

**PARTNER TECH CORPORATION AND
SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2021 and 2020 (Restated)**

Address: 10F., No. 233-1, Baoqiao Road, Xindien Dist., New Taipei City, Taiwan
(R.O.C)
Telephone: 886-2-2918-8500

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

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Representation Letter

The entities that are required to be included in the combined financial statements of Partner Tech Corporation as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Partner Tech Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Hereby declare

Partner Tech Corporation
Chi-Hong (Peter) Chen
Chairman
March 4, 2022



安侯建業聯合會計師事務所

KPMG

台北市11049信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)

Telephone 電話 + 886 2 8101 6666
Fax 傳真 + 886 2 8101 6667
Internet 網址 kpmg.com/tw

Independent Auditors' Report

To the Board of Directors of Partner Tech Corporation:

Opinion

We have audited the consolidated financial statements of Partner Tech Corporation and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020 (restated), and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020 (restated), and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), and the International Financial Reporting Standards, International Accounting Standards, interpretations, as well as related guidance endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Emphasis of Matter

As disclosed in Note 4(b)(iii) and 6(h) to the consolidated financial statements, Partner Tech Corporation sold all of its investment in Corex (Pty) Ltd. to Sysage Technology Co., Ltd. in January 2021. As Partner Tech Corporation and Sysage Technology Co., Ltd. are both subsidiaries of Qisda Corporation, the aforementioned transaction is considered as an organizational restructuring under common control in accordance with Letter No. 301 issued in 2012 and Comments on IFRS 3 for business combinations under common control issued on October 26, 2018 by the Accounting Research and Development Foundation. The financial statements are prepared and disclosed as if it had occurred before the beginning of the period. Prior period comparative information in the financial statements is restated in accordance with Comments on IFRS 3 for retrospective restatement of comparative information under organizational restructuring issued on January 30, 2019 by the Accounting Research and Development Foundation. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2021 are stated as follows:

1. Impairment of Goodwill

Please refer to note 4(m) for the accounting policy on impairment of non-financial assets, "Critical accounting judgments and key sources of estimation and assumptions uncertainty" for estimation uncertainty of impairment of goodwill, and "Intangible assets" for the related disclosures of goodwill impairment test, respectively, of the notes to the consolidated financial statements.

Description of key audit matter:

Goodwill arising from acquisition of Partner-Tech Europe GmbH is subject to impairment test annually or at the time there are indications that goodwill may have been impaired. The assessment of the recoverable amount of goodwill involves management's judgment and estimation. Accordingly, the assessment of impairment of goodwill has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included obtaining the assessment of goodwill impairment provided by the management; assessing the appropriateness of the valuation model and key assumptions, including the discount rate, expected growth rate and future cash flow projections, used by the management in measuring the recoverable amount; performing a sensitivity analysis of the key assumptions and results; evaluating the appropriateness of the weighted-average cost of capital and its underlying assumptions; and assessing the adequacy of the Group's disclosures with respect to the related information.

Other Matter

Partner Tech Corporation has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2021 and 2020, on which we have issued an unqualified opinion.

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

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

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remained solely responsible for our audit opinion.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Tzu-Chieh Tang and Mei-Yen Chen.

KPMG

Taipei, Taiwan (Republic of China)
March 4, 2022

Notes to Readers

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

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

PARTNER TECH CORPORATION AND SUBSIDIARIES**Consolidated Balance Sheets****December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars)**

		December 31, 2021		December 31, 2020	
		Amount	%	(Restated)	
		Amount	%	Amount	%
Assets					
Current assets:					
1100	Cash and cash equivalents (note 6(a))	\$ 452,214	22	287,503	17
	Financial assets at fair value through profit or loss — current				
1110	(note 6(b))	1,223	-	1,709	-
1170	Notes and accounts receivable, net (notes 6(d) and (u))	403,906	19	291,480	17
1180	Accounts receivable from related parties (notes 6(d), (u) and 7)	25,566	1	33,504	2
1200	Other receivables (notes 6(d) and (e))	23,684	1	26,746	2
1210	Other receivables from related parties (notes 6(e) and 7)	270	-	113,786	7
1300	Inventories (note 6(f))	596,760	29	317,882	19
1410-1470	Prepayments and other current assets	78,297	4	50,437	3
1476	Other financial assets — current (note 8)	5,273	-	7,035	-
	Total current assets	1,587,193	76	1,130,082	67
Non-current assets:					
1521	Financial assets at fair value through other comprehensive income				
	– non-current (note 6(c))	5,196	-	6,273	-
1600	Property, plant and equipment (notes 6(i), 7 and 8)	197,836	10	215,653	13
1755	Right-of-use assets (notes 6(j) and 7)	81,643	4	97,115	6
1780	Intangible assets (note 6(k))	146,752	7	172,074	10
1840	Deferred income tax assets (note 6(q))	68,009	3	66,713	4
1900	Other non-current assets	1,526	-	2,276	-
1920	Refundable deposits	7,099	-	7,737	-
	Total non-current assets	508,061	24	567,841	33
	Total assets	\$ 2,095,254	100	1,697,923	100

See accompanying notes to consolidated financial statements.

