

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

CONSOLIDATED FINANCIAL STATEMENTS

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 2021 and 2020**

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

Table of Contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Review Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flows	7
8. Notes to Consolidated Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the consolidated financial statements	8
(3) New standards, amendments, and interpretations adopted	8~9
(4) Summary of significant accounting policies	10~13
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	13~14
(6) Explanation of significant accounts	14~50
(7) Related-party transactions	50~54
(8) Pledged Assets	54
(9) Significant Commitments and contingencies	54~55
(10) Losses due to major disasters	55
(11) Subsequent events	55
(12) Others	55
(13) Other disclosures	
(a) Information on significant transactions	55~57
(b) Information on investees	57~58
(c) Information on Investment in Mainland China	58
(d) Major Shareholders	58
(14) Segment Information	58~59



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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, 2021 and 2020 (restated), the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2021 and 2020 (restated), 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 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 \$1,192,220 thousand and \$1,631,365 thousand, constituting 15% and 19% of the consolidated total assets as of March 31, 2021 and 2020 (restated), respectively; and the total liabilities amounting to \$676,586 thousand and \$956,861 thousand, constituting 17% and 25% of consolidated total liabilities as of March 31, 2021 and 2020 (restated), respectively; as well as the absolute value of total comprehensive income amounting to \$74,147 thousand and \$76,121 thousand, constituting 27% and 40% of the absolute value of consolidated total comprehensive income for the three months ended March 31, 2021 and 2020 (restated), respectively.

Furthermore, as stated in Note 6(f), the investments accounted for using equity method of the Group in its investee companies of \$103,107 thousand and \$2,301 thousand, as of March 31, 2021 and 2020 (restated), respectively, and its related share of loss of associates accounted for using equity method of \$2,038 thousand and \$118 thousand for the three months ended March 31, 2021 and 2020 (restated) 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, 2021 and 2020 (restated), and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2021 and 2020 (restated) 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.

Emphasis of Matter

As stated in Note 4(b), SYSAGE TECHNOLOGY CO., LTD. fully acquired 100% shareholdings in Corex (Pty) Ltd. from subsidiary of Qisda Corporation, Partner Tech Corporation by cash. Pursuant to the Interpretations (2012) No. 301 issued by Accounting Research and Development Foundation, the aforementioned transaction is an organizational reorganization under common control and had been regarded as a subsidy from beginning. The Group restated the consolidated financial statements for the three months ended March 31, 2020. Our conclusion is not modified in respect of this matter.

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 6, 2021

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’ report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards as of March 31, 2021 and 2020

SYSAGE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2021, December 31 and March 31, 2020

(In Thousands of New Taiwan Dollars)

	March 31, 2021		December 31, 2020 (Restated)		March 31, 2020 (Restated)			March 31, 2021		December 31, 2020 (Restated)		March 31, 2020 (Restated)	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
Assets							Liabilities and Equity						
Current assets:							Current liabilities:						
1100 Cash and cash equivalents (note 6(a))	\$ 1,159,694	15	761,715	9	967,544	11	2100 Short-term borrowings (Note 6(n))	\$ 431,590	5	514,759	6	586,372	7
1110 Current financial assets at fair value through profit or loss (note 6(b))	7,341	-	177,118	2	234,866	3	2120 Current financial liabilities at fair value through profit or loss (Notes 6(b) and (g))	11,716	-	3,050	-	255	-
1141 Current contract assets (Note 6(v))	7,366	-	-	-	-	-	2130 Contract liability (Note 6(v))	300,523	4	323,854	4	677,953	8
1170 Notes and accounts receivable, net (Notes 6(c), (v) and 8)	1,928,883	24	1,993,571	23	1,976,243	23	2170 Notes and accounts payable (Note 7)	1,624,059	20	1,572,265	18	1,485,833	17
1180 Accounts receivable due from related parties, net (Notes 6(c), (v) and 7)	72,761	1	10,903	-	38,837	-	2200 Other payables (note 7)	434,792	5	548,330	7	460,086	6
1300 Inventories (Notes 6(e) and 8)	2,896,100	36	3,014,963	35	3,702,687	43	2216 Dividends payable	470,894	6	-	-	-	-
1410 Prepayments	97,121	1	56,894	1	78,747	1	2260 Liabilities related to non-current assets or disposal groups classified as held for sale	-	-	358,207	4	-	-
1460 Non-current assets or disposal groups classified as held for sale	-	-	770,609	9	-	-	2280 Current lease liabilities (note 6(p))	36,740	1	35,265	1	34,596	-
1470 Other current assets (Note 6(d))	17,975	-	18,936	-	48,854	-	2310 Advance receipts	11,229	-	13,319	-	28,425	-
	<u>6,187,241</u>	<u>77</u>	<u>6,804,709</u>	<u>79</u>	<u>7,047,778</u>	<u>81</u>	2320 Long-term borrowings, current portion (Note 6(o))	16,914	-	16,822	-	16,455	-
							2399 Other current liabilities	6,270	-	3,759	-	1,130	-
Non-current assets:								<u>3,344,727</u>	<u>41</u>	<u>3,389,630</u>	<u>40</u>	<u>3,291,105</u>	<u>38</u>
1510 Non-current financial assets at fair value through profit or loss (Note 6(b))	184,476	2	157,694	2	114,409	1	Non-current liabilities:						
1550 Investments accounted for using equity method (Note 6(f))	103,107	1	132,265	2	2,301	-	2500 Non-current financial liabilities at fair value through profit or loss (Notes 6(b) and (g))	93,346	1	78,836	1	70,301	1
1600 Property, plant and equipment (Notes 6(j) and 8)	958,493	12	958,530	11	996,817	12	2540 Long-term borrowings (Note 6(o))	289,375	4	293,675	3	306,632	4
1755 Right-of-use assets (Note 6(l))	192,512	2	201,408	2	232,856	3	2580 Non-current lease liabilities (Note 6(p))	161,991	2	168,349	2	194,813	2
1760 Investment property (note 6(k))	12,950	-	12,970	-	-	-	2600 Other non-current liabilities	4,103	-	4,786	-	9,069	-
1780 Intangible assets (Notes 6(g) and (m))	207,531	3	117,304	2	102,741	1		<u>548,815</u>	<u>7</u>	<u>545,646</u>	<u>6</u>	<u>580,815</u>	<u>7</u>
1840 Deferred income tax assets	54,561	1	60,017	1	56,706	1	Total liabilities	<u>3,893,542</u>	<u>48</u>	<u>3,935,276</u>	<u>46</u>	<u>3,871,920</u>	<u>45</u>
1931 Long-term notes receivable (Notes 6(c) and (v))	20,886	-	24,161	-	8,279	-	Equity attributable to owners of parent:						
1900 Other non-current assets (Note 8)	123,539	2	106,673	1	106,045	1	3100 Share capital	1,883,573	24	1,883,573	22	1,883,573	22
	<u>1,858,055</u>	<u>23</u>	<u>1,771,022</u>	<u>21</u>	<u>1,620,154</u>	<u>19</u>	3200 Capital surplus (Notes 6(g), (h), and (t))	1,286,680	16	1,333,011	16	1,520,908	18
							3310 Legal reserve	328,387	4	328,387	4	290,442	3
							3350 Unappropriated retained earnings (Note 6(t))	478,398	6	726,330	8	710,908	8
							3410 Exchange differences on translation of foreign financial statements	2,801	-	-	-	-	-
								<u>3,979,839</u>	<u>50</u>	<u>4,271,301</u>	<u>50</u>	<u>4,405,831</u>	<u>51</u>
							Total equity attributable to owners of parent						
							35XX Equity attributable to former owner of business combination under common control	-	-	94,109	1	64,142	-
							36XX Non-controlling interests	171,915	2	275,045	3	326,039	4
							Total equity	<u>4,151,754</u>	<u>52</u>	<u>4,640,455</u>	<u>54</u>	<u>4,796,012</u>	<u>55</u>
Total assets	<u>\$ 8,045,296</u>	<u>100</u>	<u>8,575,731</u>	<u>100</u>	<u>8,667,932</u>	<u>100</u>	Total liabilities and equity	<u>\$ 8,045,296</u>	<u>100</u>	<u>8,575,731</u>	<u>100</u>	<u>8,667,932</u>	<u>100</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

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2021 and 2020

(In Thousands of New Taiwan Dollars)

