

**SYSAGE TECHNOLOGY CO., LTD.
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 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.

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Independent Auditors' Review Report

To the Board of Directors of SYSAGE TECHNOLOGY CO., LTD.:

Introduction

We have reviewed the accompanying consolidated balance sheets of SYSAGE TECHNOLOGY CO., LTD. and its subsidiaries (“the Group”) as of March 31, 2022 and 2021, the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 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 \$1,443,811 thousand and \$1,192,220 thousand, constituting 18% and 15% of the consolidated total assets; and the total liabilities amounting to \$764,338 thousand and \$676,586 thousand, constituting 18% and 17% of consolidated total liabilities as of March 31, 2022 and 2021, respectively; as well as the absolute value of total comprehensive income amounting to \$60,676 thousand and \$74,147 thousand, constituting 38% and 27% of the absolute value of consolidated total comprehensive income for the three months ended March 31, 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 \$108,616 thousand and \$103,107 thousand, as of March 31, 2022 and 2021, respectively, and its related share of loss of associates accounted for using equity method of \$1,726 thousand and \$2,038 thousand for the three months ended March 31, 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 March 31, 2022 and 2021, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 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)
May 5, 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 March 31, 2022 and 2021

SYSAGE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2022, December 31 and March 31, 2021

(In Thousands of New Taiwan Dollars)

Assets		March 31, 2022		December 31, 2021		March 31, 2021		Liabilities and Equity		March 31, 2022		December 31, 2021		March 31, 2021	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (Note 6(a))	\$ 759,708	9	650,581	8	1,159,694	15	2100	Short-term borrowings (Note 6(n))	\$ 1,094,605	13	1,145,658	14	431,590	5
1110	Current financial assets at fair value through profit or loss (Note 6(b))	2,438	-	243	-	7,341	-	2120	Current financial liabilities at fair value through profit or loss (Notes 6(b) and (g))	9,103	-	7,522	-	11,716	-
1141	Current contract assets (Note 6(v))	9,353	-	20,392	-	7,366	-	2130	Contract liability (Note 6(v))	183,027	2	251,543	3	300,523	4
1170	Notes and accounts receivable, net (Notes 6(c), (v) and 8)	2,414,491	29	2,739,189	32	1,928,883	24	2170	Notes and accounts payable (Note 7)	1,352,650	17	1,446,248	17	1,624,059	20
1180	Accounts receivable due from related parties, net (Notes 6(c), (v) and 7)	57,005	1	69,454	1	72,761	1	2200	Other payables (Note 7)	400,024	5	507,752	6	434,792	5
1300	Inventories (Note 6(e))	2,854,850	35	2,858,625	34	2,896,100	36	2216	Dividends payable	470,894	6	-	-	470,894	6
1410	Prepayments	83,714	1	56,026	1	97,121	1	2280	Current lease liabilities (Note 6(p))	47,648	1	41,931	1	36,740	1
1470	Other current assets (Notes 6(d) and 7)	6,731	-	3,333	-	17,975	-	2310	Advance receipts	29,651	-	23,171	-	11,229	-
		6,188,290	75	6,397,843	76	6,187,241	77	2320	Long-term borrowings, current portion (Note 6(o))	17,079	-	17,037	-	16,914	-
								2399	Other current liabilities	2,682	-	1,588	-	6,270	-
										3,607,363	44	3,442,450	41	3,344,727	41
Non-current assets:								Non-current liabilities:							
1510	Non-current financial assets at fair value through profit or loss (Note 6(b))	354,365	4	338,296	4	184,476	2	2500	Non-current financial liabilities at fair value through profit or loss (Notes 6(b) and (g))	95,628	1	97,986	1	93,346	1
1550	Investments accounted for using equity method (Note 6(f))	108,616	1	110,312	1	103,107	1	2540	Long-term borrowings (Note 6(o))	272,305	3	276,586	3	289,375	4
1600	Property, plant and equipment (Notes 6(j) and 8)	939,566	11	943,464	11	958,493	12	2580	Non-current lease liabilities (Note 6(p))	150,793	2	151,678	2	161,991	2
1755	Right-of-use assets (Note 6(k))	192,419	2	187,926	2	192,512	2	2600	Other non-current liabilities	6,635	-	4,366	-	4,103	-
1760	Investment property, net (Note 6(l))	-	-	-	-	12,950	-			525,361	6	530,616	6	548,815	7
1780	Intangible assets (Notes 6(g) and (m))	205,544	3	192,243	2	207,531	3		Total liabilities	4,132,724	50	3,973,066	47	3,893,542	48
1840	Deferred income tax assets	50,695	1	58,833	1	54,561	1		Equity attributable to owners of parent:						
1931	Long-term notes receivable (Notes 6(c) and (v))	32,955	1	34,265	1	20,886	-	3100	Share capital (Note 6(t))	1,883,573	23	1,883,573	22	1,883,573	24
1942	Long-term accounts receivables due from related parties (Notes 6(c), (v) and 7)	65,772	1	65,772	1	-	-	3200	Capital surplus (Notes 6(f), (g), (h) and (t))	1,275,983	15	1,275,919	15	1,286,680	16
1990	Other non-current assets (Note 8)	104,954	1	102,770	1	123,539	2	3310	Legal reserve (Note 6(t))	383,289	5	383,289	5	328,387	4
		2,054,886	25	2,033,881	24	1,858,055	23	3350	Unappropriated retained earnings (Note 6(t))	392,348	5	778,125	9	478,398	6
								3400	Other equity interest	10,569	-	(30,343)	-	2,801	-
									Total equity attributable to owners of parent	3,945,762	48	4,290,563	51	3,979,839	50
								36XX	Non-controlling interests	164,690	2	168,095	2	171,915	2
									Total equity	4,110,452	50	4,458,658	53	4,151,754	52
Total assets		\$ 8,243,176	100	8,431,724	100	8,045,296	100		Total liabilities and equity	\$ 8,243,176	100	8,431,724	100	8,045,296	100

