (217,803) | (313,429) | (95,626) | 43.90% | (2) |
| Other Equities | | (102,937) | (117,442) | (14,505) | 14.09% | |
| Treasury Stocks | | (21,488) | (21,488) | 0 | 0% | |
| Non-controlling intersts | | 0 | 45 | 45 | 100.00% | (3) |
| Total Equity | | 511,198 | 399,341 | (111,857) | (21.88)% | (2) |

2. Analysis of deviation over 20%:

- (1) The purchase of fixed assets in 2021 is less than that in 2020.
- (2) The decline of revenue in the United States and China exceeded the growth in other regions, causing the decrease of 2021's revenue compared with the previous year, and resulting in continuous losses.
- (3) Due to the issuance of new shares under subsidiary Zentry's share options exercise in June 2021 reduced the Company's continuing interest in Zentey from 100% to 99.97%.

3. Major impact on financial position: The above deviations had no major impact on Array's financial position.

4. Future plan on financial position: Not applicable.

7.2. Financial performance: The main reasons for any material change in operating revenues, operating income, or income before tax during the past 2 fiscal years, provide a sales volume forecast and the basis therefor, and describe the effect upon the Company's financial operations as well as measures to be taken in response.

1. Financial Performance comparison

Unit: NT\$1,000

| Item | Year | 2020 | 2021 | Difference | | |
|-----------------|------|---------|---------|------------|----------|-------------|
| | | | | Amount | % | Explanation |
| Net Revenue | | 506,504 | 433,413 | (73,091) | (14.43)% | |
| Cost of Revenue | | 138,275 | 110,905 | (27,370) | (19.79)% | |
| Gross Profit | | 368,229 | 322,508 | (45,721) | (12.42)% | |

| Item | Year | 2020 | 2021 | Difference | | |
|--|------|-----------|-----------|------------|-----------|-------------|
| | | | | Amount | % | Explanation |
| Operating Expenses | | 443,928 | 429,519 | (14,409) | (3.25)% | |
| Net Operating Income (loss) | | (75,699) | (107,011) | (31,312) | 41.36% | (1) |
| Non-operating income and (Expense) | | (12,568) | 21,831 | 34,399 | (273.70)% | (2) |
| Income before income tax | | (88,267) | (85,180) | 3,087 | (3.50)% | |
| Income tax expenses | | 14,972 | 10,466 | (4,506) | (30.10)% | |
| Net Income (loss) for this year | | (103,239) | (95,646) | 7,593 | (7.35)% | |
| Other comprehensive income (loss) | | (28,055) | (14,505) | 13,550 | (48.30)% | (3) |
| Total comprehensive income (loss) for the year | | (131,294) | (110,151) | 21,143 | (16.10)% | |

2. Description of major variations of accounting items (Accounting subjects fluctuate over 20% from previous year, and such change in amount exceeds NT\$10 million):

- (1) The decline of revenue in the United States and China exceeded the growth in other regions, causing the decrease of 2021's revenue compared with the previous year, and resulting the increase of net operating loss.
- (2) Due to the severe impact of the COVID-19 pandemic on the market economy in 2020, the United States federal government implemented the Paycheck Protection Program (PPP), which allows small enterprises to apply for unsecured low-interest loans to pay for their payroll costs, rent, and utilities. In April 2020, the Company acquired a PPP loan in the amount of US\$1,203 thousand. The United States federal government also announced the PPP loan forgiveness terms. The principal of a PPP loan will be forgiven as long as eligibility requirements are met. The Company's application for loan forgiveness has been approved in May 2021. The amount of long-term borrowings recognized as government grants and included in other income, resulting the increase of non-operating income.
- (3) The functional currency of the Company is US dollars. As the Company is listed in Taiwan, the consolidated financial report is expressed in New Taiwan Dollars. Other comprehensive income were mainly due to the difference of exchange rate on currency translation from functional currency and the foreign operations financial reports between 2020 and 2021.

3. Sales volume forecast and the basis therefor:

Based on the Company's past sales experience and negotiation with customers about future orders, it is expected that the sales target for the next year (2022) to be a growth. Please refer to Chapter 5 of "5.2. Market, Production and Marketing Situation" of this annual report.

4. Major impact on financial performance: The above deviations had no major impact on Array's financial performance.
5. Future plan on financial performance: Not applicable.

7.3. Cash flow

1. Analysis of cash flow changes during the most recent fiscal year of 2021

Unit: NT\$1,000

| Cash Balance 12/31/2020 | Net cash provided by operating activities in 2021 | Net cash used in investing and financing activities in 2021 | Effects of exchange rate changes | Net increase (decrease) in cash and cash equivalents | Remedy for liquidity shortfall | |
|---|---|---|----------------------------------|--|--------------------------------|----------------|
| | | | | | Investment Plan | Financing Plan |
| 264,932 | (58,206) | 2,503 | (6,429) | 202,800 | Not applicable | Not applicable |
| <p>(1) The net cash outflow from operating activities in 2021 is mainly due to the decrease of 2021's revenue compared with the previous year, and resulting the increase of net operating loss.</p> <p>(2) The net cash inflow of investment activities and financing activities in 2021 was mainly due to the Company proceeds from sale of financial assets at amortized cost.</p> | | | | | | |

Unit: NT\$1,000

| Item | Year | 2020 | 2021 | % of deviation |
|---|------|-------|--------|----------------|
| Cash flow ratio | | 17.33 | (Note) | (Note) |
| Cash flow adequacy ratio | | 28.27 | 35.99 | 27.31 |
| Cash flow reinvestment ratio | | 5.86 | (Note) | (Note) |
| <p>Analysis of deviation: Increase on 2021's Cash flow adequacy ratio: This is mainly due to the capital expenditure and inventory in the last five years have shown a downward trend, it caused the decrease of 2021's Five-year sum of capital expenditures and inventory additions.</p> <p>(Note): It is not listed because it does not generate net cash provided by operating activities.</p> | | | | |

1. Remedial actions for liquidity shortfall: The Company has no liquidity problems in the recent fiscal year.

2. Provide an analysis of the Company's cash liquidity for coming year:

Operating activities: As compared to 2021, the Company expects 2022's revenue to increase, and the cash flow from operating activities can be improved.

Investing activities: The cash flow from investing activities was mainly due to the expected replacement of fixed assets on a regular basis in 2022.

Financing activities: The estimated net cash movements of financing activities in 2022 will include employees' option exercise and subscription for treasury shares.

7.4. The effect upon financial operations of any major capital expenditures during the most recent fiscal year

The production process of the Company's products is straight forward, mainly by utilizing the in-house designed SpeedCore™ software architecture platform, on which the software is installed. After testing and inspection, the product is ready for packaging and shipping. The main equipment used is computers; the rest of equipment are computers and equipment used by the R&D department and various departments that do not require specific major capital expenditure items. The amount of real estate, plant and equipment in the past two years does not exceed 2% of the total assets, and the newly added equipment is mainly equipment for

replacement. There will be no major capital expenditure plans in the coming year.

7.5. The Company's reinvestment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year.

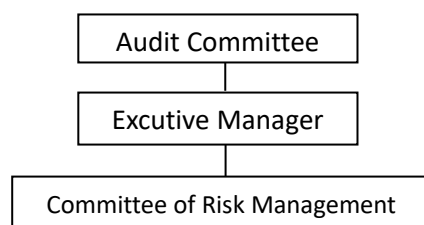
1. Policy for the most recent fiscal year on investments in other companies: The Company is focused on its core business operations.
2. Major reasons for profit/losses resulting and plans for improvement: The most recent investment loss was mainly from subsidiary Zentry Security. The company continues to make significant investments in engineering and R&D aimed at delivering next-generation Zero Trust Network Access (ZTNA) services under subsidiary Zentry Security. Entering 2022, the Company is still actively deploying in the Indian market, and continues to scale customers use of Array's existing products of ADC and SSL VPN solutions; in addition, customers are also starting to adopt our recently-launched Zentry Security Zero Trust Network Access (ZTNA) solutions to scale secure access farther than ever before. The revenue 2022 is expected to be increasing.
3. Investment plans for the coming year: None.

7.6. Status of Risk Management: Analysis and assessment of the risks during the most recent fiscal year and as they stood on the date of publication of the annual report

Risk Management Policy:

The Company and its subsidiaries undertake to integrate and manage all potential risks of strategic, operational, financial and hazardous aspects that may affect operations and profitability in an active and cost-effective manner.

Orgnaization structure of risk management:



1. From the most recent year till the printing date of the annual report, effects of changes in interest rate, foreign exchange rate and fluctuation on corporate finance, and response measures to be taken in the future.

Unit: NT\$1,000; %

| Item | 2020 | 2021 |
|----------------------------------|-------|---------|
| Net interest income (expense) | 1,165 | (1,327) |
| Net foreign exchange gain (loss) | (425) | 759 |

| Item | 2020 | 2021 |
|---|---------|---------|
| Net interest income or expense of total revenue percentage | 0.23% | (0.31)% |
| Net foreign exchange gain or loss of total revenue percentage | (0.08)% | 0.18% |

(1) Interest rate changes:

Due to proper control, the interest rate changes have had little impact on the Company so far. The company will continue to monitor the market to prevent any Company's losses. And there are dedicated full-time staff who constantly monitor the change of financial interest rate and adjust the use of funds in a timely manner.

(2) Exchange rate changes:

The functional currency of the Company is US dollars, and most of the sales and purchases are settled in US dollars. Therefore, fluctuations in the exchange rate have limited impact on the Company. The ratio of net exchange (loss) to net profit in the past two years is (0.08)% and 0.18%; the impact of exchange gains and losses is minimal. On the whole, as of now, there is no significant risk of exchange rate fluctuations.

(3) Inflation:

The company's main markets include China, Japan, India and North America. The Company does not believe that inflation or deflation in the global economy posted a significant impact on the company's operating results in 2021. However, the Company cannot guarantee that there will be no material changes in the nature, extent or scope of future inflation or deflation, which will have a material adverse effect on the Company's operating results. However, the Group's products are not basic consumer materials, which are less susceptible to inflation or deflation than ordinary consumer goods. The pricing of the Company's products is more competitive with the major competitors. If the future economy is deflated that causes the change of supply cost, the Company may also adjust the sales strategy, product prices and trading conditions in a timely manner in response to changes in the global economic climate.

2. From the most recent year till the printing date of the annual report, the Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future:

The Company has laid down "Procedures for acquisition or disposal of assets", "Procedures for lending funds to other parties", "Procedures for endorsement and guarantee", and "Policies and procedures for financial derivatives transactions". The Company will refer to relevant proceedings when dealing with related operational procedures. As of the date of the annual report printed, the Group did not engage in high-risk, highly leveraged investment and derivative commodity transactions. The Company did not engage in endorsement guarantees, lending funds to those outside the Group. However, if the

Company engages in high-risk, highly leveraged investments, derivative commodity transactions, endorsement guarantees for individuals other than those within the organization, or loans to individuals other than the Group in the future, the Company's financial situation will be exposed to high-risk conditions. The loss will likely make the Group's capital turnover difficulties or profitability seriously affected. However, the Group has always focused on the operation of the industry and has not stepped into other high-risk industries. The financial policy is based on the principle of stable and conservative, and it does not make high leverage investment, so the risk is still limited.

3. Research and development work to be carried out in the future, and further expenditures expected for research and development work:

The Company's future research projects will use the Company's accumulated application network architecture related technologies and knowledge to continuously develop new application functions such as remote access and multi-core software technology to improve product performance and market positioning. The Company will continue to invest in the research and development of emerging internet applications such as data center integration, virtualization and cloud computing, and green information technology; moreover, the Array Center for Technology Innovation (ACTI) located in Bangalore, India will keep focusing products innovation and design. And, India's dedicated engineering team will task with developing and releasing the first generation Zentry Zero Trust Network Access (ZTNA) to next-generation secure access solution. The Company has been developing modernizes the secure access with enhanced security, improved productivity, and ease of use. It helps customers migrate to Zero Trust Security model from obsolete perimeter model (Firewall & VPN), and maintain the leading position in the industry in response to the of industry development trends.

The Company's R&D expenses for 2020 and 2021 accounts for 20% and 22% of total operating revenue. Depending on future product development projects, the Company will continue to invest in R&D resources for R&D projects in 2021.

Unit: NT\$1,000

| Year | R&D expense | Of total operating revenue % |
|--------------------------------|----------------|------------------------------|
| 2020 | 102,658 | 20% |
| 2021 | 95,992 | 22% |
| Estimated R&D expenses in 2022 | 95,000~100,000 | 18-22% |

4. Effect on the Company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:

The company is registered in the Cayman Islands; the main operating country is in the United States. The Cayman Islands is only the registered place of the company; there is no real economic activity. The United States is one of the world's major economic systems; the economy is open and there is no currency exchange restriction. The political and economic environment of the two places is stable, and the network function platform, network connection security and network traffic acceleration products developed and sold by the

Company mainly provide information security related applications and services, which are not licensed or restricted industries. It is not expected that there will be significant events affecting the financial business due to changes in important policies and laws in the Cayman Islands or the United States.

5. Effect on the Company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response:

With the rapid development of the digital economy, the Internet is becoming more and more widely used; the amount of data transmitted is increasing; external attacks are increasing; and the requirements of the law and enterprises for the security environment are becoming stricter. The development of the network security industry, the emerging applications of virtualization and cloud computing, green information technology and other Internet networks, and reducing the overall cost of IT construction are all trends in the future industry. The Company has been committed to the research, development, production and sales of network security and traffic solutions for many years. It holds a place in the industry and launched an innovative and forward-looking network function platform product. As a result the Company has transformed to be a network function platform company. Network function virtualization, cloud computing and software-based network environment are expected to become the main growth momentum of the market. The Company's network function platform products address the challenges of enterprise network virtualization, security and application delivery performance and complexity, providing the sensitivity and hardware-level security required for enterprise and service provider. The product is easy to deploy and is an open platform that allows any virtual device or virtual network function to operate, significantly reducing hardware and software costs, saving space, power, cooling and configuration costs. In the medium and long term, there should be no significant adverse impact on the Company's financial business due to technological changes or industrial changes. However, the Company will still closely follow the customer's footsteps, get the latest technical information of the market at any time, understand the future industry changes, and grasp the market movement and the future development trend of the products. The company will continue to use product upgrades to improve its product positioning to the position of a market leader, not only to establish a brand image with global technology, but also to enter higher-end markets.