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

PARTNER TECH CORPORATION AND SUBSIDIARIES**Consolidated Balance Sheets (Continued)****December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars)**

		December 31, 2021		December 31, 2020 (Restated)	
		Amount	%	Amount	%
Liabilities and Equity					
Current liabilities:					
2100	Short-term borrowings (note 6(l))	\$ 172,341	8	204,590	12
	Financial liabilities at fair value through profit or loss — current				
2120	(note 6(b))	700	-	3,522	-
2511	Contract liabilities — current (note 6(u))	48,244	2	23,846	2
2150-2170	Notes and accounts payable	271,858	13	158,767	10
2180	Accounts payable to related parties (note 7)	75,227	4	72,535	4
2200	Other payables (note 6(v))	139,230	7	87,586	5
2220	Other payables to related parties (note 7)	2,100	-	2,141	-
2230	Current income tax liabilities	42,037	2	396	-
2250	Provisions (note 6(o))	6,609	-	6,195	-
2300	Other current liabilities	10,988	1	11,011	1
2322	Current portion of long-term debt (notes 6(m) and 8)	9,740	1	7,206	1
2280	Lease liabilities — current (note 6(n))	20,913	1	21,777	1
2282	Lease liabilities to related parties — current (notes 6(n) and 7)	7,107	-	5,733	-
	Total current liabilities	807,094	39	605,305	36
Non-current liabilities:					
2541	Long-term debt (notes 6(m) and 8)	60,481	3	71,737	4
2580	Lease liabilities — non-current (note 6(n))	56,328	3	74,667	4
2582	Lease liabilities to related parties — non-current (notes 6(n) and 7)	4,659	-	-	-
2570	Deferred income tax liabilities (note 6(q))	8,281	-	10,521	1
2640	Net defined benefit liability (note 6(p))	25,880	1	27,165	1
2600	Other non-current liabilities	1,088	-	103	-
	Total non-current liabilities	156,717	7	184,193	10
	Total liabilities	963,811	46	789,498	46
Equity attributable to shareholders of the Company (notes 6(h) and (r)):					
3110	Common stock	750,856	36	750,856	44
3200	Capital surplus	178,124	9	161,766	10
3300	Retained earnings	129,532	6	34,546	2
3400	Other equity	(51,587)	(3)	(36,592)	(2)
	Total equity attributable to shareholders of the Company	1,006,925	48	910,576	54
35XX	Equity attributable to subsequent owner of business combination under common control	-	-	(94,109)	(5)
36XX	Non-controlling interests	124,518	6	91,958	5
	Total equity	1,131,443	54	908,425	54
	Total liabilities and equity	\$ 2,095,254	100	1,697,923	100

See accompanying notes to consolidated financial statements.

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

PARTNER TECH CORPORATION AND SUBSIDIARIES**Consolidated Statements of Comprehensive Income****For the years ended December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)**