		<u>For the three months ended March 31</u>			
		<u>2021</u>		<u>2020 (Restated)</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Operating revenue (Notes 6(v) and 7)	\$ 2,993,335	100	3,510,162	100
5000	Operating costs (Notes 6(e), (r), 7, and 12)	<u>2,619,499</u>	<u>88</u>	<u>3,079,516</u>	<u>88</u>
	Gross profit	<u>373,836</u>	<u>12</u>	<u>430,646</u>	<u>12</u>
	Operating expenses (Notes 6(e), (r), (w), and 12):				
6100	Selling expenses	214,197	7	222,828	6
6200	Administrative expenses	47,004	1	55,461	2
6300	Research and development expenses	5,829	-	5,003	-
6450	Expected credit loss (Reversal of expected credit loss)	<u>(9,075)</u>	<u>-</u>	<u>1,287</u>	<u>-</u>
		<u>257,955</u>	<u>8</u>	<u>284,579</u>	<u>8</u>
	Net operating income	<u>115,881</u>	<u>4</u>	<u>146,067</u>	<u>4</u>
	Non-operating income and expenses:				
7010	Other income (Notes 6(p) and (x))	1,430	-	1,120	-
7100	Interest income	218	-	117	-
7020	Other gains and losses (Notes 6(i) and (x))	147,403	5	(10,893)	-
7050	Finance costs (Notes 6(p), (x), and 7)	(3,922)	-	(5,736)	-
7060	Share of profit (loss) of associates accounted for using equity method (Note 6(f))	<u>(2,038)</u>	<u>-</u>	<u>(118)</u>	<u>-</u>
		<u>143,091</u>	<u>5</u>	<u>(15,510)</u>	<u>-</u>
	Profit before income tax	258,972	9	130,557	4
7950	Less: Income tax expenses (Note 6(s))	<u>31,594</u>	<u>1</u>	<u>31,033</u>	<u>1</u>
	Profit	<u>227,378</u>	<u>8</u>	<u>99,524</u>	<u>3</u>
8300	Other comprehensive income:				
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	2,801	-	(38,363)	(1)
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>2,801</u>	<u>-</u>	<u>(38,363)</u>	<u>(1)</u>
8300	Other comprehensive income, net of tax	<u>2,801</u>	<u>-</u>	<u>(38,363)</u>	<u>(1)</u>
	Total comprehensive income	<u>\$ 230,179</u>	<u>8</u>	<u>61,161</u>	<u>2</u>
	Profit attributable to:				
8610	Owners of the parent	\$ 222,962	8	118,935	3
8615	Former owner of business combination under common control	-	-	(25,289)	-
8620	Non-controlling interests	<u>4,416</u>	<u>-</u>	<u>5,878</u>	<u>-</u>
		<u>\$ 227,378</u>	<u>8</u>	<u>99,524</u>	<u>3</u>
	Comprehensive income attributable to:				
8710	Owners of the parent	\$ 225,763	8	118,935	3
8715	Former owner of business combination under common control	-	-	(63,652)	(1)
8720	Non-controlling interests	<u>4,416</u>	<u>-</u>	<u>5,878</u>	<u>-</u>
		<u>\$ 230,179</u>	<u>8</u>	<u>61,161</u>	<u>2</u>
	Earnings per share (Note 6(u))				
9750	Basic earnings per share (NT dollars)	<u>\$ 1.18</u>		<u>0.63</u>	
9850	Diluted earnings per share (NT dollars)	<u>\$ 1.17</u>		<u>0.63</u>	

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(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

Consolidated Statements of Changes in Equity
For the three months ended March 31, 2021 and 2020

(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of parent				Exchange differences on translation of foreign financial statements	Total equity attributable to owners of parent	Equity attributable to former owner of business combination		Non-controlling interests	Total equity
	Share capital	Capital surplus	Retained earnings				under common control	Total equity		
			Legal reserve	Unappropriated retained earnings						
Balance on January 1, 2020 (Restated)	\$ 1,883,573	1,520,908	290,442	591,973	-	4,286,896	127,794	320,161	4,734,851	
Profit	-	-	-	118,935	-	118,935	(25,289)	5,878	99,524	
Other comprehensive income	-	-	-	-	-	-	(38,363)	-	(38,363)	
Comprehensive income	-	-	-	118,935	-	118,935	(63,652)	5,878	61,161	
Balance on March 31, 2020 (Restated)	<u>\$ 1,883,573</u>	<u>1,520,908</u>	<u>290,442</u>	<u>710,908</u>	<u>-</u>	<u>4,405,831</u>	<u>64,142</u>	<u>326,039</u>	<u>4,796,012</u>	
Balance on January 1, 2021 (Restatement)	\$ 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 the consideration and the carrying amount of subsidiaries' share acquired	-	(440)	-	-	-	(440)	-	(60)	(500)	
Derecognize non-controlling interests due to dispose subsidiaries	-	-	-	-	-	-	-	(227,162)	(227,162)	
Acquire 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>3,979,839</u>	<u>-</u>	<u>171,915</u>	<u>4,151,754</u>	

See accompanying notes to the Consolidated Financial Statements.

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

Consolidated Statements of Cash Flows

For the three months ended March 31, 2021 and 2020

(In Thousands of New Taiwan Dollars)

	For the three months ended March 31,	
	2021	2020 (restated)
Cash flows from operating activities:		
Profit before income tax	\$ 258,972	130,557
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	20,047	19,927
Amortization expense	2,503	1,768
Gains on disposal of property, plant and equipment	(137)	-
Expected credit loss (Reversal of expected credit loss)	(9,075)	1,287
Net gains on valuation of financial assets (liabilities) at fair value through profit or loss	(34,201)	(20,403)
Share of profit (loss) of associates accounted for using equity method	2,038	118
Gain on disposal of non-current assets or liabilities held for sale	(84,232)	-
Gain on disposal of subsidiary	(20,696)	-
Interest expense	3,922	5,736
Interest income	(218)	(117)
Total adjustments to reconcile profit (loss)	(120,049)	8,316
Changes in operating assets and liabilities:		
Total net changes in operating assets:		
Notes and accounts receivable (including related parties)	81,990	241,035
Current financial assets at fair value through profit or loss	154,149	340,731
Inventories	112,401	(560,409)
Contract assets	6,606	-
Other current assets	(26,108)	(54,169)
Other non-current assets	1,099	2,612
Total changes in operating assets	330,137	(30,200)
Total changes in operating liabilities:		
Contract liabilities	(59,305)	(105,552)
Notes and accounts payable	32,925	(15,384)
Other payables	(159,654)	(18,965)
Advance receipts	(2,090)	(16,177)
Other current liabilities	-	143
Other non-current liabilities	(2,764)	(134)
Total changes in operating liabilities:	(190,888)	(156,069)
Total changes in operating assets and liabilities	139,249	(186,269)
Total adjustments	19,200	(177,953)
Cash inflows (outflows) generated from operations	278,172	(47,396)
Interest received	206	118
Interest paid	(3,942)	(5,640)
Net cash inflows (outflows) from operating activities	274,436	(52,918)
Cash flows from investing activities:		
Acquisition of investments accounted for using equity method	(5,000)	-
Proceeds 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	(1,148)	(1,090)
Proceeds from disposal of property, plant and equipment	708	-
Decrease (increase) in refundable deposits	(1,570)	2,255
Acquisition of intangible assets	(106)	-
Acquisition of right-of use assets	-	(8,094)
Net cash inflows (outflows) from investing activities	225,356	(6,929)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	(89,169)	348,169
Repayments of long-term borrowings	(4,208)	(4,094)
Increase (decrease) in guarantee deposits	(40)	1,470
Payments of lease liabilities	(10,718)	(9,685)
Acquisition of non-controlling interests	(500)	-
Net cash inflows (outflows) form financing activities	(104,635)	335,860
Effect of exchange rate changes on cash and cash equivalents	2,822	(12,848)
Increase in cash and cash equivalents	397,979	263,165
Cash and cash equivalents, beginning of period	761,715	704,379
Cash and cash equivalents, end of period	\$ 1,159,694	967,544

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, 2021 and 2020

(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, 2021 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 information architecture from Cisco and other companies, computing and cloud applications from IBM, Dell, EMC, and other companies, digital application integration 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, service 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 6, 2021.

(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, 2021:

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

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

The Group assesses that the adoption of the amendments to IFRSs effective from April 1, 2021 would not have a significant impact on its consolidated financial statements:

On April 1, 2021, the Group started to apply the following new, revised or amended International Financial Reporting Standards (“IFRSs”), and the adoption would not have any material impact on its consolidated financial statements.