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

SYSAGE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

		<u>For the three months ended March 31</u>			
		<u>2022</u>		<u>2021</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Operating revenue (Notes 6(v) and 7)	\$ 2,811,279	100	2,993,335	100
5000	Operating costs (Notes 6(e), (r), 7, and 12)	<u>2,433,781</u>	<u>87</u>	<u>2,619,499</u>	<u>88</u>
	Gross profit	<u>377,498</u>	<u>13</u>	<u>373,836</u>	<u>12</u>
	Operating expenses (Notes 6(c), (r), (w), 7 and 12):				
6100	Selling expenses	232,535	8	214,197	7
6200	General and administrative expenses	45,055	2	47,004	1
6300	Research and development expenses	9,430	-	5,829	-
6450	Reversal of expected credit loss	<u>(395)</u>	<u>-</u>	<u>(9,075)</u>	<u>-</u>
		<u>286,625</u>	<u>10</u>	<u>257,955</u>	<u>8</u>
	Net operating income	<u>90,873</u>	<u>3</u>	<u>115,881</u>	<u>4</u>
	Non-operating income and expenses:				
7010	Other income (Notes 6(p), (x) and 7)	2,496	-	1,430	-
7100	Interest income	293	-	218	-
7020	Other gains and losses (Notes 6(i) and (x))	15,277	1	147,403	5
7050	Finance costs (Notes 6(p), (x), and 7)	<u>(5,939)</u>	<u>-</u>	<u>(3,922)</u>	<u>-</u>
7060	Share of profit (loss) of associates accounted for using equity method (Note 6(f))	<u>(1,726)</u>	<u>-</u>	<u>(2,038)</u>	<u>-</u>
		<u>10,401</u>	<u>1</u>	<u>143,091</u>	<u>5</u>
	Profit before income tax	<u>101,274</u>	<u>4</u>	<u>258,972</u>	<u>9</u>
7950	Less: Income tax expenses (Note 6(s))	<u>19,562</u>	<u>1</u>	<u>31,594</u>	<u>1</u>
	Profit	<u>81,712</u>	<u>3</u>	<u>227,378</u>	<u>8</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))	(34)	-	-	-
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>
	Items that may not be reclassified subsequently to profit or loss	<u>(34)</u>	<u>-</u>	<u>-</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	40,946	1	2,801	-
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>
	Items that may be reclassified subsequently to profit or loss	<u>40,946</u>	<u>1</u>	<u>2,801</u>	<u>-</u>
8300	Other comprehensive income, net of tax	<u>40,912</u>	<u>1</u>	<u>2,801</u>	<u>-</u>
	Total comprehensive income	<u>\$ 122,624</u>	<u>4</u>	<u>230,179</u>	<u>8</u>
	Profit (loss) attributable to:				
8610	Owners of parent	\$ 85,117	3	222,962	8
8620	Non-controlling interests	<u>(3,405)</u>	<u>-</u>	<u>4,416</u>	<u>-</u>
		<u>\$ 81,712</u>	<u>3</u>	<u>227,378</u>	<u>8</u>
	Comprehensive income (loss) attributable to:				
8710	Owners of parent	\$ 126,029	4	225,763	8
8720	Non-controlling interests	<u>(3,405)</u>	<u>-</u>	<u>4,416</u>	<u>-</u>
		<u>\$ 122,624</u>	<u>4</u>	<u>230,179</u>	<u>8</u>
	Earnings per share (Note 6(u))				
9750	Basic earnings per share (NT dollars)	<u>\$ 0.45</u>		<u>1.18</u>	
9850	Diluted earnings per share (NT dollars)	<u>\$ 0.45</u>		<u>1.17</u>	

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
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SYSAGE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity
For the three months ended March 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

	Equity Attributable to owners of parent										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	Equity attributable to former owner of business combination under common control	Non-controlling interests	
			Legal 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	-	-	-	222,962	-	-	-	222,962	-	4,416	227,378
Other comprehensive income	-	-	-	-	2,801	-	-	2,801	-	-	2,801
Comprehensive income	-	-	-	222,962	2,801	-	-	225,763	-	4,416	230,179
Appropriation and distribution of retained earnings:											
Cash dividends	-	-	-	(470,894)	-	-	-	(470,894)	-	-	(470,894)
Reorganization	-	(45,891)	-	-	-	-	-	(45,891)	(94,109)	-	(140,000)
Difference between consideration and carrying amount of subsidiaries' share acquired	-	(440)	-	-	-	-	-	(440)	-	(60)	(500)
Derecognize non-controlling interests due to dispose subsidiaries	-	-	-	-	-	-	-	-	-	(227,162)	(227,162)
Acquisition of non-controlling interests in a business combination	-	-	-	-	-	-	-	-	-	119,676	119,676
Balance on March 31, 2021	\$ <u>1,883,573</u>	<u>1,286,680</u>	<u>328,387</u>	<u>478,398</u>	<u>2,801</u>	<u>-</u>	<u>-</u>	<u>3,979,839</u>	<u>-</u>	<u>171,915</u>	<u>4,151,754</u>
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	-	-	-	85,117	-	-	-	85,117	-	(3,405)	81,712
Other comprehensive income	-	-	-	-	40,878	(171)	205	40,912	-	-	40,912
Comprehensive income	-	-	-	85,117	40,878	(171)	205	126,029	-	(3,405)	122,624
Appropriation and distribution of retained earnings:											
Cash dividends	-	-	-	(470,894)	-	-	-	(470,894)	-	-	(470,894)
Changes in equity of associates accounted for using equity method	-	64	-	-	-	-	-	64	-	-	64
Balance on March 31, 2022	\$ <u>1,883,573</u>	<u>1,275,983</u>	<u>383,289</u>	<u>392,348</u>	<u>11,173</u>	<u>(173)</u>	<u>(431)</u>	<u>3,945,762</u>	<u>-</u>	<u>164,690</u>	<u>4,110,452</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

SYSAGE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2022	2021
Cash flows from operating activities:		
Profit before income tax	\$ 101,274	258,972
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	20,803	20,047
Amortization expense	2,618	2,503
Gains on disposal of property, plant and equipment	-	(137)
Reversal of expected credit loss	(395)	(9,075)
Net gains on valuation of financial assets (liabilities) at fair value through profit or loss	(19,106)	(34,201)
Share of profit (loss) of associates accounted for using equity method	1,726	2,038
Gain on disposal of non-current assets or liabilities held for sale	-	(84,232)
Gain on disposal of subsidiaries	-	(20,696)
Interest expense	5,939	3,922
Interest income	(293)	(218)
Total adjustments to reconcile profit (loss)	<u>11,292</u>	<u>(120,049)</u>
Changes in operating assets and liabilities:		
Total net changes in operating assets:		
Notes and accounts receivable (including related parties)	338,248	81,990
Current financial assets at fair value through profit or loss	-	154,149
Inventories	(721)	112,401
Contract assets	11,039	6,606
Other current assets	(31,102)	(26,108)
Other non-current assets	(1,869)	1,099
Total changes in operating assets	<u>315,595</u>	<u>330,137</u>
Total changes in operating liabilities:		
Contract liabilities	(68,516)	(59,305)
Notes and accounts payable	(93,598)	32,925
Other payables	(117,008)	(159,654)
Advance receipts	6,480	(2,090)
Other current liabilities	1,094	-
Other non-current liabilities	-	(2,764)
Total changes in operating liabilities	<u>(271,548)</u>	<u>(190,888)</u>
Total changes in operating assets and liabilities	<u>44,047</u>	<u>139,249</u>
Total adjustments	<u>55,339</u>	<u>19,200</u>
Cash inflows generated from operations	156,613	278,172
Interest received	312	206
Interest paid	(5,566)	(3,942)
Income taxes paid	(203)	-
Net cash inflows from operating activities	<u>151,156</u>	<u>274,436</u>
Cash flows from investing activities:		
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	(3,695)	(1,148)
Proceeds from disposal of property, plant and equipment	-	708
Increase in refundable deposits	(1,624)	(1,570)
Acquisition of intangible assets	-	(106)
Net cash inflows (outflows) from investing activities	<u>(5,319)</u>	<u>225,356</u>
Cash flows from financing activities:		
Decrease in short-term borrowings	(51,053)	(89,169)
Repayments of long-term borrowings	(4,239)	(4,208)
Decrease in guarantee deposits	(38)	(40)
Payments of lease liabilities	(11,292)	(10,718)
Acquisition of non-controlling interests	-	(500)
Net cash outflows from financing activities	<u>(66,622)</u>	<u>(104,635)</u>
Effect of exchange rate changes on cash and cash equivalents	29,912	2,822
Increase in cash and cash equivalents	109,127	397,979
Cash and cash equivalents, beginning of period	650,581	761,715
Cash and cash equivalents, end of period	<u>\$ 759,708</u>	<u>1,159,694</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

SYSAGE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2022 and 2021

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

(1) Company history

SYSAGE TECHNOLOGY CO., LTD. (“the Company”) was incorporated on April 16, 1998 under the approval of Ministry of Economic Affairs, Republic of China (“R.O.C.”). 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 March 31, 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 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 consulting education services as well as research, development 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 May 5, 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)

SYSAGE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (b) 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 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”

(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.