		2021		2020 (Restated)	
		Amount	%	Amount	%
4100	Net revenue (notes 6(u), 7 and 14)	\$ 2,701,986	100	1,988,852	100
5110	Cost of revenue (notes 6(f), (i), (o), (p), 7 and 12)	<u>(1,848,563)</u>	<u>(68)</u>	<u>(1,335,140)</u>	<u>(67)</u>
	Gross profit	<u>853,423</u>	<u>32</u>	<u>653,712</u>	<u>33</u>
	Operating expenses (notes 6(d), (i), (j), (k), (n), (p), (s), (v), 7 and 12):				
6100	Selling expenses	(557,330)	(21)	(501,737)	(25)
6200	Administrative expenses	(44,031)	(2)	(42,747)	(2)
6300	Research and development expenses	(65,992)	(2)	(70,118)	(4)
6450	Gain on reversal of expected credit loss	206	-	504	-
	Total operating expenses	<u>(667,147)</u>	<u>(25)</u>	<u>(614,098)</u>	<u>(31)</u>
	Operating income	<u>186,276</u>	<u>7</u>	<u>39,614</u>	<u>2</u>
	Non-operating income and loss (notes 6(g), (k), (n), (w), (x) and 7):				
7100	Interest income	692	-	4,005	-
7010	Other income	-	-	462	-
7020	Other gains and losses, net	(2,676)	-	7,567	1
7050	Finance costs	(6,427)	-	(10,844)	(1)
7375	Share of profits of associates	-	-	572	-
	Total non-operating income and loss	<u>(8,411)</u>	<u>-</u>	<u>1,762</u>	<u>-</u>
	Income before income tax	<u>177,865</u>	<u>7</u>	<u>41,376</u>	<u>2</u>
7950	Less: Income tax benefit (expense) (note 6(q))	<u>(43,242)</u>	<u>(2)</u>	<u>5,891</u>	<u>-</u>
	Net income	<u>134,623</u>	<u>5</u>	<u>47,267</u>	<u>2</u>
	Other comprehensive income (loss):				
8310	Items that will not be reclassified subsequently to profit or loss (notes 6(p), (q), (r) and (x))				
8311	Remeasurements of defined benefit plans	829	-	(1,992)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(1,077)	-	(4,414)	-
8349	Less: income tax related to items that will not be reclassified subsequently to profit or loss	<u>(166)</u>	<u>-</u>	<u>399</u>	<u>-</u>
		<u>(414)</u>	<u>-</u>	<u>(6,007)</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss (notes 6(q) and (r))				
8361	Exchange differences on translation of foreign operations	(25,328)	(1)	(1,074)	-
8399	Less: Income tax related to items that may be reclassified subsequently to profit or loss	<u>(3,182)</u>	<u>-</u>	<u>(4,674)</u>	<u>-</u>
		<u>(22,146)</u>	<u>(1)</u>	<u>3,600</u>	<u>-</u>
	Other comprehensive income for the year, net of income tax	<u>(22,560)</u>	<u>(1)</u>	<u>(2,407)</u>	<u>-</u>
8500	Total comprehensive income for the year	<u>\$ 112,063</u>	<u>4</u>	<u>44,860</u>	<u>2</u>
8600	Net income attributable to:				
8610	Shareholders of the Company	\$ 94,323	3	5,141	
	Profit attributable to subsequent owner of business combination under common control	-	-	11,967	1
8620	Non-controlling interests	<u>40,300</u>	<u>2</u>	<u>30,159</u>	<u>1</u>
		<u>\$ 134,623</u>	<u>5</u>	<u>47,267</u>	<u>2</u>
	Total comprehensive income attributable to:				
8710	Shareholders of the Company	\$ 79,991	3	(19,562)	(1)
	Comprehensive income attributable to subsequent owner of business combination under common control	-	-	33,685	2
8720	Non-controlling interests	<u>32,072</u>	<u>1</u>	<u>30,737</u>	<u>1</u>
		<u>\$ 112,063</u>	<u>4</u>	<u>44,860</u>	<u>2</u>
	Earnings per share (in New Taiwan dollars) (note 6(t)) :				
9750	Basic earnings per share	\$	<u>1.26</u>		<u>0.07</u>
9850	Diluted earnings per share	\$	<u>1.25</u>		<u>0.07</u>

See accompanying notes to consolidated financial statements.

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

PARTNER TECH CORPORATION AND SUBSIDIARIES**Consolidated Statements of Changes in Equity****For the years ended December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars)**

	Attributable to shareholders of the Company												Equity attributable to subsequent owner of business combination under common control	Non-controlling interests	Total equity
	Retained earnings						Total other equity interest								
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings (Accumulated deficit)	Total	Foreign currency translation differences	Unrealized losses on financial assets measured at fair value through other comprehensive income	Total other equity interest	Total equity of the Company					
Balance at January 1, 2020	\$ 750,856	191,800	56,366	3,188	(28,556)	30,998	(13,482)	-	(13,482)	960,172	(127,794)	51,221	883,599		
Appropriation of reatined earnings:															
Legal reserve used to offset accumulated deficits	-	-	(25,368)	-	25,368	-	-	-	-	-	-	-	-		
Special reserve used to offset accumulated deficits	-	-	-	(3,188)	3,188	-	-	-	-	-	-	-	-		
Cash dividends from capital surplus	-	(30,034)	-	-	-	-	-	-	-	(30,034)	-	-	(30,034)		
Net income in 2020	-	-	-	-	5,141	5,141	-	-	-	5,141	11,967	30,159	47,267		
Other comprehensive income in 2020	-	-	-	-	(1,593)	(1,593)	(18,696)	(4,414)	(23,110)	(24,703)	21,718	578	(2,407)		
Total comprehensive income in 2020	-	-	-	-	3,548	3,548	(18,696)	(4,414)	(23,110)	(19,562)	33,685	30,737	44,860		
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	10,000	10,000		
Balance at December 31, 2020	750,856	161,766	30,998	-	3,548	34,546	(32,178)	(4,414)	(36,592)	910,576	(94,109)	91,958	908,425		
Appropriation of earnings:															
Legal reserve	-	-	355	-	(355)	-	-	-	-	-	-	-	-		
Special reserve	-	-	-	3,192	(3,192)	-	-	-	-	-	-	-	-		
Cash dividends from capital surplus	-	(30,034)	-	-	-	-	-	-	-	(30,034)	-	-	(30,034)		
Organizational restructuring	-	45,891	-	-	-	-	-	-	-	45,891	94,109	-	140,000		
Changes in ownership interests in subsidiaries	-	501	-	-	-	-	-	-	-	501	-	488	989		
Net income in 2021	-	-	-	-	94,323	94,323	-	-	-	94,323	-	40,300	134,623		
Other comprehensive income in 2021	-	-	-	-	663	663	(13,918)	(1,077)	(14,995)	(14,332)	-	(8,228)	(22,560)		
Total comprehensive income in 2021	-	-	-	-	94,986	94,986	(13,918)	(1,077)	(14,995)	79,991	-	32,072	112,063		
Balance at December 31, 2021	\$ 750,856	178,124	31,353	3,192	94,987	129,532	(46,096)	(5,491)	(51,587)	1,006,925	-	124,518	1,131,443		