(Continued)

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

- Amendments to IFRS 16 “COVID-19 Related Rent Concessions beyond June 30, 2021”
- (c) The impact of IFRSs issued by International Accounting Standards Board (“IASB”) but not yet endorsed by the FSC

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

Standards or Interpretations	Content of amendment	Effective date per IASB
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 Consolidated Company 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 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IFRS 1 “Disclosure of Accounting policies”
- Amendments to IFRS 8 “Definition of Accounting Estimates”

(Continued)

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

(4) Summary of significant accounting policies

(a) Statement of compliance

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

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2020. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2020.

(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, 2021	December 31, 2020	March 31, 2020	
The Company and EPIC CLOUD INFORMATION INTEGRATION	GLOBAL INTELLIGENCE NETWORK CO., LTD. (GLOBAL INTELLIGENCE NETWORK)	Trading in hardware and software for network and communications systems	79.43 %	79.43 %	62.12 %	(Notes 1 and 2)
The Company	EPIC CLOUD INFORMATION INTEGRATION CORP.(EPIC CLOUD INFORMATION INTEGRATION)	Data software and data processing services	100.00 %	95.00 %	70.00 %	(Notes 1 and 3)
The Company	NEO TREND TECH CORPORATION(NEO TREND TECH)	Telecommunications engineering	- %	100.00 %	- %	(Notes 1 and 4)
The Company and GLOBAL INTELLIGENCE NETWORK	DAWNING TECHNOLOGY NETWORK CO., LTD.(DAWNING TECHNOLOGY)	Trading in hardware and software for network systems	- %	44.43 %	44.43 %	(Notes 1 and 5)
The Company	Corex (Pty) Ltd. (Corex)	Sale, import and export of electronic products	100.00 %	- %	- %	(Notes 1 and 6)

(Continued)

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

<u>Name of investor</u>	<u>Name of subsidiary</u>	<u>Principal activity</u>	<u>Shareholding</u>			<u>Note</u>
			<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>	
The Company	ADVANCEDTEK INTERNATIONAL CORP. (ADVANCEDTEK INTERNATIONAL)	Application implementation services	34.09 %	- %	- %	(Notes 1 and 7)
The Company and EPIC CLOUD INFORMATION INTEGRATION	STATINC COMPANY (STATINC)	Services of market research, marketing consulting, and big data & cloud database, etc.	35.01 %	- %	- %	(Notes 1 and 8)
ADVANCEDTEK INTERNATIONAL	APEO Human Capital Services Corp. (APEO Human Capital)	Application implementation services	100.00 %	- %	- %	(Notes 1 and 7)

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 GLOBAL INTELLIGENCE NETWORK, please refer to note 6(h) of the consolidated financial Statements for the year ended December 31, 2020.

Note 3: For the changes in the Group's percentage of ownership in EPIC CLOUD INFORMATION INTEGRATION, please refer to note 6(h).

Note 4: NEO TREND TECH was established by the Company in June 2020. For the changes in the Group's percentage of ownership in NEO TREND TECH, please refer to note 6(i).

Note 5: For the changes in the Group's percentage of ownership in DAWNING TECHNOLOGY, please refer to note 6(i).

Note 6: On January 4, 2021, the Group 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 subsidy from beginning. The consolidated financial statements for the three month ended March 31 and for the year ended December 31, 2020 have been restated for comparison with the financial statements for the three months ended March 31, 2021.

Note 7: 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. Please refer to note 5(a).

Note 8: 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. Please refer to Note 5(b).

(Continued)

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

(c) Business combinations under common control

The business combinations under common control often occur as the ownership of the company change to another but they are both controlled by the same ultimate parent company. These combinations are treated as the later of either the earliest comparative period in financial statements or the date under common control to restate comparative information of prior period. Under common control, assets and liabilities are recognized at their original carrying amount. The consolidated financial statements do not recognize the goodwill or the fair value of acquirer's share of the acquiree's interest in the acquiree's identifiable assets, liabilities, and contingent liabilities in excess of the common controlled carrying amount.

In preparing the consolidated balance sheet, the equity from acquisition record as "Equity attributable to former owner of business combination under common control"; In preparing the consolidated statements of comprehensive income, the profit or loss belong to former controlling shareholders record as "profit (loss), attributable to former owner of business combination under common control".

(d) Business combination

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

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

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

The Group recognizes the acquisition-date fair value of the contingent consideration as part of the consideration transferred. The cost of the acquisition and measuring goodwill will retrospectively be adjusted when some changes in the fair value of contingent consideration that the Group recognizes have been made after the acquisition date. Measurement period adjustments is the result of additional information that the Group obtained after that date about facts and circumstances that existed at the acquisition date. The measurement period will not exceed one year from the acquisition date. The Group accounts for the changes in the fair value of contingent consideration that are not measurement period adjustments based on the classification of contingent consideration. Contingent consideration classified as equity shall not be remeasured and its subsequent settlement will be accounted for within equity. Others will be measured at fair value at each reporting date and changes in fair value will be recognized in profit or loss.

(Continued)

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

(e) Revenue from Contracts with Customers—Market research and survey services

The Group provides services, such as market research and opinion survey. Revenue was recognized when the progress towards complete satisfaction of performance obligations.

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

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

(f) 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.

(g) 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.

Except for the following, 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, 2020. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2020.

(Continued)

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

Judgment of whether the Group has substantive control over its investees

- (a) The Group holds 34.09% of the voting shares and is the sole 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. After evaluation, the Group has substantive control over ADVANCEDTEK INTERNATIONAL and indirectly control over its subsidiary, APEO Human Capital. Therefore, ADVANCEDTEK INTERNATIONAL and its subsidiary have been included in the Group's consolidated financial statements.
- (b) The Group holds 35.01% of the voting shares and is the sole largest shareholder of STATINC. Although the Group did not own more than half of the voting rights of the company, the Group owns more than half of their total number of directors of the Board; therefore, it is determined that the Group has substantive control over the entity. Hence, the company has been included in the Group's 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, 2020. Please refer to note 6 of the 2020 annual consolidated financial statements.

- (a) Cash and cash equivalents

	March 31, 2021	December 31, 2020	March 31, 2020
Cash on hand and petty cash	\$ 467	283	317
Check and demand deposits	1,159,227	761,432	967,227
	\$ 1,159,694	761,715	967,544

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

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

	March 31, 2021	December 31, 2020	March 31, 2020
Financial assets at fair value through profit or loss:			
Current:			
Open-end funds	\$ -	177,017	232,919
Pre-purchased foreign currency forward contracts	7,341	101	1,947
Non-current:			
Foreign and domestic unlisted stocks	184,476	157,694	114,409
Total	\$ 191,817	334,812	349,275

(Continued)

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Financial liabilities at fair value through profit or loss:			
Current:			
Pre-purchased foreign currency forward contracts	\$ (533)	(655)	-
Contingent considerations arising from business combinations	(11,183)	(2,395)	(255)
Non-current:			
Contingent considerations arising from business combinations	(93,346)	(78,836)	(70,301)
Total	\$ <u>(105,062)</u>	<u>(81,886)</u>	<u>(70,556)</u>

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

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

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

(Continued)

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

<u>Financial instruments</u>	December 31, 2020		
	<u>Nominal amounts</u>	<u>Maturity period</u>	<u>Pre-agreed exchange rate</u>
Pre-purchased foreign currency forward contracts			
Buy USD/Sell NTD	USD22,818 thousand	2021.01.04~ 2021.03.25	28.096 to 28.655
Buy USD/Sell ZAR	USD 1,500 thousand	2021.01.29	14.930
<u>Financial instruments</u>	March 31, 2020		
	<u>Nominal amounts</u>	<u>Maturity period</u>	<u>Pre-agreed exchange rate</u>
Pre-purchased foreign currency forward contracts			
Buy USD/Sell NTD	USD 9,137 thousand	2020.04.01 ~2020.05.25	29.920 to 30.210
Buy USD/Sell ZAR	USD 115 thousand	2020.04.16	14.903

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Notes receivable (including long-term)	\$ 150,515	187,429	279,115
Accounts receivable	1,837,659	1,877,636	1,757,712
Accounts receivable due from related parties	72,761	10,903	38,837
Less: loss allowance	(38,405)	(47,333)	(52,305)
Total	\$ 2,022,530	2,028,635	2,023,359
Current	\$ 2,001,644	2,004,474	2,015,080
Non-current	20,886	24,161	8,279
Total	\$ 2,022,530	2,028,635	2,023,359

- (i) As of March 31, 2021, December 31, 2020 and March 31, 2020, 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 disocounted, and their carrying amounts were presumed to approximate their fair value.
- (ii) Non-current notes receivable mainly arose from installment sales.