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SYSAGE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
Notes to the 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
			March 31, 2022	December 31, 2021	March 31, 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)
STATINC	DKABio Co., Ltd. (DKABio)	Market research service, marketing consulting, and big data and cloud database, etc.	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.

(Continued)

SYSAGE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

(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.

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SYSAGE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Cash on hand and petty cash	\$ 449	442	467
Check and demand deposits	<u>759,259</u>	<u>650,139</u>	<u>1,159,227</u>
	<u>\$ 759,708</u>	<u>650,581</u>	<u>1,159,694</u>

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

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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Financial assets at fair value through profit or loss:			
Current:			
Pre-purchased foreign currency forward contracts	\$ 2,438	243	7,341
Non-current:			
Foreign and domestic unlisted stocks	257,901	240,694	184,476
Domestic unlisted equities	<u>96,464</u>	<u>97,602</u>	<u>-</u>
Total	<u>\$ 356,803</u>	<u>338,539</u>	<u>191,817</u>

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SYSAGE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	March 31, 2022	December 31, 2021	March 31, 2021
Financial liabilities at fair value through profit or loss:			
Current:			
Pre-purchased foreign currency forward contracts	\$ (1,388)	(2,286)	(533)
Contingent considerations arising from business combinations	(7,715)	(5,236)	(11,183)
Non-current:			
Contingent considerations arising from business combinations	(95,628)	(97,986)	(93,346)
Total	\$ (104,731)	(105,508)	(105,062)

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:

	March 31, 2022		
Financial instruments	Nominal amounts	Maturity period	Pre-agreed exchange rate
Pre-purchased foreign currency forward contracts			
Buy USD/Sell NTD	USD 9,927 thousand	2022.04.01~ 2022.07.15	27.823~28.683
Buy USD/Sell ZAR	USD 1,492 thousand	2022.04.14~ 2022.04.29	14.495~15.460
Buy NTD/Sell USD	USD 380 thousand	2022.05.05~ 2022.05.11	28.430

(Continued)

SYSAGE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Financial instruments	December 31, 2021		
	Nominal amounts	Maturity period	Pre-agreed exchange rate
Pre-purchased foreign currency forward contracts			
Buy USD/Sell NTD	USD14,240 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 USD	RMB 1,000 thousand	2022.03.31~ 2022.04.15	4.296

Financial instruments	March 31, 2021		
	Nominal amounts	Maturity period	Pre-agreed exchange rate
Pre-purchased foreign currency forward contracts			
Buy USD/Sell NTD	USD18,840 thousand	2021.04.01~ 2021.06.10	27.885~28.613
Buy USD/Sell ZAR	USD 744 thousand	2021.04.06~ 2021.04.30	14.507~14.890

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

	March 31, 2022	December 31, 2021	March 31, 2021
Notes receivable (including long-term)	\$ 235,779	299,082	150,515
Accounts receivable (including long-term)	2,239,720	2,502,216	1,837,659
Accounts receivable due from related parties (including long-term)	122,777	135,226	72,761
Less: loss allowance	(28,053)	(27,844)	(38,405)
Total	\$ 2,570,223	2,908,680	2,022,530
Current	\$ 2,471,496	2,874,415	2,001,644
Non-current	98,727	34,265	20,886
Total	\$ 2,570,223	2,908,680	2,022,530

(i) As of March 31, 2022, December 31, 2021 and March 31, 2021 the Group provide 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.

(ii) Non-current notes receivable mainly arose from installment sales.

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SYSAGE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (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:

	March 31, 2022		
	Gross carry amount of accounts and notes receivable	Weighted- average loss rate	Loss allowance for lifetime expected credit losses
Current	\$ 2,440,915	0.12%	2,857
1 to 30 days past due	49,144	2.70%	1,326
31 to 60 days past due	67,039	6.94%	4,651
61 to 90 days past due	2,520	20.00%	504
91 to 120 days past due	500	50.00%	250
More than 121 days past due	<u>38,158</u>	48.39%	<u>18,465</u>
	<u><u>\$ 2,598,276</u></u>		<u><u>28,053</u></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><u>\$ 2,936,524</u></u>		<u><u>27,844</u></u>

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SYSAGE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	March 31, 2021		
	Gross carry amount of accounts and notes receivable	Weighted- average loss rate	Loss allowance for lifetime expected credit losses
Current	\$ 1,927,708	0.25%	4,845
1 to 30 days past due	59,233	1.85%	1,095
31 to 60 days past due	42,941	9.83%	4,220
61 to 90 days past due	2,959	19.26%	570
91 to 120 days past due	550	29.45%	162
More than 121 days past due	27,544	99.89%	27,513
	\$ 2,060,935		38,405

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

	For the three months ended March 31	
	2022	2021
Beginning balance	\$ 27,844	47,333
Acquisition	-	162
Reversal of impairment loss	(395)	(9,075)
Effects of exchange rate changes	604	(15)
Ending balance	\$ 28,053	38,405

- (d) Other receivables

	March 31, 2022	December 31, 2021	March 31, 2021
Other receivables	\$ 23,720	21,463	17,980
Less: loss allowance	(19,641)	(19,641)	(16,927)
	\$ 4,079	1,822	1,053

- (i) As of March 31, 2022, December 31, 2021 and March 31, 2021, there was no other receivables that was past due but not impaired.
- (ii) The movements in the loss allowance for other receivables were as follows:

	For the three months ended March 31	
	2022	2021
Beginning balance (Ending balance)	\$ 19,641	16,927

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SYSAGE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(e) Inventories

	March 31, 2022	December 31, 2021	March 31, 2021
Merchandise inventory	\$ <u>2,854,850</u>	<u>2,858,625</u>	<u>2,896,100</u>

For the three months ended March 31, 2022 and 2021, reversal on inventories written down to net realizable value and recognized as operating costs amounted to \$695 thousand and \$6,565 thousand, respectively.

(f) Investments accounted for using equity method

Investments accounted for using the equity method were as follows:

	March 31, 2022	December 31, 2021	March 31, 2021
Associates	\$ <u>108,616</u>	<u>110,312</u>	<u>103,107</u>

- (i) In February 2022, GRANDSYS issued 925 thousand shares to be exercised as employee stock options. Resulting the Group' s shareholding in GRANDSYS to decrease from 21.84% to 21.08%, and the Group' s capital surplus to increase by \$64 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 March 31	
	2022	2021
Attributable to the Group:		
Net loss	\$ (1,726)	(2,038)
Other comprehensive income	(34)	-
Total comprehensive income	\$ <u>(1,760)</u>	<u>(2,038)</u>

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 March 31, 2022, December 31, 2021 and March 31, 2021, none of the investments accounted for using the equity method was pledged as collateral, or otherwise subject to any restriction.