6. Effect on the Company's crisis management of changes in the Company's corporate image, and measures to be taken in response:

The Company is operated in a stable and pragmatic spirit. Since its establishment, it has actively strengthened internal management, improved quality and efficiency, and has no crisis in corporate management. If there is a corporate image change that affects the Company's ability to manage crisis management in the future, the Company will not be able to immediately respond to changes in the economy or the market, which will adversely affect the company's operations.

The Company will be more committed to maintaining corporate governance, adhere to operational transparency, pay more attention to the interests of shareholders, and strengthen the image of the Company's excellence.

7. Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken:

Up to now, the Company has not yet had a specific merge and acquisition plan. In addition to strengthening its product R&D and brand image, the Company has built a complete global distribution channel network to enable the business to maintain its rapid growth model in various regions. As the Company's major operating bases have a considerable scale, it is not excluded in the future to expand the product line or increase the operational channels through mergers and acquisitions at an appropriate time to achieve the economic scale of operations and improve overall business performance.

If the Company discovers potential acquisition targets in the future, it will adopt a prudent assessment attitude, consider the overall effect of the merger, and consult relevant professionals to ensure the overall shareholders' equity.

8. Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken:

There has not been plans of plant expansion from the Company, thus the risks are not applicable.

9. Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken:

The Company's products are of high quality; many innovative applications designed for customers have gradually gained trust from customers in Europe, America and Japan, and have gradually become leading brands in the financial, telecommunications and education industries in China and India. The ratio of the total sales of the Company's largest sales customers to the net operating income of the last three years is not more than 20%, while the sales of the remaining sales customers is also less than 10%. There is no obvious sign of sales concentration. Based on the risk of diversifying sales, the Company continues to develop domestic and foreign direct customers and distribution channels, and actively develops emerging markets such as India. In general, the Company should have no risk of concentration of sales.

The Company's some products have been developed towards virtualization, the required hardware materials and costs are gradually decreasing. Most of the company's main raw materials are equipment or electronic components of common general specifications in the market, such as CPU, hard disk, interface card, memory module, SSL module, server and power supply, etc. The Company's major suppliers are long-term cooperative manufacturers. In order to avoid the concentration of purchases, the same materials may be dispersed by two or three suppliers. Most of suppliers are the listed company and financially sound; Supply is stably provided without shortage or interruption. The Company and the local electronic component distributors in Silicon Vally maintain a good relationship; there should be no risk of concentration of supply.

10. Effect upon and risk to the Company in the event a major quantity of shares belonging to a director, or shareholder holding greater than a 10 percent stake in the Company has been

transferred or has otherwise changed hands, and mitigation measures being or to be taken:

Due to the need for internal adjustment of ownership structure, Asia Pacific Growth Fund III, L.P., the Company's more than 10 percent shareholder, has transferred 21,172 thousand shares of the Company's ordinary shares to Array Holdings for APGF III Fund LPs on January 19, 2022. The existing shareholders of Array Holdings for APGF III Fund LPs have changed on March 16, 2022 and April 26, 2022.

11. Effect upon and risk to the Company associated with any change in governance personnel or top management, and mitigation measures being or to be taken:

In the most recent year and by the date when the annual report is in print, the Company has no change in management rights. In addition to strengthening various corporate governance measures, the Company introduced independent directors and set up an audit committee to enhance the protection of the overall shareholders' equity. Since the establishment of the Company in 2000, we have been recruiting professional management in various fields. We can quickly expand our business from Europe and the United States to Japan and China. We hold a market position in the Asia-Pacific region, relying on the management strategies, objectives and accumulated customer relationships, strong ability in execution. The current professional manager team has a considerable contribution to the Company's business performance, and will continue to receive support from shareholders. Therefore, if the management rights change, the Company's management and management advantages should not have significant impact.

12. Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that: (1) involve the company and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report: None.

13. Other important risks, and mitigation measures being or to be taken:

- (1) The Company relies on the services of some professional managers

Since its establishment in 2000, the Company has successively recruited professional operators in various fields. It can quickly expand its business from Europe and the United States to Japan and China. The Company holds a market position in the Asia-Pacific region. The Company depends on the management strategy, objectives, accumulated customer relationships and strong ability in task execution. If high-level

management personnel stop working for the Company and the Company is unable to retain or hire appropriate managers, it may cause operational risks for the company.

Therefore, the company is committed to providing a high-level manager's reasonable compensation and bonus system, supplemented by employee stock option plans to establish a link between high-level management personnel and the Company's operating performance.

- (2) The Company may face the risk of legal action or compensation if it has intellectual property infringement.

The Company may face legal proceedings or allegations of intellectual property infringement. Any allegations, whether or not they are justified, may involve the Company in legal proceedings. Although as of the date of the annual report printed, the Company is not aware of any allegation claiming the Company of infringement on the patent intellectual property rights, or it is expected that the possibility of such claims will continue with the Company's and the market growth. The number of competitors has increased. Due to the current patent rights and other intellectual property rights held by the Group, it is one of the key factors that the Company has an important position in the market. In the event of a related lawsuit, it may adversely affect the Company's reputation, business, financial condition and results of operations. It may result in the Company having to pay high litigation costs or allocate management resources to respond to litigation.

The Company's response strategy is to continuously invest huge resources in product R&D and brand positioning to build a sound patent protection network mechanism and enhance users' awareness of the Company's products, services, and brands or related brand reputation. The Company will continue to comply with trademark rights, patents, copyrights, and related laws and regulations to reduce the possibility of litigation or allegations.

- (3) Other risks arising from the specific circumstances of the Company's operations

The Company's product assembly is mainly exported to the operating bases after completion in the US factory. The potential risks of the plant operation include failure, damage or abnormality of machinery and equipment, delay in delivery of equipment, capacity limitation, labor strikes, fires, natural disasters such as earthquakes, or typhoon or occupation hazards. In the event of a specific condition causing the interruption of the operation, the business operation of the Company may be adversely affected.

The Company's US subsidiary has insured by the general commercial liability insurance. For the production of equipment and finished products located in the United States, whether caused by natural disasters or human factors, the real estate leasing provider has insurance for floods, earthquakes and fire risks for the premises. In addition, the

company has internal regulations for labor occupation disasters; relevant education and training is offered to staff, and regular inspections and maintenance of operating machinery and equipment are performed, in order to reduce the possible losses after the occurrence of the aforementioned specific circumstances.

(4) The Company was registered in the United States upon its initial establishment. Later, it went through restructuring and reorganization, which was done by issuing new shares and share exchange with the shareholders of Array Cayman. In other words, the shareholder composition of Array Cayman are largely identical to that of the original American enterprise. As such, the Company is considered an American enterprise and must pay U.S. corporate income tax when it issues cash dividends or processes a capital reduction and cash return to shareholders. According to United States Code (U.S.C) Title 26 - Section 302, 301C, 316, 1441 & 1441-3, that is, upon wiring cash dividends or processing a capital reduction and cash return to shareholders, the Company should withhold taxes on behalf of the shareholders and the applicable tax rates vary according to individual shareholders' nationalities and the procedures of declaration and deduction, unless the distribution of capital reduction is no paid out of accumulated E&P or current E&P. The highest applicable tax rate can be up to 30%. (Based on the tax treaty signed between the shareholder's country of residence with the US Government, the shareholder can qualify for a reduced withholding tax. i.e., reduced rate for China and Japan is 10%; France and UK is 15%, Taiwan is 30%.)

(5) The risks of overall economic, political and economic environment changes, relevant laws and regulations, foreign exchange control, taxation, and the recognition of the validity of the civil judgment of the courts in the country where the foreign issuer is registered and the country of the main operation. And, explain the use of the contingency measures:

The Company is one of the leading providers of network function platforms, network connection security and network traffic acceleration products, providing network function platforms and information security related applications and services. The main operating production sites are located in Silicon Valley, USA, and the products are assembled in the United States. Upon completion, Array US ships to distribution agencies around the world. The Cayman Islands is only the place of registration of the Company and there is no real economic activity. Therefore, the United States is the main operating country of the Group. Assessments for its overall economic, political and economic environment changes, relevant laws and regulations, exchange rate policies, and relevant tax and risk factors are explained as follows:

I. Cayman Islands

A. Overall economy overview

The Cayman Islands are located on the south side of Miami, Florida, in the British colonies of the Caribbean. The Cayman Islands has been politically stable for a long time, and the capital Georgetown is located in the Cayman Islands as an administrative, commercial and financial center. Local offshore companies are

divided into Non-Resident Company and Exempted Company. The exempted company can relocate the registered place, but the non-resident company is not allowed, so the general overseas company uses the exempted company.

There are more than 600 banks on the island. It is the fifth largest financial center in the world after Hong Kong, London, New York, and Tokyo. It also provides fast and efficient services for many legal, accounting and professional service organizations. There are few other industries in addition to tourism, so the company pays special attention to providing services such as business, finance, and banking. The local financial services industry is well developed.

B. Risks of foreign exchange control, laws and regulations, taxation:

The Cayman Islands has no foreign exchange controls and a fixed exchange rate system. In terms of statutes and tax regulations, the Cayman Islands does not currently impose personal or corporate income tax or value added tax. In accordance with the Cayman Islands Tax Preferential Law, the Company has been promised by the Governor's Executive Council that the Company is waived for Cayman Islands' announcement of the gain tax, income tax, profit tax or value-added tax will be announced for 20 years from January 20, 2009. It does not apply to the Company, and there is no need to pay gain tax, income tax, profit tax or value-added tax on the company's shares, bonds or other debts, or to deduct the relevant payment amount according to the tax incentive law.

The Company shall abide by the company's Articles of Association and the Cayman Islands company law and other relevant regulations. The Cayman Islands Act on the protection of minority interests and other jurisdictions are not the same as those in the jurisdiction of Taiwan. Although the Company has amended its Articles of Association within the limits permitted by the Cayman Islands Act in accordance with the Taiwan Securities Exchange Act, the Company Law, etc., the degree of protection of shareholders' equity may still differ from that established under the Taiwan Act. Please refer to Chapter 8, Paragraph 5 of this annual report. The Company's Articles of Association or organization documents stipulate the differences between the specific content of the protection of shareholders' rights and the important matters concerning the protection of shareholders' rights and interests in Taiwan's regulations.

II. United States

A. Changes in economic and political environment

The Bureau of Economic Analysis (BEA) of the U.S. Department of Commerce recently announced that the annual growth rate of U.S. GDP in the fourth quarter of 2021 was 5.5%; the growth rates of private consumption and private investment in the United States in the fourth quarter of 2021 were 6.9% and 9.6%, respectively, while the same U.S. exports of goods and services grew at 4.9% and 9.6%, respectively. Overall, the U.S. economy will have a good growth performance in the fourth quarter of 2021, both in domestic and external demand markets. As for the full-year economic forecast for 2022, IHS Markit and the IMF forecast in April that the U.S. economic growth rate would be 3.0% and 3.7% respectively, both revised down by 0.3% points from the previous forecast.

In terms of the performance of the U.S. job market, according to the U.S. Bureau of Labor Statistics, the U.S. unemployment rate in March 2022 was 3.6%, down 0.2% from the previous month; the U.S. non-farm payrolls increased by 431,000 in March, over 400,000 for 11 consecutive months. In terms of prices, the annual growth rate of the U.S. consumer price index (CPI) in March 2022 was 8.5%. Inflation in the United States continues to rise, the Federal Reserve (Fed) has raised interest rates by one yard on March 17, 2022, and the federal funds rate has reached a range of 0.25-0.5%.

As for the near-term outlook for the U.S. economy, referring to the U.S. Institute of Supply Management (ISM), the U.S. Manufacturing Purchasing Managers Index (PMI) for March 2022 was 57.1 points, still in the expansion category. In addition, the service industry PMI released by ISM in March 2022 was 58.3 points, which also means that the economy continues to expand.

The US subsidiary Array US is the Group's most important operation center, focusing on producing technology development strategies and targeting key customers in the US, such as Humana, COPCP and eClinicalWorks Healthcare, clinical service institutes, insurance companies Hub International and Endsleigh, financial solutions providers Fiserv, software service provider Amdocs and other large companies in Fortune 2000, etc.. Since these customers face the challenges of more complex and difficult network security and network connection performance, the Group serves these customers to continuously making breakthrough and launching innovative features which is leading the industry peers. Looking ahead, the Group will continue to maintain friendly relationships with large-scale target customers in the US. On the one hand the Company will strengthen the flexibility and competitiveness of Array solutions, and on the other hand maintain the technological advantages of Array.

B. Risks of foreign exchange control, laws and regulations, taxation:

The United States has completely eliminated foreign exchange controls, so the Company's operations in the United States are not exposed to foreign exchange controls. In terms of legal regulations and taxation risks, the United States under Trump's administration has set off international trade protectionism. Coupled with the OECD tax base erosion and profit shift (BEPS) program, many countries have successively formulated various countermeasures. Tax avoidance policies, while strengthening the obligation of tax information disclosure and international cooperation in information exchange. With the end of the US general election, after Joe Biden takes office, China's policy may not change significantly. Faced with the treacherous changes in the current international economic situation and the uncertainty of the development of the epidemic, how can companies reorganize their operations to cope with the ever-changing and challenging international tax environment, as well as the government's taxation measures for emerging business models and how internationally Cooperation in the exchange of tax information to improve tax transparency will be an important issue in the future. The Company's operating base in the United States has not been affected by changes in relevant laws and tax regulations. In the case of the Company's finances, future changes in relevant US laws and taxation policies may have a material adverse effect on the Company's operations.

In addition to the irregular collection and assessment of the impact of changes in

the relevant US laws and policies and tax regulations on the Company's financial operations, the Company will also consult professionals to take appropriate response measures.