(Continued)

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, 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
	December 31, 2020		
	Gross carry amount of accounts and notes receivable	Weighted- average loss rate	Loss allowance for lifetime expected credit losses
Current	\$ 1,937,264	0.11%	2,105
1 to 30 days past due	46,206	1.17%	542
31 to 60 days past due	25,290	9.54%	2,412
61 to 90 days past due	20,099	19.57%	3,933
91 to 120 days past due	17,492	49.98%	8,742
More than 121 days past due	29,617	99.94%	29,599
	\$ 2,075,968		47,333

(Continued)

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

	March 31, 2020		
	Gross carry amount of accounts and notes receivable	Weighted- average loss rate	Loss allowance for lifetime expected credit losses
Current	\$ 1,855,814	0.30%	5,623
1 to 30 days past due	82,385	1.97%	1,627
31 to 60 days past due	80,853	9.60%	7,758
61 to 90 days past due	11,737	19.95%	2,341
91 to 120 days past due	19,514	49.93%	9,744
More than 121 days past due	25,361	99.41%	25,212
	\$ 2,075,664		52,305

- (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	
	2021	2020
Beginning balance	\$ 47,333	53,520
Acquisition	162	-
Impairment losses recognized (reversal of impairment loss)	(9,075)	1,287
Transferred to other receivables	-	(1,229)
Effects of exchange rate changes	(15)	(1,273)
Ending balance	\$ 38,405	52,305

- (d) Other receivables

	March 31, 2021	December 31, 2020	March 31, 2020
Other receivables	\$ 17,980	18,406	20,990
Less: loss allowance	(16,927)	(16,927)	(5,157)
	\$ 1,053	1,479	15,833

- (i) As of March 31, 2021, December 31, 2020 and March 31, 2020, there was no other receivables that was past due but not impaired.

(Continued)

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

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

	For the three months ended	
	March 31	
	2021	2020
Beginning balance	\$ 16,927	9,549
Write-offs of uncollectible amount for the period	-	(5,621)
Transferred from accounts receivable	-	1,229
Ending balance	<u>\$ 16,927</u>	<u>5,157</u>

- (e) Inventories

	March	December	March
	31, 2021	31, 2020	31, 2020
Merchandise inventory	<u>\$ 2,896,100</u>	<u>3,014,963</u>	<u>3,702,687</u>

- (i) For the three months ended March 31, 2021 and 2020, losses (reversal) on inventories written down to net realizable value and recognized as operating costs amounted to \$(6,565) thousand and \$43,930 thousand, respectively.
- (ii) As of December 31, 2020, the inventories were pledged as collateral for credit lines of short-term borrowings, please refer to Note 8.

- (f) Investments accounted for using equity method

Investments accounted for using the equity method were as follows:

	March	December	March
	31, 2021	31, 2020	31, 2020
Associates	<u>\$ 103,107</u>	<u>132,265</u>	<u>2,301</u>

- (i) As of February 1, 2021, the Group acquired 500 thousand shares (29.41% of ownership) by \$5,000 thousand of cash. The price had been paid in full.
- (ii) In September and October 2020, the Group purchased 1,153 thousand shares of ADVANCEDTEK INTERNATIONAL from their former shareholders at a price totaling \$30,091 thousand, representing a percentage of ownership of 34.09%. Although the Group was the largest shareholder, it did not obtain more than half of the total number of directors of the Board and more than half of the voting rights of the shareholder meeting. The Group only had significant influence over ADVANCEDTEK INTERNATIONAL and evaluated using the equity method. 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. After evaluation, the Group has substantive control over ADVANCEDTEK INTERNATIONAL. Therefore, it has been included in the Group's consolidated financial statements; please refer to Note 6(g) for details.

(Continued)

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

- (iii) Aggregate financial information of associates that were not individually material was summarized as follows. The financial information was included in the Group's consolidated financial statements.

Attributable to the Group:	For the three months ended	
	March 31	
	2021	2020
Profit	\$ (2,038)	(118)
Other comprehensive income	-	-
Total comprehensive income	<u>\$ (2,038)</u>	<u>(118)</u>

- (iv) As of March 31, 2021, December 31, 2020 and March 31, 2020, none of the investments accounted for using the equity method was pledged as collateral.

(g) Acquisition of subsidiary

(i) Acquisition of subsidiary-Corex

1) Consideration transferred

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 1, 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 share 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 from POS sales unit.

(Continued)

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

Under the contingent consideration arrangement, the Group estimated the contingent consideration based on discounted cash flow method. As of March 31, 2021, 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.

2) Identifiable net assets acquired

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

Consideration transferred:

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

Carrying amounts of identifiable assets and liabilities acquired:

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

(Continued)

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

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

(ii) Acquisition of subsidiary-STATINC

1) Consideration transferred

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 Big data and cloud database. 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 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 March 31, 2021, 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.

2) Identifiable net assets acquired

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

Consideration transferred:

Cash	\$	70,023
Fair value of contingent considerations transferred		23,298

Fair value of identifiable assets and liabilities acquired:

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

(Continued)

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

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)	
Non-controlling interests	(81,098)	<u>49,359</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.

4) Pro-forma information

From the acquisition date to March 31, 2021, STATINC had contributed the revenue of \$1,442 and the net loss of \$(8,223) to the Group's operating result. If this acquisition had occurred on January 1, 2021, the management estimates that consolidated revenue would have been \$2,993,458, and profit would have been \$223,811 for the three months ended March 31, 2021.

(Continued)

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

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

1) Acquisition of 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. 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 identifiable assets acquired and liabilities assumed recognized at January 4, 2021:

Consideration transferred:

Fair value of pre-existing interest in the acquiree	\$	32,120
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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)	
Non-controlling interests		(38,578)	19,989
Goodwill	\$		12,131

(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.

4) Pro-forma information

From the acquisition date to March 31, 2021, ADVANCEDTEK INTERNATIONAL had contributed the revenue of \$51,875 and the profit of \$3,736 to the Group's operating result.

(h) Changes in ownership interest in a subsidiary

On March 2, 2021, the Group subscribed 4,000 thousand shares of EPIC CLOUD INFORMATION INTEGRATION 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 sale of share 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>\$ 49,850</u>

(Continued)

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

2) Identifiable net assets acquired

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. Accordingly, the assets and liabilities of DAWNING TECHNOLOGY were recognized as disposal groups classified as held for sale. Please refer to Note 6(f) of the consolidated financial statements for the year ended December 31, 2020. 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
Notes to the Consolidated Financial Statements

2) Identifiable net assets of DAWNING TECHNOLOGY

Non-current assets held for sale

Cash and cash equivalents	\$	107,704
Inventories		177,319
Notes and accounts receivable, net		423,595
Prepayments		1,546
Other current assets		5,773
Property, plant and equipment		9,315
Right-of-use assets		33,630
Deferred income tax assets		8,683
Other non-current assets		3,044

Liabilities directly associated with non-current assets held for sale

Short-term borrowings		(43,022)
Current financial liabilities at fair value through profit or loss		(330)
Contract liabilities		(3,050)
Notes and accounts payable		(230,008)
Other payables		(51,564)
Current and non-current lease liabilities		(22,609)
Advance receipts		(6,907)
Other current liabilities		(582)
Other non-current liabilities		(135)
		412,402
Non-controlling interests		(227,162)
Receivables between the Group		(3,677)
	\$	<u>181,563</u>

(Continued)

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, 2021	\$ 589,896	375,930	210,314	1,176,140
Acquisition	-	-	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>
Balance on January 1, 2020	\$ 599,659	379,906	223,097	1,202,662
Additions	-	-	1,090	1,090
Transferred from inventories	-	-	2,743	2,743
Effects of exchange rate changes	-	-	(6,684)	(6,684)
Balance on March 31, 2020	<u>\$ 599,659</u>	<u>379,906</u>	<u>220,246</u>	<u>1,199,811</u>
Accumulated depreciation:				
Balance on January 1, 2021	\$ -	70,384	147,226	217,610
Acquisition	-	-	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>
Balance on January 1, 2020	\$ -	63,618	135,028	198,646
Depreciation	-	1,884	7,639	9,523
Effects of exchange rate changes	-	-	(5,175)	(5,175)
Balance on March 31, 2020	<u>\$ -</u>	<u>65,502</u>	<u>137,492</u>	<u>202,994</u>
Carrying amounts:				
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>
January 1, 2020	<u>\$ 599,659</u>	<u>316,288</u>	<u>88,069</u>	<u>1,004,016</u>
March 31, 2020	<u>\$ 599,659</u>	<u>314,404</u>	<u>82,754</u>	<u>996,817</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, 2021, December 31, 2020 and March 31, 2020, property, plant, and equipment were pledged as collateral for short-term and long-term borrowings, please refer to note 8.

