

METAAGE CORPORATION
(Original Name : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

With Independent Auditors' Review Report
For the Six Months Ended June 30, 2022 and 2021

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

Table of Contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Review Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flows	7
8. Notes to Consolidated Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the consolidated financial statements	8
(3) New standards, amendments, and interpretations adopted	8~9
(4) Summary of significant accounting policies	10~11
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	12
(6) Explanation of significant accounts	12~50
(7) Related-party transactions	50~56
(8) Pledged Assets	56
(9) Significant commitments and contingencies	56~57
(10) Losses due to major disasters	57
(11) Subsequent events	57
(12) Others	57
(13) Other disclosures	
(a) Information on significant transactions	58~59
(b) Information on investees	60
(c) Information on Investment in Mainland China	60
(d) Major Shareholders	60
(14) Segment Information	61



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Independent Auditors' Review Report

To the Board of Directors of METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.):

Introduction

We have reviewed the accompanying consolidated balance sheets of METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.) and its subsidiaries (“the Group”) as of June 30, 2022 and 2021, the related consolidated statements of comprehensive income for the three and six months ended June 30, 2022 and 2021, as well as the changes in equity and cash flows for the six months ended June 30, 2022 and 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. 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 International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusions paragraph, we conducted our reviews in accordance with Statement of Auditing Standards 65, “Review of Financial Information Performed by the Independent Auditor of the Entity”. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusions

As stated in Note 4(b), the consolidated financial statements included in the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect the total assets amounting to \$1,412,513 thousand and \$1,441,727 thousand, both constituting 17% of the consolidated total assets; and the total liabilities amounting to \$769,297 thousand and \$753,795 thousand, constituting 18% and 17% of consolidated total liabilities as of June 30, 2022 and 2021, respectively; as well as the absolute value of total comprehensive income amounting to \$43,238 thousand, \$37,791 thousand, \$45,212 thousand and \$111,938 thousand, constituting 30%, 31%, 19% and 28% of the absolute value of consolidated total comprehensive income for the three and six months ended June 30, 2022 and 2021, respectively.

Furthermore, as stated in Note 6(f), the investments accounted for using equity method of the Group in its investee companies of \$108,474 thousand and \$101,240 thousand, as of June 30, 2022 and 2021, respectively, and its related share of loss of associates accounted for using equity method of \$151 thousand, \$3,037 thousand, \$1,877 thousand and \$5,075 thousand for the three and six months ended June 30, 2022 and 2021 respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2022 and 2021, and of its consolidated financial performance and its consolidated cash flows for the three and six months ended June 30, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IASs 34, “Interim Financial Reporting” endorsed by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors’ review report are HUNG-WEN, FU and MEI-PIN, WU.

KPMG

Taipei, Taiwan (Republic of China)
August 2, 2022

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards as of June 30, 2022 and 2021
METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.) AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2022, December 31 and June 30, 2021

(In Thousands of New Taiwan Dollars)

Assets		June 30, 2022		December 31, 2021		June 30, 2021		Liabilities and Equity		June 30, 2022		December 31, 2021		June 30, 2021	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (Note 6(a))	\$ 783,904	9	650,581	8	1,328,701	15	2100	Short-term borrowings (Note 6(n))	\$ 821,277	10	1,145,658	14	979,604	11
1110	Current financial assets at fair value through profit or loss (Note 6(b))	8,156	-	243	-	430	-	2120	Current financial liabilities at fair value through profit or loss (Notes 6(b) and (g))	21,917	-	7,522	-	13,607	-
1141	Current contract assets (Note 6(v))	11,851	-	20,392	-	2,996	-	2130	Contract liability (Note 6(v))	192,434	2	251,543	3	243,398	3
1170	Notes and accounts receivable, net (Notes 6(c), (v) and 8)	2,524,925	30	2,729,102	32	2,141,351	25	2170	Notes and accounts payable (Note 7)	1,789,507	21	1,445,849	17	1,633,369	19
1180	Accounts receivable due from related parties, net (Notes 6(c), (v) and 7)	62,939	1	79,541	1	68,256	1	2200	Other payables (Note 7)	331,300	4	508,151	6	380,680	4
1300	Inventories (Note 6(e))	2,961,689	35	2,858,625	34	3,002,257	35	2216	Dividends payable	490,738	6	-	-	475,796	6
1410	Prepayments (Note 7)	31,993	1	56,026	1	70,535	1	2280	Current lease liabilities (Notes 6(p) and 7)	47,302	1	41,931	1	37,956	1
1470	Other current assets (Notes 6(d) and 7)	22,389	-	3,333	-	17,807	-	2310	Advance receipts	29,441	-	23,171	-	15,112	-
		6,407,846	76	6,397,843	76	6,632,333	77	2320	Long-term borrowings, current portion (Note 6(o))	16,851	-	17,037	-	16,944	-
								2399	Other current liabilities	2,025	-	1,588	-	1,477	-
										3,742,792	44	3,442,450	41	3,797,943	44
Non-current assets:								Non-current liabilities:							
1510	Non-current financial assets at fair value through profit or loss (Note 6(b))	351,521	4	338,296	4	287,119	3	2500	Non-current financial liabilities at fair value through profit or loss (Notes 6(b) and (g))	71,786	1	97,986	1	91,292	1
1550	Investments accounted for using equity method (Note 6(f))	108,474	1	110,312	1	101,240	1	2540	Long-term borrowings (Note 6(o))	268,336	3	276,586	3	285,134	4
1600	Property, plant and equipment (Notes 6(j) and 8)	933,473	11	943,464	11	952,367	11	2580	Non-current lease liabilities (Notes 6(p) and 7)	148,717	2	151,678	2	155,957	2
1755	Right-of-use assets (Note 6(k))	190,317	2	187,926	2	187,578	2	2600	Other non-current liabilities	7,307	-	4,366	-	4,449	-
1760	Investment property, net (Note 6(l))	-	-	-	-	12,930	-			496,146	6	530,616	6	536,832	7
1780	Intangible assets (Notes 6(g) and (m))	195,462	3	192,243	2	207,727	3		Total liabilities	4,238,938	50	3,973,066	47	4,334,775	51
1840	Deferred income tax assets	54,418	1	58,833	1	58,204	1		Equity attributable to owners of parent:						
1931	Long-term notes receivable (Notes 6(c) and (v))	28,710	-	34,265	1	17,962	-	3100	Share capital (Note 6(t))	1,883,573	23	1,883,573	22	1,883,573	22
1942	Long-term accounts receivables due from related parties (Notes 6(c), (v) and 7)	32,886	1	65,772	1	-	-	3200	Capital surplus (Notes 6(f), (g), (h) and (t))	1,275,992	15	1,275,919	15	1,287,501	15
1990	Other non-current assets (Note 8)	103,924	1	102,770	1	120,050	2	3310	Legal reserve (Note 6(t))	441,048	5	383,289	5	383,289	4
		1,999,185	24	2,033,881	24	1,945,177	23	3320	Special reserve (Note 6(t))	30,343	-	-	-	-	-
								3350	Unappropriated retained earnings (Note 6(t))	401,613	5	778,125	9	513,149	6
								3400	Other equity interest	(13,983)	-	(30,343)	-	6,955	-
									Total equity attributable to owners of parent	4,018,586	48	4,290,563	51	4,074,467	47
								36XX	Non-controlling interests	149,507	2	168,095	2	168,268	2
									Total equity	4,168,093	50	4,458,658	53	4,242,735	49
Total assets		\$ 8,407,031	100	8,431,724	100	8,577,510	100		Total liabilities and equity	\$ 8,407,031	100	8,431,724	100	8,577,510	100

See accompanying notes to the consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.) AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three and six months ended June 30, 2022 and 2021

(In Thousands of New Taiwan Dollars)

	For the three months ended June 30				For the six months ended June 30				
	2022		2021		2022		2021		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenue (Notes 6(v) and 7)	\$ 3,025,117	100	2,748,667	100	5,836,396	100	5,742,002	100
5000	Operating costs (Notes 6(e), (r), 7, and 12)	<u>2,604,312</u>	<u>86</u>	<u>2,397,297</u>	<u>87</u>	<u>5,038,093</u>	<u>86</u>	<u>5,016,796</u>	<u>87</u>
	Gross profit	<u>420,805</u>	<u>14</u>	<u>351,370</u>	<u>13</u>	<u>798,303</u>	<u>14</u>	<u>725,206</u>	<u>13</u>
	Operating expenses (Notes 6(c), (r), (w), 7 and 12):								
6100	Selling expenses	220,229	7	199,586	7	452,764	8	413,783	7
6200	General and administrative expenses	47,695	2	45,528	2	92,750	2	92,532	2
6300	Research and development expenses	8,935	-	8,348	-	18,365	-	14,177	-
6450	Expected credit loss (Reversal of expected credit loss)	<u>9,541</u>	<u>1</u>	<u>(8,038)</u>	<u>-</u>	<u>9,146</u>	<u>-</u>	<u>(17,113)</u>	<u>-</u>
		<u>286,400</u>	<u>10</u>	<u>245,424</u>	<u>9</u>	<u>573,025</u>	<u>10</u>	<u>503,379</u>	<u>9</u>
	Net operating income	<u>134,405</u>	<u>4</u>	<u>105,946</u>	<u>4</u>	<u>225,278</u>	<u>4</u>	<u>221,827</u>	<u>4</u>
	Non-operating income and expenses:								
7010	Other income (Notes 6(p), (x) and 7)	2,630	-	683	-	5,126	-	2,113	-
7100	Interest income	569	-	355	-	862	-	573	-
7020	Other gains and losses (Notes 6(i) and (x))	(1,497)	-	6,848	-	13,780	-	154,251	3
7050	Finance costs (Notes 6(p), (x), and 7)	(5,799)	-	(3,659)	-	(11,738)	-	(7,581)	-
7060	Share of profit (loss) of associates accounted for using equity method (Note 6(f))	<u>(151)</u>	<u>-</u>	<u>(3,037)</u>	<u>-</u>	<u>(1,877)</u>	<u>-</u>	<u>(5,075)</u>	<u>-</u>
		<u>(4,248)</u>	<u>-</u>	<u>1,190</u>	<u>-</u>	<u>6,153</u>	<u>-</u>	<u>144,281</u>	<u>3</u>
	Profit before income tax	<u>130,157</u>	<u>4</u>	<u>107,136</u>	<u>4</u>	<u>231,431</u>	<u>4</u>	<u>366,108</u>	<u>7</u>
7950	Less: Income tax expenses (Note 6(s))	<u>29,432</u>	<u>1</u>	<u>16,253</u>	<u>1</u>	<u>48,994</u>	<u>1</u>	<u>47,847</u>	<u>1</u>
	Profit	<u>100,725</u>	<u>3</u>	<u>90,883</u>	<u>3</u>	<u>182,437</u>	<u>3</u>	<u>318,261</u>	<u>6</u>
8300	Other comprehensive income:								
8310	Items that may not be reclassified subsequently to profit or loss								
8320	Share of other comprehensive income of associates for using equity method (Note 6(f))	-	-	349	-	(34)	-	349	-
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Items that may not be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>	<u>349</u>	<u>-</u>	<u>(34)</u>	<u>-</u>	<u>349</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss								
8361	Exchange differences on translation of foreign financial statements	(24,552)	(1)	3,805	-	16,394	-	6,606	-
8399	Less: Income tax related to components of other comprehensive income that may be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Items that may be reclassified subsequently to profit or loss	<u>(24,552)</u>	<u>(1)</u>	<u>3,805</u>	<u>-</u>	<u>16,394</u>	<u>-</u>	<u>6,606</u>	<u>-</u>
8300	Other comprehensive income, net of tax	<u>(24,552)</u>	<u>(1)</u>	<u>4,154</u>	<u>-</u>	<u>16,360</u>	<u>-</u>	<u>6,955</u>	<u>-</u>
	Total comprehensive income	<u>\$ 76,173</u>	<u>2</u>	<u>95,037</u>	<u>3</u>	<u>198,797</u>	<u>3</u>	<u>325,216</u>	<u>6</u>
	Profit (loss) attributable to:								
8610	Owners of parent	\$ 97,367	3	89,653	3	182,484	3	312,615	6
8620	Non-controlling interests	<u>3,358</u>	<u>-</u>	<u>1,230</u>	<u>-</u>	<u>(47)</u>	<u>-</u>	<u>5,646</u>	<u>-</u>
		<u>\$ 100,725</u>	<u>3</u>	<u>90,883</u>	<u>3</u>	<u>182,437</u>	<u>3</u>	<u>318,261</u>	<u>6</u>
	Comprehensive income (loss) attributable to:								
8710	Owners of parent	\$ 72,815	2	93,807	3	198,844	3	319,570	6
8720	Non-controlling interests	<u>3,358</u>	<u>-</u>	<u>1,230</u>	<u>-</u>	<u>(47)</u>	<u>-</u>	<u>5,646</u>	<u>-</u>
		<u>\$ 76,173</u>	<u>2</u>	<u>95,037</u>	<u>3</u>	<u>198,797</u>	<u>3</u>	<u>325,216</u>	<u>6</u>
	Earnings per share (Note 6(u))								
9750	Basic earnings per share (NT dollars)	<u>\$ 0.52</u>		<u>0.48</u>		<u>0.97</u>		<u>1.66</u>	
9850	Diluted earnings per share (NT dollars)	<u>\$ 0.52</u>		<u>0.47</u>		<u>0.96</u>		<u>1.65</u>	