III. The risks of the recognition of the validity of the civil judgment of the Taiwanese courts in the country where the foreign issuer is registered and the country of the main operation:

A. Cayman Islands

If the court of the Republic of China decides that the following requirements are met, the courts of the Cayman Islands will recognize: (1) the court of the foreign country has jurisdiction authority; (2) the judgment is final; (3) the judgment clearly states that either the judgment is the debtor's payment obligation for a liquidated sum or is related to a non-monetary personal relief; (4) no tax, fine or penalty; (5) the manner in which the judgment is obtained, or the execution of the judgment does not violate the fairness and justice of the Cayman Islands Principles or public policy.

B. California, USA

California has adopted the Uniform Foreign Money-Judgments Recognition Act (CA Code of Civil Procedure sec 1713 et seq) to recognize and enforce foreign court decisions in accordance with its rules and conditions. The conditions stipulated by the law include (but are not limited to): 1. The judgment of the foreign court is final, determined and enforceable; 2. The foreign court has jurisdiction over the defendant and the dispute; 3. The judgment is about money debt, but the obligation of non-tariffs, fines or other fines; 4. The judgment, the cause of action and the request for relief did not violate California's public policy; 5. The foreign proceeding did not violate the parties' agreement on the settlement of disputes; 6. The judicial system in the jurisdiction abides by the principle of due process of law, and the proceedings have also complied with the relevant provisions; 7. There is no significant case in the judgment that challenges the impartiality of the court.

(6) The IT risk assessment analysis and related response measures

Various security issues have been erupted in recent years and still are lingering, and large enterprises have been hacked. The Company's application delivery and security appliances products offer industry-leading performance and scalability for secure transaction processing, as well support for many new security capabilities including secure application access, AAA, SSO, SAML, SSLi, PFS, and DDos attack prevention. The Company uses these products to establish a complete network, computer security protection system and process to control or maintain the Company's operations. The IT department is responsible to carry out the revision of the security policy and conduct internal security control. The Company conducts IT security system checks annually to ensure the control system is functioning properly.

7.7. Other significant events: None.

Chapter 8. Special Disclosures

8.1. Information related to the Company's affiliates

1. Affiliated companies chart: Please refer to Chapter 2 of "2.1. of 2. Organization of Group" of this annual report.

2. Affiliated Companies basic information:

As fo Dec. 31, 2021; Unit: Thousands

| Name of affiliates | Main Business and products | Lacation | Date of Incorporation | Business Activities | Amount of actual investments | % of ownership | Accounting method | |
|--------------------|--|----------|-----------------------|---|------------------------------|----------------|-------------------|--------|
| Array Cayman | Investment and holding business | Cayman | 2003 | Investment and holding business | 370,326 | 100% | Equity Method | |
| Array US | Research, manufacture and sales of application delivery controllers, high-end SSL VPN systems, WAN optimization controllers and application acceleration | U.S. | 2003 | Headquarter, providing sales and marketing, general and administrative, and research and development service to the Company | US\$6,019 | | | |
| Zentry | Research, manufacture and sales of Zero Trust Security model | U.S. | 2019 | Zentry modernizes the secure access with enhanced security, improved productivity, and ease of use. It helps customers migrate to Zero Trust Security model from obsolete perimeter model (Firewall & VPN). | US\$10,000 | | | 99.97% |
| Array Japan | Sales of application delivery controllers, high-end SSL VPN systems, WAN optimization controllers and application acceleration | Japan | 2001 | Providing sales, marketing , customer services and technical support to Japan's customers of the Company | JPY\$10,000 | | | 100% |
| Array India | Research and sales of Application Delivery Controllers, high-end SSL VPN systems, WAN optimization controllers and application acceleration | India | 2019 | Providing sales, marketing , customer services and technical support to India's customers of the Company | INR\$85,417 | | | |

3. Common shareholders of the Company and its subsidiaries or its affiliates with actual of deemed control: None.

4. Business scope of the Company and its affiliated companies:

The business operations covered by the Company's overall affiliations mainly focus on the research and development and sales of network function platforms, network connection security, traffic solutions and traffic acceleration related systems and equipment. There are also a small number of affiliated companies focus on "investment business" as the scope. The purpose is to create the greatest synergy through mutual support of technology, capacity, marketing and services, which enables the company to continuously provide the best product

manufacturing and service to its customers all over the world and to ensure the Company's leadership in the global market.

5. List of directors, supervisors and presidents of the Company's affiliated companies:

As of April 3, 2022

| Name of Entities | Title | Name or Representation | Shareholdings | |
|------------------|----------------------|------------------------|---------------|---------------|
| | | | No. of share | Ownership (%) |
| Array | Chairman& President | Yao Zhao | 3,565,073 | 6.98% |
| | Director | Teng-Yue Wang | 0 | 0% |
| | Director | William P. Fuller | 70,751 | 0.14% |
| | Independent Director | Grace Tsai (Note) | 0 | 0% |
| | Independent Director | Robert Hsieh | 0 | 0% |
| | Independent Director | Jason Hsuan (Note) | 0 | 0% |
| Array Cayman | Director | Robert Shen | 0 | 0% |
| | Director & President | Yao Zhao | 0 | 0% |
| | Director | William P. Fuller | 0 | 0% |
| | Director | George Chen | 0 | 0% |
| Array US | Chairman | Robert Shen | 0 | 0% |
| | Director & President | Yao Zhao | 0 | 0% |
| Zentry | Director | Robert Shen | 0 | 0% |
| | Director & President | Yao Zhao | 0 | 0% |
| Array Japan | Director | Robert Shen | 0 | 0% |
| | Director | Yao Zhao | 0 | 0% |
| | Director | Kyoichi Okamoto | 0 | 0% |
| Array India | Director | Yao Zhao | 0 | 0% |
| | Director | Shibu Paul | 1 | 0% |

(Note): Ms. Grace Tsai and Mr. Jason Hsuan resigned on April 3, 2022

6. Affiliated Companies operating status:

Unit: 1,000, Except EPS

| Company | Total Capital | Total Assets | Total Liability | Net Worth | Revenue | Operating Income (loss) | Net Profit (Loss) | EPS (NTD) |
|-------------|---------------|--------------|-----------------|--------------|--------------|-------------------------|-------------------|-------------|
| Array | NT\$ 511,112 | NT\$ 782,114 | NT\$ 382,773 | NT\$ 399,341 | NT\$ 433,413 | NT\$ (107,011) | NT\$ (95,646) | NT\$ (1.94) |
| Array US | US\$ 6,019 | NT\$ 724,084 | NT\$ 374,690 | NT\$ 82,201 | NT\$ 433,002 | NT\$ 28,628 | NT\$ 50,684 | - |
| Zentry | US\$ 10,000 | NT\$ 221,153 | NT\$ 71,390 | NT\$ 149,763 | NT\$ 623 | NT\$ (128,740) | NT\$ (128,630) | - |
| Array Japan | JPY 10,000 | NT\$ 13,725 | NT\$ 1,500 | NT\$ 12,225 | NT\$ 16,222 | NT\$ 775 | NT\$ 157 | - |
| Array India | INR 85,417 | NT\$ 191,620 | NT\$ 120,557 | NT\$ 71,063 | NT\$ 91,882 | NT\$ 19,952 | NT\$ 18,929 | - |

7. Representation Letter of Consolidated Financial Statement of Affiliated Enterprises: Please refer page 108 of this annual report.

8.2. Where the Company has carried out a private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

8.3. Holding or disposal of shares in the Company by the Company's subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

8.4. Other matters that require additional description: The statement or promised items from the Company’s registration (application) for offering and issuance of securities, which has not been completed up to the date of annual report printed, and the current state of the fulfillment.

| The statement or promised items | The current state of the fulfillment |
|---|---|
| <p>1. Promise to make an addition in the “Procedures for Acquisition or Disposal of Assets” that “The Company will not waive the right to increase the investment of Array Networks Inc. (Cayman), and Array Networks Inc. (Cayman) will not waive the right to increase the investment of Array Networks Inc. (US) in the future. Unless otherwise resolved by a majority of the Directors present at a meeting attended by two-thirds or more of the total number of the Directors and get the approval from Taipei Exchangeto waive the right of above-mentioned investments in subsidiaries due to the strategy consideration.” The material information announcement on MOPS is also required as well as filing to GTSM when the Proceures is amended.</p> | <p>The Company has defined and complied relevant contents at Article 6 of Procedures for Acquisition or Disposal of Assets of the Company.</p> |
| <p>2. Designate a dedicated unit to be in charge of implementing Array US internal auditing at least once a year.</p> | <p>The Company designated internal auditor to implement Array US internal auditing periodically.</p> |
| <p>3. It was promised that the Company shall not subscribe any stock options and warrants if total number of shares subscribable through employee stock warrants issued and outstanding from all previous issues thereunder exceed of 15% of Company register total outstanding shares under the Company’s employee incentive plan.</p> | <p>The undertakings had been submitted by the Company. The Company’s outstanding granted options as of the date of annual report printed of the total number of the Company’s issued shares is 5.45%.</p> |

8.5. The differences between Memorandum and Articles of Association or organization documents stipulating specific contents that protect shareholders’ rights, and important matters concerning the protection of shareholders’ rights in Taiwan’s regulations:

There are numerous differences on regulations between the Company Law of Cayman Islands and the Company Law of the Republic of China. Although alterations has been made to the Company’s memorandum according to the “Investors’ Rights Protection” from the Taiwan Authorities, but there are still many differences between the laws regulating company operation in the two countries. Below listed are material differences between the Company’s amended and restated of Memorandum and Articles of Association (M&A) and the provisions for the protection of shareholders’ rights:

| Important Provisions for the Protection of Shareholders' Rights | Provisions of the Company's M&A | Explanation |
|--|---|---|
| Alteration of Company's share capital | | |
| <p>The Company shall not cancel its shares, unless a resolution on capital reduction has been adopted by its shareholders' meeting; and capital reduction shall be effected based on the percentage of shareholding of the shareholders pro rata, unless otherwise provided for in this Act or any other governing laws.</p> <p>The Company reducing its capital may return share prices (or the capital stock) to shareholders by properties other than cash; the returned property and the amount of such substitutive capital contribution shall require a prior approval of the shareholders' meeting and obtain consents from the shareholders who receive such property.</p> | <p>This subject is provided under Article 39A of the Company's M&A.</p> | <p>Under Cayman law, in the capital reduction route, the Special Resolution approving the Cancellation of Pro Rata Number of Shares practically effects the capital reduction, the amount of paid-up capital will be reduced without paying any money to the shareholders / reducing the number of outstanding shares (e.g. for the cancellation of shares that have not been fully paid, or covering of losses), such capital reduction will be required court approval. If the shares will be repurchased otherwise than out of capital (e.g. Capital reduction and cash return to shareholders as general Taiwan Companies), such repurchase will not be considered as a capital reduction since the capital base is effectively maintained. The Company can purchase its own shares if authorized to do so by its Articles.</p> <p>As for the Taiwan company's reduction of capital of covering losses, according to Cayman's lawyers, Cayman company can reduce the issued shares according to the reasons of redemption, buy back or shareholder transfer, so it should not be processed according to the current Cayman company law.</p> |
| <p>The procedures of the Company's cash capital increase of and capitalization of profit account, surplus or capital surplus, as well as the stipulated period of delays payment for new shares as provided in the article.</p> | <p>The subject has been added under Article 13 of the Company's M&A.</p> | <p>There is no statutory provision under the Cayman law and shall be provided in the articles.</p> |
| On the subject of convention and resolution of shareholders meeting | | |
| <p>The company may explicitly provide for in its Articles of Incorporation that its shareholders' meeting can be held by means of visual communication network or other methods promulgated by the central competent authority. Under the circumstances of calamities, incidents, or force majeure, the central competent authority may promulgate a ruling that authorizes a company, which has no above provision in its Articles of Incorporation, within a certain period of time can hold its shareholders' meeting by means of visual communication network or other promulgated methods.</p> <p>In case a shareholders' meeting is proceeded via visual communication network, the shareholders taking part in such a visual communication meeting shall be deemed to have attended the meeting in person.</p> <p>The Company shall be subject to prescriptions provided for by the</p> | <p>The subject has been amended and added under Article 48, 49, 50, 51, 53 and 56, and the amended M&A will be submitted to 2022's Annual General Meeting for approval.</p> | <p>There is no statutory provision under the Cayman law and shall be provided in the articles.</p> |

| Important Provisions for the Protection of Shareholders' Rights | Provisions of the Company's M&A | Explanation |
|--|---|---|
| <p>competent authority in charge of securities affairs, including the prerequisites, procedures, and other compliance matters.</p> | | |
| <p>The Articles shall adopt the electronic transmission as one of the methods for exercising the voting power.</p> <p>The Company whose shareholders may exercise their voting power in writing or by way of electronic transmission in a shareholders' meeting shall describe in the shareholders' meeting notice the method of exercising their voting power. A shareholder who exercises his/her/its voting power at a shareholders meeting in writing or by way of electronic transmission shall be deemed to have attended the said shareholders' meeting in person, but shall be deemed to have waived his/her/its voting power in respect of any extemporary motion(s) and/or the amendment(s) to the contents of the original proposal(s) at the said shareholders' meeting.</p> | <p>This subject is amended and provided under Article 44C, 49, 63, 64, 72, 73, 74, 75 and 76 of the Company's M&A, and the amended M&A will be submitted to 2022's Annual General Meeting for approval.</p> | <p>There is no statutory provision regarding the voting power in writing, electronic transmission or other methods under the Cayman Companies Law. However, according to Cayman lawyers, a shareholder who exercises his votes by way of a written ballot or by way of electronic transmission shall not treat to attend the meeting in person, so under article 74 of the Company's M&A shall be deemed to have appointed the chairman of the shareholders meeting, and such shareholder's proxy and such appointment shall not be treated as an appointment of any proxy. In addition, the Company cooperates with the requirements of the checklist for the protection of shareholders' rights and interests, and lists the electronic transmission as one of the methods for the exercise of voting rights. Therefore, the provisions on the exercise of voting rights in writing are not applicable.</p> |
| <p>Certain proposals involving material rights of the shareholders shall be adopted by a majority of the shareholders at a shareholders' meeting attended by two-thirds or more of the total number of the outstanding shares. If the total number of shares represented by the shareholders present at the shareholders' meeting is less than two-thirds of the total outstanding shares, such proposals may be adopted by two-thirds of more of the attending shareholders who represent a majority of the total number of the outstanding shares.</p> <p>(a) enter into, amend, or terminate any contract for lease of its business in whole, or for entrusting business, or for regular joint operation with others; transfer the whole or any material part of its business or assets; take over the transfer of another's whole business or assets, which will have a material effect on the business operation of the Company.</p> <p>(b) Amendment of articles of association.</p> <p>(c) Any modification or alteration in these articles which is prejudicial to the rights of holders of preferred shares.</p> <p>(d) To effect any capitalization of distributable dividends and/or bonuses and/or any other amount prescribed.</p> <p>(e) To effect any merger or spin-off and liquidations</p> | <p>Article 1 of Company's M&A defines "Special Resolution" as a special resolution under Cayman Company Act and "Supermajority Resolution" as a special resolution under Taiwan laws.</p> <p>"Special Resolution" means a special resolution passed in accordance with Cayman Law: a) being a resolution passed by a majority of not less than two-thirds of such Shareholders as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of the Company of which notice specifying the intention to propose the resolution as a special resolution has been duly given;</p> <p>b) Resolutions signed by all shareholders; and the Company may stipulate a higher number of votes for specific matters in</p> | <p>There is no statutory provision on items (a), (d), (f), (g) and spin-off of (e), subject to those items have been provided under Article 18A and 35 by a Supermajority Resolution.</p> <p>According to Cayman laws, the following matters shall be subject to Special Resolution and shall be provided in the articles:</p> <ul style="list-style-type: none"> • According to Article 24 of Cayman Company Laws, the amendment of articles of association should be passed by a Special Resolution. • According to Article 116 of Cayman Company Laws, the shareholders of the Company shall pass an ordinary resolution requiring a company to be wound up voluntarily because the company is unable to pay its debts as they fall due; the shareholders of the Company shall pass a Special Resolution requiring the Company to be wound up voluntarily due to other causes. • Cayman Company Laws provides that only Cayman companies can be merged or consolidated and shall be passed by a Special Resolution in comply item 6 of Article 233. This is different from the "merger" permitted under the ROC Company Act, Enterprise |