(k) Investment property

Information about investment property was presented below:

	<u>Land</u>	<u>Buildings and construction</u>	<u>Total</u>
Carrying amounts:			
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>
January 1, 2020	\$ -	-	-
March 31, 2020	\$ -	-	-

- (i) There were no significant purchase, disposal, impairment loss or reversal gain on investment property for the three months ended March 31, 2021 and 2020. Please refer to note 6(k) of the consolidated financial statements for the year ended December 31, 2020 for other related information.
- (ii) As of March 31, 2021, December 31, 2020 and March 31, 2020, none of the Group's investment property was pledged as collateral.

(l) 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 construction</u>	<u>Others</u>	<u>Total</u>
Cost:			
Balance on January 1, 2021	\$ 280,880	5,475	286,355
Acquisition	34,920	-	34,920
Additions	6,219	-	6,219
Derecognized of subsidiary	(24,416)	-	(24,416)
Decrease	(6,219)	-	(6,219)
Effects of exchange rate changes	<u>(185)</u>	<u>(22)</u>	<u>(207)</u>
Balance on March 31, 2021	<u>\$ 291,199</u>	<u>5,453</u>	<u>296,652</u>

(Continued)

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

	Buildings and construction	Others	Total
Balance on January 1, 2020	\$ 268,861	7,702	276,563
Additions	35,624	-	35,624
Effects of exchange rate changes	(11,806)	(1,662)	(13,468)
Balance on March 31, 2020	<u>\$ 292,679</u>	<u>6,040</u>	<u>298,719</u>
Accumulated depreciation:			
Balance on January 1, 2021	\$ 82,557	2,390	84,947
Acquisition	12,060	-	12,060
Depreciation	10,891	359	11,250
Derecognized of 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>
Balance on January 1, 2020	\$ 61,571	2,282	63,853
Depreciation	9,847	557	10,404
Effects of exchange rate changes	(7,799)	(595)	(8,394)
Balance on March 31, 2020	<u>\$ 63,619</u>	<u>2,244</u>	<u>65,863</u>
Carrying amount:			
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>
January 1, 2020	<u>\$ 207,290</u>	<u>5,420</u>	<u>212,710</u>
March 31, 2020	<u>\$ 229,060</u>	<u>3,796</u>	<u>232,856</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.

(i) 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.

(Continued)

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

(m) Intangible assets

Information about the costs, accumulated depreciation, and impairment loss 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, 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>
Balance on January 1, 2020	\$ 127,670	-	7,592	-	135,262
Effects of exchange rate changes	<u>(27,052)</u>	<u>-</u>	<u>(1,638)</u>	<u>-</u>	<u>(28,690)</u>
Balance on March 31, 2020	<u>\$ 100,618</u>	<u>-</u>	<u>5,954</u>	<u>-</u>	<u>106,572</u>
Accumulated impairment loss and amortization:					
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>
Balance on January 1, 2020	\$ 1,966	-	2,026	-	3,992
Amortization	-	-	378	-	378
Effects of exchange rate changes	<u>-</u>	<u>-</u>	<u>(539)</u>	<u>-</u>	<u>(539)</u>
Balance on March 31, 2020	<u>\$ 1,966</u>	<u>-</u>	<u>1,865</u>	<u>-</u>	<u>3,831</u>
Carrying amount:					
January 1, 2021	<u>\$ 113,549</u>	<u>-</u>	<u>3,755</u>	<u>-</u>	<u>117,304</u>
March 31, 2021	<u>\$ 169,367</u>	<u>5,426</u>	<u>5,198</u>	<u>27,540</u>	<u>207,531</u>
January 1, 2020	<u>\$ 125,704</u>	<u>-</u>	<u>5,566</u>	<u>-</u>	<u>131,270</u>
March 31, 2020	<u>\$ 98,652</u>	<u>-</u>	<u>4,089</u>	<u>-</u>	<u>102,741</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, 2021, December 31, 2020 and March 31, 2020, none of the intangible assets was pledged as collateral.

(Continued)

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, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Credit loans	\$ 431,590	464,759	386,372
Secured loans	-	50,000	200,000
	<u>\$ 431,590</u>	<u>514,759</u>	<u>586,372</u>
Range of interest rates at the end of period	<u>0.84%~8.00%</u>	<u>0.82%~6.20%</u>	<u>1.00%~8.85%</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, 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>
	<u>December 31, 2020</u>			
	<u>Currency</u>	<u>Rate</u>	<u>Maturity period</u>	<u>Amount</u>
Secured bank loans	NTD	1.10%~1.30%	2021.01~2039.03	\$ 310,497
Less: current portion				(16,822)
Total				<u>\$ 293,675</u>
Unused credit lines				<u>\$ -</u>
	<u>March 31, 2020</u>			
	<u>Currency</u>	<u>Rate</u>	<u>Maturity period</u>	<u>Amount</u>
Secured bank loans	NTD	1.30%~1.48%	2020.04~2039.03	\$ 323,087
Less: current portion				(16,455)
Total				<u>\$ 306,632</u>
Unused credit lines				<u>\$ -</u>

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

(Continued)

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, 2021	December 31, 2020	March 31, 2020
Current	\$ 36,740	35,265	34,596
Non-current	161,991	168,349	194,813
	\$ 198,731	203,614	229,409

The amounts recognized in profit or loss were as follows:

	For the three months ended March 31	
	2021	2020
Interest on lease liabilities	\$ 953	1,138
Revenue from sublease of right-of-use asset	\$ (974)	(991)

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

	For the three months ended March 31	
	2021	2020
Interest payments for lease liabilities in operating activities	\$ (953)	(1,138)
Payments of lease liabilities in financing activities	(10,718)	(9,685)
Total cash outflow for leases	\$ (11,671)	(10,823)

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 investment property and right-of-use assets. 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).

(Continued)

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

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

	March 31, 2021	December 31, 2020	March 31, 2020
Less than one year	\$ 979	1,204	380
One to two years	857	857	-
Two to three years	857	857	-
Three to four years	857	857	-
Four to five years	-	214	-
	<u>\$ 3,550</u>	<u>3,989</u>	<u>380</u>

(r) Employee benefits - Defined contribution plans

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	
	2021	2020
Operating costs	\$ 735	-
Operating expenses	5,014	5,050
	<u>\$ 5,749</u>	<u>5,050</u>

(s) Income taxes

(i) Income tax expenses:

Income tax expenses are summarized as follows:

	For the three months ended March 31	
	2021	2020
Current income tax expense	\$ <u>31,594</u>	<u>31,033</u>

(ii) The Group had no income taxes recognized directly in equity and other comprehensive income for the three months ended March 31, 2021 and 2020, respectively.

(iii) The Company's income tax returns for the years through 2018 have been examined and approved by the R.O.C. tax authorities.

(Continued)

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

(t) Capital and other equity

Except for the following disclosure, there was no significant change in capital and other equity for the three months ended March 31, 2021 and 2020. For related information, please refer to note 6(s) of the consolidated financial statements for the year ended December 31, 2020.

(i) Capital surplus

The components of capital surplus were as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
Share capital	\$ 1,204,059	1,249,950	1,438,307
Treasury share transactions	54,637	54,637	54,637
Difference arising from subsidiary's share price and its carrying value from acquired or disposed of	27,984	28,424	27,964
	<u>\$ 1,286,680</u>	<u>1,333,011</u>	<u>1,520,908</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 regulator.

(ii) Retain earning

In accordance with the Company's articles, 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 according to the Securities and Exchange Act and the Company's operations after the payment of income tax and offsetting accumulated losses from prior years. The remaining portion will be combined with earnings from prior years, and the Board of directors can propose distribution plan to be approved by 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 to the Company's shareholder's meeting.