See accompanying notes to consolidated financial statements.

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

PARTNER TECH CORPORATION AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the years ended December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars)**

	2021	2020 (Restated)
Cash flows from operating activities:		
Income before income tax	\$ 177,865	41,376
Adjustments for:		
Adjustments to reconcile profit or loss:		
Depreciation	81,640	76,171
Amortization	15,876	23,837
Gain on reversal of expected credit loss	(206)	(504)
Interest expense	6,427	10,844
Interest income	(692)	(4,005)
Share of profits of associates	-	(572)
Loss (gain) on disposal of property, plant and equipment	203	(1,253)
Gain on lease modifications	(22)	(54)
Gain on disposal of investments	-	(1,931)
Impairment loss on non-financial assets	-	6,585
Share-based compensation cost	989	-
Total adjustments to reconcile profit or loss:	104,215	109,118
Changes in operating assets and liabilities:		
Financial assets at fair value through profit or loss	486	(391)
Notes and accounts receivable	(112,220)	2,009
Notes and accounts receivable from related parties	7,938	13,092
Other receivables	3,066	(1,463)
Other receivables from related parties	(226)	(70)
Inventories	(278,878)	(21,398)
Prepayments and other current assets	(27,860)	6,656
Financial liabilities at fair value through profit or loss	(2,822)	(26,102)
Contract liabilities	24,398	(11,733)
Notes and accounts payable	113,091	(19,473)
Accounts payable to related parties	2,692	(2,910)
Other payables	51,602	(765)
Other payables to related parties	(41)	851
Provisions	414	(1,289)
Other current liabilities	(23)	8,209
Other non-current liabilities	985	(1,237)
Net defined benefit liabilities	(456)	(957)
Total changes in operating assets and liabilities	(217,854)	(56,971)
Cash provided by operations	64,226	93,523
Interest paid	(6,385)	(10,702)
Income taxes refund (paid)	137	(790)
Net cash provided by operating activities	57,978	82,031

See accompanying notes to consolidated financial statements.

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

PARTNER TECH CORPORATION AND SUBSIDIARIES**Consolidated Statements of Cash Flows (Continued)****For the years ended December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars)**

	2021	2020 (Restated)
Cash flows from investing activities:		
Decrease in other financial assets—current	1,762	6,496
Proceeds from disposal of investments accounted for using equity method	-	5,000
Proceeds from disposal of subsidiaries	140,000	-
Additions to property, plant and equipment	(38,339)	(31,472)
Proceeds from disposal of property, plant and equipment	471	2,622
Decrease in refundable deposits	638	2,934
Decrease (increase) in other receivables from related parties	113,742	(53,104)
Additions to intangible assets	(2,978)	(4,628)
Decrease in other non-current assets	750	5,955
Interest received	688	4,004
Net cash provided by (used in) investing activities	216,734	(62,193)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	(32,249)	90,260
Increase in long-term debt	2,534	11,253
Repayments of long-term debt	(11,256)	(9,394)
Payment of lease liabilities	(37,027)	(31,048)
Cash dividends distributed to shareholders	(30,034)	(30,034)
Net cash provided by (used in) financing activities	(108,032)	31,037
Effect of foreign exchange rate changes	(1,969)	1,708
Net increase in cash and cash equivalents	164,711	52,583
Cash and cash equivalents at beginning of year	287,503	234,920
Cash and cash equivalents at end of year	\$ 452,214	287,503

See accompanying notes to consolidated financial statements.