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SYSAGE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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.

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.

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SYSAGE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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>

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.

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SYSAGE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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)

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		81,098
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>43,962</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.

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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 acquired and liabilities assumed recognized at the acquisition date:

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)

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)

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)

SYSAGE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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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		<u>(135)</u>
		412,402
Non-controlling interests		(227,162)
Receivables between the Group		<u>(3,677)</u>
	\$	<u><u>181,563</u></u>

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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 and construction</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	-	-	3,695	3,695
Transferred from inventories	-	-	1,565	1,565
Effects of exchange rate changes	-	-	3,750	3,750
Balance on March 31, 2022	<u>\$ 587,346</u>	<u>374,891</u>	<u>201,078</u>	<u>1,163,315</u>
Balance on January 1, 2021	\$ 589,896	375,930	210,314	1,176,140
Acquisition through business combination	-	-	19,133	19,133
Additions	-	-	1,148	1,148
Disposal	-	-	(2,951)	(2,951)
Transferred from inventories	-	-	6,500	6,500
Effects of exchange rate changes	-	-	(106)	(106)
Balance on March 31, 2021	<u>\$ 589,896</u>	<u>375,930</u>	<u>234,038</u>	<u>1,199,864</u>
Accumulated depreciation:				
Balance on January 1, 2022	\$ -	77,617	133,224	210,841
Depreciation	-	1,859	7,623	9,482
Effects of exchange rate changes	-	-	3,426	3,426
Balance on March 31, 2022	<u>\$ -</u>	<u>79,476</u>	<u>144,273</u>	<u>223,749</u>
Balance on January 1, 2021	\$ -	70,384	147,226	217,610
Acquisition through business combination	-	-	17,447	17,447
Depreciation	-	1,864	6,913	8,777
Disposal	-	-	(2,380)	(2,380)
Effects of exchange rate changes	-	-	(83)	(83)
Balance on March 31, 2021	<u>\$ -</u>	<u>72,248</u>	<u>169,123</u>	<u>241,371</u>
Carrying amounts:				
January 1, 2022	<u>\$ 587,346</u>	<u>297,274</u>	<u>58,844</u>	<u>943,464</u>
March 31, 2022	<u>\$ 587,346</u>	<u>295,415</u>	<u>56,805</u>	<u>939,566</u>
January 1, 2021	<u>\$ 589,896</u>	<u>305,546</u>	<u>63,088</u>	<u>958,530</u>
March 31, 2021	<u>\$ 589,896</u>	<u>303,682</u>	<u>64,915</u>	<u>958,493</u>

(Continued)

SYSAGE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (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 March 31, 2022, December 31, 2021 and March 31, 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 and improvements</u>	<u>Others</u>	<u>Total</u>
Cost:			
Balance on January 1, 2022	\$ 291,773	6,167	297,940
Additions	13,746	-	13,746
Decrease	-	(1,285)	(1,285)
Effects of exchange rate changes	4,667	828	5,495
Balance on March 31, 2022	<u>\$ 310,186</u>	<u>5,710</u>	<u>315,896</u>
Balance on January 1, 2021	\$ 280,880	5,475	286,355
Acquisition	34,920	-	34,920
Additions	6,219	-	6,219
Derecognized of the subsidiary	(24,416)	-	(24,416)
Decrease	(6,219)	-	(6,219)
Effects of exchange rate changes	(185)	(22)	(207)
Balance on March 31, 2021	<u>\$ 291,199</u>	<u>5,453</u>	<u>296,652</u>
Accumulated depreciation:			
Balance on January 1, 2022	\$ 106,383	3,631	110,014
Depreciation	10,919	402	11,321
Decrease	-	(1,285)	(1,285)
Effects of exchange rate changes	2,924	503	3,427
Balance on March 31, 2022	<u>\$ 120,226</u>	<u>3,251</u>	<u>123,477</u>

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SYSAGE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Buildings and improvements	Others	Total
Balance on January 1, 2021	\$ 82,557	2,390	84,947
Acquisition	12,060	-	12,060
Depreciation	10,891	359	11,250
Derecognized of the subsidiary	(3,607)	-	(3,607)
Decrease	(396)	-	(396)
Effects of exchange rate changes	(110)	(4)	(114)
Balance on March 31, 2021	<u>\$ 101,395</u>	<u>2,745</u>	<u>104,140</u>
Carrying amount:			
January 1, 2022	<u>\$ 185,390</u>	<u>2,536</u>	<u>187,926</u>
March 31, 2022	<u>\$ 189,960</u>	<u>2,459</u>	<u>192,419</u>
January 1, 2021	<u>\$ 198,323</u>	<u>3,085</u>	<u>201,408</u>
March 31, 2021	<u>\$ 189,804</u>	<u>2,708</u>	<u>192,512</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 due to lost control over NEO TREND TECH in February 2021. Please refer to Note 6(i) for details.

(l) Investment property

Information about investment property was presented below:

	Land	Buildings and improvements	Total
Carrying amounts:			
January 1, 2022	\$ -	-	-
March 31, 2022	\$ -	-	-
January 1, 2021	<u>\$ 9,763</u>	<u>3,207</u>	<u>12,970</u>
March 31, 2021	<u>\$ 9,763</u>	<u>3,187</u>	<u>12,950</u>

- (i) There were no significant purchase, disposal, impairment loss or reversal gain on investment property for the three months ended March 31, 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 March 31, 2021, none of the Group's investment property was pledged as collateral.

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SYSAGE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(m) Intangible assets

Information about the costs and accumulated depreciation of intangible asset was presented below:

	<u>Goodwill</u>	<u>Patents and trademarks</u>	<u>Customer relationships</u>	<u>Others</u>	<u>Total</u>
Cost:					
Balance on January 1, 2022	\$ 160,041	5,490	7,959	28,255	201,745
Effects of exchange rate changes	<u>14,240</u>	<u>-</u>	<u>876</u>	<u>-</u>	<u>15,116</u>
Balance on March 31, 2022	<u>\$ 174,281</u>	<u>5,490</u>	<u>8,835</u>	<u>28,255</u>	<u>216,861</u>
Balance on January 1, 2021	\$ 115,515	-	6,856	-	122,371
Additions	-	-	-	106	106
Acquisition	56,093	5,521	1,827	28,149	91,590
Effects of exchange rate changes	<u>(275)</u>	<u>-</u>	<u>(28)</u>	<u>-</u>	<u>(303)</u>
Balance on March 31, 2021	<u>\$ 171,333</u>	<u>5,521</u>	<u>8,655</u>	<u>28,255</u>	<u>213,764</u>
Accumulated impairment loss and amortization:					
Balance on January 1, 2022	\$ 1,966	478	4,195	2,863	9,502
Amortization	-	138	455	716	1,309
Effects of exchange rate changes	<u>-</u>	<u>-</u>	<u>506</u>	<u>-</u>	<u>506</u>
Balance on March 31, 2022	<u>\$ 1,966</u>	<u>616</u>	<u>5,156</u>	<u>3,579</u>	<u>11,317</u>
Balance on January 1, 2021	\$ 1,966	-	3,101	-	5,067
Acquisition	-	3	-	234	237
Amortization	-	92	429	481	1,002
Effects of exchange rate changes	<u>-</u>	<u>-</u>	<u>(73)</u>	<u>-</u>	<u>(73)</u>
Balance on March 31, 2021	<u>\$ 1,966</u>	<u>95</u>	<u>3,457</u>	<u>715</u>	<u>6,233</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>
March 31, 2022	<u>\$ 172,315</u>	<u>4,874</u>	<u>3,679</u>	<u>24,676</u>	<u>205,544</u>
March 31, 2021	<u>\$ 113,549</u>	<u>-</u>	<u>3,755</u>	<u>-</u>	<u>117,304</u>
January 1, 2021	<u>\$ 169,367</u>	<u>5,426</u>	<u>5,198</u>	<u>27,540</u>	<u>207,531</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 March 31, 2022, December 31, 2021 and March 31, 2021, none of the intangible assets was pledged as collateral.