See accompanying notes to the consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.) AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the six months ended June 30, 2022 and 2021

(In Thousands of New Taiwan Dollars)

	Equity Attributable to owners of parent										Equity attributable to former owner of business combination under common control	Non-controlling interests	Total equity
	Share capital	Capital surplus	Retained earnings			Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	Remeasurements of defined benefit	Total equity attributable to owners of parent				
			Legal reserve	Special reserve	Unappropriated retained earnings								
Balance on January 1, 2021	\$ 1,883,573	1,333,011	328,387	-	726,330	-	-	-	4,271,301	94,109	275,045	4,640,455	
Profit	-	-	-	-	312,615	-	-	-	312,615	-	5,646	318,261	
Other comprehensive income	-	-	-	-	-	7,161	(2)	(204)	6,955	-	-	6,955	
Comprehensive income	-	-	-	-	312,615	7,161	(2)	(204)	319,570	-	5,646	325,216	
Appropriation and distribution of retained earnings:													
Legal reserve	-	-	54,902	-	(54,902)	-	-	-	-	-	-	-	
Cash dividends	-	-	-	-	(470,894)	-	-	-	(470,894)	-	-	(470,894)	
Reorganization	-	(45,891)	-	-	-	-	-	-	(45,891)	(94,109)	-	(140,000)	
Distribution of cash dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(4,902)	(4,902)	
Difference between consideration and carrying amount of subsidiaries' share acquired	-	(440)	-	-	-	-	-	-	(440)	-	(60)	(500)	
Changes in equity of associates accounted for using equity method	-	821	-	-	-	-	-	-	821	-	-	821	
Derecognize non-controlling interests due to dispose subsidiaries	-	-	-	-	-	-	-	-	-	-	(227,162)	(227,162)	
Acquisition of non-controlling interests in a business combination	-	-	-	-	-	-	-	-	-	-	119,701	119,701	
Balance on June 30, 2021	\$ 1,883,573	1,287,501	383,289	-	513,149	7,161	(2)	(204)	4,074,467	-	168,268	4,242,735	
Balance on January 1, 2022	\$ 1,883,573	1,275,919	383,289	-	778,125	(29,705)	(2)	(636)	4,290,563	-	168,095	4,458,658	
Profit (loss)	-	-	-	-	182,484	-	-	-	182,484	-	(47)	182,437	
Other comprehensive income	-	-	-	-	-	16,326	(171)	205	16,360	-	-	16,360	
Comprehensive income	-	-	-	-	182,484	16,326	(171)	205	198,844	-	(47)	198,797	
Appropriation and distribution of retained earnings:													
Legal reserve	-	-	57,759	-	(57,759)	-	-	-	-	-	-	-	
Special reserve	-	-	-	30,343	(30,343)	-	-	-	-	-	-	-	
Cash dividends	-	-	-	-	(470,894)	-	-	-	(470,894)	-	-	(470,894)	
Distribution of cash dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(18,541)	(18,541)	
Changes in equity of associates accounted for using equity method	-	73	-	-	-	-	-	-	73	-	-	73	
Balance on June 30, 2022	\$ 1,883,573	1,275,992	441,048	30,343	401,613	(13,379)	(173)	(431)	4,018,586	-	149,507	4,168,093	

See accompanying notes to the consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.) AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the six months ended June 30, 2022 and 2021

(In Thousands of New Taiwan Dollars)

	For the six months ended June 30	
	2022	2021
Cash flows from operating activities:		
Profit before income tax	\$ 231,431	366,108
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	42,231	39,277
Amortization expense	5,284	5,414
Gains on disposal of property, plant and equipment	-	(137)
Expected credit loss (Reversal of expected credit loss)	9,146	(17,113)
Net gains on valuation of financial assets (liabilities) at fair value through profit or loss	(25,605)	(30,085)
Share of profit (loss) of associates accounted for using equity method	1,877	5,075
Gain on disposal of non-current assets or liabilities held for sale	-	(84,232)
Gain on disposal of subsidiaries	-	(20,696)
Interest expense	11,738	7,581
Interest income	(862)	(573)
Total adjustments to reconcile profit (loss)	<u>43,809</u>	<u>(95,489)</u>
Changes in operating assets and liabilities:		
Total net changes in operating assets:		
Notes and accounts receivable (including long-term and related parties)	249,849	(115,056)
Current financial assets at fair value through profit or loss	-	154,049
Inventories	(107,037)	3,859
Contract assets	8,541	10,976
Other current assets	4,986	654
Other non-current assets	1,693	404
Total changes in operating assets	<u>158,032</u>	<u>54,886</u>
Total changes in operating liabilities:		
Contract liabilities	(59,109)	(116,430)
Notes and accounts payable	343,658	42,235
Other payables	(118,244)	(13,018)
Advance receipts	6,270	1,793
Other current liabilities	437	(7,557)
Total changes in operating liabilities	<u>173,012</u>	<u>(92,977)</u>
Total changes in operating assets and liabilities	<u>331,044</u>	<u>(38,091)</u>
Total adjustments	<u>374,853</u>	<u>(133,580)</u>
Cash inflows generated from operations	606,284	232,528
Interest received	873	553
Interest paid	(11,182)	(7,401)
Income taxes paid	(100,919)	(106,976)
Net cash inflows from operating activities	<u>495,056</u>	<u>118,704</u>
Cash flows from investing activities:		
Decrease in financial liabilities at fair value through profit or loss	(6,105)	-
Acquisition of non-current financial assets at fair value through profit or loss	-	(100,000)
Acquisition of investments accounted for using equity method	-	(5,000)
Proceed from disposal of non-current assets or liabilities held for sale	-	265,795
Share capital from acquisition of subsidiaries	-	(140,000)
Consideration from disposal of subsidiaries	-	46,246
Net cash inflows from business combination	-	60,431
Acquisition of property, plant and equipment	(6,276)	(1,693)
Proceeds from disposal of property, plant and equipment	-	708
Decrease (increase) in refundable deposits	(5,513)	1,012
Acquisition of intangible assets	-	(106)
Net cash inflows (outflows) from investing activities	<u>(17,894)</u>	<u>127,393</u>
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	(324,381)	458,845
Repayments of long-term borrowings	(8,436)	(8,419)
Decrease in other payables	-	(113,742)
Increase in guarantee deposits	66	180
Payments of lease liabilities	(23,334)	(21,044)
Acquisition of non-controlling interests	-	(500)
Net cash inflows (outflows) from financing activities	<u>(356,085)</u>	<u>315,320</u>
Effect of exchange rate changes on cash and cash equivalents	12,246	5,569
Increase in cash and cash equivalents	133,323	566,986
Cash and cash equivalents, beginning of period	650,581	761,715
Cash and cash equivalents, end of period	<u>\$ 783,904</u>	<u>1,328,701</u>

See accompanying notes to the consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

**METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
 AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

METAAGE CORPORATION (“the Company”), formerly called SYSAGE TECHNOLOGY CO., LTD., was incorporated on April 16, 1998 under the approval of Ministry of Economic Affairs, Republic of China (“R.O.C.”). The Company changed the name to METAAGE CORPORATION in June, 2022. The address of its registered office is 10F, No. 516, Sec. 1, Neihu Rd., Taipei City 114064, Taiwan (R.O.C.). The consolidated financial statements as of June 30, 2022 consist of the Company and its subsidiaries (collectively as “the Group”), and the interests of associates. The Group’s major business activities include distributing and reselling products of software and hardware equipment of ICT Infrastructures from Cisco and other companies, Computing & Data Utilization from IBM, Dell, EMC, and other companies, Digitalization from Oracle and other companies. The Group provides integrated planning for the products it sells, including related services of consulting, education and training as well as research, development of software of information applications, services and sales business, and market research.

The Company had fully acquired COREX (PTY) LTD (“COREX”) from Partner Tech Corporation (“Partner Tech”) by cash on January 4, 2021. Partner Tech and the Company has the same ultimate parent, which is Qisda Corporation. The transaction is an organizational reorganization under common control; please refer to Note 6(g) for details.

(2) Approval date and procedures of the consolidated financial statements:

The consolidated financial statements were authorized for issuance by the Board of Directors on August 2, 2022.

(3) New standards, amendments, and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission (“FSC”), R.O.C. which have already been adopted.

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

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

(Continued)

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (b) The impact of IFRSs issued by the FSC but not yet effective

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

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

- (c) The impact of IFRSs issued by International Accounting Standards Board (“IASB”) but not yet endorsed by the FSC

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

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

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”

(Continued)

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(4) Summary of significant accounting policies

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (“the IFRSs endorsed by the FSC”) for a complete set of the annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2021. For the related information, please refer to Note 4 of the consolidated financial statements for the year ended December 31, 2021.

(b) Basis of consolidation

The subsidiaries included in the consolidated financial statements were as follows:

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			June 30, 2022	December 31, 2021	June 30, 2021	
The Company and EPIC CLOUD	GLOBAL INTELLIGENCE NETWORK CO., LTD. (GLOBAL INTELLIGENCE NETWORK)	Trading in hardware and software for network and communications systems	79.43 %	79.43 %	79.43 %	(Note 1)
The Company	NEO TREND TECH CORPORATION (NEO TREND TECH)	Telecommunications engineering	- %	- %	- %	(Note 2)
The Company and GLOBAL INTELLIGENCE NETWORK	DAWNING TECHNOLOGY NETWORK CO., LTD.(DAWNING TECHNOLOGY)	Trading in hardware and software for network	- %	- %	- %	(Note 2)
The Company	EPIC CLOUD CO., LTD. (EPIC CLOUD)	Data software and data processing services	100.00 %	100.00 %	100.00 %	(Note 1)
The Company	COREX (PTY) LTD (COREX)	Sale, import and export of electronic products	100.00 %	100.00 %	100.00 %	(Note 1 and 3)
The Company	ADVANCEDTEK INTERNATIONAL CORP. (ADVANCEDTEK INTERNATIONAL)	Implementing services of application software	34.09 %	34.09 %	34.09 %	(Note 1 and 4)
The Company and EPIC CLOUD	STATINC COMPANY (STATINC)	Market research service, marketing consulting, and big data and cloud database, etc.	35.01 %	35.01 %	35.01 %	(Note 1 and 5)
ADVANCEDTEK INTERNATIONAL	APEO Human Capital Services Corp. (APEO Human Capital)	Applications implementing services	100.00 %	100.00 %	100.00 %	(Note 1 and 4)

(Continued)

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			June 30, 2022	December 31, 2021	June 30, 2021	
STATINC	DKABio Co., Ltd. (DKABio)	Market research service, marketing consulting, and big data and cloud database, etc.	100.00 %	100.00 %	100.00 %	(Note 1 and 6)

Note 1: The company is a non-significant subsidiary, its financial statements have not been reviewed.

Note 2: For the changes in the Group's percentage of ownership in NEO TREND TECH and DAWNING TECHNOLOGY, please refer to Note 6(i).

Note 3: On January 4, 2021, the Company had fully acquired COREX from Parent Tech by cash and obtained control over COREX. This transaction is an organizational reorganization under common control, adopted the book value method and regarded as a combination from beginning.

Note 4: The Group holds 34.09% of the voting shares of ADVANCEDTEK INTERNATIONAL. In January 2021, the Group obtained letters of support signed by original shareholders representing 20.36% of the company's shareholding, making the Group have control over ADVANCEDTEK INTERNATIONAL; and the group obtained more than half of the total number of directors of the Board in May 2021.

Note 5: In February 2021, the Group acquired 35.01% of voting shares of STATINC and owned more than half of the total number of directors; therefore, it is determined that the Group has control over STATINC.

Note 6: DKABio was established by STATINC in May 2021.

(c) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of IAS 34, "Interim Financial Reporting".

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period using the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

Temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

(d) Employee benefits

The pension cost in the interim period was calculated and disclosed on a year-to-date basis by using that actuarially determined pension cost rate at the end of the prior fiscal year adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

(Continued)

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the consolidated financial statements in conformity with the Regulations and IAS 34 “Interim Financial Reporting” and endorsed by the FSC requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimations.

The preparation of the consolidated financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2021. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2021.

(6) Explanation of significant accounts:

Except for the following disclosures, there were no material difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2021. Please refer to Note 6 of the 2021 annual consolidated financial statements.

(a) Cash and cash equivalents

	June 30, 2022	December 31, 2021	June 30, 2021
Cash on hand and petty cash	\$ 495	442	440
Check and demand deposits	783,409	650,139	1,328,261
	\$ 783,904	650,581	1,328,701

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

(i) Details are set out in the following table:

	June 30, 2022	December 31, 2021	June 30, 2021
Financial assets at fair value through profit or loss:			
Current:			
Pre-purchased forward exchange contracts	\$ 8,156	243	430
Non-current:			
Foreign and domestic unlisted stocks	255,135	240,694	187,119
Domestic unlisted equities	96,386	97,602	100,000
Total	\$ 359,677	338,539	287,549

(Continued)

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Financial liabilities at fair value through profit or loss:			
Current:			
Pre-purchased forward exchange contracts	\$ (709)	(2,286)	(370)
Contingent considerations arising from business combinations	(21,208)	(5,236)	(13,237)
Non-current:			
Contingent considerations arising from business combinations	(71,786)	(97,986)	(91,292)
Total	\$ (93,703)	(105,508)	(104,899)

The above contingent considerations arising from business combinations were generated from the merger of COREX, the Partner Tech's sale and purchase agreement and the related accessory contracts from the prior year, and the merger of STATINC. Under the contingent consideration arrangement, the contingent consideration was estimated by the discounted cash flow method based on the future profitability of each subsidiary.