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

PARTNER TECH CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

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

1. Organization and business

Partner Tech Corporation (the “Company”) was incorporated on February 21, 1990, as a company limited by shares under the laws of the Republic of China (“R.O.C.”) and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company’s registered office is 10F., No. 233-1, Baoqiao Road, Xindien Dist., New Taipei City, Taiwan. The Company and subsidiaries (collectively the “Group”) are primarily engaged in the manufacturing, processing, sales and import and export of Point of Sale (POS) terminals and peripherals, electronic products and related parts; as well as in the design and trade of computer software program.

2. Authorization of the consolidated financial statements:

These consolidated financial statements were authorized for issuance by the Board of Directors on March 4, 2022.

3. Application of new and revised accounting standards and interpretations:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, 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”

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from April 1, 2021:

- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

- (b) The impact of IFRS endorsed by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

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

(Continued)

PARTNER TECH CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

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

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

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(Continued)

PARTNER TECH CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

4. Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized as follows. Except for those specifically indicated, the following accounting policies were applied consistently to all periods presented in these financial statements.

(a) Statement of compliance

The Group's accompanying consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the "Regulations") and the IFRSs, IASs, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the FSC (collectively as "Taiwan-IFRSs").

(b) Basis of preparation

(i) Basis of measurement

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

- 1) Financial instruments measured at fair value through profit or loss (including derivative financial instruments and contingent consideration measured at fair value);
- 2) Financial assets measured at fair value through other comprehensive income; and
- 3) Net defined benefit liabilities are recognized as the present value of the defined benefit obligation less the fair value of the plan assets and the effect of the asset ceiling mentioned in note 4(p).

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The Group's consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional currency. Except when otherwise indicated, all financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(iii) Business combinations under common control

According to Comments on IFRS 3 for business combinations under common control issued on October 26, 2018 and Letter No. 301 issued in 2012 by the Accounting Research and Development Foundation, the transaction considered as a business combination under common control is accounted for using book value method and the acquirer shall restate comparative information for prior periods presented in the financial statements as if business combinations under common control had already occurred before the beginning of the period. In addition, according to Comments on IFRS 3 for retrospective restatement of comparative information under organizational restructuring issued on January 30, 2019 by the Accounting Research and Development Foundation, the transferring company no longer includes the transferred company in its consolidated entities as if the equity interest had been held by the acquirer before the beginning of the period and therefore restates comparative information for prior periods presented in the financial statements.

(Continued)

PARTNER TECH CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Basis of consolidation

(i) Principles of preparation of consolidated financial statements

The accompanying consolidated financial statements incorporate the financial statements of the Company and its controlled entities (the subsidiaries) in which the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant inter-company transactions, balances and resulting unrealized income and loss are eliminated on consolidation. Total comprehensive income (loss) of a subsidiary is attributed to the shareholders of the Company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, financial statements of subsidiaries are adjusted to align their accounting policies with those adopted by the Company.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the adjustment of the non-controlling interests and the fair value of the consideration paid or received is recognized directly in equity and attributed to the shareholders of the Company.

(ii) List of subsidiaries in the consolidated financial statements

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

Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership		Note
			December 31, 2021	December 31, 2020	
The Company	P&J Investment Holding Co., Ltd. (B.V.I.) (P&J)	Investment and holding activity	100.00 %	100.00 %	-
The Company	Webest Solution Corporation (WEBEST)	Import and export and sales of electronic products	100.00 %	100.00 %	-
The Company / WEBEST	Partner Tech Middle East FZCO (PTME)	Import and export and sales of electronic products	100.00 %	100.00 %	-
The Company	Partner-Tech Europe GmbH (PTE)	Import and export and sales of electronic products	50.02 %	50.02 %	-
The Company / PTE	Partner Tech UK Corp., Ltd. (PTUK)	Import and export and sales of electronic products	94.30 %	94.30 %	-
The Company / WEBEST	Partner Tech North Africa (PTNA)	Import and export and sales of electronic products	58.19 %	58.19 %	-
The Company	Mace Digital Co., Ltd. (PTMG)	Software development and sales of product	52.38 %	52.38 % (Note 2)	

(Continued)

PARTNER TECH CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership		Note
			December 31, 2021	December 31, 2020	
The Company	Epoint System Pte. Ltd. (PTSE)	Software development and sales of product	69.88 %	50.10 %	-
The Company / WEBEST	La Fresh Information Co., Ltd. (PTTN)	Software development and sales of product	50.64 %	50.64 %	-
The Company / P&J	Corex (Pty) Ltd. (PCX)	Import and export and sales of electronic products	-	100.00 % (Note 4)	
PTE	Sloga team D.o.o. (Sloga)	Import and export and sales of electronic products	45.02 %	45.02 % (Note 1)	
PTE	Retail Solution & System S.L. (RSS)	Import and export and sales of electronic products	34.01 %	34.01 % (Note 1)	
PTME	E-POS International LLC (E-POS)	Import and export and sales of electronic products	100.00 %	100.00 % (Note 3)	
P&J	P&S Investment Holding Co., Ltd. (B.V.I.) (P&S)	Investment and holding activity	100.00 %	100.00 %	-
P&S	Partner Tech USA Inc. (PTU)	Import and export and sales of electronic products	100.00 %	100.00 %	-
P&S	Partner Trading (Shanghai) Co., Ltd. (PTCS)	Import and export and sales of electronic products	100.00 %	100.00 %	-

Note 1: The Group did not own more than half of the ownership of the entities. As the Group owns more than half of the voting rights, directly and indirectly, and has the power to control the operating policies of the entities, the entities have been included in the Group's consolidated entities.