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SYSAGE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(n) Short-term borrowings

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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Unsecured bank loans	\$ 1,093,605	1,045,658	431,590
Secured bank loans	1,000	100,000	-
	<u>\$ 1,094,605</u>	<u>1,145,658</u>	<u>431,590</u>
Range of interest rates at the end of period	<u>0.80%~6.95%</u>	<u>0.80%~6.45%</u>	<u>0.84%~8.00%</u>

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

(o) Long-term borrowings

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

	<u>March 31, 2022</u>			
	<u>Currency</u>	<u>Rate</u>	<u>Maturity period</u>	<u>Amount</u>
Secured bank loans	NTD	1.10%~1.45%	2022.04~2039.03	\$ 289,384
Less: current portion				(17,079)
Total				<u>\$ 272,305</u>
Unused credit lines				<u>\$ -</u>
	<u>December 31, 2021</u>			
	<u>Currency</u>	<u>Rate</u>	<u>Maturity period</u>	<u>Amount</u>
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>
	<u>March 31, 2021</u>			
	<u>Currency</u>	<u>Rate</u>	<u>Maturity period</u>	<u>Amount</u>
Secured bank loans	NTD	1.10%~1.21%	2021.04~2039.03	\$ 306,289
Less: current portion				(16,914)
Total				<u>\$ 289,375</u>
Unused credit lines				<u>\$ -</u>

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

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SYSAGE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(p) Lease liabilities

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

	March 31, 2022	December 31, 2021	March 31, 2021
Current	\$ 47,648	41,931	36,740
Non-current	150,793	151,678	161,991
	\$ 198,441	193,609	198,731

The amounts recognized in profit or loss were as follows:

	For the three months ended March 31	
	2022	2021
Interest on lease liabilities	\$ 878	953
Income from sub-leasing right-of-use assets	\$ (285)	(974)

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

	For the three months ended March 31	
	2022	2021
Interest payments for lease liabilities in operating activities	\$ (878)	(953)
Payments of lease liabilities in financing activities	(11,292)	(10,718)
Total cash outflow for leases	\$ (12,170)	(11,671)

Real estate leases

The Group leases buildings and construction 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).

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SYSAGE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date was as follows:

	March 31, 2022	December 31, 2021	March 31, 2021
Less than one year	\$ 5,163	4,730	979
1 to 2 years	1,139	1,139	857
2 to 3 years	1,168	1,159	857
3 to 4 years	1,174	1,174	857
4 to 5 years	1,174	1,174	-
More than 5 years	1,271	1,565	-
	<u>\$ 11,089</u>	<u>10,941</u>	<u>3,550</u>

(r) Employee benefits

No pension expenses from the defined benefit plans were recognized by the Group for the three months ended March 31, 2022 and 2021.

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 obligation.

	For the three months ended March 31	
	2022	2021
Operating costs	\$ 775	735
Operating expenses	6,133	5,014
	<u>\$ 6,908</u>	<u>5,749</u>

(s) Income taxes

(i) Income tax expenses:

Income tax expenses are summarized as follows:

	For the three months ended March 31	
	2022	2021
Current income tax expenses	\$ 19,562	31,594

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SYSAGE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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- (ii) The Group had no income taxes expenses recognized directly in equity and other comprehensive income for the three months ended March 31, 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.
- (t) Capital and other equity

Except for the following disclosure, there was no significant change in capital and other equity for the three months ended March 31, 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:

	March 31, 2022	December 31, 2021	March 31, 2021
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 under equity method	1,043	979	-
	<u>\$ 1,275,983</u>	<u>1,275,919</u>	<u>1,286,680</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. 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 common stock outstanding. The capital increase 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.

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SYSAGE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Retain earning

In accordance with the Articles of Association, 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.

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) Earnings distribution

The cash dividends of earnings distribution for 2021 had been approved and other items of earnings distribution had been proposed at the Board of Director's meeting on February 24, 2022 but have yet to be approved in shareholder's meeting. 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

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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 March 31	
	2022	2021
Basic earnings per share:		
Profit attributable to the Company	\$ <u>85,117</u>	<u>222,962</u>
Weighted-average number of ordinary shares outstanding (basic / thousand shares)	<u>188,357</u>	<u>188,357</u>
Earnings per share (dollars)	\$ <u>0.45</u>	<u>1.18</u>
	For the three months ended March 31	
	2022	2021
Diluted earnings per share:		
Profit attributable to the Company	\$ <u>85,117</u>	<u>222,962</u>
Weighted-average number of ordinary shares outstanding (diluted / thousand shares)	<u>189,619</u>	<u>189,775</u>
Earnings per share (dollars)	\$ <u>0.45</u>	<u>1.17</u>

(v) Revenue from contracts with customers

(i) Details of revenue

	For the three months ended March 31, 2022					
	ICT Infrastructures	Computing & Data Utilization	Digitalization	Clouds, Software and Services	Other products	Total
	Major products/service lines:					
Sale of goods	\$ 825,743	1,281,143	353,024	140,009	1,077	2,600,996
Rendering of services	-	-	-	210,283	-	210,283
Total	<u>\$ 825,743</u>	<u>1,281,143</u>	<u>353,024</u>	<u>350,292</u>	<u>1,077</u>	<u>2,811,279</u>
	For the three months ended March 31, 2021					
	ICT Infrastructures	Computing & Data Utilization	Digitalization	Clouds, Software and Services	Other products	Total
Major products/service lines:						
Sale of goods	\$ 848,675	1,351,688	549,237	49,301	44,515	2,843,416
Rendering of services	-	-	-	149,919	-	149,919
Total	<u>\$ 848,675</u>	<u>1,351,688</u>	<u>549,237</u>	<u>199,220</u>	<u>44,515</u>	<u>2,993,335</u>

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SYSAGE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Contract balances

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Notes receivable (including long-term)	\$ 235,779	299,082	150,515
Accounts receivable (including long-term and related parties)	2,362,497	2,637,442	1,910,420
Less: loss allowance	<u>(28,053)</u>	<u>(27,844)</u>	<u>(38,405)</u>
	<u>\$ 2,570,223</u>	<u>2,908,680</u>	<u>2,022,530</u>
Contract assets	<u>\$ 9,353</u>	<u>20,392</u>	<u>7,366</u>
Contract liabilities	<u>\$ 183,027</u>	<u>251,543</u>	<u>300,523</u>

- 1) For the impairment of notes and accounts receivable (including long-term and related parties), please refer to Note 6(c).
- 2) 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 March 31	
	<u>2022</u>	<u>2021</u>
Revenue Recognition	<u>\$ 151,811</u>	<u>199,776</u>

- 3) 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.