- (ii) Derivative financial instruments are used to hedge assets or liabilities denominated in foreign currencies for risks arising from exchange rate fluctuations. The following table sets out the Group's derivatives recognized as held-for-trading financial assets and liabilities to which hedging accounting was not applicable:

<u>Financial instruments</u>	<u>June 30, 2022</u>		
	<u>Nominal amounts</u>	<u>Maturity period</u>	<u>Pre-agreed exchange rate</u>
Pre-purchased forward exchange contracts			
Buy USD/Sell NTD	USD 24,109 thousand	2022.07.01~ 2022.10.25	28.093~29.775
Buy USD/Sell ZAR	USD 126 thousand	2022.07.29	16.310

(Continued)

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Financial instruments</u>	December 31, 2021		
	<u>Nominal amounts</u>	<u>Maturity period</u>	<u>Pre-agreed exchange rate</u>
Pre-purchased forward exchange contracts			
Buy USD/Sell NTD	USD 14,240 thousand	2022.01.01~ 2022.03.01	27.692~27.895
Buy USD/Sell ZAR	USD 1,850 thousand	2022.01.20~ 2022.01.31	15.951~15.966
Buy NTD/Sell RMB	RMB 1,000 thousand	2022.03.31~ 2022.04.15	4.296
<u>Financial instruments</u>	June 30, 2021		
	<u>Nominal amounts</u>	<u>Maturity period</u>	<u>Pre-agreed exchange rate</u>
Pre-purchased forward exchange contracts			
Buy USD/Sell NTD	USD 10,110 thousand	2021.07.01~ 2021.08.30	27.693~28.030
Buy USD/Sell ZAR	USD 528 thousand	2021.07~01~ 2021.08.12	14.084~14.342

(c) Notes and accounts receivable (including long-term and related parties)

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Notes receivable (including long-term)	\$ 92,264	299,082	73,847
Accounts receivable (including long-term)	2,498,586	2,492,129	2,115,878
Accounts receivable due from related parties (including long-term)	95,825	145,313	68,256
Less: loss allowance	(37,215)	(27,844)	(30,412)
Total	\$ 2,649,460	2,908,680	2,227,569
Current	\$ 2,587,864	2,808,643	2,209,607
Non-current	61,596	100,037	17,962
Total	\$ 2,649,460	2,908,680	2,227,569

- (i) As of June 30, 2022, December 31, 2021 and June 30, 2021, the Group provides notes and accounts receivable (including long-term and related parties) pledged as collateral for the short-term borrowings; please refer to Note 8. The above-mentioned notes and accounts receivable, whose maturity period were less than one year, were not discounted and their carrying amounts were presumed to approximate their fair value.

(Continued)

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (ii) Non-current notes and accounts receivable mainly arose from installment sales.
- (iii) The Group applies the simplified approach to provide for its expected credit losses (“ECL”), the use of lifetime ECL provision for all notes and accounts receivables (including long-term and related parties). To measure the ECL, notes and accounts receivable have been grouped based on shared credit risk characteristics and customer’s ability to pay all the amounts due based on the terms of the contract as well as incorporated forward-looking information. The analysis of ECL on notes and accounts receivable was as follows:

	June 30, 2022		
	Gross carry amount of accounts and notes receivable	Weighted- average loss rate	Loss allowance for lifetime expected credit losses
Current	\$ 2,535,248	0.28%	6,986
1 to 30 days past due	55,850	22.68%	12,666
31 to 60 days past due	1,755	30.51%	536
61 to 90 days past due	33,571	14.37%	4,823
91 to 120 days past due	24,167	14.42%	3,485
More than 121 days past due	<u>36,084</u>	24.16%	<u>8,719</u>
	<u>\$ 2,686,675</u>		<u>37,215</u>
		December 31, 2021	
	Gross carry amount of accounts and notes receivable	Weighted- average loss rate	Loss allowance for lifetime expected credit losses
Current	\$ 2,812,725	0.11%	3,229
1 to 30 days past due	58,061	1.97%	1,141
31 to 60 days past due	19,656	9.37%	1,842
61 to 90 days past due	2,516	15.82%	398
91 to 120 days past due	2,889	49.84%	1,440
More than 121 days past due	<u>40,677</u>	48.66%	<u>19,794</u>
	<u>\$ 2,936,524</u>		<u>27,844</u>

(Continued)

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	June 30, 2021		
	Gross carry amount of accounts and notes receivable	Weighted- average loss rate	Loss allowance for lifetime expected credit losses
Current	\$ 2,133,903	0.24%	5,153
1 to 30 days past due	66,947	2.03%	1,360
31 to 60 days past due	917	9.81%	90
61 to 90 days past due	5,588	20.85%	1,165
91 to 120 days past due	334	47.60%	159
More than 121 days past due	<u>50,292</u>	44.71%	<u>22,485</u>
	<u>\$ 2,257,981</u>		<u>30,412</u>

- (iv) The movements in the loss allowance for notes and accounts receivable (including long-term and related parties) were as follows:

	For the six months ended June 30	
	2022	2021
Beginning balance	\$ 27,844	47,333
Acquisition	-	162
Impairment losses (reversal of impairment loss)	9,146	(17,113)
Effects of exchange rate changes	<u>225</u>	<u>30</u>
Ending balance	<u>\$ 37,215</u>	<u>30,412</u>

- (d) Other receivables

	June 30, 2022	December 31, 2021	June 30, 2021
Other receivables	\$ 21,529	21,463	17,399
Refund receivables - related parties	17,211	-	-
Less: loss allowance	<u>(19,641)</u>	<u>(19,641)</u>	<u>(16,927)</u>
	<u>\$ 19,099</u>	<u>1,822</u>	<u>472</u>

- (i) As of June 30, 2022, December 31, 2021 and June 30, 2021, there was no other receivables that was past due but not impaired.

(Continued)

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (ii) The movements in the loss allowance for other receivables were as follows:

	For the six months ended June 30	
	2022	2021
Beginning balance (Ending balance)	\$ 19,641	16,927

- (e) Inventories

	June 30, 2022	December 31, 2021	June 30, 2021
Merchandise inventory	\$ 2,961,689	2,858,625	3,002,257

For the three and six months ended June 30, 2022 and 2021, losses (reversal) on inventories written down to net realizable value and recognized as operating costs amounted to \$(4,678) thousand, \$1,100 thousand, \$(5,373) thousand and \$(5,465) thousand, respectively.

- (f) Investments accounted for using equity method

Investments accounted for using the equity method were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Associates	\$ 108,474	110,312	101,240

- (i) In February and April 2022, GRANDSYS issued 925 thousand and 162 thousand new shares, respectively, to be exercised as employee stock options. Resulting the Group's shareholding in GRANDSYS to decrease from 21.84% to 20.96%, and the Group's capital surplus to increase by \$73 thousand due to the change in equity.
- (ii) As of February 1, 2021, the Group acquired 500 thousand shares of Everlasting Digital ESG Co., Ltd. (29.41% of ownership) by \$5,000 thousand of cash. The price had been fully paid up.
- (iii) Aggregate financial information of associates for using equity method that were not individually material was summarized as follows. The financial information was included in the Group's consolidated financial statements.

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Attributable to the Group:				
Net loss	\$ (151)	(3,037)	(1,877)	(5,075)
Other comprehensive income	-	349	(34)	349
Total comprehensive income	\$ (151)	(2,688)	(1,911)	(4,726)

(Continued)

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The investments accounted for using equity method, and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have not been reviewed.

(iv) As of June 30, 2022, December 31, 2021 and June 30, 2021, none of the investments accounted for using the equity method was pledged as collateral, or otherwise subject to any restriction.

(g) Business combinations

(i) Acquisition of the subsidiary-COREX

1) Acquisition of consideration transferred of the subsidiary

On January 4, 2021, the Group acquired 100% ownership of COREX amounting \$140,000 thousand from Partner Tech, and obtained control over COREX. Therefore, COREX has been included in the Group's consolidated financial statement from January 4, 2021. COREX is primarily engaged in the sale of computer peripherals. The Group acquired COREX for its business and customers and expend its marketing channel in Africa.

In addition, the equity sale and purchase agreement and the Partner Tech's sale and purchase agreement, as well as the related accessory contracts from the prior year, were as follows:

- a) The sales unit of COREX, POS, merged with COREX due to business restructuring in February 2019. If the company makes a profit between June 1, 2018, and December 31, 2022, the amount paid to sellers of POS shall be calculated based on profit after tax for each year multiplied by 54% and exchanged at the fixed rate of ZAR to NTD of 2.1108 in accordance with the agreement.
- b) If the company makes a profit between November 1, 2018 and December 31, 2023, the amount paid to sellers shall be calculated based on profit before tax for each year multiplied by 50% and exchanged at the fixed rate of ZAR to NTD of 2.1108 in accordance with the agreement. The limitation of accumulated profit before income tax during the period amounted to ZAR 240,000 thousand. If the accumulated profit before income tax does not reach the limited amount of ZAR 240,000 thousand, the Group shall decide whether to extend the period to December 31, 2025. The above-mentioned profit before income tax of each year is not included profit before tax from POS sales unit.

Under the contingent consideration arrangement, the Group estimated the contingent consideration based on discounted cash flow method. As of acquisition date, the future potential amount of the contingent payment that the Group has to pay amounted to \$81,231 thousand, which is recorded as current and non-current financial liabilities at fair value through profit or loss.

(Continued)

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The above agreement was revised in December 2021 as follows:

If the company makes a profit between May 31, 2018 and December 31, 2023, the amount paid in ZAR to sellers each year shall be calculated based on profit before tax for offsetting the accumulated losses from prior years, multiplied by 50% in accordance with the agreement. The limitation of accumulated profit before income tax during the period amounted to ZAR 240,000 thousand. If the accumulated profit before income tax does not reach the limited amount of ZAR 240,000 thousand, both companies will extend the period to December 31, 2025.

2) Identifiable net assets acquired

The following table summarized the carrying amount of COREX's identifiable assets acquired and liabilities assumed recognized at January 4, 2021:

Consideration transferred:

Cash	\$	140,000
Fair value of contingent considerations transferred		81,231

Carrying amounts of identifiable assets and liabilities acquired:

Cash and cash equivalents	\$	30,976
Current financial assets at fair value through profit or loss		101
Notes and accounts receivable (including related parties)		74,041
Inventories		106,499
Prepayments		34,255
Other current assets		17,741
Property, plant and equipment		4,027
Right-of-use assets		16,629
Intangible assets		117,304
Other non-current assets		26,744
Short-term borrowings		(84,759)
Contract liabilities		(4,323)
Notes and accounts payable		(22,376)
Other payables		(117,837)
Current lease liabilities		(8,462)
Other current liabilities		(2,584)
Non-current lease liabilities		(11,384)
Other non-current liabilities		(1,252)
		<u>175,340</u>
Capital surplus	\$	<u><u>45,891</u></u>

(Continued)

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The combination is an organizational reorganization under common control. Accordingly, the difference between the consideration paid and the carrying amount of the net identifiable assets of COREX is debited to the capital surplus of \$45,891 thousand.

(ii) Acquisition of the subsidiary-STATINC

1) Acquisition of consideration transferred of the subsidiary

On February 4, 2021, the Group obtained 251 thousand ordinary shares from original shareholders from STATINC for \$10,013 thousand. Furthermore, the Group subscribed 1,504 thousand preferred shares of STATINC for \$60,010 thousand and obtained 35.01% of voting shares. The Group became the largest shareholder and had more than half directors of the Board; therefore, the Group has control over the company, and STATINC has been included in the Group's consolidated financial statement from the acquisition date. STATINC is primarily provide services for enterprises such as market research, marketing consulting, and cloud database of Big data. The Group acquired STATINC for improving the software and hardware business of the Group and increase the enterprise's value in finance and medical services.

In addition, according to the equity investment agreement, the former preferred stocks shall not be allowed to participate in the distribution of surplus in the three years preceding their holding and shall be forcibly converted into ordinary shares in proportion to one share after three years of holding. Under the contingent consideration arrangement, the Group estimated the contingent consideration based on discounted cash flow method and the shareholding ratio of 35.01%. As of acquisition date, the future potential amount of the contingent payment that the Group has to pay amounted to \$23,298 thousand, which is recorded as current and non-current financial liabilities at fair value through profit or loss.

(Continued)

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Identifiable net assets acquired

The following table summarized the fair value of STATINC' s identifiable assets acquired and liabilities assumed recognized at February 4, 2021:

Consideration transferred:

Cash	\$	70,023
Non-controlling interests		81,123
Fair value of contingent considerations transferred		23,298

Fair value of identifiable assets and liabilities assumed:

Cash and cash equivalents	\$	86,330
Current contract assets		13,972
Notes and accounts receivable, net		9,717
Prepayments		2,199
Other current assets		322
Property, plant and equipment		1,056
Right-of-use assets		1,675
Intangible assets		35,216
Deferred income tax assets		1,849
Other non-current assets		7,747
Short-term borrowings		(6,000)
Notes and accounts payable		(2,669)
Other payables		(12,574)
Current lease liabilities		(1,706)
Other current liabilities		(5,275)
Other non-current liabilities		(1,402) <u>130,457</u>
Goodwill	\$	<u><u>43,987</u></u>

3) Intangible assets

Intangible assets are customer relationships, trademarks, patents and others. These are amortized on a straight-line basis over the estimated future economic useful life of 5.9 years, 10 years, 10 years, and 10 years, respectively.