| Important Provisions for the Protection of Shareholders' Rights | Provisions of the Company's M&A | Explanation |
|--|--|--|
| (f) To issue share being subject to the restrictions (g) share swap | articles. | Merger and Acquisition Act and other applicable laws. Therefore, article 35A precludes Cayman merger to comply with Cayman laws. |
| After the Company is listed on the Taipei Exchange, the Company shall not enter into any of the following transactions, as a result of which the shares of the Company would cease to be listed on the Taipei Exchange or TSE (as applicable), without the approval of Shareholders holding not less than two-thirds of the issued and outstanding Shares: (a) a merger in which the Company is the dissolved company and the surviving company is not a TSE or Taipei Exchange listed company; (b) a general transfer of the business and assets of the Company to a transferee that is not a TSE or Taipei Exchange listed company; (c) a share swap with a company that is not a TSE or Taipei Exchange listed company; or (d) a spin-off into an existing company or newly incorporated company that is not a TSE or Taipei Exchange listed company. | This subject is provided under Article 35B of the Company's M&A.. | There is no statutory provision under the Cayman law. |
| The resolutions of the shareholders' meeting and the dissent shareholders may stipulate the right to request the Company to buy back shares of he holds at the prevailing fair price. | The subjects have been added under Article 35 and 37 of the Company's M&A. | There is no statutory provision under the Cayman law and shall be provided in the articles. |
| Director's authority and responsibility | | |
| If prior to the expiration of the term of the existing Directors all Directors are re-elected at a general meeting (the "Appointment"), unless otherwise resolved at such general meeting, the term of the existing Directors shall be deemed to have expired immediately prior to the Appointment. | This subject is provided under Article 85A of the Company's M&A. | According to Cayman laws, the Company shall maintain at least one director at any time, and thus such resolutions shall allow one of the directors to take effect after the new director takes office. |
| The qualification requirements, composition, election, termination, the exercise of authority and relevant matters of the director, independent director, remuneration committee, audit committee or supervisor shall be in accordance with the securities laws and rules of the Republic of China. | This subject is provided under Article 81 of the Company's M&A for so long as the Shares are registered in the Emerging Market or listed on the Taipei Exchange or TSE, the qualifications, composition, election, removal, duties and powers and other relevant matters of Directors, Independent Directors, Audit Committee and remuneration committee shall be in compliance with the Applicable Listing Rules. | As for the supervisor: The Company has audit committee and thus supervisor relevant provisions are not applicable. |

| Important Provisions for the Protection of Shareholders' Rights | Provisions of the Company's M&A | Explanation |
|--|--|--|
| <p>The Company shall designate a representative within the territory of the Republic of China to represent the Company in litigious and non-litigious matters under Article 165-3 of Securities and Exchange Act, and to serve as its responsible person under this Act in the Republic of China.</p> | <p>The Company's M&A has provided this provision under Article 97.</p> | <p>There is no statutory provision regarding the representative of Litigious & non-litigious under Cayman company law, and define the Company shall appoint in Taiwan a representative as the responsible person under the Applicable Listing Rules in Taiwan.</p> |
| <p>The Company's directors shall have the loyalty and shall exercise the due care of a good administrator in conducting the business operation of the Company; and if he/she has acted contrary thereto, he/she may liable for the damages sustained by the Company therefrom. If the Director does anything for himself/herself or on behalf of another person in violation of the preceding provision, the shareholders may, by ordinary resolution, consider the benefits to such Directors as a result of such has, in the course of conducting the business operations of the Company, violated any provision of the applicable laws and/or regulations and thus caused damages to any other person, he/she shall be liable, jointly and severally, for the damages to such other person. Acting within the scope of their duties, the managerial officer or the supervisor of the Company shall bear the same liabilities of damages as the Company's directors.</p> | <p>The Company's M&A has provided this provision under Article 93A, however, according to Cayman lawyers, it shall subject to Cayman Islands law, the wording therein is not exactly the same.</p> | <p>According to Cayman law, at all times all directors owe fiduciary duties to the Company. The responsibility of the director for breach of loyalty obligations to the Company or a third party shall be determined by the court. Therefore, the provision should be incorporated into the appointment contract between the directors and the Company to regulate the rights and obligations of both parties.</p> |
| <p>A Director who is in any way, whether directly or indirectly, interested in any other matters discussed at the meeting of the Directors shall declare the nature and relevant material contents of his interest at such meeting of the Directors. When the Company conducts any merger and acquisition, the Directors should disclose to the Board of Directors and the general meeting the material details of their interests with such merger and acquisition transaction itself and the reasons for or against such merger and acquisition resolution.</p> | <p>The subject has been added under Article 112 of the Company's M&A.</p> | <p>There is no statutory provision regarding the interested directors from participating in voting rights under Cayman company law and shall be provided in the articles.</p> |
| <p>The audit committee or special committee shall review the fairness and rationality of the merger and acquisition plan and transaction before convening the meeting of the Board of Directors deciding on such merger and acquisition, and report the review results to the Board of Directors and the general meeting.</p> <p>During the deliberations of the audit committee (or special committee), an independent expert should be asked to provide opinions on the share swap ratio or the rationality of the cash or other property to be allocated to the Shareholders.</p> | <p>The subject has been added under Article 121A of the Company's M&A.</p> | <p>There is no statutory provision under the Cayman law and shall be provided in the articles.</p> |

| Important Provisions for the Protection of Shareholders' Rights | Provisions of the Company's M&A | Explanation |
|---|---------------------------------|-------------|
| <p>The review results of the audit committee (or special committee) and independent expert's opinions should be sent to Shareholders when the notice of the general meeting is sent; however, for those transactions that are not subject to approval of the general meeting in accordance with the laws and regulations, such merger and acquisition transaction shall be treated as a report item at the next general meeting.</p> <p>The documents that should be provided to the Shareholders pursuant to the preceding paragraph shall be deemed to have been provided to the Shareholders if the same have been published by the Company on the website designated by the securities regulatory authority of the Republic of China, and are made available at the meeting place of such general meeting for inspection by Shareholders.</p> | | |

8.6. If any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the Company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

Array Inc.

Representation Letter of Consolidated Financial Statement of Affiliated Enterprises

The entities included in the consolidated financial statements as of December 31, 2021 and for the year then ended prepared under the International Financial Reporting Standards, No. 10 are the same as the entities to be included in the combined financial statements of the Company, if any to be prepared, pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statement of Affiliated Enterprises (referred to as "Combined Financial Statements"). Also, the footnotes disclosed in the Consolidated Financial Statements have fully covered the required information in such Combined Financial Statements. Accordingly, the Company did not prepare any other set of Combined Financial Statements than the Consolidated Financial Statements.

Very truly yours,

Name of the Company: Array Inc.

Chairman: Robert Shen

March 16th, 2022

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Array Inc.

Opinion

We have audited the accompanying consolidated financial statements of Array Inc. and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, 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 International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (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 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 Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for 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 for the year ended December 31, 2021. 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.

The key audit matter identified in the Group's consolidated financial statements for the year ended December 31, 2021 is described as follows:

Impairment Assessment of Goodwill

As described in Notes 5 and 14 to the consolidated financial statements, when the Group obtained control of Array Networks Inc. in 2003, the goodwill from the transaction was recognized. The consolidated balance of goodwill amounted to US\$2,653 thousand as of December 31, 2021, which is material to the consolidated financial statements as a whole. Furthermore, determining whether goodwill is impaired requires management to estimate the future cash flows expected to be generated from the cash-generating units in order to determine the recoverable amount of goodwill. The estimation of future cash flows is based on management's observation of industry conditions and expectation of the financial performance of the cash-generating units. Once a change in assumptions and estimations occurs, a material impairment loss may arise.

As of December 31, 2021, the Group assessed that the recoverable amount of goodwill was lower than the related carrying amount and recognized an impairment loss of US\$398 thousand for the year ended December 31, 2021.

The main audit procedures that we performed included the following: we obtained the assessment report of goodwill impairment prepared by an appraisal firm which was appointed by the management and understood and assessed the reasonableness of the recoverable amount calculated based on the valuation model. We also evaluated the assumptions made in the valuation, which include the discount rate, growth rate, WACC (including risk-free rate, volatility and risk premium), taking into consideration the Group's past operating condition, industrial environment as well as future prospects when evaluating the reasonableness of the assessment of goodwill impairment.

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 IFRS, IAS, 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 Group'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 Group 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 Group'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 the 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 Group'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 Group'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 Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group 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 for the year ended December 31, 2021 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 audits resulting in this independent auditors' report are Li-Wen Kuo and Chun-Hung Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 16, 2022

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with 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 applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

ARRAY INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(In Thousands of U.S. Dollars)

| ASSETS | 2021 | | 2020 | |
|--|------------------|------------|------------------|------------|
| | Amount | % | Amount | % |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Note 6) | \$ 7,327 | 26 | \$ 9,302 | 28 |
| Financial assets at fair value through profit or loss - current (Note 7) | 1,664 | 6 | 1,664 | 5 |
| Financial assets at amortized cost - current (Note 8) | 4,085 | 14 | 5,074 | 15 |
| Trade receivables from unrelated parties (Note 9) | 8,150 | 29 | 8,897 | 27 |
| Other receivables | 20 | - | 60 | - |
| Inventories (Note 10) | 1,243 | 4 | 1,587 | 5 |
| Other current assets | 444 | 2 | 413 | 1 |
| Total current assets | <u>22,933</u> | <u>81</u> | <u>26,997</u> | <u>81</u> |
| NON-CURRENT ASSETS | | | | |
| Property, plant and equipment (Note 12) | 554 | 2 | 703 | 2 |
| Right-of-use assets (Note 13) | 1,659 | 6 | 1,986 | 6 |
| Goodwill (Note 14) | 2,653 | 10 | 3,051 | 9 |
| Other intangible assets (Note 15) | 294 | 1 | 246 | 1 |
| Deferred tax assets (Note 21) | 96 | - | 130 | 1 |
| Other non-current assets (Notes 8 and 27) | 66 | - | 66 | - |
| Total non-current assets | <u>5,322</u> | <u>19</u> | <u>6,182</u> | <u>19</u> |
| TOTAL | <u>\$ 28,255</u> | <u>100</u> | <u>\$ 33,179</u> | <u>100</u> |
| LIABILITIES AND EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Contract liabilities - current (Note 19) | \$ 4,140 | 15 | \$ 4,713 | 14 |
| Trade payables | 677 | 3 | 876 | 3 |
| Other payables (Note 17) | 2,334 | 8 | 1,739 | 5 |
| Current tax liabilities (Note 21) | 97 | - | 84 | 1 |
| Lease liabilities - current (Note 13) | 448 | 2 | 401 | 1 |
| Current portion of long-term borrowings (Note 16) | - | - | 302 | 1 |
| Other current liabilities | 86 | - | 83 | - |
| Total current liabilities | <u>7,782</u> | <u>28</u> | <u>8,198</u> | <u>25</u> |
| NON-CURRENT LIABILITIES | | | | |
| Long-term borrowings (Note 16) | - | - | 901 | 3 |
| Contract liabilities - non-current (Note 19) | 4,540 | 16 | 4,235 | 13 |
| Lease liabilities - non-current (Note 13) | 1,387 | 5 | 1,790 | 5 |
| Other non-current liabilities | 120 | - | 106 | - |
| Total non-current liabilities | <u>6,047</u> | <u>21</u> | <u>7,032</u> | <u>21</u> |
| Total liabilities | <u>13,829</u> | <u>49</u> | <u>15,230</u> | <u>46</u> |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 18) | | | | |
| Share capital - ordinary shares | 15,773 | 56 | 15,769 | 47 |
| Capital surplus | 10,018 | 35 | 10,085 | 30 |
| Retained earnings | | | | |
| Legal reserve | 339 | 1 | 339 | 1 |
| Special reserve | 20 | - | 20 | - |
| Accumulated deficit | (10,855) | (38) | (7,441) | (22) |
| Total retained earnings | (10,496) | (37) | (7,082) | (21) |
| Other equity | (183) | (1) | (136) | - |
| Treasury shares | (687) | (2) | (687) | (2) |
| Total equity attributable to owners of the Company | 14,425 | 51 | 17,949 | 54 |
| NON-CONTROLLING INTERESTS (Note 18) | 1 | - | - | - |
| Total equity | <u>14,426</u> | <u>51</u> | <u>17,949</u> | <u>54</u> |
| TOTAL | <u>\$ 28,255</u> | <u>100</u> | <u>\$ 33,179</u> | <u>100</u> |

The accompanying notes are an integral part of the consolidated financial statements.