(w) Remuneration to employees and directors

In accordance with the pre-amended Article of Association 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' and supervisors' 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's estimated remuneration to employees and directors amounted to \$22,117 thousand and \$2,073 thousand, respectively, for the three months ended March 31, 2021.

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SYSAGE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

On August 25, 2021, the Company amended its Article of Association based on the resolution approved during the annual shareholders' meeting. In accordance with the amended Article of Association, 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 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 \$9,268 thousand for the three months ended March 31, 2022, and estimated its remuneration to directors at \$869 thousand.

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 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 and \$60,450, 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	
	March 31	
	<u>2022</u>	<u>2021</u>
Rent income	<u>\$ 2,496</u>	<u>1,430</u>

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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 March 31	
	2022	2021
Net foreign exchange gains	\$ (3,737)	1,868
Net gains on valuation of financial assets (liabilities) at fair value through profit or loss	19,106	34,201
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	(92)	6,269
	\$ 15,277	147,403

(iii) Finance costs

The Group's financial costs were as follows:

	For the three months ended March 31	
	2022	2021
Interest on bank loans	\$ 5,061	2,969
Interest on lease liabilities	878	953
	\$ 5,939	3,922

(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.

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

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SYSAGE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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3) Credit risk of receivables

For credit risk exposure of note and accounts receivable, 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>
March 31, 2022					
Non-derivative financial liabilities					
Financial liabilities at fair value through profit or loss - Contingent considerations arising from business combinations (Current and Non-current)	\$ 103,343	144,249	7,715	136,534	-
Long-term and short-term borrowings	1,383,989	1,414,304	1,117,843	81,090	215,371
Lease liabilities	198,441	205,030	50,475	128,422	26,133
Notes and accounts payable	1,352,650	1,352,650	1,352,650	-	-
Other payables	283,664	283,664	283,664	-	-
Dividends payable	470,894	470,894	470,894	-	-
Guarantee deposits	1,539	1,539	-	1,539	-
Derivative financial liabilities					
Outflow	1,388	133,285	133,285	-	-
Inflow	-	(131,897)	(131,897)	-	-
	<u>\$ 3,795,908</u>	<u>3,873,718</u>	<u>3,284,629</u>	<u>347,585</u>	<u>241,504</u>

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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	1,446,248	1,446,248	1,446,248	-	-
Other payables	400,299	400,299	400,299	-	-
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>
March 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)	\$ 104,529	185,556	11,696	25,135	148,725
Long-term and short-term borrowings	737,879	769,157	452,359	81,219	235,579
Lease liabilities	198,731	206,824	40,430	116,384	50,010
Notes and accounts payable	1,624,059	1,624,059	1,624,059	-	-
Other payables	296,182	296,182	296,182	-	-
Dividends payable	470,894	470,894	470,894	-	-
Guarantee deposits	1,581	1,581	-	1,581	-
Derivative financial liabilities					
Outflow	533	10,796	10,796	-	-
Inflow	-	(10,263)	(10,263)	-	-
	<u>\$ 3,434,388</u>	<u>3,554,786</u>	<u>2,896,153</u>	<u>224,319</u>	<u>434,314</u>

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

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SYSAGE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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(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:

	March 31, 2022			December 31, 2021			March 31, 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	\$ 2,788	28.60	79,730	2,530	27.68	70,018	6,118	28.53	174,552
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD/NTD	\$ 9,148	28.60	261,641	16,140	27.68	446,768	25,252	28.53	720,439

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 March 31, 2022 and 2021, with all other variables including derivative financial instruments remaining constant, would have decreased or increased the profit before income tax by \$1,338 thousand and \$128 thousand, respectively. The analysis for both periods was performed on the same basis.

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SYSAGE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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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, are as follows:

	For the three months ended March 31,			
	2022		2021	
	Foreign exchange (loss) gain	Average exchange rate	Foreign exchange (loss) gain	Average exchange rate
NTD	\$ (4,400)	1	3,080	1
ZAR	663	1.81	(1,212)	1.90
	\$ (3,737)		1,868	

(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 are 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	March 31, 2022			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Pre-purchased forward exchange contracts	\$ 2,438	-	-	2,438	2,438
Foreign and domestic unlisted stocks	257,901	-	-	257,901	257,901
Domestic unlisted equities	96,464	-	-	96,464	96,464
	\$ 356,803				

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SYSAGE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	March 31, 2022				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at amortized cost:					
Cash and cash equivalents	\$ 795,708				
Notes and accounts receivable, net (including long-term and related parties)	2,570,223				
Other receivables	4,079				
Refundable deposits	<u>71,874</u>				
	<u>\$ 3,441,884</u>				
Financial liabilities at fair value through profit or loss:					
Pre-purchased forward exchange contracts	\$ 1,388	-	-	1,388	1,388
Contingent considerations arising from business combinations	<u>103,343</u>	-	-	103,343	103,343
	<u>\$ 104,731</u>				
Financial liabilities measured at amortized cost:					
Long-term and short-term borrowings	\$ 1,383,989				
Lease liabilities	198,441				
Notes and accounts payable	1,352,650				
Other payables	283,664				
Dividends payable	470,894				
Guarantee deposits	<u>1,539</u>				
	<u>\$ 3,691,177</u>				

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SYSAGE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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	Carrying amount	December 31, 2021			
		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>				
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	1,446,248				
Other payables	400,299				
Guarantee deposits	<u>1,577</u>				
	<u>\$ 3,481,014</u>				

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SYSAGE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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	Carrying amount	March 31, 2021			
		Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Pre-purchased forward exchange contracts	\$ 7,341	-	-	7,341	7,341
Foreign and domestic unlisted stocks	<u>184,476</u>	-	-	184,476	184,476
	<u>\$ 191,817</u>				
Financial assets at amortized cost					
Cash and cash equivalents	\$ 1,159,694				
Notes and accounts receivable (including long-term and related parties)	2,022,530				
Other receivables	1,053				
Refundable deposits	<u>72,714</u>				
	<u>\$ 3,255,991</u>				
Financial liabilities at fair value through profit or loss:					
Contingent considerations arising from business combinations	\$ 104,529	-	-	104,529	104,529
Pre-purchased forward exchange contracts	<u>533</u>	-	-	533	533
	<u>\$ 105,062</u>				
Financial liabilities measured at amortized cost:					
Long-term and short-term borrowings	\$ 737,879				
Lease liabilities	198,731				
Notes and accounts payable	1,624,059				
Other payables	296,182				
Dividends payable	470,894				
Guarantee deposits	<u>1,581</u>				
	<u>\$ 3,329,326</u>				

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SYSAGE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

3) Transfers between Level 1 and Level 2

There were no transfers between level 1 and level 2 of the financial instruments for the three months ended March 31, 2022 and 2021.