Goodwill arising from the acquisition of STATINC is due to the control premium, the synergies of the combination, future market development and value of workforce, neither of which qualifies as an identifiable intangible asset. None of the goodwill recognized is expected to be deductible for income tax purposes.

(Continued)

**METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements**

(iii) Acquisition of the subsidiary-ADVANCEDTEK INTERNATIONAL and its subsidiaries

1) Acquisition of the subsidiary

The Group holds 34.09% of the voting shares and is the largest shareholder of ADVANCEDTEK INTERNATIONAL. In January 2021, the Group obtained letters of support signed by original shareholders representing 20.36% of the company's shareholding, promising and supporting the Group to direct the company's significant operating activities and obtain more than half of the total number of directors of the Board. The Group had control over ADVANCEDTEK INTERNATIONAL and its subsidiaries; therefore, they had been included in the Group's consolidated financial statements. In May 2021, the Group obtained more than half of the total number of directors of the Board. ADVANCEDTEK INTERNATIONAL mainly provides integrated service for domestic ERP systems and related consulting services of Oracle. The main activities included the sale consulting services of ERP and related systems. The Group expends its information-related consultancy service for strategic investment.

2) Identifiable net assets acquired

The following table summarized the fair value of ADVANCEDTEK INTERNATIONAL's identifiable assets acquired and liabilities assumed recognized at January 4, 2021:

Consideration transferred:

Fair value of pre-existing interest in the acquiree	\$	32,120
Non-controlling interests		38,578

Fair value of identifiable assets and liabilities assumed:

Cash and cash equivalents	\$	44,124
Notes and accounts receivable, net		46,556
Prepayments		11,155
Other current assets		691
Property, plant and equipment		630
Right-of-use assets		21,185
Intangible assets		44
Other non-current assets		11,985
Contract liability		(35,974)
Notes and accounts payable		(9,434)
Other payables		(11,088)
Current lease liabilities		(5,423)
Non-current lease liabilities		(15,884)
		<u>58,567</u>
Goodwill	\$	<u><u>12,131</u></u>

(Continued)

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Intangible assets

Goodwill arising from its profitability, future market development and value of workforce, neither of which qualifies as an identifiable intangible asset. None of the goodwill recognized is expected to be deductible for income tax purposes.

(h) Changes in ownership interest in a subsidiary

On March 2, 2021, the Group subscribed 4,000 thousand shares of EPIC CLOUD for \$40,000 thousand. On March 29, 2021, the Group paid \$500 thousand for 50 thousand shares from the original shareholders. Therefore, the Group's shareholding ratio increased to 100%, and capital surplus decreased by \$440 thousand due to changes in equity.

(i) Loss control of subsidiaries

(i) Disposal of subsidiary-NEO TREND TECH

On February 26, 2021, the Group sold all shares of its subsidiary, NEO TREND TECH, approved by the Chairman. The contract of purchase and sale of shares had been signed, and disposal-related matters had been completed. Therefore, the Group had lost control over the company. The disposal price was \$50,000 thousand, and the gain amounting to \$20,696 thousand was recorded as other gains and losses.

1) Consideration received

Total consideration received	\$ 50,000
Expenditure associated with consideration received	<u>(150)</u>
Net consideration received	<u><u>\$ 49,850</u></u>

(Continued)

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Identifiable net assets acquired of NEO TREND TECH

Cash and cash equivalents	\$	3,604
Current financial assets at fair value through profit or loss		23,017
Notes and accounts receivable, net		29
Inventories		50
Other current assets		1,221
Right-of-use assets		20,809
Other non-current assets		1,837
Notes and accounts payable		(108)
Accrued expenses		(3,860)
Current lease liabilities		(4,065)
Non-current lease liabilities		<u>(13,380)</u>
	\$	<u>29,154</u>

(ii) Disposal of the subsidiary-DAWNING TECHNOLOGY

On November 5, 2020, the Company, pursuant to a resolution of the Board, approved a change in the shareholding in its subsidiary, DAWNING TECHNOLOGY. On January 4, 2021, the Company entered into an agreement and completed the sale of the shares; therefore, losing control over DAWNING TECHNOLOGY. The disposal price was \$266,595 thousand, and the gain amounting to \$84,232 thousand was recorded as other gains and losses; the details are as follows:

1) Consideration received

Total consideration received	\$	266,595
Expenditure associated with consideration received		<u>(800)</u>
Net consideration received	\$	<u>265,795</u>

(Continued)

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Identifiable net assets of DAWNING TECHNOLOGY

Non-current assets held for sale	
Cash and cash equivalents	\$ 107,704
Inventories	177,319
Notes and accounts receivable, net	423,595
Prepayments	1,546
Other current assets	5,773
Property, plant and equipment	9,315
Right-of-use assets	33,630
Deferred income tax assets	8,683
Other non-current assets	3,044
Liabilities directly associated with non-current assets held for sale	
Short-term borrowings	(43,022)
Current financial liabilities at fair value through profit or loss	(330)
Contract liabilities	(3,050)
Notes and accounts payable	(230,008)
Other payables	(51,564)
Current and non-current lease liabilities	(22,609)
Advance receipts	(6,907)
Other current liabilities	(582)
Other non-current liabilities	(135)
	412,402
Non-controlling interests	(227,162)
Receivables between the Group	(3,677)
	<u>\$ 181,563</u>

(Continued)

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(j) Property, plant and equipment

Information about costs and accumulated depreciation of property, plant and equipment was presented below:

	<u>Land</u>	<u>Buildings</u>	<u>Office and other equipment</u>	<u>Total</u>
Cost:				
Balance on January 1, 2022	\$ 587,346	374,891	192,068	1,154,305
Additions	-	-	6,276	6,276
Disposal	-	-	(10)	(10)
Transferred from inventories	-	-	2,599	2,599
Effects of exchange rate changes	-	-	1,462	1,462
Balance on June 30, 2022	<u>\$ 587,346</u>	<u>374,891</u>	<u>202,395</u>	<u>1,164,632</u>
Balance on January 1, 2021	\$ 589,896	375,930	210,314	1,176,140
Acquisition through business combination	-	-	19,133	19,133
Additions	-	-	1,693	1,693
Disposal	-	-	(2,951)	(2,951)
Transferred from inventories	-	-	8,620	8,620
Effects of exchange rate changes	-	-	241	241
Balance on June 30, 2021	<u>\$ 589,896</u>	<u>375,930</u>	<u>237,050</u>	<u>1,202,876</u>
Accumulated depreciation:				
Balance on January 1, 2022	\$ -	77,617	133,224	210,841
Depreciation	-	3,717	15,297	19,014
Disposal	-	-	(10)	(10)
Effects of exchange rate changes	-	-	1,314	1,314
Balance on June 30, 2022	<u>\$ -</u>	<u>81,334</u>	<u>149,825</u>	<u>231,159</u>
Balance on January 1, 2021	\$ -	70,384	147,226	217,610
Acquisition through business combination	-	-	17,447	17,447
Depreciation	-	3,727	13,882	17,609
Disposal	-	-	(2,380)	(2,380)
Effects of exchange rate changes	-	-	223	223
Balance on June 30, 2021	<u>\$ -</u>	<u>74,111</u>	<u>176,398</u>	<u>250,509</u>

(Continued)

**METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements**

	<u>Land</u>	<u>Buildings</u>	<u>Office and other equipment</u>	<u>Total</u>
Carrying amounts:				
January 1, 2022	\$ <u>587,346</u>	<u>297,274</u>	<u>58,844</u>	<u>943,464</u>
June 30, 2022	\$ <u>587,346</u>	<u>293,557</u>	<u>52,570</u>	<u>933,473</u>
January 1, 2021	\$ <u>589,896</u>	<u>305,546</u>	<u>63,088</u>	<u>958,530</u>
June 30, 2021	\$ <u>589,896</u>	<u>301,819</u>	<u>60,652</u>	<u>952,367</u>

(i) The Group identified its property, plant, and equipment from the acquisition of ADVANCEDTEK INTERNATIONAL and STATINC, respectively, in January and February 2021. Please refer to Note 6(g) for details.

(ii) As of June 30, 2022, December 31, 2021 and June 30, 2021, property, plant, and equipment were pledged as collateral for short-term and long-term borrowings, please refer to Note 8.

(k) Right-of-use assets

Information about the costs and accumulated depreciation of leases for which the Group as a lessee was presented below:

	<u>Buildings</u>	<u>Others</u>	<u>Total</u>
Cost:			
Balance on January 1, 2022	\$ 291,773	6,167	297,940
Additions	24,620	13	24,633
Decrease	-	(1,950)	(1,950)
Effects of exchange rate changes	<u>1,822</u>	<u>392</u>	<u>2,214</u>
Balance on June 30, 2022	\$ <u>318,215</u>	<u>4,622</u>	<u>322,837</u>
Balance on January 1, 2021	\$ 280,880	5,475	286,355
Acquisition	34,920	-	34,920
Additions	11,477	-	11,477
Derecognized of the subsidiary	(24,416)	-	(24,416)
Decrease	(9,475)	-	(9,475)
Effects of exchange rate changes	<u>398</u>	<u>46</u>	<u>444</u>
Balance on June 30, 2021	\$ <u>293,784</u>	<u>5,521</u>	<u>299,305</u>

(Continued)

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Buildings</u>	<u>Others</u>	<u>Total</u>
Accumulated depreciation:			
Balance on January 1, 2022	\$ 106,383	3,631	110,014
Depreciation	22,455	762	23,217
Decrease	-	(1,950)	(1,950)
Effects of exchange rate changes	<u>1,000</u>	<u>239</u>	<u>1,239</u>
Balance on June 30, 2022	<u>\$ 129,838</u>	<u>2,682</u>	<u>132,520</u>
Balance on January 1, 2021	\$ 82,557	2,390	84,947
Acquisition	12,060	-	12,060
Depreciation	20,899	729	21,628
Derecognized of the subsidiary	(3,607)	-	(3,607)
Decrease	(3,652)	-	(3,652)
Effects of exchange rate changes	<u>322</u>	<u>29</u>	<u>351</u>
Balance on June 30, 2021	<u>\$ 108,579</u>	<u>3,148</u>	<u>111,727</u>
Carrying amount:			
January 1, 2022	<u>\$ 185,390</u>	<u>2,536</u>	<u>187,926</u>
June 30, 2022	<u>\$ 188,377</u>	<u>1,940</u>	<u>190,317</u>
January 1, 2021	<u>\$ 198,323</u>	<u>3,085</u>	<u>201,408</u>
June 30, 2021	<u>\$ 185,205</u>	<u>2,373</u>	<u>187,578</u>

- (i) The Group identified its right-of-use assets from the acquisition of ADVANCEDTEK INTERNATIONAL and STATINC, respectively, in January and February, 2021. Please refer to Note 6(g) for details.
- (ii) The Group derecognized right-of-use assets because of losing control over NEO TREND TECH in February 2021. Please refer to Note 6(i) for details.

(Continued)

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(l) Investment property

Information about investment property was presented below:

Carrying amounts:	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
January 1, 2022	\$ -	-	-
June 30, 2022	\$ -	-	-
January 1, 2021	\$ 9,763	3,207	12,970
June 30, 2021	\$ 9,763	3,167	12,930

(i) There were no significant purchase, disposal, impairment loss or reversal gain on investment property for the six months ended June 30, 2022 and 2021. Please refer to note 6(l) of the consolidated financial statements for the year ended December 31, 2021 for other related information.

(ii) As of June 30, 2021, none of the Group's investment property was pledged as collateral.