ARRAY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of U.S. Dollars, Except Losses Per Share)

| | 2021 | | 2020 | |
|--|-------------------|-------------|-------------------|-------------|
| | Amount | % | Amount | % |
| OPERATING REVENUE (Note 19) | \$ 15,474 | 100 | \$ 17,141 | 100 |
| OPERATING COSTS (Notes 10 and 20) | <u>3,959</u> | <u>26</u> | <u>4,680</u> | <u>27</u> |
| GROSS PROFIT | <u>11,515</u> | <u>74</u> | <u>12,461</u> | <u>73</u> |
| OPERATING EXPENSES (Notes 9 and 20) | | | | |
| Selling and marketing expenses | 9,006 | 58 | 8,647 | 51 |
| General and administrative expenses | 2,926 | 19 | 2,781 | 16 |
| Research and development expenses | 3,427 | 22 | 3,475 | 20 |
| Expected credit (gain) loss | <u>(24)</u> | <u>-</u> | <u>120</u> | <u>1</u> |
| Total operating expenses | <u>15,335</u> | <u>99</u> | <u>15,023</u> | <u>88</u> |
| LOSS FROM OPERATIONS | <u>(3,820)</u> | <u>(25)</u> | <u>(2,562)</u> | <u>(15)</u> |
| NON-OPERATING INCOME AND EXPENSES | | | | |
| Finance costs (Note 20) | (102) | (1) | (117) | - |
| Interest income | 54 | - | 156 | 1 |
| Other income (Note 20) | 1,217 | 8 | 29 | - |
| Net gain on financial assets at fair value through profit or loss | - | - | 6 | - |
| Loss on disposal of property, plant and equipment | - | - | (3) | - |
| Exchange gain (loss), net | 27 | - | (14) | - |
| Impairment loss on goodwill (Note 14) | (398) | (2) | (470) | (3) |
| Others | <u>(19)</u> | <u>-</u> | <u>(12)</u> | <u>-</u> |
| Total non-operating income and expenses | <u>779</u> | <u>5</u> | <u>(425)</u> | <u>(2)</u> |
| LOSS BEFORE INCOME TAX | (3,041) | (20) | (2,987) | (17) |
| INCOME TAX EXPENSE (Note 21) | <u>374</u> | <u>2</u> | <u>507</u> | <u>3</u> |
| NET LOSS FOR THE YEAR | <u>(3,415)</u> | <u>(22)</u> | <u>(3,494)</u> | <u>(20)</u> |
| OTHER COMPREHENSIVE (LOSS) INCOME | | | | |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translating the financial statements of foreign operations | <u>(47)</u> | <u>-</u> | <u>11</u> | <u>-</u> |
| TOTAL COMPREHENSIVE LOSS FOR THE YEAR | <u>\$ (3,462)</u> | <u>(22)</u> | <u>\$ (3,483)</u> | <u>(20)</u> |

(Continued)

ARRAY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of U.S. Dollars, Except Losses Per Share)

| | 2021 | | 2020 | |
|---|-------------------|------|-------------------|------|
| | Amount | % | Amount | % |
| NET LOSS ATTRIBUTABLE TO: | | | | |
| Owners of the Company | \$ (3,414) | (22) | \$ (3,494) | (20) |
| Non-controlling interests | <u>(1)</u> | - | <u>-</u> | - |
| | <u>\$ (3,415)</u> | | <u>\$ (3,494)</u> | |
| TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO: | | | | |
| Owners of the Company | \$ (3,461) | (22) | \$ (3,483) | (20) |
| Non-controlling interests | <u>(1)</u> | - | <u>-</u> | - |
| | <u>\$ (3,462)</u> | | <u>\$ (3,483)</u> | |
| LOSS PER SHARE (Note 22) | | | | |
| Basic | <u>\$ (0.069)</u> | | <u>\$ (0.071)</u> | |

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

ARRAY INC. AND SUBSIDIARIES
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of U.S. Dollars)**

| | Equity Attributable to Owners of the Company | | | | | | | | | | Other Equity Exchange Differences on Translating the Financial Statements of Foreign Operations | Treasury Shares | Total | Non- controlling Interests | Total Equity |
|---|--|---|---------------|-------------|-------------------|---------------|--------------------|-------------------------|--------------------|-----------------|--|--------------------|-------------|----------------------------------|--------------|
| | Capital Surplus | | | | Retained Earnings | | | | Total | | | | | | |
| | Share Capital | Additional Paid-in Capital Ordinary Shares | Share Options | Other | Total | Legal Reserve | Special Reserve | Accumulated Deficits | | Total | | | | | |
| BALANCE AT JANUARY 1, 2020 | \$ 15,769 | \$ 9,356 | \$ 620 | \$ - | \$ 9,976 | \$ 339 | \$ 20 | \$ (3,947) | \$ (3,588) | \$ (147) | \$ (687) | \$ 21,323 | \$ - | \$ 21,323 | |
| Net loss for the year ended December 31, 2020 | - | - | - | - | - | - | - | (3,494) | (3,494) | - | - | (3,494) | - | (3,494) | |
| Other comprehensive income for the year ended December 31, 2020 | - | - | - | - | - | - | - | - | - | 11 | - | 11 | - | 11 | |
| Total comprehensive income (loss) for the year ended December 31, 2020 | - | - | - | - | - | - | - | (3,494) | (3,494) | 11 | - | (3,483) | - | (3,483) | |
| Share-based compensation for the year ended December 31, 2020 | - | - | 109 | - | 109 | - | - | - | - | - | - | 109 | - | 109 | |
| BALANCE AT DECEMBER 31, 2020 | 15,769 | 9,356 | 729 | - | 10,085 | 339 | 20 | (7,441) | (7,082) | (136) | (687) | 17,949 | - | 17,949 | |
| Net loss for the year ended December 31, 2021 | - | - | - | - | - | - | - | (3,414) | (3,414) | - | - | (3,414) | (1) | (3,415) | |
| Other comprehensive loss for the year ended December 31, 2021 | - | - | - | - | - | - | - | - | - | (47) | - | (47) | - | (47) | |
| Total comprehensive loss for the year ended December 31, 2021 | - | - | - | - | - | - | - | (3,414) | (3,414) | (47) | - | (3,461) | (1) | (3,462) | |
| Changes in percentage of ownership interests in subsidiaries | - | - | - | 1 | 1 | - | - | - | - | - | - | 1 | (1) | - | |
| Issuance of ordinary shares under employee share options | 4 | 3 | (2) | - | 1 | - | - | - | - | - | - | 5 | - | 5 | |
| Share-based compensation for the year ended December 31, 2021 | - | - | (69) | - | (69) | - | - | - | - | - | - | (69) | - | (69) | |
| Additional non-controlling interests recognized on the issue of employee share options by subsidiaries | - | - | - | - | - | - | - | - | - | - | - | - | 3 | 3 | |
| BALANCE AT DECEMBER 31, 2021 | <u>\$ 15,773</u> | <u>\$ 9,359</u> | <u>\$ 658</u> | <u>\$ 1</u> | <u>\$ 10,018</u> | <u>\$ 339</u> | <u>\$ 20</u> | <u>\$ (10,855)</u> | <u>\$ (10,496)</u> | <u>\$ (183)</u> | <u>\$ (687)</u> | <u>\$ 14,425</u> | <u>\$ 1</u> | <u>\$ 14,426</u> | |

The accompanying notes are an integral part of the consolidated financial statements.

ARRAY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of U.S. Dollars)

| | 2021 | 2020 |
|---|----------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss before income tax | \$ (3,041) | \$ (2,987) |
| Adjustments for: | | |
| Depreciation expense | 818 | 860 |
| Amortization expense | 365 | 308 |
| Expected credit (gain) loss recognized on trade receivables | (24) | 120 |
| Net gain on fair value changes of financial assets at fair value through profit or loss | - | (6) |
| Finance costs | 102 | 117 |
| Interest income | (54) | (156) |
| Share-based compensation | (69) | 109 |
| Loss on disposal of property, plant and equipment | - | 3 |
| Write-downs of inventories | 34 | 34 |
| Impairment loss on goodwill | 398 | 470 |
| Net gain on foreign currency exchange | (125) | (51) |
| Income arising from government grants | (1,203) | - |
| Net changes in operating assets and liabilities: | | |
| Trade receivables | 849 | 1,970 |
| Other receivables | 40 | 1,512 |
| Inventories | 142 | (282) |
| Other current assets | (34) | 48 |
| Contract liabilities | (268) | (1,315) |
| Trade payables | (199) | 132 |
| Other payables | 595 | 451 |
| Other current liabilities | 3 | (2) |
| Other liabilities | 14 | 4 |
| Cash (used in) generated from operations | <u>(1,657)</u> | <u>1,339</u> |
| Interest received | 18 | 167 |
| Interest paid | (102) | (117) |
| Income tax paid | <u>(326)</u> | <u>(475)</u> |
| Net cash (used in) generated from operating activities | <u>(2,067)</u> | <u>914</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of financial assets at amortized cost | 1,025 | - |
| Payments for property, plant and equipment | (72) | (281) |
| Proceeds from disposal of property, plant and equipment | - | 1 |
| Payments for intangible assets | <u>(413)</u> | <u>(337)</u> |
| Net cash generated from (used in) investing activities | <u>540</u> | <u>(617)</u> |

(Continued)

ARRAY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of U.S. Dollars)

| | 2021 | 2020 |
|---|-----------------|-----------------|
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from long-term borrowings | \$ - | \$ 1,203 |
| Repayment of the principal portion of lease liabilities | (459) | (382) |
| Proceeds from issuance of ordinary shares under employee share options | 5 | - |
| Changes in non-controlling interests | <u>3</u> | <u>-</u> |
| Net cash (used in) generated from financing activities | <u>(451)</u> | <u>821</u> |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES | <u>3</u> | <u>-</u> |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (1,975) | 1,118 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | <u>9,302</u> | <u>8,184</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | <u>\$ 7,327</u> | <u>\$ 9,302</u> |

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

ARRAY INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of U.S. Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Array Inc. (the “Company”) was incorporated on December 19, 2008 in the Cayman Islands for the purpose of reorganizing Array Networks, Inc. (“Array Cayman”) and its subsidiaries. The reorganization was completed on May 1, 2009 pursuant to a share swap agreement. Following the reorganization, Array Cayman became a wholly-owned subsidiary of the Company.

The Company and its subsidiaries (collectively referred to as the “Group”) mainly engage in the research, manufacturing and sale of application delivery controllers, high-end SSL VPN systems, remote desktop access solutions, application acceleration and WAN optimization controllers.

The functional currency of the Company is the U.S. dollar. However, since the Company’s shares are listed on the Taipei Exchange, for greater comparability and consistency of financial reporting, the consolidated financial statements of the Group are presented in New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 16, 2022.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2022

| New IFRSs | Effective Date Announced by IASB |
|---|-------------------------------------|
| “Annual Improvements to IFRS Standards 2018-2020” | January 1, 2022 (Note 1) |
| Amendments to IFRS 3 “Reference to the Conceptual Framework” | January 1, 2022 (Note 2) |
| Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use” | January 1, 2022 (Note 3) |
| Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract” | January 1, 2022 (Note 4) |

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of above standards and interpretations will not have a material impact on the Group’s financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

| New IFRSs | Effective Date Announced by IASB (Note 1) |
|--|--|
| Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture” | To be determined by IASB |
| IFRS 17 “Insurance Contracts” | January 1, 2023 |
| Amendments to IFRS 17 | January 1, 2023 |
| Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information” | January 1, 2023 |
| Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” | January 1, 2023 |
| Amendments to IAS 1 “Disclosure of Accounting Policies” | January 1, 2023 (Note 2) |
| Amendments to IAS 8 “Definition of Accounting Estimates” | January 1, 2023 (Note 3) |
| Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” | January 1, 2023 (Note 4) |

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments measured at fair values.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 11 and Table 4 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual entity in the Group, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction and not retranslated subsequently.

For the purpose of presenting the consolidated financial statements, the financial statements of the Company and its foreign operations that are prepared using functional currencies which are different from the currency of the Company are translated into the presentation currency, the U.S. dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

For a disposal involving the loss of control over a subsidiary that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group are reclassified to profit or loss.

f. Inventories

Inventories consist of raw materials and finished goods and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the standard cost and adjusted to weighted-average cost in the reporting period.

g. Property, plant and equipment

Property, plant and equipment are initially stated at cost and subsequently stated at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

i. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Impairment of property, plant and equipment, right-of-use assets, and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are also allocated to individual cash-generating units or the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL and financial assets at amortized cost.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified as at FVTPL, including investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 25.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash, trade receivables, other receivables, refundable deposits and pledge deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2) Financial liabilities

All financial liabilities are measured at amortized cost using the effective interest method. The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

1. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of application delivery controllers, high-end SSL VPN systems, remote desktop access solutions, application acceleration and WAN optimization controllers. Sales of these products are recognized as revenue when the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods and has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

2) Revenue from the rendering of services

Revenue from the rendering of services comes from the after-sales support services of the above-mentioned products.

As the Group provides support services, customers simultaneously receive and consume the benefits provided by the Group's satisfaction of performance obligations. Consequently, the related revenue is recognized when services are rendered.

m. Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

n. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

o. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

3) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the Group recognizes any related restructuring costs.

p. Share-based payment arrangements

The fair value determined at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of share options that are expected to ultimately vest, with a corresponding increase in capital surplus - share options and non-controlling interests. It is recognized as an expense in full at the grant date if vested immediately.

At the end of each reporting period, the Group revises its estimate of the number of employee share options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to the capital surplus - share options.

q. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (refundable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards and unused tax credits for research and development expenditures, to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations, and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Impairment of Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The calculation of the value in use requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss may arise. Furthermore, the estimated cash flows, growth rate and discount rate are subject to higher degree of estimation uncertainties in the current year due to uncertainty on the impact arising from potential disruptions of the Group's operations and volatility in financial markets due to the evolution of COVID-19 pandemic.