4) Reconciliation of Level 3 fair values

	Measured at fair value through profit or loss	
	Derivative financial assets (liabilities)	Non-derivative financial assets (liabilities) measured at fair value through profit or loss
January 1, 2022	\$ (2,043)	235,074
Recognized in profit or loss	3,158	15,948
Effects of exchange rate changes	(65)	-
March 31, 2022	<u>\$ 1,050</u>	<u>251,022</u>
January 1, 2021	\$ (554)	76,463
Recognized in profit or loss	7,362	26,782
Contingent considerations arising from business combinations	-	(23,298)
March 31, 2021	<u>\$ 6,808</u>	<u>79,947</u>

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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 March 31, 2022 and 2021 were as follows:

	For the three months ended	
	March 31	
	2022	2021
Total gains and losses		
Recognized in profit or loss (recognized as other gains and losses)	\$ <u>16,998</u>	<u>33,590</u>

- 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:

Item	Valuation technique	Significant unobservable inputs	Interrelationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through profit or loss-investments in equity instrument without active market	Comparable listed companies approach	<ul style="list-style-type: none"> · Market liquidity discount rate (25.00%~30.74% as of March 31, 2022, 25.00%~31.34% as of December 31, 2021, and 25.00%~33,74% as of March 31, 2021) 	<ul style="list-style-type: none"> · 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	<ul style="list-style-type: none"> · Discount rate (8.19%~14.75% as of March 31, 2022, 8.19%~14,75% as of December 31, 2021, and 13.35%~15.15% as of March 31, 2021) 	<ul style="list-style-type: none"> · The higher the discount rate, the lower the fair value

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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
March 31, 2022			
Financial assets (liabilities) at fair value through profit or loss			
Investments in equity instrument without active market	Discount for marketability	\$ <u>(36,158)</u>	<u>36,158</u>
Contingent considerations arising from business combinations	Discount for discount rate	\$ <u>2,984</u>	<u>(3,144)</u>
December 31, 2021			
Financial assets (liabilities) at fair value through profit or loss			
Investments in equity instrument without active market	Discount for marketability	\$ <u>(33,780)</u>	<u>33,780</u>
Contingent considerations arising from business combinations	Discount for marketability	\$ <u>3,223</u>	<u>(3,399)</u>
March 31, 2021			
Financial assets (liabilities) at fair value through profit or loss			
Investments in equity instrument without active market	Discount for marketability	\$ <u>(26,406)</u>	<u>26,406</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.

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

For the three months ended March 31, 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 were as follows:

	January 1, 2022	Cash flows	Non-cash changes	March 31, 2022
Long-term borrowings	\$ 293,623	(4,239)	-	289,384
Short-term borrowings	1,145,658	(51,053)	-	1,094,605
Guarantee deposits	1,577	(38)	-	1,539
Lease liabilities	193,609	(11,292)	16,124	198,441
Total liabilities from financing activities	<u>\$ 1,634,467</u>	<u>(66,622)</u>	<u>16,124</u>	<u>1,583,969</u>

	January 1, 2021	Cash flows	Non-cash changes	March 31, 2021
Long-term borrowings	\$ 310,497	(4,208)	-	306,289
Short-term borrowings	514,759	(89,169)	6,000	431,590
Guarantee deposits	1,621	(40)	-	1,581
Lease liabilities	203,614	(10,718)	5,835	198,731
Total liabilities from financing activities	<u>\$ 1,030,491</u>	<u>(104,135)</u>	<u>11,835</u>	<u>938,191</u>

(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:

<u>Name of related party</u>	<u>Relationship with the Group</u>
Qisda Corporation (Qisda)	Parent of the Group
GRANDSYS INC. (GRANDSYS)	Associate of the Group
BenQ Foundation	Substantive related party
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
DFI Inc. (DFI)	It and the Company have the same ultimate parent company

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<u>Name of related party</u>	<u>Relationship with the Group</u>
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
BenQ ESCO Corporation (BenQ ESCO)	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
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 company

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<u>Name of related party</u>	<u>Relationship with the Group</u>
Darfon Electronics Corporation (Darfon Electronics)	Associate of the parent company
AU Optronics 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
Key management personnel	Key management personnel of the Group

(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	
	March 31	
	2022	2021
Parent Company	\$ 1,919	38,412
Associates	565	110
Other associates	23,271	32,816
	\$ 25,755	71,338

The selling price offered to related parties approximated the market price, and the credit terms. For the three months ended March 31, 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 three months ended March 31, 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	
	March 31	
	2022	2021
Parent Company	\$ -	(486)
Other associates	259	3,206
	\$ 259	2,720

Purchase prices and payment terms from related parties were similar to those from third-party suppliers. The payment terms for the three months ended March 31, 2022 and 2021 ranged between 30 to 60 days from the end of the month and 30 to 90 days from the end of the month, respectively.

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(iii) Receivables from related parties

The receivables due from related parties were as follows:

<u>Account</u>	<u>Category of related party</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Accounts receivable (including long-term)	Parent Company	\$ 100,508	102,435	39,826
Accounts receivable	Associates	593	2,551	116
Accounts receivable	Other associates	<u>21,676</u>	<u>30,240</u>	<u>32,819</u>
		<u>\$ 122,777</u>	<u>135,226</u>	<u>72,761</u>

(iv) Payables to related parties

The payables to related parties were as follows:

<u>Account</u>	<u>Category of related party</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Accounts payable	Parent Company	\$ -	-	504
Accounts payable	Other associates	<u>30</u>	<u>8,010</u>	<u>3,034</u>
		<u>\$ 30</u>	<u>8,010</u>	<u>3,538</u>

(v) Lease

<u>Lessee</u>	<u>Rental income</u>	
	<u>For the three months ended March 31 2022</u>	<u>2021</u>
Other associates - DFI	<u>\$ 2,012</u>	<u>-</u>

The deposit and monthly rental are determined based on nearby office rental rates. As of March 31, 2022, December 31 and March 31, 2021, the other receivables amounted to \$1,408 thousand, \$0 thousand, and \$0 thousand, respectively.

(vi) Financing from related parties

The borrowing from the other associate, Partner Tech, bear an annual interest rate of 3.5%, without collateral. For the three months ended March 31, 2021, the interest expense incurred from the interest-bearing borrowings from related parties amounted to \$205 thousand. The above-mentioned payable had since been fully received.

(vii) 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 March 31, 2022.

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(viii) 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.