(m) Intangible assets

Information about the costs and accumulated impairment losses and amortization of intangible asset was presented below:

Cost:	<u>Goodwill</u>	<u>Patents and trademarks</u>	<u>Customer relationships</u>	<u>Others</u>	<u>Total</u>
Balance on January 1, 2022	\$ 160,041	5,490	7,959	28,255	201,745
Effects of exchange rate changes	5,558	-	342	-	5,900
Balance on June 30, 2022	\$ 165,599	5,490	8,301	28,255	207,645
Balance on January 1, 2021	\$ 115,515	-	6,856	-	122,371
Additions	-	-	-	106	106
Acquisition	56,118	5,521	1,827	28,149	91,615
Effects of exchange rate changes	1,105	-	58	-	1,163
Balance on June 30, 2021	\$ 172,738	5,521	8,741	28,255	215,255

(Continued)

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Goodwill</u>	<u>Patents and trademarks</u>	<u>Customer relationships</u>	<u>Others</u>	<u>Total</u>
Accumulated impairment loss and amortization:					
Balance on January 1, 2022	\$ 1,966	478	4,195	2,863	9,502
Amortization	-	277	910	1,431	2,618
Effects of exchange rate changes	-	-	63	-	63
Balance on June 30, 2022	<u>\$ 1,966</u>	<u>755</u>	<u>5,168</u>	<u>4,294</u>	<u>12,183</u>
Balance on January 1, 2021	\$ 1,966	-	3,101	-	5,067
Acquisition	-	3	-	234	237
Amortization	-	230	885	1,197	2,312
Effects of exchange rate changes	-	-	(88)	-	(88)
Balance on June 30, 2021	<u>\$ 1,966</u>	<u>233</u>	<u>3,898</u>	<u>1,431</u>	<u>7,528</u>
Carrying amount:					
January 1, 2022	<u>\$ 158,075</u>	<u>5,012</u>	<u>3,764</u>	<u>25,392</u>	<u>192,243</u>
June 30, 2022	<u>\$ 163,633</u>	<u>4,735</u>	<u>3,133</u>	<u>23,961</u>	<u>195,462</u>
January 1, 2021	<u>\$ 113,549</u>	<u>-</u>	<u>3,755</u>	<u>-</u>	<u>117,304</u>
June 30, 2021	<u>\$ 170,772</u>	<u>5,288</u>	<u>4,843</u>	<u>26,824</u>	<u>207,727</u>

(i) The Group identified its intangible assets from the acquisition of ADVANCEDTEK INTERNATIONAL and STATINC, respectively, in January and February, 2021. Please refer to Note 6(g) for details.

(ii) As of June 30, 2022, December 31, 2021 and June 30, 2021, none of the intangible assets was pledged as collateral.

(n) Short-term borrowings

(i) The details of the Group's short-term borrowings were as follows:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Unsecured bank loans	\$ 821,277	1,045,658	979,604
Secured bank loans	-	100,000	-
	<u>\$ 821,277</u>	<u>1,145,658</u>	<u>979,604</u>
Range of interest rates at the end of period	<u>1.00%~7.45%</u>	<u>0.80%~6.45%</u>	<u>0.84%~1.95%</u>

(ii) For the collateral for bank loans, please refer to Note 8.

(Continued)

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(o) Long-term borrowings

The details of the Group's long-term borrowings were as follows:

June 30, 2022				
	Currency	Range of interest rates	Maturity period	Amount
Secured bank loans	NTD	1.35%~1.58%	2022.07~2039.03	\$ 285,187
Less: current portion				(16,851)
Total				<u>\$ 268,336</u>
Unused credit lines				<u>\$ -</u>

December 31, 2021				
	Currency	Range of interest rates	Maturity period	Amount
Secured bank loans	NTD	1.10%~1.21%	2022.01~2039.03	\$ 293,623
Less: current portion				(17,037)
Total				<u>\$ 276,586</u>
Unused credit lines				<u>\$ -</u>

June 30, 2021				
	Currency	Range of interest rates	Maturity period	Amount
Secured bank loans	NTD	1.10%~1.21%	2021.07~2039.03	\$ 302,078
Less: current portion				(16,944)
Total				<u>\$ 285,134</u>
Unused credit lines				<u>\$ -</u>

For the collateral for bank loans, please refer to Note 8.

(p) Lease liabilities

The carrying amounts of the Group's lease liabilities were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Current	\$ 47,302	41,931	37,956
Non-current	148,717	151,678	155,957
	<u>\$ 196,019</u>	<u>193,609</u>	<u>193,913</u>

(Continued)

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The amounts recognized in profit or loss were as follows:

	<u>For the three months ended</u>		<u>For the six months ended</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Interest on lease liabilities	<u>\$ 839</u>	<u>875</u>	<u>1,717</u>	<u>1,828</u>
Income from sub-leasing right-of-use assets	<u>\$ (285)</u>	<u>(276)</u>	<u>(570)</u>	<u>(1,250)</u>

The amounts recognized in the statements of cash flows of the Group were as follows:

	<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>
Interest payments for lease liabilities in operating activities	\$ (1,717)	(1,828)
Payments of lease liabilities in financing activities	<u>(23,334)</u>	<u>(21,044)</u>
Total cash outflow for leases	<u>\$ (25,051)</u>	<u>(22,872)</u>

Real estate leases

The Group leases buildings for its office and warehouse space. The leases typically run for 2 to 10 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

For the Group's leased right-of-use assets under operating leases, please refer to Note 6(q).

(q) Operating leases

The Group leases out its right-of-use assets and investment property. The Group has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to Notes 6(k) and (l).

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date was as follows:

	<u>June</u>	<u>December</u>	<u>June</u>
	<u>30, 2022</u>	<u>31, 2021</u>	<u>30, 2021</u>
Less than one year	\$ 3,151	4,730	2,019
1 to 2 years	1,142	1,139	1,997
2 to 3 years	1,174	1,159	1,999
3 to 4 years	1,174	1,174	1,816
4 to 5 years	1,174	1,174	1,174
More than 5 years	<u>978</u>	<u>1,565</u>	<u>2,151</u>
	<u>\$ 8,793</u>	<u>10,941</u>	<u>11,156</u>

(Continued)

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(r) Employee benefits

No pension expenses from the defined benefit plans were recognized by the Group for the three and six months ended June 30, 2022 and 2021, respectively.

The Group allocates 6% of each employee's monthly wages to the Labor Pension personal account of the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Foreign subsidiaries make contributions in compliance with their respective local regulations. Under these defined contribution plans, the Group allocates a fixed amount to the authorities without additional legal or constructive obligations.

	For the three months ended		For the six months ended	
	June 30		June 30	
	2022	2021	2022	2021
Operating costs	\$ 839	845	1,614	1,580
Operating expenses	6,448	5,360	12,581	10,374
	\$ 7,287	6,205	14,195	11,954

(s) Income taxes

(i) Income tax expenses:

Income tax expenses are summarized as follows:

	For the three months ended		For the six months ended	
	June 30		June 30	
	2022	2021	2022	2021
Current income tax expenses	\$ 29,432	16,253	48,994	47,847

(ii) The Group had no income taxes expenses recognized directly in equity and other comprehensive income for the three and six months ended June 30, 2022 and 2021, respectively.

(iii) The Company's income tax returns have been assessed and approved by the R.O.C. tax authorities through the years to 2020.

(Continued)

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(t) Capital and other equity

Except for the following disclosure, there was no significant change in capital and other equity for the six months ended June 30, 2022 and 2021. For related information, please refer to Note 6(t) of the consolidated financial statements for the year ended December 31, 2021.

(i) Capital surplus

The components of capital surplus were as follows:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Share capital premium	\$ 1,192,319	1,192,319	1,204,059
Treasury share transactions	54,637	54,637	54,637
Difference arising from subsidiary's share price and its carrying value from acquisition or disposal of	27,984	27,984	27,984
Changes in equity of associates accounted for using equity method	<u>1,052</u>	<u>979</u>	<u>821</u>
	<u>\$ 1,275,992</u>	<u>1,275,919</u>	<u>1,287,501</u>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends in proportion to shareholders held. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total paid-in capital. The capital increases by transferring capital surplus in excess of par value shall be capitalized in the subsequent year after such capital reserve has been authorized for registration by the regulatory agency.

(ii) Retain earning

In accordance with the Article of Incorporation, if there are earnings at year end, 10 percent should be set aside as legal reserve (unless the amount in the legal reserve is already equal to or greater than the total paid-in capital) and special reserve shall be appropriated or reversed, according to operating requirements or regulations of the Company, after the payment of income tax and offsetting the accumulated losses from prior years. The remaining portion will be combined with the earnings from prior years, and the Board of directors can propose the distribution plan to be approved during the shareholders' meeting. The abovementioned distribution plan, by way of cash dividends, should be approved by the Company's Board of directors and should be reported during the Company's shareholder's meeting.

(Continued)

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

As the Company is in its growth phase, it has adopted a residual dividend policy to pay the dividends after the end of the year from the earnings of the current year and the accumulated earnings from prior years. If there are earnings at year end and the current unappropriated retained earnings exceeded the lower of 2% of the capital stock, the distribution ratio for dividends shall not be less than 10% of the current unappropriated retained earnings after taking into consideration the Company's profit, capital structure, and future operating needs. Dividends are distributed as either cash or stock, where cash dividends represent no less than 10% of the total dividends and the actual amount distributed is based on the amount approved by the Board of directors.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and provided that the balance of the reserve exceeds 25% of the Company's paid in capital.

2) Special reserve

In accordance with FSC, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

On February 24, 2022, cash dividends in the distribution plan for 2021 had been approved at the Board of Director's meeting, and other items of earnings distribution had been approved in shareholder's meeting on May 26, 2022. The cash dividends of earnings distribution for 2020 had been approved at the Board of Director's meeting on February 25, 2021, and other items of earnings distribution had been approved in shareholder's meeting on August 25, 2021.

	For the years ended December 31	
	2021	2020
Dividends to shareholders - cash, \$2.5 per share	\$ 470,894	470,894

(Continued)

**METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements**

(u) Earnings per share

The Company's basic and diluted earnings per share were calculated as follows:

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Basic earnings per share:				
Profit attributable to the Company	\$ <u>97,367</u>	<u>89,653</u>	<u>182,484</u>	<u>312,615</u>
Weighted-average number of ordinary shares outstanding (basic / thousand shares)	<u>188,357</u>	<u>188,357</u>	<u>188,357</u>	<u>188,357</u>
Earnings per share (dollars)	\$ <u>0.52</u>	<u>0.48</u>	<u>0.97</u>	<u>1.66</u>
Diluted earnings per share:				
Profit attributable to the Company	\$ <u>97,367</u>	<u>89,653</u>	<u>182,484</u>	<u>312,615</u>
Weighted-average number of ordinary shares outstanding (diluted / thousand shares)	<u>188,923</u>	<u>189,099</u>	<u>189,437</u>	<u>189,556</u>
Earnings per share (dollars)	\$ <u>0.52</u>	<u>0.47</u>	<u>0.96</u>	<u>1.65</u>

(v) Revenue from contracts with customers

(i) Details of revenue

	For the three months ended June 30, 2022					
	ICT Infrastructures	Computing & Data Utilization	Digitalization	Clouds, Software and Services	Other products	Total
Major products/service lines:						
Sale of goods	\$ 940,914	1,481,789	232,428	143,648	1,847	2,800,626
Services rendered	-	-	-	224,491	-	224,491
Total	\$ <u>940,914</u>	<u>1,481,789</u>	<u>232,428</u>	<u>368,139</u>	<u>1,847</u>	<u>3,025,117</u>
	For the three months ended June 30, 2021					
	ICT Infrastructures	Computing & Data Utilization	Digitalization	Clouds, Software and Services	Other products	Total
Major products/service lines:						
Sale of goods	\$ 745,726	1,299,287	440,067	75,778	40,271	2,601,129
Services rendered	-	-	-	147,538	-	147,538
Total	\$ <u>745,726</u>	<u>1,299,287</u>	<u>440,067</u>	<u>223,316</u>	<u>40,271</u>	<u>2,748,667</u>

(Continued)

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the six months ended June 30, 2022						
	ICT Infrastructures	Computing & Data Utilization	Digitalization	Clouds, Software and Services	Other products	Total
Major products/service lines:						
Sale of goods	\$ 1,766,657	2,762,932	585,452	283,657	2,924	5,401,622
Services rendered	-	-	-	434,774	-	434,774
Total	<u>\$ 1,766,657</u>	<u>2,762,932</u>	<u>585,452</u>	<u>718,431</u>	<u>2,924</u>	<u>5,836,396</u>
For the six months ended June 30, 2021						
	ICT Infrastructures	Computing & Data Utilization	Digitalization	Clouds, Software and Services	Other products	Total
Major products/service lines:						
Sale of goods	\$ 1,594,401	2,650,975	989,304	125,079	84,786	5,444,545
Services rendered	-	-	-	297,457	-	297,457
Total	<u>\$ 1,594,401</u>	<u>2,650,975</u>	<u>989,304</u>	<u>422,536</u>	<u>84,786</u>	<u>5,742,002</u>

(ii) Contract balances

	June 30, 2022	December 31, 2021	June 30, 2021
Notes receivable (including long-term)	\$ 92,264	299,082	73,847
Accounts receivable (including long-term and related parties)	2,594,411	2,637,442	2,184,134
Less: loss allowance	(37,215)	(27,844)	(30,412)
	<u>\$ 2,649,460</u>	<u>2,908,680</u>	<u>2,227,569</u>
Contract assets	<u>\$ 11,851</u>	<u>20,392</u>	<u>2,996</u>
Contract liabilities	<u>\$ 192,434</u>	<u>251,543</u>	<u>243,398</u>

- For the impairment of notes and accounts receivable (including long-term and related parties), please refer to Note 6(c).
- The amounts of contract liability balance, recognized as revenue as of January 1, 2022 and 2021 at the beginning of the period, were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Revenue Recognition	<u>\$ 36,791</u>	<u>43,492</u>	<u>188,602</u>	<u>243,268</u>

- The major changes in the balance of contract asset and liability is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

(Continued)

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(w) Remuneration to employees and directors

In accordance with the pre-amended Article of Incorporation prior to August 25, 2021, once the Company has annual earnings, the Company should contribute no less than 8% of the profit as employee remuneration and less than 2% as directors' remuneration. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. Employees entitled to receive the aforementioned employee remuneration, in shares or cash, include employees of affiliates with over 50% of the shareholding ratio. The Company estimated its remuneration to employees at \$9,219 thousand and \$31,336 thousand for the three and six months ended June 30, 2021, respectively, and estimated its remuneration to directors at \$865 thousand and \$2,938 thousand, respectively.