(Continued)

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

As the Company is in its growth phase, it has adopted a residual dividend policy to pay dividends after the end of the year from the earnings of the current year and accumulated earnings from prior years, and to determine dividend appropriation 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 20% 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 only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Earnings distribution

On February 25, 2021, the distribution plan for 2020 was resolved at the Board of Directors' meeting. The distribution plan for 2019 was approved in shareholders' meeting on May 28, 2020. The amounts of dividends distributed to shareholders were as follows:

	For the three months ended	
	March 31	
	2020	2019
Dividends to shareholders - cash, \$2.5 and \$2 per share	\$ 470,894	376,715
Dividends to shareholders - cash from capital surplus, \$1 per share	-	188,357
	\$ 470,894	565,072

(u) Earnings per share

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

	For the three months ended	
	March 31	
	2021	2020
Basic earnings per share:		
Profit attributable to the Company	\$ <u>222,962</u>	<u>118,935</u>
Weighted-average number of ordinary shares outstanding (basic / thousand shares)	<u>188,357</u>	<u>188,357</u>
Earnings per share (dollars)	\$ <u>1.18</u>	<u>0.63</u>

(Continued)

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

	For the three months ended March 31	
	2021	2020
	Diluted earnings per share:	
Profit attributable to the Company	\$ <u>222,962</u>	<u>118,935</u>
Weighted-average number of ordinary shares outstanding (diluted / thousand shares)	<u>189,775</u>	<u>190,110</u>
Earnings per share (dollars)	\$ <u>1.17</u>	<u>0.63</u>

(v) Revenue from contracts with customers

(i) Details of revenue

	For the three months ended March 31, 2021					
	Information Infrastructure	Computing and cloud applications	Digital application integration	Technical and consultancy services	Other products	Total
Major products/service lines:						
Sale of goods	\$ 848,675	1,351,688	549,237	-	113,701	2,863,301
Rendering of services	-	-	-	130,034	-	130,034
Total	<u>\$ 848,675</u>	<u>1,351,688</u>	<u>549,237</u>	<u>130,034</u>	<u>113,701</u>	<u>2,993,335</u>
	For the three months ended March 31, 2020					
	Information Infrastructure	Computing and cloud applications	Digital application integration	Technical and consultancy services	Other products	Total
Major products/service lines:						
Sale of goods	\$ 925,644	1,411,187	1,037,049	-	48,918	3,422,798
Rendering of services	-	-	-	87,364	-	87,364
Total	<u>\$ 925,644</u>	<u>1,411,187</u>	<u>1,037,049</u>	<u>87,364</u>	<u>48,918</u>	<u>3,510,162</u>

(ii) Contract balances

	March 31, 2021	December 31, 2020	March 31, 2020
Notes receivable (including long-term)	\$ 150,515	187,429	279,115
Accounts receivable (including related parties)	1,910,420	1,888,539	1,796,549
Less: loss allowance	(38,405)	(47,333)	(52,305)
	<u>\$ 2,022,530</u>	<u>2,028,635</u>	<u>2,023,359</u>
Contract assets	<u>\$ 7,366</u>	<u>-</u>	<u>-</u>
Contract liabilities	<u>\$ 300,523</u>	<u>323,854</u>	<u>677,953</u>

(Continued)

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

- 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, 2020 and 2019 at the beginning of the period, were as follows:

	For the three months ended	
	March 31	
	2021	2020
Recognition Revenue	\$ 199,776	225,961

The major changes in the balance of contract asset and liability is the Group transfer of promised goods or services to customers and the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

(w) Remuneration to employees, directors, and supervisors

In accordance with the Company's Articles, the Company should contribute no less than 8% of the profit as employee remuneration and less than 2% as directors' and supervisors' remuneration when there is profit for the year. (In May 2019, according to a resolution reached in a shareholders' meeting, the Company established an audit committee to replace supervisors.) 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 whose company shares of more than 50% are held by the Company.

The Company estimated its remuneration to employees at \$22,117 thousand and \$13,100 thousand for the three months ended March 31, 2021 and 2020, respectively, and estimated its remuneration to directors at \$2,073 thousand and \$1,190 thousand, respectively. The estimated amounts recognized as operating expenses were based on the profit before tax without the remunerations to employees and directors for each period, multiplied by the percentage of the remuneration to employees and directors, as specified in the Company's article. The difference 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, 2020 and 2019, the remunerations to employees amounted to \$60,450 and \$45,200, respectively. The remunerations to directors and supervisors amounted to \$5,650 thousand and \$5,040 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	
	2021	2020
Rent income	\$ 1,430	1,120

(Continued)

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

(ii) Other gains and losses

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

	For the three months ended March 31	
	2021	2020
Net Foreign exchange gains	\$ 1,868	(30,844)
Net gains on valuation of financial assets (liabilities) at fair value through profit or loss	34,201	20,403
Gain on disposal of non-current assets or liabilities held for sale	84,232	-
Gain on disposal of subsidiary	20,696	-
Gains (losses) on disposal of property, plant and equipment	137	-
Others	6,269	(452)
	\$ 147,403	(10,893)

(iii) Finance costs

The details of the financial costs were as follows:

	For the three months ended March 31	
	2021	2020
Interest on bank loans	\$ 2,969	4,598
Interest on lease liabilities	953	1,138
	\$ 3,922	5,736

(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(x) of the consolidated financial statements for the year ended December 31, 2020.

(i) Credit risk

1) The maximum exposure to credit risk

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

(Continued)

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

2) Concentration of credit risk

As of March 31, 2021, December 31, 2020 and March 31, 2020, The Group believes that there is no significant concentration of credit risk due to its customer fragmentation.

3) Credit risk of receivables

For credit risk exposure of note and accounts receivable, 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, 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>2,897,734</u>	<u>222,738</u>	<u>434,314</u>

(Continued)

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, 2020					
Non-derivative financial liabilities					
Financial liabilities at fair value through profit or loss - Contingent considerations arising from business combinations (Current and Non-current)	\$ 81,231	157,887	2,395	6,767	148,725
Long-term and short-term borrowings	825,256	860,775	536,851	81,957	241,967
Lease liabilities	203,614	212,349	38,429	117,941	55,979
Notes and accounts payable	1,572,265	1,572,265	1,572,265	-	-
Other payables	439,769	439,769	439,769	-	-
Guarantee deposits	1,621	1,621	1,621	-	-
Derivative financial liabilities					
Outflow	655	647,224	647,224	-	-
Inflow	-	(646,569)	(646,569)	-	-
	<u>\$ 3,124,411</u>	<u>3,245,321</u>	<u>2,591,985</u>	<u>206,665</u>	<u>446,671</u>
March 31, 2020					
Non-derivative financial liabilities					
Financial liabilities at fair value through profit or loss - Contingent considerations arising from business combinations (Current and Non-current)	\$ 70,556	101,043	255	100,788	-
Long-term and short-term borrowings	909,459	954,990	611,044	83,144	260,802
Lease liabilities	229,409	240,583	38,242	128,463	73,878
Notes and accounts payable	1,485,833	1,485,833	1,485,833	-	-
Other payables	368,455	368,455	368,455	-	-
Guarantee deposits	6,281	6,281	6,281	-	-
	<u>\$ 3,069,993</u>	<u>3,157,185</u>	<u>2,510,110</u>	<u>312,395</u>	<u>334,680</u>

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

(Continued)

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

(iii) Currency risk

1) Exposure to currency risk

The Group's significant exposure to foreign currency risk was as follows:

	March 31, 2021			December 31, 2020			March 31, 2020		
	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	\$ 6,118	28.53	174,552	4,902	28.35	138,980	9,581	30.25	289,839
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD/NTD	\$ 25,252	28.53	720,439	33,120	28.35	938,966	20,027	30.25	605,833

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, short-term borrowings, and notes and accounts payable 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 TWD as of March 31, 2021 and 2020, with all other variables including derivative financial instruments remaining constant, would have decreased or increased the profit before income tax by \$128 thousand and increased or decreased the profit before income tax by \$361 thousand, respectively. The analysis for both periods was performed on the same basis.