Note 2: PTMG was newly established in 2020.

Note 3: PTME originally held 100% ownership of E-POS; however, because of certain legal restrictions, the 51% ownership of E-POS was registered under the name of other parties.

Note 4: The Group sold all of its investment in PCX to Sysage Technology Co., Ltd. The aforementioned transaction is considered as an organizational restructuring under common control and the comparative financial statements are restated when preparing the financial statements as of and for the fiscal year ended December 31, 2021.

(iii) List of subsidiaries which are not included in the consolidated financial statements: None.

(Continued)

PARTNER TECH CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Foreign currency

(i) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period (“the reporting date”), monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for an investment in equity securities designated as at fair value through other comprehensive income, which are recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from acquisition, are translated into New Taiwan dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into New Taiwan dollars at the average exchange rates for the period. All resulting exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, joint control, or significant influence is lost, the accumulated exchange differences related to that foreign operation is reclassified to profit or loss. In the case of a partial disposal that does not result in the Group losing control over a subsidiary, the proportionate share of the accumulated exchange differences is reclassified to non-controlling interests. For a partial disposal of the Group’s ownership interest in an associate or joint venture, the proportionate share of the accumulated exchange differences in equity is reclassified to profit or loss.

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

An asset is classified as current when one of following criteria is met; all other assets are classified as non-current assets.

- (i) It is expected to be realized, or intended to be sold or consumed in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting date; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

(Continued)

PARTNER TECH CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

A liability is classified as current when one of following criteria is met; all other liabilities are classified as non-current liabilities:

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting date; or
- (iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

(f) Cash and cash equivalents

Cash consists of cash on hand, checking deposits, and demand deposits. Cash equivalents consist of short-term and highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits that meet the aforesaid criteria and are not held for investing purposes are also classified as cash equivalents.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(g) Financial instruments

Accounts receivable and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is an accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issuance. An accounts receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

On initial recognition, financial assets are classified as measured at: amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). A regular way purchases or sales of financial assets is recognized or derecognized on a trade-date basis.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

- it is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and

(Continued)

PARTNER TECH CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

Subsequent to initial recognition, these assets are measured at amortized cost, using the effective interest method less impairment loss. Interest income, foreign exchange gains and losses, and recognition (reversal) of impairment loss are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Financial assets at fair value through other comprehensive income

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

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

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

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment loss are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, other comprehensive income accumulated in equity are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income. On derecognition, other comprehensive income accumulated in equity is reclassified to retained earnings and is never reclassified to profit or loss.

Dividend income derived from equity investments is recognized on the date that the Group's right to receive the dividends is established (usually the ex-dividend date).

3) Financial assets measured at fair value through profit or loss

All financial assets not classified as measured at amortized cost or at FVOCI described above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

(Continued)

PARTNER TECH CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

4) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, “principal” is defined as the fair value of the financial assets on initial recognition. “Interest” is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group’s claim to cash flows from specified assets (e.g. non-recourse features)

5) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (“ECL”) on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivables, refundable deposits and other financial assets).

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured using 12-month ECL:

- bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivables are always measured at an amount equal to lifetime ECL.

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

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

(Continued)

PARTNER TECH CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. The information includes both quantitative and qualitative information and analysis based on the Group's historical experience and credit assessment, as well as forward-looking information.

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

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

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

6) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights of the cash inflow from the assets are terminated, when the Group transfers substantially all the risks and rewards of ownership of the financial assets to other enterprises, or when the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

(ii) Financial liabilities

1) Financial liabilities

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

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

(Continued)

PARTNER TECH CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been fulfilled or cancelled, or has expired. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

3) Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis only when the Group has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(iii) Derivative financial instruments

Derivative financial instruments are held to hedge the Group's foreign currency exposures. Derivatives are initially measured at fair value and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss. If the valuation of a derivative instrument is in a positive fair value, it is classified as a financial asset, otherwise, it is classified as a financial liability.

(h) Inventories

Inventories are measured at initial cost including expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to the location and condition ready for sale. Then, inventories are measured at the lower of cost and net realizable value. Cost of inventories is calculated based on the weighted-average method. Net realizable value represents the estimated selling price in the ordinary course of business, less all estimated costs of completion and necessary selling expenses.