On August 25, 2021, the Company amended its Article of Incorporation based on the resolution approved during the annual shareholders' meeting. In accordance with the amended Article of Incorporation, once the Company has annual earnings, it should contribute 5% to 20% of the earnings as employee remuneration, and less than 1% as directors' remuneration. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. Employees entitled to receive the aforementioned employee remuneration, in shares or cash, include the employees of the controlling or subsidiaries of the company who meet certain specific requirement. The aforementioned requirement and distribution methods should first be approved by the Company's Board of directors or its authorized person. The Company estimated its remuneration to employees at \$11,076 thousand and \$20,344 thousand for the three and six months ended June 30, 2022, respectively, and estimated its remuneration to directors at \$1,038 thousand and \$1,907 thousand, respectively.

The aforementioned amounts were calculated using the Company's net income before tax, without the remunerations to employees and directors for each period, multiplied by the proposed percentage which is stated under the Company's proposed Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period, related information is available on the website of the Market Observation Post System. The differences between accrual and actual payment, if any, will be treated as the change in accounting estimate and recognized in profit or loss in the following year.

For the years ended December 31, 2021 and 2020, the remunerations to employees amounted to \$59,513 thousand and \$60,450 thousand, respectively. The remunerations to directors amounted to \$5,580 thousand and \$5,650 thousand, respectively. There was no difference from the actual distribution. The information is available on the Market Observation Post System website.

(x) Non-operating income and expenses

(i) Other income

The Group's other income was as follows:

	For the three months ended		For the six months ended	
	June 30		June 30	
	2022	2021	2022	2021
Rent income	<u>\$ 2,630</u>	<u>683</u>	<u>5,126</u>	<u>2,113</u>

(Continued)

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Other gains and losses

The Group's other gains and losses were as follows:

	For the three months ended		For the six months ended	
	June 30		June 30	
	2022	2021	2022	2021
Net foreign exchange gains (losses)	\$ (9,994)	10,661	(13,731)	12,529
Net gains (losses) on valuation of financial assets (liabilities) at fair value through profit or loss	6,499	(4,116)	25,605	30,085
Gain on disposal of non-current assets or liabilities held for sale	-	-	-	84,232
Gain on disposal of subsidiaries	-	-	-	20,696
Gains on disposal of property, plant and equipment	-	-	-	137
Others	1,998	303	1,906	6,572
	<u>\$ (1,497)</u>	<u>6,848</u>	<u>13,780</u>	<u>154,251</u>

(iii) Finance costs

The Group's financial costs were as follows:

	For the three months ended		For the six months ended	
	June 30		June 30	
	2022	2021	2022	2021
Interest on bank loans	\$ 4,960	2,784	10,021	5,753
Interest on lease liabilities	839	875	1,717	1,828
	<u>\$ 5,799</u>	<u>3,659</u>	<u>11,738</u>	<u>7,581</u>

(y) Financial instruments

Except for the following disclosure, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For related information, please refer to Note 6(y) of the consolidated financial statements for the year ended December 31, 2021.

(Continued)

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Credit risk

1) The maximum exposure to credit risk

The carrying amount of financial assets represent the maximum amount exposed to credit risk.

2) Concentration of credit risk

As of June 30, 2022, December 31, 2021 and June 30, 2021, the Group believes that there is no significant concentration of credit risk due to its customer fragmentation.

3) Credit risk of receivables

For credit risk exposure of note and accounts receivable (including long-term and related parties), please refer to Note 6(c). Other financial assets measured at amortized cost include other receivables. For related information for details and impairment, please refers to Note 6(d).

(ii) Liquidity risk

The followings were the contractual maturities of financial liabilities, including estimated interest payment.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1~5 years</u>	<u>Over 5 years</u>
June 30, 2022					
Non-derivative financial liabilities					
Financial liabilities at fair value through profit or loss - Contingent considerations arising from business combinations (Current and Non-current)	\$ 92,994	128,566	24,055	104,511	-
Long-term and short-term borrowings	1,106,464	1,141,663	844,660	82,743	214,260
Lease liabilities	196,019	201,902	49,795	131,943	20,164
Notes and accounts payable	1,789,507	1,789,507	1,789,507	-	-
Other payables	283,010	283,010	283,010	-	-
Dividends payable	490,738	490,738	490,738	-	-
Guarantee deposits	1,643	1,643	-	1,643	-
Derivative financial liabilities					
Outflow	709	265,151	265,151	-	-
Inflow	-	(264,442)	(264,442)	-	-
	<u>\$ 3,961,084</u>	<u>4,037,738</u>	<u>3,482,474</u>	<u>320,840</u>	<u>234,424</u>

(Continued)

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1~5 years</u>	<u>Over 5 years</u>
December 31, 2021					
Non-derivative financial liabilities					
Financial liabilities at fair value through profit or loss - Contingent considerations arising from business combinations (Current and Non-current)	\$ 103,222	147,776	5,609	142,167	-
Long-term and short-term borrowings	1,439,281	1,470,642	1,168,203	81,542	220,897
Lease liabilities	193,609	200,662	44,830	123,729	32,103
Notes and accounts payable	1,445,849	1,445,849	1,445,849	-	-
Other payables	400,698	400,698	400,698	-	-
Guarantee deposits	1,577	1,577	-	1,577	-
Derivative financial liabilities					
Outflow	2,286	400,463	400,463	-	-
Inflow	-	(398,177)	(398,177)	-	-
	<u>\$ 3,586,522</u>	<u>3,669,490</u>	<u>3,067,475</u>	<u>349,015</u>	<u>253,000</u>
June 30, 2021					
Non-derivative financial liabilities					
Financial liabilities at fair value through profit or loss - Contingent considerations arising from business combinations (Current and Non-current)	\$ 104,529	185,556	14,061	171,495	-
Long-term and short-term borrowings	1,281,682	1,317,281	1,005,565	81,196	230,520
Lease liabilities	193,913	201,227	40,753	116,433	44,041
Notes and accounts payable	1,633,369	1,633,369	1,633,369	-	-
Other payables	329,276	329,276	329,276	-	-
Dividends payable	475,796	475,796	475,796	-	-
Guarantee deposits	1,801	1,801	-	1,801	-
Derivative financial liabilities					
Outflow	370	211,029	211,029	-	-
Inflow	-	(210,659)	(210,659)	-	-
	<u>\$ 4,020,736</u>	<u>4,144,676</u>	<u>3,499,190</u>	<u>370,925</u>	<u>274,561</u>

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(Continued)

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Currency risk

1) Exposure to currency risk

The Group's significant exposure of financial assets and liabilities to foreign currency risk was as follows:

	June 30, 2022			December 31, 2021			June 30, 2021		
	Foreign currency (in thousands)	Exchange rate	NTD	Foreign currency (in thousands)	Exchange rate	NTD	Foreign currency (in thousands)	Exchange rate	NTD
<u>Financial assets</u>									
<u>Monetary items</u>									
USD/NTD	\$ 5,126	29.72	152,342	2,530	27.68	70,018	9,886	27.87	275,513
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD/NTD	\$ 25,744	29.72	765,097	16,140	27.68	446,768	30,018	27.87	836,545

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises mainly from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable, other receivables, short-term borrowings, notes and accounts payable, and other payables denominated in foreign currency. To avoid the decrease in the value of foreign currency assets and fluctuations of future cash flows resulted from changes in exchange rates, the Group uses derivative instruments to hedge exchange rate risk (see Note 6(b)). An appreciation (depreciation) of 1% of the USD against NTD as of June 30, 2022 and 2021, with all other variables including derivative financial instruments remaining constant, would have decreased or increased the profit before income tax by \$1,075 thousand and increase or decrease the profit before income tax by \$2,646 thousand, respectively. The analysis for both periods was performed on the same basis.

3) Foreign exchange gains and losses on monetary items

The amounts of exchange gains and losses (including realized and unrealized) of monetary items of the Group which were converted into functional currency, and the exchange rate information converted to the Company's functional currency, NTD, were as follows:

	For the three months ended June 30,				For the six months ended June 30,			
	2022		2021		2022		2021	
	Foreign exchange (loss) gain	Average exchange rate	Foreign exchange (loss) gain	Average exchange rate	Foreign exchange (loss) gain	Average exchange rate	Foreign exchange (loss) gain	Average exchange rate
NTD	\$ (9,634)	1	10,083	1	(14,034)	1	13,163	1
ZAR	(360)	1.92	578	1.96	303	1.86	(634)	1.93
	\$ (9,994)		10,661		(13,731)		12,529	

(Continued)

**METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements**

(iv) Fair value of financial instruments

1) Types of financial instrument and fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss is measured on a recurring basis. The following sets out carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy but excluding financial instruments not measured at fair value with carrying amount reasonably close to their fair value, and lease liabilities, disclosure of fair value information is not required:

	Carrying amount	June 30, 2022			
		Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Pre-purchased forward exchange contracts	\$ 8,156	-	-	8,156	8,156
Foreign and domestic unlisted stocks	255,135	-	-	255,135	255,135
Domestic unlisted equities	<u>96,386</u>	-	-	96,386	96,386
	<u>\$ 359,677</u>				
Financial assets at amortized cost:					
Cash and cash equivalents	\$ 783,904				
Notes and accounts receivable, net (including long-term and related parties)	2,649,460				
Other receivables	19,099				
Refundable deposits	<u>75,763</u>				
	<u>\$ 3,528,226</u>				
Financial liabilities at fair value through profit or loss:					
Pre-purchased forward exchange contracts	\$ 709	-	-	709	709
Contingent considerations arising from business combinations	<u>92,994</u>	-	-	92,994	92,994
	<u>\$ 93,703</u>				

(Continued)

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	June 30, 2022				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost:					
Long-term and short-term borrowings	\$ 1,106,464				
Lease liabilities	196,019				
Notes and accounts payable	1,789,507				
Other payables	283,010				
Guarantee deposits	1,643				
Dividends payable	<u>490,738</u>				
	<u>\$ 3,867,381</u>				
	December 31, 2021				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Pre-purchased forward exchange contracts	\$ 243	-	-	243	243
Foreign and domestic unlisted stocks	240,694	-	-	240,694	240,694
Domestic unlisted equities	<u>97,602</u>	-	-	97,602	97,602
	<u>\$ 338,539</u>				
Financial assets at amortized cost					
Cash and cash equivalents	\$ 650,581				
Notes and accounts receivable (including long-term and related parties)	2,908,680				
Other receivables	1,822				
Refundable deposits	<u>70,250</u>				
	<u>\$ 3,631,333</u>				

(Continued)

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Carrying amount	December 31, 2021			
		Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at fair value through profit or loss:					
Pre-purchased forward exchange contracts	\$ 2,286	-	-	2,286	2,286
Contingent considerations arising from business combinations	<u>103,222</u>	-	-	103,222	103,222
	<u>\$ 105,508</u>				
Financial liabilities measured at amortized cost:					
Long-term and short-term borrowings	\$ 1,439,281				
Lease liabilities	193,609				
Notes and accounts payable	1,445,849				
Other payables	400,698				
Guarantee deposits	<u>1,577</u>				
	<u>\$ 3,481,014</u>				
Financial assets at fair value through profit or loss					
Pre-purchased forward exchange contracts	\$ 430	-	-	430	430
Foreign and domestic unlisted stocks	187,119	-	-	187,119	187,119
Domestic unlisted equities	<u>100,000</u>	-	-	100,000	100,000
	<u>\$ 287,549</u>				
Financial assets at amortized cost					
Cash and cash equivalents	\$ 1,328,701				
Notes and accounts receivable (including long-term and related parties)	2,227,569				
Other receivables	472				
Refundable deposits	<u>70,132</u>				
	<u>\$ 3,626,874</u>				

(Continued)

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Carrying amount</u>	<u>June 30, 2021</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Financial liabilities at fair value through profit or loss:					
Pre-purchased forward exchange contracts	\$ 370	-	-	370	370
Contingent considerations arising from business combinations	<u>104,529</u>	-	-	104,529	104,529
	<u>\$ 104,899</u>				
Financial liabilities measured at amortized cost:					
Long-term and short-term borrowings	\$ 1,281,682				
Lease liabilities	193,913				
Notes and accounts payable	1,633,369				
Other payables	329,276				
Guarantee deposits	1,801				
Dividends payable	<u>475,796</u>				
	<u>\$ 3,915,837</u>				

2) Valuation techniques for financial instruments measured at fair value

The measurements of fair value of equity instruments without an active market are based on the market comparable listed company approach, which assumes that the fair value is measured by the investee' estimated net worth and the price-book ratio estimated based on comparable quoted market price. The estimate of the fair value of equity instruments has been adjusted due to the effect of the discount arising from the lack of market liquidity of the equity security.

Discounted cash flow model is used to estimate the fair value of contingent consideration arising from business combination. The main assumption takes into consideration the possibility of occurrence to estimate the consideration for payment, by the discounted present value.

Measurement of the fair value of derivative instruments is based on the valuation techniques accepted by the market participants, such as the discounted cash flow or option pricing models. Fair value of forward exchange contracts is usually determined by the forward currency exchange rate.

(Continued)

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Transfers between Level 1 and Level 2

There were no transfers between level 1 and level 2 of the financial instruments for the six months ended June 30, 2022 and 2021.