Refer to Note 14 for the carrying amounts of goodwill as of December 31, 2021 and 2020.

6. CASH AND CASH EQUIVALENTS

| | <u>December 31</u> | |
|---------------------------------------|--------------------|-----------------|
| | 2021 | 2020 |
| Checking accounts and demand deposits | <u>\$ 7,327</u> | <u>\$ 9,302</u> |
| Bank deposits | 0.001%-0.3% | 0.001%-0.6% |

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

| | <u>December 31</u> | |
|--|--------------------|-----------------|
| | 2021 | 2020 |
| <u>Financial assets mandatorily classified as at FVTPL</u> | | |
| Non-derivative financial assets | | |
| Mutual funds | <u>\$ 1,664</u> | <u>\$ 1,664</u> |

8. FINANCIAL ASSETS AT AMORTIZED COST

| | <u>December 31</u> | |
|--|--------------------|-----------------|
| | 2021 | 2020 |
| Time deposits with original maturities of more than 3 months | \$ 4,085 | \$ 5,074 |
| Restricted deposit | <u>25</u> | <u>25</u> |
| | <u>\$ 4,110</u> | <u>\$ 5,099</u> |
| Current | <u>\$ 4,085</u> | <u>\$ 5,074</u> |
| Non-current | <u>\$ 25</u> | <u>\$ 25</u> |

Risk of expected credit loss for the above financial assets has been evaluated as not high by the Group and has also not increased since the initial recognition of the financial assets.

The ranges of interest rate for time deposits with original maturities of more than 3 months were approximately 0.60% and 0.65%-1.60% per annum as of December 31, 2021 and 2020, respectively.

Refer to Note 27 for information relating to investments in financial assets at amortized cost pledged as security.

9. TRADE RECEIVABLES AND OTHER RECEIVABLES

| | <u>December 31</u> | |
|-------------------------------------|--------------------|-----------------|
| | <u>2021</u> | <u>2020</u> |
| <u>Trade receivables</u> | | |
| At amortized cost | \$ 9,125 | \$ 9,896 |
| Less: Allowance for impairment loss | <u>(975)</u> | <u>(999)</u> |
| | <u>\$ 8,150</u> | <u>\$ 8,897</u> |

The average credit period of sales of goods was 30 to 180 days, and no interest was charged on trade receivables.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtor's operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. The Group assesses the provision for loss allowance based on past due status and customer credit risk individually.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Group's provision matrix:

December 31, 2021

| | Not Past Due | Up to 180 Days Past Due | 181 to 270 Days Past Due | 271 to 360 Days Past Due | Over 360 Days Past Due | Total |
|--------------------------------|-------------------------|--|---|---|---------------------------------------|-----------------|
| Gross carrying amount | \$ 7,091 | \$ 1,130 | \$ 22 | \$ - | \$ 882 | \$ 9,125 |
| Loss allowance (Lifetime ECLs) | <u>-</u> | <u>(71)</u> | <u>(22)</u> | <u>-</u> | <u>(882)</u> | <u>(975)</u> |
| Amortized cost | <u>\$ 7,091</u> | <u>\$ 1,059</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 8,150</u> |

December 31, 2020

| | Not Past Due | Up to 180 Days Past Due | 181 to 270 Days Past Due | 271 to 360 Days Past Due | Over 360 Days Past Due | Total |
|--------------------------------|-----------------|-------------------------|--------------------------|--------------------------|------------------------|-----------------|
| Gross carrying amount | \$ 7,351 | \$ 1,413 | \$ 180 | \$ 11 | \$ 941 | \$ 9,896 |
| Loss allowance (Lifetime ECLs) | <u>-</u> | <u>-</u> | <u>(50)</u> | <u>(8)</u> | <u>(941)</u> | <u>(999)</u> |
| Amortized cost | <u>\$ 7,351</u> | <u>\$ 1,413</u> | <u>\$ 130</u> | <u>\$ 3</u> | <u>\$ -</u> | <u>\$ 8,897</u> |

The movements of the loss allowance of trade receivables were as follows:

| | <u>For the Year Ended December 31</u> | |
|--|---------------------------------------|---------------|
| | 2021 | 2020 |
| Balance at January 1 | \$ 999 | \$ 879 |
| Add: Net remeasurement of loss allowance | <u>(24)</u> | <u>120</u> |
| Balance at December 31 | <u>\$ 975</u> | <u>\$ 999</u> |

10. INVENTORIES

| | <u>December 31</u> | |
|----------------|--------------------|-----------------|
| | 2021 | 2020 |
| Raw materials | \$ 1,028 | \$ 1,135 |
| Finished goods | <u>215</u> | <u>452</u> |
| | <u>\$ 1,243</u> | <u>\$ 1,587</u> |

The cost of goods sold related to inventories for the years ended December 31, 2021 and 2020 were \$2,282 thousand and \$3,063 thousand, both included inventory write-downs of \$34 thousand.

11. SUBSIDIARIES

a. Subsidiaries included in consolidated financial statements:

| Investor | Investee | Main Business | <u>Percentage of Ownership</u> | | Remark |
|--------------|---------------------------------------|--|--------------------------------|--------|--------|
| | | | 2021 | 2020 | |
| The Company | Array Networks, Inc. (Array Cayman) | Investment | 100.00 | 100.00 | |
| Array Cayman | Array Networks, Inc. (Array US) | Research, manufacture and sale of Network Functions Platform, Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions and Application Acceleration | 100.00 | 100.00 | |
| | Zentry Security Inc. (Zentry) | Zentry modernizes the secure access with enhanced security, improved productivity, and ease of use. It helps customers migrate to Zero Trust Security model from obsolete perimeter model (Firewall & VPN) | 99.97 | 100.00 | 1) |
| Array US | Array Networks Japan Kabishiki Kaisha | Research, manufacture and sale of Network Functions Platform, Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions and Application Acceleration | 100.00 | 100.00 | |
| | Array Networks India Private Limited | Research, manufacture and sale of Network Functions Platform, Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions and Application Acceleration | 100.00 | 100.00 | 2) |

Remarks:

- 1) Zentry was established on November 13, 2019 and the amount of its initial investment authorized by the Group was US\$3,000 thousand. On March 12, 2021, the Company's board of directors approved to increase the investment quota from US\$4,000 thousand to a total US\$7,000 thousand for Zentry, and the research and development investment of US\$7,000 thousand from Array US on the new product of "Zero Trust" secure access in 2020 and 2019 was converted as capital to Zentry. In addition, to fund Zentry's application, on November 12, 2021, the Company's board of directors approved the transfer of the convertible loan of US\$3,000 thousand from Array Cayman to Zentry; which resulted in the capital increase in Zentry. As of December 31, 2021, the total investment in Zentry was US\$10,000 thousand. The above capital increase and the issuance of new shares under Zentry's share options in June 2021 reduced the Group's continuing interest in Zentry from 100% to 99.97%.
 - 2) In January 2021, April 2021, June 2021 and August 2021, the Group increased its investments of INR 9,213 thousand, INR 32,681 thousand, INR 35,831 thousand and INR 7,212 thousand, respectively, in Array Networks India Private Limited. The total investment amount after the capital increase was INR 85,417 thousand.
- b. Subsidiaries excluded from consolidated financial statements: None.
- c. Details of subsidiaries that have material non-controlling interests: None.

12. PROPERTY, PLANT AND EQUIPMENT

| | Equipment | Office Equipment | Equipment Held under Finance Leases | Other Equipment | Total |
|--|-----------------|---------------------|--|--------------------|-----------------|
| <u>Cost</u> | | | | | |
| Balance, January 1, 2020 | \$ 1,310 | \$ 1,390 | \$ 59 | \$ 2,167 | \$ 4,926 |
| Addition | - | 90 | 20 | 171 | 281 |
| Disposals | - | (35) | (35) | - | (70) |
| Reclassification | 84 | - | - | - | 84 |
| Effect of foreign currency exchange differences | - | - | (1) | - | (1) |
| Balance, December 31, 2020 | <u>\$ 1,394</u> | <u>\$ 1,445</u> | <u>\$ 43</u> | <u>\$ 2,338</u> | <u>\$ 5,220</u> |
| <u>Accumulated depreciation and impairment</u> | | | | | |
| Balance, January 1, 2020 | \$ 826 | \$ 1,323 | \$ 55 | \$ 1,954 | \$ 4,158 |
| Depreciation | 185 | 25 | 3 | 210 | 423 |
| Disposals | - | (33) | (33) | - | (66) |
| Effect of foreign currency exchange differences | - | - | 2 | - | 2 |
| Balance, December 31, 2020 | <u>\$ 1,011</u> | <u>\$ 1,315</u> | <u>\$ 27</u> | <u>\$ 2,164</u> | <u>\$ 4,517</u> |
| Carrying amount at December 31, 2020 | <u>\$ 383</u> | <u>\$ 130</u> | <u>\$ 16</u> | <u>\$ 174</u> | <u>\$ 703</u> |

(Continued)

| | Equipment | Office Equipment | Equipment Held under Finance Leases | Other Equipment | Total |
|---|-----------------|---------------------|--|--------------------|------------------------------|
| <u>Cost</u> | | | | | |
| Balance, January 1, 2021 | \$ 1,394 | \$ 1,445 | \$ 43 | \$ 2,338 | \$ 5,220 |
| Addition | - | 52 | - | 20 | 72 |
| Disposals | - | (25) | - | (13) | (38) |
| Reclassification | 168 | - | - | - | 168 |
| Effect of foreign currency exchange differences | - | (6) | - | - | (6) |
| Balance, December 31, 2021 | <u>\$ 1,562</u> | <u>\$ 1,466</u> | <u>\$ 43</u> | <u>\$ 2,345</u> | <u>\$ 5,416</u> |
| <u>Accumulated depreciation and impairment</u> | | | | | |
| Balance, January 1, 2021 | \$ 1,011 | \$ 1,315 | \$ 27 | \$ 2,164 | \$ 4,517 |
| Depreciation | 167 | 82 | 3 | 136 | 388 |
| Disposals | - | (25) | - | (13) | (38) |
| Effect of foreign currency exchange differences | - | (5) | - | - | (5) |
| Balance, December 31, 2021 | <u>\$ 1,178</u> | <u>\$ 1,367</u> | <u>\$ 30</u> | <u>\$ 2,287</u> | <u>\$ 4,862</u> |
| Carrying amount at December 31, 2021 | <u>\$ 384</u> | <u>\$ 99</u> | <u>\$ 13</u> | <u>\$ 58</u> | <u>\$ 554</u> (Concluded) |

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

| | |
|-------------------------------------|---|
| Equipment | 3-5 years |
| Office equipment | 3-5 years |
| Equipment held under finance leases | The shorter of the lease term and the useful life |
| Other equipment | 3-5 years |

13. LEASE ARRANGEMENTS

a. Right-of-use assets

| | <u>December 31</u> | |
|---|--------------------|-----------------|
| | 2021 | 2020 |
| <u>Carrying amount</u> | | |
| Buildings | <u>\$ 1,659</u> | <u>\$ 1,986</u> |
| For the Year Ended December 31 | | |
| | 2021 | 2020 |
| Additions to right-of-use assets | <u>\$ 103</u> | <u>\$ 222</u> |
| Depreciation charge for right-of-use assets | | |
| Buildings | <u>\$ 430</u> | <u>\$ 437</u> |

b. Lease liabilities

| | December 31 | |
|------------------------|--------------------|-------------|
| | 2021 | 2020 |
| <u>Carrying amount</u> | | |
| Current | \$ 448 | \$ 401 |
| Non-current | \$ 1,387 | \$ 1,790 |

Range of discount rates for lease liabilities was as follows:

| | December 31 | |
|-----------|--------------------|-------------|
| | 2021 | 2020 |
| Buildings | 1.48%-5.09% | 4.00%-5.09% |

c. Material lease-in activities and terms

The Group leases certain offices with lease terms of 1 to 7 years. The Group has no options to purchase the offices for a nominal amount at the end of the lease terms.

d. Other lease information

| | For the Year Ended December 31 | |
|--|---------------------------------------|-------------|
| | 2021 | 2020 |
| Expenses relating to short-term leases | \$ 270 | \$ 313 |
| Total cash outflow for leases | \$ (831) | \$ (812) |

The Group's leases of certain offices qualify as short-term leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

14. GOODWILL

| | December 31 | |
|------------------------------|--------------------|-------------|
| | 2021 | 2020 |
| Balance at January 1 | \$ 3,051 | \$ 3,521 |
| Impairment losses recognized | (398) | (470) |
| Balance at December 31 | \$ 2,653 | \$ 3,051 |

Goodwill in the amount of US\$3,521 thousand was recognized when the Group obtained control of Array US in 2003. The Group viewed Array Cayman, Array US and its subsidiaries, and Zentry as a group of cash-generating units (CGU). Determining whether goodwill is impaired requires management to estimate the future cash flows expected to be generated from a cash-generating unit in order to determine the respective recoverable amount. The critical assumptions to estimate the recoverable amount were as follows:

- a. Operating revenue was estimated on the basis of changes in the industry and competitive landscape.
- b. The estimates of costs and expenses were based on the proportion of the actual costs and expenses to operating revenue in the consolidated financial statements.

16. LONG-TERM BORROWINGS

| | <u>December 31</u> | |
|-----------------------------|--------------------|---------------|
| | 2021 | 2020 |
| <u>Unsecured borrowings</u> | | |
| Loans from bank | \$ - | \$ 1,203 |
| Less: Current portion | <u>-</u> | <u>(302)</u> |
| Long-term borrowings | <u>\$ -</u> | <u>\$ 901</u> |

Due to the severe impact of the COVID-19 pandemic on the market economy in 2020, the United States federal government implemented the Paycheck Protection Program (PPP), which allows small enterprises to apply for unsecured low-interest loans to pay for their payroll costs, rent, and utilities. In April 2020, the Group acquired a PPP loan in the amount of \$1,203 thousand at a fixed interest rate of 1%.