(i) Investment in associates

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

Investments in associates are accounted for using the equity method and are recognized initially at cost, plus, any transaction costs. The carrying amount of the investment in associates includes goodwill identified on acquisition, net of any accumulated impairment losses. When necessary, the entire carrying amount of the investment (including goodwill) will be tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

(Continued)

PARTNER TECH CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

After adjustments are made to associates' financial statements to conform to the accounting policies applied by the Group, the Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized as other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of the associate, and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes the change in ownership interests of its associate as "capital surplus" in proportion to its ownership.

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

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the recognition of further losses is discontinued. Additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

When an associate issues new shares and the Group does not subscribe to the new shares in proportion to its original ownership percentage, the Group's interest in the associate's net assets will be changed. The change in the equity interest is adjusted through the capital surplus and investment accounts. If the Group's capital surplus is insufficient to offset the adjustment to investment accounts, the difference is charged as a reduction of retained earnings. If the Group's interest in an associate is reduced due to the additional subscription to the shares of associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent costs

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

(Continued)

PARTNER TECH CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Depreciation

Depreciation is calculated on the cost of assets less their residual values and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives for property, plant and equipment are as follows: mold equipment: 3 to 7 years; machinery and equipment: 3 to 12 years; other equipment: 1 to 9 years; buildings are depreciated according to estimate useful life of significant individual components: main structure: 45 years.

Depreciation methods, useful lives, and residual values are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

(k) Leases

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

(i) As a lessee

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

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

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

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and
- payments for purchase or termination options that are reasonably certain to be exercised.

(Continued)

PARTNER TECH CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the lease term resulting from a change of the Group's assessment on whether it will exercise an extension or termination option; or
- there is any lease modification in lease subject, scope of the lease or other terms.

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

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

The Group presents right-of-use assets that do not meet the definition of investment properties, and lease liabilities as a separate line item respectively in the consolidated balance sheets.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of office equipment and transportation equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

For operating lease, the Group recognizes rental income on a straight-line basis over the lease term.

(l) Intangible assets

(i) Goodwill

Goodwill arising from the acquisition of subsidiaries is accounted for as intangible assets. Please refer to note 4(s) for the description of the measurement of goodwill at initial recognition. Goodwill is not amortized but is measured at cost, less, accumulated impairment losses.

(Continued)

PARTNER TECH CORPORATION AND SUBSIDIARIES
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(ii) Other intangible assets

Customer relationships and trademarks acquired in a business combination are measured at fair value at the acquisition date. Subsequent to the initial recognition, such intangible assets are carried at cost, less, accumulated amortization and accumulated impairment losses. Other separately acquired intangible assets are carried at cost, less, accumulated amortization and accumulated impairment loss. Amortization is recognized in profit or loss using the straight-line method over the following estimated useful lives: acquired computer software: 5 to 10 years; product certification cost: 3 years; customer relationships: 4 to 9 years; trademarks: 10 years.

The residual value, amortization period, and amortization method are reviewed at least at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

(m) Impairment of non-financial assets

The Group assesses at the end of each reporting date whether there is any indication that the carrying amounts of non-financial assets (other than inventories and deferred tax assets) may be impaired. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually or when there are indications of impairment.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets. Goodwill arising from a business combination is allocated to cash-generating units ("CGUs") or groups of CGUs that are expected to benefit from the synergies of the combination.

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

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other non-financial assets, an impairment loss is reversed only to the extent that the asset's carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the assets in prior years.

(n) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

A provision for warranties is recognized when the underlying products or services are sold. This provision reflects the historical warranty claim rate and the weighting of all possible outcomes against their associated probabilities.

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PARTNER TECH CORPORATION AND SUBSIDIARIES
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(o) Revenue recognition

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

(i) Sale of goods

The Group recognizes revenue when control of the goods has been transferred to the customer, being when the goods are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the customer has accepted the goods in accordance with the terms of sales, the risks of obsolescence and loss have been transferred to the customer, and the Group has objective evidence that all criteria for acceptance have been satisfied. No element of financing is deemed present as the sales are made with a credit term ranging from 30 to 90 days, which is consistent with the market practice.

The Group's obligation to provide a refund for faulty goods sold under the standard warranty terms is recognized as a provision for warranty; please refer to note 6(o).

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

(ii) Rendering of services

The Group's revenue from providing equipment maintenance services is recognized in the accounting period in which services are rendered.

(iii) Financing components

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

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are expensed during the year in which employees render services.