4) Reconciliation of Level 3 fair values

	<u>Measured at fair value through profit or loss</u>	
	<u>Derivative financial assets (liabilities)</u>	<u>Non-derivative financial assets (liabilities) measured at fair value through profit or loss</u>
January 1, 2022	\$ (2,043)	235,074
Recognized in profit or loss	9,560	16,045
Decrease of Contingent considerations	-	7,408
Effects of exchange rate changes	(70)	-
June 30, 2022	<u>\$ 7,447</u>	<u>258,527</u>
January 1, 2021	\$ (554)	76,463
Recognized in profit or loss	614	29,425
Acquisition	-	100,000
Contingent considerations arising from business combinations	-	(23,298)
June 30, 2021	<u>\$ 60</u>	<u>182,590</u>

The aforementioned total gains and losses that were recognized in “other gains and losses”. The gains or losses attributable to the assets and liabilities held on June 30, 2022 and 2021 were as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Total gains and losses				
Recognized in profit or loss (recognized as other gains and losses)	<u>\$ 6,494</u>	<u>(4,105)</u>	<u>23,492</u>	<u>29,485</u>

(Continued)

**METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements**

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

The Group's financial instruments that use Level 3 inputs to measure fair value include financial assets measured at fair value through profit or loss and derivative financial instruments.

The fair value of derivative financial instruments resulted from the quotation of a third party and did not use any unobservable inputs in its calculation. Therefore, the Group did not disclose the quantitative information about significant unobservable inputs and sensitivity analysis.

Quantified information on other significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Interrelationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through profit or loss-investments in equity instrument without active market	Comparable listed companies approach	· Market liquidity discount rate (25.00%~28.88% as of June 30, 2022, 25.00%~31.34% as of December 31, 2021, and 25.00%~32.13% as of June 30, 2021)	· The higher the market liquidity discount rate, the lower the fair value
Financial liabilities at fair value through profit or loss-Contingent considerations arising from business combinations	Discounted cash flow method	· Discount rate (8.19%~14.75% as of June 30, 2022, 8.19%~14.75% as of December 31, 2021, and 13.35%~15.15% as of June 30, 2021)	· The higher the discount rate, the lower the fair value

(Continued)

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 6) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The Group's measurement on the fair value of financial instruments is deemed reasonable despite different valuation models or assumptions may lead to different results. For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on profit:

	Inputs	Current profit (loss) arising from changes in fair value	
		10% increase	10% decrease
June 30, 2022			
Financial assets (liabilities) at fair value through profit or loss			
Investments in equity instrument without an active market	Discount for marketability	\$ <u>(35,727)</u>	<u>35,727</u>
Contingent considerations arising from business combinations	Discount for discount rate	\$ <u>2,643</u>	<u>(2,775)</u>
December 31, 2021			
Financial assets (liabilities) at fair value through profit or loss			
Investments in equity instrument without an active market	Discount for marketability	\$ <u>(33,780)</u>	<u>33,780</u>
Contingent considerations arising from business combinations	Discount for discount rate	\$ <u>3,223</u>	<u>(3,399)</u>
June 30, 2021			
Financial assets (liabilities) at fair value through profit or loss			
Investments in equity instrument without an active market	Discount for marketability	\$ <u>(26,761)</u>	<u>26,761</u>
Contingent considerations arising from business combinations	Discount for discount rate	\$ <u>5,119</u>	<u>(5,518)</u>

- (z) Financial risk management

The objective and policies of the Group's financial risk management were not materially different from those disclosed in Note 6(z) of the consolidated financial statements for the year ended December 31, 2021.

- (aa) Capital management

The objectives, policies, and procedures of the Group's capital management have been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2021. Also, there was no significant change in the Group's capital management information as disclosed for the year ended December 31, 2021. For relevant information, please refer to Note 6(aa) of the consolidated financial statements for the year ended December 31, 2021.

(Continued)

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

For the six months ended June 30, 2022 and 2021, the Group's investing and financing activities, not affecting the current cash flow, were as follows:

- (i) For the acquisition of right-of-use assets by lease, please refer to Note 6(k).
(ii) The reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2022	Cash flows	Non-cash changes	June 30, 2022
Long-term borrowings	\$ 293,623	(8,436)	-	285,187
Short-term borrowings	1,145,658	(324,381)	-	821,277
Guarantee deposits	1,577	66	-	1,643
Lease liabilities	193,609	(23,334)	25,744	196,019
Total liabilities from financing activities	\$ 1,634,467	(356,085)	25,744	1,304,126

	January 1, 2021	Cash flows	Non-cash changes	June 30, 2021
Long-term borrowings	\$ 310,497	(8,419)	-	302,078
Short-term borrowings	514,759	458,845	6,000	979,604
Other payables	113,742	(113,742)	-	-
Guarantee deposits	1,621	180	-	1,801
Lease liabilities	203,614	(21,044)	11,343	193,913
Total liabilities from financing activities	\$ 1,144,233	315,820	17,343	1,477,396

(7) Related-party transactions:

(a) Names and relationship with related parties

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

Name of related party	Relationship with the Group
Qisda Corporation (Qisda)	Parent of the Group
GRANDSYS INC. (GRANDSYS)	Associate of the Group
BenQ Material Corporation. (BenQ Material)	It and the Company have the same ultimate parent company
Partner Tech Corporation (Partner Tech)	It and the Company have the same ultimate parent company

(Continued)

**METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements**

<u>Name of related party</u>	<u>Relationship with the Group</u>
DFI Inc. (DFI)	It and the Company have the same ultimate parent company
Data Image Corporation (Data Image)	It and the Company have the same ultimate parent company
BenQ Corporation (New BenQ)	It and the Company have the same ultimate parent company
SIMULA TECHNOLOGY INC. (SIMULA TECHNOLOGY)	It and the Company have the same ultimate parent company
BenQ Asia Pacific Corporation (BenQ Asia Pacific)	It and the Company have the same ultimate parent company
ACE Energy Co., Ltd. (ACE Energy)	It and the Company have the same ultimate parent company
ACE PILLAR CO., LTD. (ACE PILLAR)	It and the Company have the same ultimate parent company
AEWIN Technologies Co., Ltd (AEWIN Technologies)	It and the Company have the same ultimate parent company
BenQ Medical Technology Corporation (BenQ Medical Technology)	It and the Company have the same ultimate parent company
Alpha Networks Inc. (Alpha)	It and the Company have the same ultimate parent company
Topview Optronics Corporation (Topview Optronics)	It and the Company have the same ultimate parent company
Suzhou Super Pillar Automation Equipment Co., Ltd.(Suzhou Super Pillar)	It and the Company have the same ultimate parent company
BenQ AB DentCare Corp. (BenQ AB DentCare)	It and the Company have the same ultimate parent company
Action Star Technology Co., Ltd. (Action Star)	It and the Company have the same ultimate parent company
BENQ HEALTHCARE CORPORATION (BHS)	It and the Company have the same ultimate parent company
Transnet Corporation (Transnet)	It and the Company have the same ultimate parent company
HITRON TECHNOLOGIES INC. (HITRON TECHNOLOGIES)	It and the Company have the same ultimate parent company
Interactive Digital Technologies Inc. (Interactive Digital)	It and the Company have the same ultimate parent company

(Continued)

**METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements**

<u>Name of related party</u>	<u>Relationship with the Group</u>
LA FRESH INFORMATION CO., LTD. (LA FRESH)	It and the Company have the same ultimate parent company
Webest Solution Corporation (Webest Solution)	It and the Company have the same ultimate parent compan
ASIACONNECT INTERNATIONAL COMPANY LTD. (ASIACONNECT INTERNATIONAL)	It and the Company have the same ultimate parent compan
Concord Medical Co., Ltd (Concord)	It and the Company have the same ultimate parent compan
Partner Tech Middle East FZCO (PTME)	It and the Company have the same ultimate parent compan
Darfon Electronics Corporation (Darfon Electronics)	Associate of the parent company
AUO Corporation (AUO)	Associate of the parent company
AUO Envirotech Inc. (AUO Envirotech)	Subsidiary of AUO
AUO Display Plus Corporation (AUO Display Plus)	Subsidiary of AUO
BenQ Foundation	Substantive related party
CHI KAI INTERNATIONAL CO., LTD. (CHI KAI INTERNATIONAL)	Substantive related party
RECEIVE-MORE INVESTMENTS NO 9 (PTY) LTD (RECEIVE-MORE INVESTMENTS NO 9)	Substantive related party
AMS HEALTHCARE (PTY) LTD (AMS HEALTHCARE)	Substantive related party
ASML LOGISTICS (PTY) LTD (ASML LOGISTICS)	Substantive related party
4A GROUP (PTY) LTD (4A GROUP)	Substantive related party
CLOUD 9 HOLDINGS (PTY) LTD (CLOUD 9 HOLDINGS)	Substantive related party
METAWORK (PTY) LTD (METAWORK)	Substantive related party
Key management personnel	Key management personnel of the Group

(Continued)

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Significant related-party transactions

(i) Sales

The amounts of significant sales by the Group to related parties were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Parent Company	\$ 28	9,922	1,947	48,334
Associates	1,386	633	1,951	743
Other associates	19,207	45,043	42,478	77,859
Other related parties	160	1,073	160	1,678
	<u>\$ 20,781</u>	<u>56,671</u>	<u>46,536</u>	<u>128,614</u>

The selling price offered to related parties approximated the market price, and the credit terms. For the six months ended June 30, 2022 were either based on terms ranging from 30 to 120 days after the end of the month or the terms stated in the contract; while the credit terms for the six months ended June 30, 2021 ranged from 30 to 120 days after the end of the month. Receivables from related parties were not pledged as collateral, and no allowance was needed to provide for impairment loss after assessment.

(ii) Purchases

The amounts of significant purchase by the Group from related parties were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Parent Company	\$ -	-	-	(486)
Other associates	278	4,237	537	7,443
Other related parties	28,168	30,951	28,168	46,862
	<u>\$ 28,446</u>	<u>35,188</u>	<u>28,705</u>	<u>53,819</u>

Purchase prices and payment terms from related parties were similar to those of the third-party suppliers. The payment terms for the six months ended June 30, 2022 and 2021 ranged from prepaid to 60 days after the end of the month, and prepaid to 90 days after the end of the month, respectively. The Group requested a return of purchased goods from its other related parties for the six months ended June 30, 2022. The refund receivables amounted to \$17,211 thousand as of June 30, 2022, which was recorded as other current assets.

(Continued)

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Receivables from related parties

The receivables due from related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Accounts receivable (including long-term)	Parent Company	\$ 66,706	102,435	15,213
Accounts receivable	Associates	1,455	2,551	730
Accounts receivable	Other associates	18,073	30,240	50,715
Accounts receivable	Other related parties	9,591	10,087	1,598
		<u>\$ 95,825</u>	<u>145,313</u>	<u>68,256</u>

(iv) Payables to related parties

The payables to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Accounts payable	Other associates	\$ 226	8,010	4,117

(v) Prepayments

The prepayments to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Prepayment for purchases	Other related parties	\$ 641	6,228	11,585

(vi) Lease

1) Lessor

<u>Lessee</u>	<u>Rental income</u>			
	<u>For the three months ended</u>		<u>For the six months ended</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Other associates - DFI	<u>\$ 2,011</u>	<u>-</u>	<u>4,023</u>	<u>-</u>

The deposit and monthly rental are determined based on nearby office rental rates. As of June 30, 2022, December 31, 2021 and June 30, 2021, the other receivables amounted to \$1,408 thousand, \$0 thousand and \$0 thousand, respectively, which were recorded as other current assets.

(Continued)

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Lessee

The Group rented buildings from its other related party and entered into 5-years lease contract by reference of the rental price of the nearby offices. For the three and six months ended June 30, 2022 and 2021, the Group recognized the amounts of \$368 thousand, \$321 thousand, \$368 thousand, and \$663 thousand, respectively. As of June 30, 2022, December 31, 2021 and June 30, 2021, the balance of lease liabilities amounted to \$5,504 thousand, \$7,982 thousand and \$11,881 thousand, respectively.

(vii) Financing from related parties

The borrowings from other associates, Partner Tech, bear interest at 3.5% annually and without collaterals. For the three and six months ended June 30, 2021, interest expenses from the interest-bearing borrowings from related party amounted to \$3 thousand and \$208 thousand, respectively. The above-mentioned other payables had been fully repaid.

(viii) Donation

The Group made a donation of \$3,000 thousand to its substantive related party, BenQ Foundation, based on a resolution approved during the Board of Director's meeting held on February 24, 2022, resulting in the amount of \$3,000 thousand to be recognized as other payable as of June 30, 2022.

(ix) Acquisition of the subsidiary

The Group had fully acquired COREX from other associates, Partner Tech, at the total price of \$140,000 thousand in January 2021. The price had been paid in full.