The United States federal government also announced the PPP loan forgiveness terms. The principal of a PPP loan will be forgiven as long as eligibility requirements are met. The Group's application for loan forgiveness has been approved in May 2021. The amount of long-term borrowings recognized as government grants and included in other income was \$1,203 thousand.

17. OTHER PAYABLES

| | <u>December 31</u> | |
|--------------------------------|--------------------|-----------------|
| | 2021 | 2020 |
| Accrued salary and bonus | \$ 1,002 | \$ 816 |
| Accrued vacation | 783 | 699 |
| Goods and services tax payable | 455 | 129 |
| Others | <u>94</u> | <u>95</u> |
| | <u>\$ 2,334</u> | <u>\$ 1,739</u> |

18. EQUITY

a. Ordinary shares

| | <u>December 31</u> | |
|---|---------------------|---------------------|
| | 2021 | 2020 |
| Number of shares authorized (in thousands) | <u>105,000</u> | <u>105,000</u> |
| Shares authorized | <u>\$ 1,050,000</u> | <u>\$ 1,050,000</u> |
| Number of shares issued and fully paid (in thousands) | <u>51,111</u> | <u>51,098</u> |
| Shares issued | <u>\$ 15,773</u> | <u>\$ 15,769</u> |

The change in the Company's share capital is mainly due to the exercise of employee share options.

b. Capital surplus

The Group resolved to capitalize by crediting reserves (including a share premium account and profit and loss account), cash from the share premium and the bonus are available for distribution under Cayman legislation.

c. Retained earnings and dividends policy

Under the Company's amended articles of incorporation, the Group may distribute profit for each fiscal year in the form of cash dividends, bonus shares or other forms upon a proposal for distribution of profit by the board of directors and approval by the shareholders at the general meeting. The directors shall prepare such proposal to allocate the earnings for each fiscal year according to the following sequence:

- 1) Payment of taxes;
- 2) Offsetting losses of previous years;
- 3) Setting aside 10% as legal reserve, until the accumulated legal reserve equals the Group's paid-in capital;
- 4) Setting aside as special reserve from the remaining earnings together with any undistributed retained earnings accrued from prior years in accordance with the applicable listing rules or as requested by the competent authorities; and
- 5) The remaining earnings may be distributed as cash dividends and/or bonus shares to the shareholders according to the distribution plan proposed by the board of directors.

Since the Group is still in the growth stage, any retained earnings together with any unappropriated retained earnings accrued from prior years of the Group may be distributed as cash dividends and/or bonus shares in accordance with the law and applicable listing rules, after taking into consideration the current or future investment environment, capital requirement, domestic and overseas competition environment and capital budget of the Group, as well as shareholders' interest, balance of dividends and long-term financial plan of the Group. The directors shall specify the exact percentages or amounts to be paid to directors and distributed to the shareholders in the proposal for the distribution of profit, and submit it for the shareholders' approval at the general meeting. Unless the board of directors determines otherwise after considering withholding tax and associated expenses related to the dividends distribution, dividends to be distributed to the shareholders shall not be less than 5% of the remaining balance after deducting the amounts stated in the above items (1) through (5). The cash dividends shall comprise no less than 10% of the dividends declared in such year.

If the Group has no loss, then by a shareholders' supermajority resolution, it shall distribute its legal reserve to the shareholders in accordance with the applicable listing rules or the orders of the competent authorities provided that, where the distributions are made out of the legal reserve, only the portion of the legal reserve in excess of 25% of the paid-in capital of the Group may be distributed.

Pursuant to existing regulations, the Group is required to set aside and reverse additional special reserve equivalent to the net debit balance of other equity items. Distributions can be made out of any subsequent reversal of the debit to other equity items.

The Company held their shareholders' meetings on August 6, 2021 and June 12, 2020, respectively, and proposed not to appropriate the retained earnings of 2020 and 2019 due to accumulated loss.

The offset of deficit for 2021 is subject to the resolution of the shareholders' meeting to be held in 2022.

d. Non-controlling interest

| | <u>For the Year Ended December 31</u> | |
|--|---------------------------------------|-------------|
| | 2021 | 2020 |
| Balance at January 1 | \$ - | \$ - |
| Share in loss for the year | (1) | - |
| Additional non-controlling interests recognized on the issue of employee share options by subsidiaries | 3 | - |
| Changes in percentage of ownership interests in subsidiaries | <u>(1)</u> | <u>-</u> |
| Balance at December 31 | <u>\$ 1</u> | <u>\$ -</u> |

e. Treasury shares

| Purpose of Buy-back | Number of Shares at January 1 | Increase During the Year | Decrease During the Year | Number of Shares at December 31 |
|--|-------------------------------|--------------------------|--------------------------|---------------------------------|
| <u>2021</u> | | | | |
| Shares Transferred to employees (in thousands of shares) | <u>1,908</u> | <u>-</u> | <u>-</u> | <u>1,908</u> |
| <u>2020</u> | | | | |
| Shares Transferred to employees (in thousands of shares) | <u>1,908</u> | <u>-</u> | <u>-</u> | <u>1,908</u> |

Under the Securities and Exchange Act, the Group shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

19. REVENUE

a. Disaggregation of revenue

Please refer to Note 32 for information about disaggregation of revenue.

b. Contract balances

| | <u>For the Year Ended December 31</u> | |
|---|---------------------------------------|-----------------|
| | 2021 | 2020 |
| Contract liabilities - support service for network products | | |
| Current | \$ 4,140 | \$ 4,713 |
| Non-current | <u>4,540</u> | <u>4,235</u> |
| | <u>\$ 8,680</u> | <u>\$ 8,948</u> |

Revenue recognized for the years ended December 31, 2021 and 2020 from the contract liabilities at the beginning of the years were \$4,712 thousand and \$5,709 thousand, respectively.

20. NET LOSS

a. Other income

| | For the Year Ended December 31 | |
|-------------------|---------------------------------------|--------------|
| | 2021 | 2020 |
| Government grants | \$ 1,203 | \$ - |
| Others | <u>14</u> | <u>29</u> |
| | <u>\$ 1,217</u> | <u>\$ 29</u> |

b. Finance costs

Finance costs are interests on lease liabilities.

c. Depreciation and amortization

| | For the Year Ended December 31 | |
|---|---------------------------------------|---------------|
| | 2021 | 2020 |
| An analysis of depreciation by function | | |
| Operating costs | \$ 76 | \$ 51 |
| Operating expenses | <u>742</u> | <u>809</u> |
| | <u>\$ 818</u> | <u>\$ 860</u> |
| An analysis of amortization by function | | |
| Operating costs | \$ 12 | \$ 28 |
| Operating expenses | <u>353</u> | <u>280</u> |
| | <u>\$ 365</u> | <u>\$ 308</u> |

d. Employee benefits expense

| | For the Year Ended December 31 | |
|--|---------------------------------------|------------------|
| | 2021 | 2020 |
| Share-based payments | \$ (69) | \$ 109 |
| Other employee benefits | <u>10,998</u> | <u>10,578</u> |
| | <u>\$ 10,929</u> | <u>\$ 10,687</u> |
| An analysis of employee benefits expense by function | | |
| Operating costs | \$ 946 | \$ 945 |
| Operating expenses | <u>9,983</u> | <u>9,742</u> |
| | <u>\$ 10,929</u> | <u>\$ 10,687</u> |

For the years ended December 31, 2021 and 2020, the remuneration of directors was zero.

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of remuneration of directors and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019.

Information on the remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

21. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Major components of income tax expense recognized in profit or loss

| | For the Year Ended December 31 | |
|---|---------------------------------------|---------------|
| | 2021 | 2020 |
| Current tax | | |
| In respect of the current year | \$ 345 | \$ 526 |
| Deferred tax | | |
| In respect of the current year | 29 | (19) |
| Income tax expense recognized in profit or loss | <u>\$ 374</u> | <u>\$ 507</u> |

A reconciliation of accounting profit and income tax expenses is as follows:

| | For the Year Ended December 31 | |
|--|---------------------------------------|---------------|
| | 2021 | 2020 |
| Loss before tax | \$ (3,041) | \$ (2,987) |
| Income tax benefit calculated at the statutory rate | \$ (703) | \$ (618) |
| Adjustment items in determining taxable income | 166 | 118 |
| Temporary differences adjustments | 704 | 585 |
| Effect of different tax rates of entities operating in other jurisdictions | (102) | (5) |
| Withholding tax | <u>309</u> | <u>427</u> |
| Income tax expense recognized in profit or loss | <u>\$ 374</u> | <u>\$ 507</u> |

The federal tax rate and state tax rate applicable to the Group's entities in the United States is 21% and 8.84%, respectively.

b. Current tax assets and liabilities

| | December 31 | |
|-------------------------|--------------------|--------------|
| | 2021 | 2020 |
| Current tax assets | | |
| Tax refund receivable | <u>\$ 8</u> | <u>\$ 9</u> |
| Current tax liabilities | | |
| Tax refund payable | <u>\$ 97</u> | <u>\$ 84</u> |

- c. Deductible temporary differences, unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the consolidated balance sheets

| | December 31 | |
|---|--------------------|------------------|
| | 2021 | 2020 |
| Loss carryforwards | <u>\$ 40,836</u> | <u>\$ 37,237</u> |
| Investment credits - research and development | <u>\$ 2,605</u> | <u>\$ 2,676</u> |
| Foreign tax credit | <u>\$ 1,543</u> | <u>\$ 1,543</u> |
| Capital loss carried forward | <u>\$ 13,084</u> | <u>\$ 13,084</u> |

After assessing all the unused loss carryforwards, investment credits, foreign tax credit and capital loss carried forward, the Group did not recognize deferred tax assets on the consolidated balance sheets.

22. LOSS PER SHARE

The losses and weighted average number of ordinary shares outstanding used in the computation of loss per share were as follows:

Net Loss for the Year

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------------|
| | 2021 | 2020 |
| Losses used in the computation of basic loss per share from continuing operations | <u>\$ (3,415)</u> | <u>\$ (3,494)</u> |

Weighted average number of ordinary shares outstanding (in thousands of shares):

| | For the Year Ended December 31 | |
|--|---------------------------------------|---------------|
| | 2021 | 2020 |
| Weighted average number of ordinary shares used in the computation of basic loss per share | <u>49,203</u> | <u>49,190</u> |

23. SHARE-BASED PAYMENT ARRANGEMENTS

- a. Employee share option plan of the Company

On July 2, 2021, the Company's board of directors approved the issuance of employee share options, and the total number of new ordinary shares to be issued for the exercise of all options is 2,000 thousand shares. The Company did not issue any employee share options for the year ended December 31, 2020.

Information on employee share options was as follows:

| | For the Year Ended December 31 | | | |
|----------------------------------|---|--|---|--|
| | 2021 | | 2020 | |
| | Number of Exercisable Options (In Thousands) | Weighted- average Exercise Price (US\$) | Number of Exercisable Options (In Thousands) | Weighted- average Exercise Price (US\$) |
| Balance at January 1 | 1,997 | \$ 0.40 | 2,062 | \$ 0.40 |
| Options granted | 1,655 | 0.31 | - | - |
| Options forfeited | (722) | 0.40 | - | - |
| Options exercised | (13) | 0.37 | - | - |
| Options expired | <u>(59)</u> | 0.90 | <u>(65)</u> | 0.41 |
| Balance at December 31 | <u>2,858</u> | 0.35 | <u>1,997</u> | 0.40 |
| Options exercisable, end of year | <u>970</u> | 0.42 | <u>1,069</u> | 0.44 |

The share-based compensation costs recognized for the years ended December 31, 2021 and 2020 were \$(69) thousand and \$109 thousand, respectively.

b. Employee share option plan of the subsidiaries

Qualified employees of the Company's subsidiary, Zentry, were granted 1,895 thousand options in 2021. Each option entitles the holder with the right to subscribe for one ordinary share of Zentry. The options granted are valid for 10 years. Twenty-five percent (25%) of the optioned shares shall vest on the first anniversary of the vesting commencement date, and 1/48 of the optioned shares shall vest each month thereafter. The exercise price is US\$0.06 per option.

Information on employee share options was as follows:

| | For the Year Ended December 31, 2021 | |
|----------------------------------|---|--|
| | Number of Exercisable Options (In Thousands) | Weighted- average Exercise Price (US\$) |
| Balance at January 1 | - | \$ - |
| Options granted | 1,895 | 0.06 |
| Options exercised | <u>(49)</u> | 0.06 |
| Balance at December 31 | <u>1,846</u> | 0.06 |
| Options exercisable, end of year | <u>244</u> | 0.06 |

Options granted in 2021 priced using the Black-Scholes pricing model, and the inputs to the model as follows:

| | |
|--------------------------|--------|
| Grant-date share price | \$0.06 |
| Exercise price | \$0.06 |
| Expected volatility | 63.8% |
| Expected life (in years) | 5 |
| Expected dividend yield | - |
| Risk-free interest rate | 0.26% |

24. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings offset by cash) and equity attributable to owners of the Group (comprising issued capital, reserves, retained earnings and other equity).

The Group is not subject to any externally imposed capital requirements.

25. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

The management considers the carrying amounts of financial assets and financial liabilities not measured at fair value recognized in the consolidated financial statements approximate their fair values.

b. Fair value of financial instruments measured at fair value on a recurring basis

Fair value hierarchy

December 31, 2021

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------|-----------------|-------------|-------------|-----------------|
| Financial assets at FVTPL - current | | | | |
| Mutual funds | \$ <u>1,664</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>1,664</u> |

December 31, 2020

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------|-----------------|-------------|-------------|-----------------|
| Financial assets at FVTPL - current | | | | |
| Mutual funds | \$ <u>1,664</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>1,664</u> |

There were no transfers between Levels 1 and 2 in the current and prior periods.

c. Categories of financial instruments

| | December 31 | |
|--|--------------------|-------------|
| | 2021 | 2020 |
| <u>Financial assets</u> | | |
| Financial assets at FVTPL | | |
| Mandatorily classified as at FVTPL | \$ 1,664 | \$ 1,664 |
| Financial assets at amortized cost (1) | 19,648 | 23,399 |
| <u>Financial liabilities</u> | | |
| Amortized cost (2) | 3,011 | 3,818 |

1) The balances include financial assets at amortized cost, which comprise cash, debt investments, trade receivables, other receivables, pledged deposits and refundable deposits.