3) Foreign exchange gains and losses on monetary items

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

	For the three months ended March 31, 2021		For the three months ended March 31, 2020	
	Foreign exchange (loss) gain	Average exchange rate	Foreign exchange (loss) gain	Average exchange rate
NTD	\$ 3,080	1	(2,472)	1
ZAR	(1,212)	1.90	(28,372)	2.06
	<u>\$ 1,868</u>		<u>(30,844)</u>	

(Continued)

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

(iv) Fair value of financial instruments

1) Types of financial instrument and fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss 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:

	March 31, 2021				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Pre-purchased foreign currency forward 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 foreign currency forward contracts	<u>533</u>	-	-	533	533
	<u>\$ 105,062</u>				

(Continued)

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

	Carrying amount	March 31, 2021			
		Fair value			Total
		Level 1	Level 2	Level 3	
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				
Guarantee deposits	<u>1,581</u>				
	<u>\$ 2,858,432</u>				
December 31, 2020					
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Open-end funds	\$ 177,017	-	177,017	-	177,017
Foreign and domestic unlisted stocks	157,694	-	-	157,694	157,694
Pre-purchased foreign currency forward contracts	<u>101</u>	-	-	101	101
	<u>\$ 334,812</u>				
Financial assets at amortized cost					
Cash and cash equivalents	\$ 761,715				
Notes and accounts receivable (including long-term and related parties)	2,028,635				
Other receivables	1,479				
Refundable deposits	<u>65,581</u>				
	<u>\$ 2,857,410</u>				

(Continued)

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

	December 31, 2020				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at fair value through profit or loss:					
Pre-purchased foreign currency forward contracts	\$ 655	-	-	655	655
Contingent considerations arising from business combinations	81,231	-	-	81,231	81,231
	<u>\$ 81,886</u>				
Financial liabilities measured at amortized cost:					
Long-term and short-term borrowings	\$ 825,256				
Lease liabilities	203,614				
Notes and accounts payable	1,572,265				
Other payables	439,769				
Guarantee deposits	1,621				
	<u>\$ 3,042,525</u>				
March 31, 2020					
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Open-end funds	\$ 232,919	-	232,919	-	232,919
Pre-purchased foreign currency forward contracts	1,947	-	-	1,947	1,947
Foreign and domestic unlisted stocks	114,409	-	-	114,409	114,409
	<u>\$ 349,275</u>				

(Continued)

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

	Carrying amount	March 31, 2020			
		Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at amortized cost					
Cash and cash equivalents	\$ 967,544				
Notes and accounts receivable (including long-term and related parties)	2,023,359				
Other receivables	15,833				
Refundable deposits	<u>68,961</u>				
	<u>\$ 3,075,697</u>				
Financial liabilities at fair value through profit or loss:					
Contingent considerations arising from business combinations	<u>\$ 70,556</u>	-	-	70,556	70,556
Financial liabilities measured at amortized cost:					
Long-term and short-term borrowings	\$ 909,459				
Lease liabilities	229,409				
Notes and accounts payable	1,485,833				
Other payables	368,455				
Guarantee deposits	<u>6,281</u>				
	<u>\$ 2,999,437</u>				

2) Valuation techniques for financial instruments measured at fair value

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

(Continued)

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

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 present value of the consideration for payment.

Measurement of the fair value of derivative instruments is based on the valuation techniques that are generally accepted by the market participants. For instance, discount method or option pricing models. Fair value of forward currency exchange is usually determined by using the forward currency rate.

3) Transfers between Level 1 and Level 2

There were no transfers between level 1 and level 2 of the fair value for the three months ended March 31, 2021 and 2020.

4) Reconciliation of Level 3 fair values

	Measured at fair value through profit or loss	
	Derivative financial assets (liabilities)	Non-derivative financial assets measured at fair value through profit or loss
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>
January 1, 2020	\$ (7,772)	33,806
Recognized in profit or loss	9,719	10,047
March 31, 2020	<u>\$ 1,947</u>	<u>43,853</u>

The aforementioned total gains and losses that were recognized in “other gains and losses” . The gains or losses attributable to the assets and liabilities held on March 31, 2021 and 2020 were as follows:

	For the three months ended March 31	
	2021	2020
Total gains and losses		
Recognized in profit or loss (recognized as other gains and losses)	<u>\$ 33,590</u>	<u>11,994</u>

(Continued)

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

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

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

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

Quantified information on other significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Interrelationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through profit or loss - domestic or foreign unlisted stocks	Comparable listed companies approach	· Market liquidity discount rate (25.00%~33.74% as of March 31, 2021, 25.00%~34.61% as of December 31, 2020, and 25.00%~26.54% as of March 31, 2020)	· The higher the market liquidity discount rate, the lower the fair value
Financial liabilities at fair value through profit or loss - Contingent considerations arising from business combinations	Discounted cash flow method	· Discount rate (13.35%~15.15% as of March 31, 2021, 15.15% as of December 31, 2020, and 9.98%~18.97% as of March 31, 2020)	· The higher the discount rate, the lower the fair value

(Continued)

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:

	<u>Inputs</u>	<u>Current profit (loss) arising from changes in fair value</u>	
		<u>10% increase</u>	<u>10% decrease</u>
March 31, 2021			
Financial assets at fair value through profit or loss			
Foreign and domestic unlisted stocks	Discount for marketability	\$ <u>(26,406)</u>	<u>26,406</u>
December 31, 2020			
Financial assets at fair value through profit or loss			
Foreign and domestic unlisted stocks	Discount for marketability	\$ <u>(22,579)</u>	<u>22,579</u>
March 31, 2020			
Financial assets at fair value through profit or loss			
Foreign and domestic unlisted stocks	Discount for marketability	\$ <u>(15,338)</u>	<u>15,338</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(y) of the consolidated financial statements for the year ended December 31, 2020.

- (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, 2020. Also, there was no significant change in the Group's capital management information as disclosed for the year ended December 31, 2020. For relevant information, please refer to note 6(z) of the consolidated financial statements for the year ended December 31, 2020.

(Continued)

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

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

(i) The reconciliation of liabilities arising from financing activities were as follows:

	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>

	January 1, 2020	Cash flows	Non-cash changes	March 31, 2020
Long-term borrowings	\$ 327,181	(4,094)	-	323,087
Short-term borrowings	238,203	348,169	-	586,372
Guarantee deposits	4,811	1,470	-	6,281
Lease liabilities	217,402	(9,685)	21,692	229,409
Total liabilities from financing activities	<u>\$ 787,597</u>	<u>335,860</u>	<u>21,692</u>	<u>1,145,149</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
BenQ Material Corporation. (BenQ Material)	It and the Company have the same ultimate parent company
BenQ Guru Corporation (BenQ Guru)	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
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

(Continued)

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
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
Webest Solution Corporation (Webest Solution)	Subsidiary of Partner Tech
Partner Tech Middle East FZCO (PTME)	Subsidiary of Partner Tech
HITRON TECHNOLOGIES INC. (HITRON TECHNOLOGIES)	It and the Company have the same ultimate parent company (Note 1)
Interactive Digital Technologies Inc. (Interactive Digital)	It and the Company have the same ultimate parent company (Note 1)
Darfon Electronics Corporation (Darfon Electronics)	Associate of the parent company
AU Optronics Corporation (AUO)	Associate of the parent company
DARWIN PRECISIONS CORPORATION (DARWIN PRECISIONS)	Subsidiary of AUO
GRANDSYS INC. (GRANDSYS)	Associate of the Group (Note 2)
Key management personnel	Key management personnel of the Group

Note 1: The parent company of HITRON TECHNOLOGIES and Interactive Digital is Alpha, a former associate of Qisda, after which Qisda acquired Alpha in July 2020, making them have the same ultimate parent company with the Company.

Note 2: The Company acquired the shares of GRANDSYS in May 2020, after which the percentage of ownership in GRANDSYS was 22.35%, making it an associate of the Group.

(Continued)

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

(b) Significant related-party transactions

(i) Sales

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

	For the three months ended March 31	
	2021	2020
Parent Company	\$ 38,412	31,370
Associates	110	-
Other associates	32,816	12,009
	\$ 71,338	43,379

The selling price for related parties approximated the market price, and the credit terms for three months ended March 31, 2021 and 2020 ranged from 30 to 120 days from the end of the month and 60 to 120 days from the end of the month, respectively. Receivables from related parties were not pledged as collaterals, and were assessed not to provide any allowance for impairment loss.

(ii) Purchases

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

	For the three months ended March 31	
	2021	2020
Parent Company	\$ (486)	-
Other associates	3,206	3,693
	\$ 2,720	3,693

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, 2021 and 2020 ranged between 30 to 90 days from the end of the month and 90 days from the end of the month, respectively.