(x) Miscellaneous transactions

In addition to the above transactions, the amounts of other significant outstanding balances by related parties were as follows:

	Cost and expense				Other payables		
	For the three months ended June 30		For the six months ended June 30		June 30, 2022	December 31, 2021	June 30, 2021
	2022	2021	2022	2021			
Parent Company	\$ 159	228	540	404	-	-	-
Other associates	188	12	1,393	291	236	202	12
Other related parties	<u>6,854</u>	<u>3,309</u>	<u>6,854</u>	<u>5,277</u>	<u>-</u>	<u>399</u>	<u>1,797</u>
	<u>\$ 7,201</u>	<u>3,549</u>	<u>8,787</u>	<u>5,972</u>	<u>236</u>	<u>601</u>	<u>1,809</u>

(Continued)

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Key management personnel compensation

Key management personnel compensation includes:

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Short-term employee benefits	\$ 19,131	24,037	44,749	46,679
Post-employment benefits	269	328	589	963
Termination benefits	-	-	-	-
Other long-term benefits	-	-	-	-
Share-based payment	-	-	-	-
	<u>\$ 19,400</u>	<u>24,365</u>	<u>45,338</u>	<u>47,642</u>

(8) Pledged assets

The carrying amounts of the assets which the Group pledged as collateral were as follows:

Asset Name	Liabilities secured by pledged	June 30, 2022	December 31, 2021	June 30, 2021
Property, plant and equipment	Long-term and short-term borrowings	\$ 741,184	830,124	833,623
Other non-current assets	Short-term borrowings	-	3,037	3,536
Accounts receivable	Credit lines for short-term borrowings	-	-	76,153
		<u>\$ 741,184</u>	<u>833,161</u>	<u>913,312</u>

(9) Significant commitments and contingencies

- (a) The promissory notes, issued by the Group for loans from financial institutions, forward exchange transactions, and purchase limits, are detailed as follows:

	Currency	June 30, 2022	December 31, 2021	June 30, 2021
		Promissory notes issued	\$ <u>5,791,000</u>	<u>5,621,000</u>
	USD	\$ <u>14,500</u>	<u>17,350</u>	<u>17,350</u>

(Continued)

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) The Group's unused letters of credit for guarantee of purchasing are as follow:

<u>June</u> <u>30, 2022</u>	<u>December</u> <u>31, 2021</u>	<u>June</u> <u>30, 2021</u>
\$ -	-	6,830

(10) Losses due to major disasters: None

(11) Subsequent events: None

(12) Others:

(a) The summary of employee benefits, depreciation, depletion and amortization, by function, was as follows:

By function	For the three months ended June 30, 2022			For the three months ended June 30, 2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
By item						
Employee benefits						
Salary	24,786	156,176	180,962	20,521	142,544	163,065
Labor and health insurance	1,579	12,955	14,534	1,633	10,986	12,619
Pension	839	6,448	7,287	845	5,360	6,205
Other employee benefits expense	586	10,760	11,346	502	8,324	8,826
Depreciation	976	20,452	21,428	1,049	18,181	19,230
Amortization	6	2,660	2,666	6	2,905	2,911

By function	For the six months ended June 30, 2022			For the six months ended June 30, 2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
By item						
Employee benefits						
Salary	47,930	318,309	366,239	31,248	314,125	345,373
Labor and health insurance	3,121	26,533	29,654	3,262	22,408	25,670
Pension	1,614	12,581	14,195	1,580	10,374	11,954
Other employee benefits expense	1,585	20,531	22,116	997	18,235	19,232
Depreciation	1,967	40,264	42,231	2,105	37,172	39,277
Amortization	13	5,271	5,284	13	5,401	5,414

(b) Seasonal operation:

The operations of the Group are not affected by seasonal or cyclical factors.

(Continued)

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(13) Other disclosures

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the six months ended June 30, 2022:

- (i) Loans to other parties: None
- (ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of Guarantor/Endorser	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the Period	Balance for guarantees and endorsements as of reporting date	Actual borrowing amount	Property pledged for guarantees and endorsements	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company guarantees/endorsements to third parties on behalf of subsidiary	Subsidiary guarantees/endorsements to third parties on behalf of parent company	guarantees/endorsements to third parties on behalf of companies in Mainland China
		Name	Relationship										
0	the Company	COREX	Subsidiary of the Company	Note 1	222,600	148,600	101,278	-	3.70 %	(Note 1)	Y	-	-
0	the Company	GLOBAL INTELLIGENCE NETWORK	"	"	100,000	100,000	100,000	-	2.49 %	"	Y	-	-

Note 1: The amount of the guarantees and endorsements for a single entity company shall not exceed 20% of the Company's net worth of \$803,717 thousand when the guarantees and endorsements was provided; the total amount of guarantees and endorsements provided by the Company shall not exceed 50% of the Company's net worth of \$2,009,293 thousand.

- (iii) Securities held as balance sheet date (excluding investment in subsidiaries, associates and joint ventures):

Unit: thousand shares/thousand units

Holder Company	Category and name of security	Relationship with company	Account	Ending Balance				Note
				Shares/Units	Carrying amount	Percentage of Ownership (%)	Fair value	
the Company	Stock:							
	DYNASAFE TECHNOLOGIES, INC.	-	Non-current financial assets at fair value through profit or loss	3,906	244,831	19.53	244,831	(Note 1)
	CDS Holdings Limited	-	"	600	-	1.11	-	"
	YOBON TECHNOLOGIES, INC.	-	"	3	-	0.42	-	"
	Touch Cloud Inc.	-	"	200	762	1.50	762	"
	Gemini Data, Inc.	-	"	2,706	8,598	1.70	8,598	"
	KINGTEL CORPORATION	-	"	443	944	18.09	944	"
Equity:								
Taiwania Capital Buffalo Fund V, LP.	-	"	(Note 2)	96,386	12.78	96,386	"	
					351,521		351,521	

Note 1: Unlisted company.
Note 2: Limited partnership.

(Continued)

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the Company's paid-in capital: None
- (v) Acquisition of individual real estate with amount exceeding the lower of \$300 million or 20% of the Company's paid-in capital: None
- (vi) Disposal of individual real estate with amount exceeding the lower of \$300 million or 20% of the Company's paid-in capital: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of 100 million or 20% of the Company's paid-in capital: None
- (viii) Receivable from related parties with amount exceeding the lower of \$100 million or 20% of the Company's paid-in capital: None
- (ix) Trading in derivative instruments: Please refer to Note 6(b).
- (x) Business relationships and significant intercompany transactions:

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany Transactions			
				Account	Amount	Trading terms	Percentage of the consolidated net sales or total assets
0	the Company	GLOBAL INTELLIGENCE NETWORK	1	Sales	30,246	60 days from the end of the month	0.52%
"	"	"	1	Accounts receivable	18,670	"	0.22%
"	"	"	1	Other revenue	5,216	"	0.09%
"	"	EPIC CLOUD	1	Sales	25,350	"	0.43%
"	"	"	1	Accounts receivable	15,165	"	0.18%
1	GLOBAL INTELLIGENCE NETWORK	the Company	2	Sales	16,023	"	0.27%
"	"	"	2	Accounts receivable	10,919	"	0.13%

Note 1: No. are filled in as follows:

- (i) "0" represents the parent company
(ii) Subsidiaries are numbered starting from "1".

Note 2: Natures of relationship with counterparty are as below:

1. Parent company to subsidiary.
2. Subsidiary to parent company.

Note 3: Disclosure of only the amounts exceeding of \$5 million.

Note 4: Related transactions have been eliminated during preparing the consolidated financial statements.

(Continued)

**METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements**

(b) Information on investees:

The following is the information on investees for the six months ended June 30, 2022:

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of June 30, 2022			Net income (loss) of investee	Share of profits/losses of investee	Note
				June 30, 2022	December 31, 2021	(In thousands of shares)	Percentage of ownership	Carrying amount			
the Company	GLOBAL INTELLIGENCE NETWORK	Taiwan	Trading in hardware and software for network and communications systems	119,142	119,142	10,475	79.36 %	175,137	1,341	1,064	(Notes 1 and 3)
"	EPIC CLOUD	Taiwan	Data software and data processing services	50,000	50,000	5,000	100.00 %	14,041	(13,387)	(13,387)	(Notes 1 and 3)
"	COREX	South Africa	Import and export of electronic products for sale and purchase	251,872	251,872	1	100.00 %	295,472	(753)	(1,297)	(Notes 1 and 3)
"	STATINC	Taiwan	Market research, management consulting and data processing services	69,983	69,983	1,754	34.99 %	81,802	(7,779)	(3,053)	(Notes 1 and 3)
"	UNISAGE	Taiwan	Medical equipment manufacturing	506	506	67	38.01 %	580	-	-	(Note 2 and 4)
"	GRANDSYS	Taiwan	Data software and data processing services	94,547	94,547	5,643	20.96 %	104,438	1,724	(1,200)	(Note 2)
"	ADVANCEDTEK INTERNATIONAL	Taiwan	Applications of software implementing services	30,091	30,091	1,153	34.09 %	34,165	7,274	2,480	(Notes 1 and 3)
"	Everlasting Digital ESG	Taiwan	Development and sale of software	5,000	5,000	500	29.41 %	3,456	(2,579)	(677)	(Note 2)
EPIC CLOUD	GLOBAL INTELLIGENCE NETWORK	Taiwan	Trading in hardware and software for network and communications systems	172	172	10	0.08 %	172	1,341	-	(Notes 1 and 3)
"	STATINC	Taiwan	Market research, management consulting and data processing services	40	40	1	0.02 %	40	(7,779)	-	(Notes 1 and 3)
ADVANCEDTEK INTERNATIONAL	APEO Human Capital	Taiwan	Applications of software implementing services	2,060	2,060	200	100.00 %	3,220	703	703	(Notes 1 and 3)
STATINC	DKABio	Taiwan	Market research, management consulting and data processing services	20,000	20,000	2,000	100.00 %	15,514	(3,398)	(3,398)	(Notes 1 and 3)

Note 1: Subsidiary of the Company.

Note 2: Associates of the Company.

Note 3: The equity transactions on the left have already been eliminated during preparing the consolidated financial statements.

Note 4: The investees company has applied for dissolution on November 30, 2021.

(c) Information on investment in Mainland China: None

(d) Major Shareholders:

Unit: Shares		
Major shareholder's name	Shareholding	Percentage
Qisda	96,841,239	51.41 %

(Continued)

METAAGE CORPORATION (ORIGINAL NAME : SYSAGE TECHNOLOGY CO., LTD.)
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(14) Segment information:

The Group's operating segment information and reconciliation are as follows:

		For the three months ended June 30, 2022						
		ICT Infrastructures	Computing & Data Utilization	Digitalization	Clouds, Software and Services	Other products	Reconciliation and eliminations	Total
Revenue								
Revenue from external								
customers	\$	940,914	1,481,789	232,428	368,139	1,847	-	3,025,117
Intersegment revenues		3,157	29,259	(411)	10,594	-	(42,599)	-
Total revenue	\$	<u>944,071</u>	<u>1,511,048</u>	<u>232,017</u>	<u>378,733</u>	<u>1,847</u>	<u>(42,599)</u>	<u>3,025,117</u>
Gross profit	\$	<u>117,364</u>	<u>140,444</u>	<u>25,720</u>	<u>133,067</u>	<u>217</u>	<u>3,993</u>	<u>420,805</u>
		For the three months ended June 30, 2021						
		ICT Infrastructures	Computing & Data Utilization	Digitalization	Clouds, Software and Services	Other products	Reconciliation and eliminations	Total
Revenue								
Revenue from external								
customers	\$	745,726	1,299,287	440,067	223,316	40,271	-	2,748,667
Intersegment revenues		3,067	13,240	251	4,212	-	(20,770)	-
Total revenue	\$	<u>748,793</u>	<u>1,312,527</u>	<u>440,318</u>	<u>227,528</u>	<u>40,271</u>	<u>(20,770)</u>	<u>2,748,667</u>
Gross profit	\$	<u>101,880</u>	<u>135,049</u>	<u>22,462</u>	<u>86,689</u>	<u>6,390</u>	<u>(1,100)</u>	<u>351,370</u>
		For the six months ended June 30, 2022						
		ICT Infrastructures	Computing & Data Utilization	Digitalization	Clouds, Software and Services	Other products	Reconciliation and eliminations	Total
Revenue								
Revenue from external								
customers	\$	1,766,657	2,762,932	585,452	718,431	2,924	-	5,836,396
Intersegment revenues		5,128	46,316	863	20,773	-	(73,080)	-
Total revenue	\$	<u>1,771,785</u>	<u>2,809,248</u>	<u>586,315</u>	<u>739,204</u>	<u>2,924</u>	<u>(73,080)</u>	<u>5,836,396</u>
Gross profit	\$	<u>225,890</u>	<u>252,350</u>	<u>62,802</u>	<u>252,443</u>	<u>572</u>	<u>4,246</u>	<u>798,303</u>
		For the six months ended June 30, 2021						
		ICT Infrastructures	Computing & Data Utilization	Digitalization	Clouds, Software and Services	Other products	Reconciliation and eliminations	Total
Revenue								
Revenue from external								
customers	\$	1,594,401	2,650,975	989,304	422,536	84,786	-	5,742,002
Intersegment revenues		8,613	25,183	1,877	8,551	-	(44,224)	-
Total revenue	\$	<u>1,603,014</u>	<u>2,676,158</u>	<u>991,181</u>	<u>431,087</u>	<u>84,786</u>	<u>(44,224)</u>	<u>5,742,002</u>
Gross profit	\$	<u>215,045</u>	<u>235,327</u>	<u>81,707</u>	<u>170,000</u>	<u>15,266</u>	<u>7,861</u>	<u>725,206</u>