2) The balances include financial liabilities at amortized cost, which comprise trade payables, other payables and long-term borrowings.

d. Financial risk management objectives and policies

The Group's major financial instruments included cash, trade receivables, trade payables, borrowings and lease liabilities. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

a) Foreign currency risk

Foreign currency risk is not material to the Group as the Group's sales and purchases are denominated in U.S. dollars and the functional currencies of subsidiaries, such as INR or JPY.

b) Interest rate risk

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

| | December 31 | |
|-------------------------------|--------------------|-------------|
| | 2021 | 2020 |
| Fair value interest rate risk | | |
| Financial assets | \$ 4,110 | \$ 5,099 |
| Financial liabilities | 1,835 | 3,394 |
| Cash flow interest rate risk | | |
| Financial assets | 1,014 | 5,507 |

The sensitivity analyses below were determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit (loss) for the years ended December 31, 2021 and 2020 would increase/decrease by \$3 thousand and \$14 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of the counterparty to discharge an obligation and financial guarantees provided by the Group is arising from the carrying amount of the respective recognized financial assets as stated in the condensed balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties, the Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Trade receivables consisted of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables.

The Group's concentration of credit risk by geographical location was mainly from India, which accounted for 82% and 75% of the total trade receivables as of December 31, 2021 and 2020, respectively.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Except for lease liabilities, non-derivative financial liabilities which the Group holds were all non-interest bearing, and the maturities of repayments were within one year as of December 31, 2021 and 2020. The contractual amount at maturity was the same as the carrying amount.

December 31, 2021

| | On Demand or Less Than 1 Month | 1-3 Months | 3 Months to 1 Year | 1-5 Years | 5+ Years |
|-------------------|---|-------------------|-----------------------------------|------------------|-----------------|
| Lease liabilities | \$ 45 | \$ 90 | \$ 394 | \$ 1,496 | \$ - |

December 31, 2020

| | On Demand or Less Than 1 Month | 1-3 Months | 3 Months to 1 Year | 1-5 Years | 5+ Years |
|----------------------------|---|-------------------|-----------------------------------|------------------|-----------------|
| Lease liabilities | \$ 42 | \$ 85 | \$ 374 | \$ 1,980 | \$ - |
| Fixed interest rate assets | - | - | 302 | 924 | - |
| | <u>\$ 42</u> | <u>\$ 85</u> | <u>\$ 676</u> | <u>\$ 2,904</u> | <u>\$ -</u> |

26. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which were related parties of the Group, were eliminated on consolidation and were not disclosed in this note.

Remuneration of Key Management Personnel

| | <u>For the Year Ended December 31</u> | |
|------------------------------|---------------------------------------|-----------------|
| | <u>2021</u> | <u>2020</u> |
| Short-term employee benefits | \$ 1,749 | \$ 2,032 |
| Share-based payments | <u>(29)</u> | <u>51</u> |
| | <u>\$ 1,720</u> | <u>\$ 2,083</u> |

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank credits and merchant services:

| | <u>December 31</u> | |
|------------------|--------------------|--------------|
| | <u>2021</u> | <u>2020</u> |
| Pledged deposits | <u>\$ 25</u> | <u>\$ 25</u> |

28. SIGNIFICANT UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Group as of December 31, 2021 and 2020 were as follows:

On July 2, 2021, the Company's board of directors approved the severance plan for management officers in the event of change in control. According to the agreement, the Group shall pay termination benefits with a total of US\$2,000 thousand for terminating certain employees' employment before their normal retirement dates during the 12-month period beginning on the date of a change in the ownership of the Company.

29. OTHER ITEMS

Due to the impact of the COVID-19 pandemic which has evolved globally and currently in Taiwan, many countries are still under lockdown, and the global economic situation continues to tighten, with changing consumption patterns. Therefore, the timing of the Group's operations returning to normal is still uncertain.

Other than staying informed on the development of the COVID-19 pandemic, the Group has also applied to the government for relief measures; refer to Note 16 for the details. With this, the Group assessed that there are no doubts in the aspects of the Group's ability to continue as a going concern, risk of asset impairment and financing activities as of the date the consolidated financial statements were authorized for issue.

Based on the information available as of the balance sheet date, the Group has considered the economic implications of the pandemic when making its critical accounting estimates; refer to Note 5 for the details.

30. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

Due to the need for internal adjustment of ownership structure, Asia Pacific Growth Fund III, L.P., the Company's main shareholder, has transferred 21,172 thousand shares of the Company's ordinary shares to Array Holdings for APGF III Fund LPs. The existing shareholders of Array Holdings for APGF III Fund LPs have changed on March 16, 2022.

31. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (None)
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures) (Table 2)
- 4) Marketable securities acquired or disposed of at costs or prices at least NT\$300 million or 20% of the paid-in capital (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (None)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (None)
- 9) Trading in derivative instruments (None)
- 10) Intercompany relationships and significant intercompany transactions (Table 3)

b. Information on investees (Table 4)

c. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (None)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (None)
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period

- b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period
 - c) The amount of property transactions and the amount of the resultant gains or losses
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services
- d. Information of major shareholders

List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder. (Table 5)

32. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group’s reportable segments under IFRS 8 “Operating Segments” were as follows:

Network Application - United States

- a. Segment revenues and results

| | Segment Revenue | | Segment Profit (Loss) | |
|-----------------------------------|-----------------------------------|------------------|-----------------------------------|-------------------|
| | For the Year Ended December 31 | | For the Year Ended December 31 | |
| | 2021 | 2020 | 2021 | 2020 |
| Network application | \$ 15,474 | \$ 17,141 | \$ (3,574) | \$ (2,210) |
| Others | - | - | (246) | (352) |
| Total from continuing operations | <u>\$ 15,474</u> | <u>\$ 17,141</u> | (3,820) | (2,562) |
| Non-operating income and expenses | | | <u>779</u> | <u>(425)</u> |
| Loss before income tax | | | <u>\$ (3,041)</u> | <u>\$ (2,987)</u> |

Segment revenue reported above represents revenue generated from external customers. Inter-segment sales were adjusted and reversed for the years ended December 31, 2021 and 2020.

Segment profit (loss) represented the profit before tax earned by each segment. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment assets and liabilities

| | December 31 | |
|--------------------------------|--------------------|------------------|
| | 2021 | 2020 |
| Network application | \$ 25,940 | \$ 26,371 |
| Others | <u>2,315</u> | <u>6,808</u> |
| Consolidated total assets | <u>\$ 28,255</u> | <u>\$ 33,179</u> |
| Network application | \$ 13,755 | \$ 15,113 |
| Others | <u>74</u> | <u>117</u> |
| Consolidated total liabilities | <u>\$ 13,829</u> | <u>\$ 15,230</u> |

c. Revenue from major products and services

| | For the Year Ended December 31 | |
|-----------------|---------------------------------------|------------------|
| | 2021 | 2020 |
| Service revenue | \$ 6,435 | \$ 7,469 |
| ADC | 4,690 | 5,838 |
| NFP | 3,028 | 2,426 |
| SSL VPN | 1,298 | 1,342 |
| WOC | 1 | 66 |
| ZTA | <u>22</u> | <u>-</u> |
| | <u>\$ 15,474</u> | <u>\$ 17,141</u> |

d. Geographical information

The Group operates in one principal geographical area - the United States.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

| | Revenue from External Customers | | Non-current Assets | |
|--------|--|------------------|---------------------------|-----------------|
| | For the Year Ended December 31 | | December 31 | |
| | 2021 | 2020 | 2021 | 2020 |
| USA | \$ 2,204 | \$ 4,317 | \$ 5,158 | \$ 5,952 |
| India | 7,700 | 6,274 | 65 | 71 |
| Japan | 4,963 | 3,635 | 3 | 29 |
| China | 37 | 2,265 | - | - |
| Others | <u>570</u> | <u>650</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 15,474</u> | <u>\$ 17,141</u> | <u>\$ 5,226</u> | <u>\$ 6,052</u> |

e. Information about major customers

Customers that individually contributed 10% or more to the Group's revenue were as follows:

| | For the Year Ended December 31 | |
|------------|---------------------------------------|-------------|
| | 2021 | 2020 |
| Customer A | \$ 3,581 | \$ 2,788 |
| Customer B | 3,096 | 1,051 |
| Customer C | 2,419 | 2,167 |
| Customer D | - | 2,044 |

ARRAY INC. AND SUBSIDIARIES

**FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of U.S. Dollars, Unless Specified Otherwise)**

| No. | Lender | Borrower | Financial Statement Account | Related Party | Highest Balance for the Period | Ending Balance (Note) | Actual Amount Borrowed | Interest Rate (%) | Nature of Financing | Business Transaction Amount | Reasons for Short-term Financing | Allowance for Impairment Loss | Collateral | | Financing Limit for Each Borrower (Note 1) | Aggregate Financing Limit (Note 1) | Note |
|-----|-------------------------------|----------------------|-----------------------------|---------------|--------------------------------|-----------------------|------------------------|-------------------|----------------------|-----------------------------|----------------------------------|-------------------------------|------------|-------|--|------------------------------------|------|
| | | | | | | | | | | | | | Item | Value | | | |
| 1 | Array Networks, Inc. (Cayman) | Zentry Security Inc. | - | Yes | \$ 3,000 | \$ 1,500 | \$ 1,200 | - | Short-term financing | \$ - | Working capital turnover | \$ - | - | \$ - | \$ 5,770 | \$ 5,770 | |

Note: The financing limit for each borrower shall not exceed 40% of the lender's net worth as stated in its latest audited financial statements.

ARRAY INC. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

(In Thousands of U.S. Dollars, Unless Specified Otherwise)

| Holding Company | Type and Name of Issuer of Marketable Securities | Security Issuer's Relationship with the Holding Company | Financial Statement Account | December 31, 2021 | | | | Note |
|-----------------|--|---|---|-----------------------------|----------------|-----------------------------|------------|------|
| | | | | Shares/Units (In Thousands) | Carrying Value | Percentage of Ownership (%) | Fair Value | |
| Array US | <u>Mutual fund</u> Morgan Stanley Mutual Funds | None | Financial assets at fair value through profit or loss - current | - | \$ 363 | - | \$ 363 | |
| Array Cayman | <u>Mutual fund</u> Msilf Treasury Securities INST | None | Financial assets at fair value through profit or loss - current | - | 1,301 | - | 1,301 | |

ARRAY INC. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of U.S. Dollars, Unless Specified Otherwise)**

| Number | Company Name | Counterparty | Nature of Relationship (Note) | Transaction Details | | | |
|--------|--------------|----------------------|-------------------------------|---------------------|----------|------------------------|---|
| | | | | Account | Amount | Transaction Item | Percentage of Consolidated Total Operating Revenues or Total Assets |
| 1 | Array Cayman | Zentry Security Inc. | a | Other receivable | \$ 1,200 | Based on regular terms | 4 |
| 2 | Array US | Zentry Security Inc. | c | Other receivable | 1,147 | Based on regular terms | 4 |

Note: a. Parent to subsidiary.
b. Subsidiary to parent.
c. Subsidiary to subsidiary.

ARRAY INC. AND SUBSIDIARIES
**INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of U.S. Dollars, Unless Specified Otherwise)**

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of December 31, 2021 | | | Net Income (Losses) of the Investee | Equity in Earnings (Losses) | Note |
|------------------|---------------------------------------|------------------------|--|----------------------------|-------------------|---------------------------------|-------------------------|----------------|-------------------------------------|-----------------------------|------|
| | | | | Ending Balance | Beginning Balance | Shares (In Thousands) | Percentage of Ownership | Carrying Value | | | |
| Array Inc. | Array Cayman | British Cayman Islands | Investment | NT\$ 370,326 | NT\$ 370,326 | 37,032 | 100.00 | US\$ 14,426 | US\$ (3,415) | US\$ (3,415) | |
| Array Cayman | Array US | U.S.A. | Research manufacture and sale of Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions and Application Acceleration | US\$ 6,019 | US\$ 6,019 | - | 100.00 | 2,970 | 1,810 | 1,810 | |
| | Zentry Security Inc. | U.S.A. | Zentry modernizes the secure access with enhanced security, improved productivity, and ease of use. It helps customers migrate to Zero Trust Security model from obsolete perimeter model (Firewall & VPN) | US\$ 10,000 | US\$ - | - | 99.97 | 5,411 | (4,592) | (4,591) | |
| Array US | Array Networks Japan Kabishiki Kaisha | Japan | Research manufacture and sale of Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions and Application Acceleration | JPY 10,000 | JPY 10,000 | 200 | 100.00 | 442 | 6 | 6 | |
| | Array Networks India Private Limited | India | Research manufacture and sale of Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions and Application Acceleration | INR 85,417 | INR 500 | - | 100.00 | 2,567 | 676 | 676 | |

ARRAY INC.
**INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2021**

| Name of Major Shareholder | Shares | |
|------------------------------------|------------------|-----------------------------|
| | Number of Shares | Percentage of Ownership (%) |
| Asia Pacific Growth Fund III, L.P. | 21,172,103 | 41.42 |
| ZHAO, YAO | 3,565,073 | 6.97 |
| CAO, ZHI-LIANG | 2,679,905 | 5.24 |

Note: The table discloses shareholding information of shareholders whose shareholding percentages are more than 5%. The Taiwan Depository & Clearing Corporation (TDCC) calculates the total number of ordinary shares and preference shares (including treasury shares) that have completed the dematerialized registration and delivery on the last business day of the quarter. The shares reported in the Group's consolidated financial statements and the actual number of shares that have completed the dematerialized registration and delivery may be different due to differences in the basis of calculation.

Array Inc.



Chairman: Yao Zhao

A handwritten signature in black ink, appearing to be "Yao Zhao".

Headquarters & U.S. Subsidiary : Array Networks Inc.

Address : 1371 McCarthy Blvd. Milpitas, CA 95035

Tel : (1) 408 240-8700

Array Taiwan Rep-office :

Address : 9F. No. 283, Sec. 2, Fu-Hsing South Road, Taipei, Taiwan

Tel : (886)2-2784-6000