(c) Key management personnel compensation

Key management personnel compensation includes:

	For the three months ended	
	March 31	
	2022	2021
Short-term employee benefits	\$ 25,618	22,642
Post-employment benefits	320	635
Termination benefits	-	-
Other long-term benefits	-	-
Share-based payment	-	-
	<u>\$ 25,938</u>	<u>23,277</u>

(8) Pledged assets

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

<u>Asset Name</u>	<u>Object</u>	<u>March</u> <u>31, 2022</u>	<u>December</u> <u>31, 2021</u>	<u>March</u> <u>31, 2021</u>
Property, plant and equipment	Long-term and short-term borrowings	\$ 828,374	830,124	835,372
Other non-current assets	Short-term borrowings	3,041	3,037	3,533
Accounts receivable	Credit lines for short-term borrowings	-	-	88,269
		<u>\$ 831,415</u>	<u>833,161</u>	<u>927,174</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:

	<u>Currency</u>	<u>March</u> <u>31, 2022</u>	<u>December</u> <u>31, 2021</u>	<u>March</u> <u>31, 2021</u>
		Promissory notes issued	NTD	<u>\$ 5,771,000</u>
	USD	<u>\$ 14,350</u>	<u>17,350</u>	<u>14,350</u>

(Continued)

SYSAGE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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(b) The Group's unused letters of credit for guarantee of purchasing are as follow:

March 31, 2022	December 31, 2021	March 31, 2021
\$ -	-	136,852

(10) Losses due to major disasters: None

(11) Subsequent events: None

(12) Others:

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

By item	By function	For the three months ended March 31, 2022			For the three months ended March 31, 2021		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits							
Salary		23,144	162,133	185,277	10,727	171,581	182,308
Labor and health insurance		1,542	13,578	15,120	1,629	11,422	13,051
Pension		775	6,133	6,908	735	5,014	5,749
Other employee benefits expense		999	9,771	10,770	495	9,911	10,406
Depreciation		991	19,812	20,803	1,056	18,991	20,047
Amortization		7	2,611	2,618	7	2,496	2,503

(b) Seasonal operation:

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

(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 years ended December 31, 2022:

(i) Loans to other parties: None

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SYSAGE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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(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	143,000	142,971	-	3.62 %	Note 1	Y	-	-
0	the Company	GLOBAL INTELLIGENCE NETWORK	"	"	100,000	100,000	100,000	-	2.53 %	"	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 \$789,152 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 \$1,972,881 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	246,354	19.53	246,354	(Note 1)
	CDS Holdings Limited	-	"	600	-	1.11	-	"
	YOBON TECHNOLOGIES, INC.	-	"	3	-	0.42	-	"
	Touch Cloud Inc.	-	"	200	850	1.50	850	"
	Gemini Data, Inc.	-	"	2,706	9,505	1.70	9,505	"
	KINGTEL CORPORATION	-	"	443	1,192	18.09	1,192	"
Equity:								
"	Taiwania Capital Buffalo Fund V, LP.	-	"	(Note 2)	96,464	12.78	96,464	"
					<u>354,365</u>		<u>354,365</u>	

Note 1: Unlisted company.

Note 2: Limited partnership.

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SYSAGE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (v) Acquisition of individual real estate with amount exceeding the lower of \$300 million or 20% of the capital stock: None
- (vi) Disposal of individual real estate with amount exceeding the lower of \$300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of 100 million or 20% of the capital stock: None
- (viii) Receivable from related parties with amount exceeding the lower of \$100 million or 20% of the capital stock: 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	Transaction details			
				Account	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	the Company	GLOBAL INTELLIGENCE NETWORK	1	Sales	12,965	60 days from the end of the month	0.46%
"	"	"	1	Accounts receivable	13,613	"	0.17%
"	"	EPIC CLOUD	1	Sales	11,166	"	0.40%
"	"	"	1	Accounts receivable	11,734	"	0.14%
1	GLOBAL INTELLIGENCE NETWORK	the Company	2	Sales	5,624	"	0.20%
"	"	"	2	Accounts receivable	5,905	"	0.07%

Note 1: No. are filled in as follows:

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

Note 2: Nature 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.

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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 three months ended March 31, 2022:

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of March 31, 2022			Net income (loss) of investee	Share of profits/losses of investee	Note
				March 31, 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 %	203,410	(2,631)	(2,088)	(Notes 1 and 3)
"	EPIC CLOUD	Taiwan	Data software and data processing services	50,000	50,000	5,000	100.00 %	18,256	(9,173)	(9,172)	(Notes 1 and 3)
"	COREX	South Africa	Import and export of electronic products for sale and purchase	251,872	251,872	1	100.00 %	328,288	1,134	862	(Notes 1 and 3)
"	STATINC	Taiwan	Market research, management consulting and data processing services	69,983	69,983	1,754	34.99 %	84,352	(5,647)	(2,141)	(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	21.08 %	104,221	(2,668)	(1,408)	(Note 2)
"	ADVANCEDTEK INTERNATIONAL	Taiwan	Applications of software implementing services	30,091	30,091	1,153	34.09 %	35,913	1,243	424	(Notes 1 and 3)
"	Everlasting Digital ESG	Taiwan	Development and sale of software	5,000	5,000	500	29.41 %	3,815	(1,360)	(318)	(Note 2)
EPIC CLOUD	GLOBAL INTELLIGENCE NETWORK	Taiwan	Trading in hardware and software for network and communications systems	172	172	10	0.08 %	172	(2,631)	-	(Notes 1 and 3)
"	STATINC	Taiwan	Market research, management consulting and data processing services	40	40	1	0.02 %	40	(5,647)	-	(Notes 1 and 3)
ADVANCEDTEK INTERNATIONAL	APEO Human Capital	Taiwan	Applications of software implementing services	2,060	2,060	200	100.00 %	3,291	728	727	(Notes 1 and 3)
STATINC	DKABio	Taiwan	Market research, management consulting and data processing	20,000	20,000	2,000	100.00 %	17,603	(1,309)	(1,309)	(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 have 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	Shares	Percentage
Qisda		96,841,239	51.41 %

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(14) Segment information:

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

		For the three months ended March 31, 2022						
		ICT Infrastructures	Computing & Data Utilization	Digitalization	Clouds, Software and Services	Other products	Reconciliation and eliminations	Total
Revenue								
Revenue from external								
customers	\$	825,743	1,281,143	353,024	350,292	1,077	-	2,811,279
Intersegment revenues		1,971	17,057	1,274	10,179	-	(30,481)	-
Total revenue	\$	<u>827,714</u>	<u>1,298,200</u>	<u>354,298</u>	<u>360,471</u>	<u>1,077</u>	<u>(30,481)</u>	<u>2,811,279</u>
Gross profit	\$	<u>108,526</u>	<u>111,906</u>	<u>37,082</u>	<u>119,376</u>	<u>355</u>	<u>253</u>	<u>377,498</u>
		For the three months ended March 31, 2021						
		ICT Infrastructures	Computing & Data Utilization	Digitalization	Clouds, Software and Services	Other products	Reconciliation and eliminations	Total
Revenue								
Revenue from external								
customers	\$	848,675	1,351,688	549,237	199,220	44,515	-	2,993,335
Intersegment revenues		5,546	11,943	1,626	4,339	-	(23,454)	-
Total revenue	\$	<u>854,221</u>	<u>1,363,631</u>	<u>550,863</u>	<u>203,559</u>	<u>44,515</u>	<u>(23,454)</u>	<u>2,993,335</u>
Gross profit	\$	<u>113,165</u>	<u>100,278</u>	<u>59,245</u>	<u>83,311</u>	<u>8,876</u>	<u>8,961</u>	<u>373,836</u>