(Continued)

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

(iii) Receivables from related parties

The receivables from related parties were as follows:

<u>Account</u>	<u>Category of related party</u>	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Accounts receivable	Parent Company	\$ 39,826	20	32,886
	Associates	116	158	-
	Other associates	<u>32,819</u>	<u>10,725</u>	<u>5,951</u>
		<u><u>\$ 72,761</u></u>	<u><u>10,903</u></u>	<u><u>38,837</u></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, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Accounts payable	Parent Company	\$ 504	-	-
Accounts payable	Other associates	<u>3,034</u>	<u>907</u>	<u>3,810</u>
		<u><u>\$ 3,538</u></u>	<u><u>907</u></u>	<u><u>3,810</u></u>

(v) Financing from related parties

Borrowings of the Group from related parties were as follows:

<u>Account</u>	<u>Category of related party</u>	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Other payables	Other associates-Partner Tech	<u>\$ -</u>	<u><u>113,742</u></u>	<u><u>60,508</u></u>

The borrowings from other associates, Partner Tech, bear interest at 3.5% annually and without collaterals. For the three months ended March 31, 2021 and 2020, interest expenses from the interest-bearing borrowings from related parties amounted to \$205 thousand and \$559 thousand, respectively. As of March 31, 2021, the above mentioned other payables had been fully repaid.

(vi) Acquisition of 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.

(Continued)

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

(c) Key management personnel compensation

Key management personnel compensation includes:

	For the three months ended March 31	
	2021	2020
Short-term employee benefits	\$ 22,642	18,792
Post-employment benefits	635	159
Termination benefits	-	-
Other long-term benefits	-	-
Share-based payment	-	-
	\$ 23,277	18,951

(8) Pledged assets

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

Asset Name	Object	March 31, 2021	December 31, 2020	March 31, 2020
Property, plant and equipment	Long-term and short-term borrowings	\$ 835,372	837,122	842,371
Other non-current assets	Short-term borrowings	3,533	-	-
Accounts receivable	Credit lines for short-term borrowings	88,269	66,943	120,563
Inventories	Credit lines for short-term borrowings	-	-	151,133
		\$ 927,174	904,065	1,114,067

(9) Significant Commitments and contingencies:

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

	Currency	March 31, 2021	December 31, 2020	March 31, 2020
	Promissory notes issued	NTD	\$ 4,981,000	4,691,000
	USD	\$ 14,350	17,350	15,850

(Continued)

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

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

March 31, 2021	December 31, 2020	March 31, 2020
\$ 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, 2021			For the three months ended March 31, 2020		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits							
Salary		10,727	171,581	182,308	-	153,167	153,167
Labor and health insurance		1,629	11,422	13,051	-	9,702	9,702
Pension		735	5,014	5,749	-	5,050	5,050
Other employee benefits expense		495	9,911	10,406	-	7,209	7,209
Depreciation		1,056	18,991	20,047	-	19,927	19,927
Amortization		7	2,496	2,503	-	1,768	1,768

(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 three months ended March 31, 2021:

(i) Loans to other parties: None

(Continued)

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

(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	142,650	142,650	85,590	-	3.58 %	Note 1	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 \$795,968 thousand when the guarantees and endorsements was provided; the total amount of guarantees and endorsements provided by the Company shall not exceed 40% of the Company's net worth of \$1,591,936 thousand.

(iii) Securities held as balance sheet date (excluding investment 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	171,358	19.53	171,358	(Note 1)
"	CDS Holdings Limited	-	"	600	-	1.11	-	"
"	YOBON TECHNOLOGIES, INC.	-	"	3	-	0.42	-	"
"	Touch Cloud Inc.	-	"	200	306	2.74	306	"
"	Gemini Data, Inc.	-	"	2,706	10,038	2.90	10,038	"
"	KINGTEL CORPORATION	-	"	443	2,774	18.09	2,774	"
					184,476		184,476	

Note 1: Unlisted company.

- (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 real estate with amount exceeding the lower of \$300 million or 20% of the capital stock: None
- (vi) Disposal of 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

(Continued)

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

(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 revenue	17,091	60 days from the end of the month	0.57%
"	"	"	1	Accounts receivable	17,946	"	0.22%

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.

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

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

(b) Information on investees:

The following is the information on investees for the three months ended March 31, 2021:

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of March 31, 2021			Net income (loss) of investee	Share of profits/losses of investee	Note
				March 31, 2021	December 31, 2020	(In thousand 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 %	212,333	36,382	28,872	(Notes 1 and 2)
"	DAWNING TECHNOLOGY	Taiwan	Trading in hardware and software for network systems	-	106,018	-	- %	-	-	-	(Note 3)
"	EPIC CLOUD INFORMATION INTEGRATION	Taiwan	Data software and data processing services	50,000	9,400	5,000	100.00 %	40,419	(6,127)	(5,893)	(Notes 1 and 2)
"	Corex	South Africa	Sale import and export of electronic products	251,872	-	-	100.00 %	299,973	7,486	7,214	(Notes 1 and 2)
"	STATINC	Taiwan	Market research, management consulting and data processing services	69,983	-	1,754	34.99 %	90,292	(8,223)	(2,989)	(Notes 1 and 2)
"	NEO TREND TECH	Taiwan	Telecommunications engineering	-	50,000	-	- %	-	(6,809)	(6,809)	(Note 3)
"	UNISAGE	Taiwan	Manufacturing medical equipment	1,687	1,687	225	38.01 %	764	92	35	-
"	GRANDSYS	Taiwan	Data software and data processing services	94,547	94,547	5,643	23.58 %	97,642	(4,521)	(1,774)	-
"	ADVANCEDTEK INTERNATIONAL	Taiwan	Application implementation services	30,091	30,091	1,153	34.09 %	33,373	3,736	1,253	-
"	Everlasting Digital ESG	Taiwan	Development and sale of software	5,000	-	500	29.41 %	4,701	(1,016)	(299)	-

(Continued)

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

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of March 31, 2021			Net income (loss) of investee	Share of profits/losses of investee	Note
				March 31, 2021	December 31, 2020	(In thousand of shares)	Percentage of ownership	Carrying amount			
EPIC CLOUD INFORMATION INTEGRATION	GLOBAL INTELLIGENCE NETWORK	Taiwan	Trading in hardware and software for network and communications systems	172	-	10	0.08 %	172	36,382	-	(Notes 1 and 2)
"	STATINC	Taiwan	Market research, management consulting and data processing services	40	-	1	0.02 %	40	(8,223)	-	(Notes 1 and 2)
GLOBAL INTELLIGENCE NETWORK	DAWNING TECHNOLOGY	Taiwan	Trading in hardware and software for network systems	-	44,344	-	- %	-	-	-	(Note 3)
ADVANCEDTEK INTERNATIONAL	APEO Human Capital	Taiwan	Application implementation services	2,060	-	200	100.00 %	3,361	186	186	(Notes 1 and 2)

Note 1: Subsidiary of the Company

Note 2: The equity transactions on the left have already been eliminated during preparing the consolidated financial statements.

Note 3: The Group has fully disposed of the equity; please refer to note 9 for details.

(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 %

(14) Segment information:

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

	For the three months ended March 31, 2021						Reconciliation and eliminations	Total
	Information Infrastructure	Computing and cloud applications	Digital application integration	Technical and consultancy services	Other products			
Revenue								
Revenue from external customers	\$ 848,675	1,351,688	549,237	130,034	113,701	-	2,993,335	
Intersegment revenues	5,546	11,943	1,626	881	3,458	(23,454)	-	
Total revenue	<u>\$ 854,221</u>	<u>1,363,631</u>	<u>550,863</u>	<u>130,915</u>	<u>117,159</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>86,945</u>	<u>5,242</u>	<u>8,961</u>	<u>373,836</u>	

(Continued)

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

	For the three months ended March 31, 2020						
	Information Infrastructure	Computing and cloud applications	Digital application integration	Technical and consultancy services	Other products	Reconciliation and eliminations	Total
Revenue							
Revenue from external customers	\$ 925,644	1,411,187	1,037,049	87,364	48,918	-	3,510,162
Intersegment revenues	(17,555)	9,992	3,917	1,371	1,329	946	-
Total revenue	<u>\$ 908,089</u>	<u>1,421,179</u>	<u>1,040,966</u>	<u>88,735</u>	<u>50,247</u>	<u>946</u>	<u>3,510,162</u>
Gross profit (loss)	<u>\$ 158,134</u>	<u>163,925</u>	<u>73,010</u>	<u>71,044</u>	<u>7,643</u>	<u>(43,110)</u>	<u>430,646</u>