(Continued)

PARTNER TECH CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Defined benefit plans

The liability recognized in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date, less, the fair value of plan assets. The discount rate for calculating the present value of the defined benefit obligation refers to the interest rate of high-quality government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the term of the related pension obligation. The defined benefit obligation is calculated annually by qualified actuaries using the projected unit credit method.

When the benefits of a plan are improved, the expense related to the increased obligations resulting from the services rendered by employees in the past years are recognized in profit or loss immediately.

The remeasurements of the net defined benefit liability (asset) comprise (i) actuarial gains and losses; (ii) return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and (iii) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset). The remeasurements of the net defined benefit liabilities (asset) are recognized in other comprehensive income and then transferred to retained earnings. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit liability at the beginning of the annual period to the net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets and any change in the present value of the defined benefit obligation.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed during the period in which employees render services. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to make such payments as a result of past service provided by the employees, and the obligation can be estimated reliably.

(q) Government grant

The Group recognizes an unconditional government grant as other income when the grant becomes receivable. Other government grants related to assets are initially recognized as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

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PARTNER TECH CORPORATION AND SUBSIDIARIES
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(r) Share-based payment

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

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

The grant date of options for employees to subscribe new shares for a cash injection is the date when the Group informs the exercise price and the shares to which employees can subscribe.

(s) Income taxes

Income tax expenses comprise current taxes and deferred taxes. Current and deferred taxes are recognized in profit or loss unless they relate to business combinations or items recognized directly in equity or other comprehensive income.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for:

- (i) Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- (ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) Temporary differences arising from initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

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PARTNER TECH CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

(t) **Business combinations**

The Group accounts for business combinations using the acquisition method. Goodwill is measured as the excess of the acquisition-date fair value of the consideration transferred (including any non-controlling interest in the acquiree) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed (generally at fair value). If the residual balance is negative, the Group shall re-assess whether it has correctly identified all of the assets acquired and liabilities assumed and recognize any additional assets or liabilities that are identified in that review, and shall recognize a gain on the bargain purchase thereafter.

Acquisition-related costs are expensed as incurred except for the costs related to issuance of debt or equity instruments.

Non-controlling interests in an acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership instruments' proportionate share in the recognized amounts of the acquiree's net identifiable assets. All other non-controlling interests is measured at its acquisition-date fair value or other measurement basis in accordance with Taiwan-IFRSs.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the provisional amounts for the items for which the accounting is incomplete are reported in the financial statements. During the measurement period, the provisional amounts recognized at the acquisition date are retrospectively adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date.

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PARTNER TECH CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Contingent consideration as part of the consideration transferred is measured as the acquisition date fair value. Any fluctuation of the fair value during the measurement period after acquisition date is retrospectively adjusted to the acquisition cost and goodwill. The adjustments are to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date. For the fair value adjustments of the contingent consideration that occurred not during the measurement period, the accounting treatment will be based on the classification of contingent consideration. Contingent consideration classified as equity can't be re-measured and has to be adjusted under owner's equity. Other contingent consideration should be subsequently measured at fair value at the end of each reporting period, and recognized in profit or loss.

(u) Earnings per share ("EPS")

The basic and diluted EPS attributable to shareholders of the Company are disclosed in the consolidated financial statements. Basic EPS is calculated by dividing net income attributable to shareholders of the Company by the weighted-average number of common shares outstanding during the year. In calculating diluted EPS, the net income attributable to shareholders of the Company and weighted-average number of common shares outstanding during the year are adjusted for the effects of dilutive potential common shares. The Group's dilutive potential common shares are profit sharing for employees to be settled in the form of common stock.

(v) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions on the allocation of resources to the segment and to assess its performance for which discrete financial information is available.

5. Critical accounting judgments and key sources of estimation and assumptions uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and Taiwan-IFRSs 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 estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and the future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included as follows:

(a) Impairment of goodwill

The assessment of impairment of goodwill requires the Group to make subjective judgements to identify cash-generating units, allocate the goodwill to relevant cash-generating units, and estimate the recoverable amount of relevant cash-generating units. Any changes in these estimates based on changed economic conditions or business strategies could result in significant adjustments in future years.

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PARTNER TECH CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

6. Significant account disclosures

(a) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand	\$ 564	1,061
Demand deposits and checking accounts	451,650	286,442
	\$ 452,214	287,503

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

	December 31, 2021	December 31, 2020
Financial assets at fair value through profit or loss — current:		
Foreign exchange swaps	\$ 827	1,292
Foreign currency forward contracts	396	417
	\$ 1,223	1,709
Financial liabilities at fair value through profit or loss — current:		
Financial liabilities held for trading — current:		
Foreign currency forward contracts	\$ 700	1,274
Contingent consideration arising from business combinations	\$ -	2,248
	\$ 700	3,522

The above contingent consideration arose from the acquisition of PTE in the previous years. The discounted cash flow model is used to estimate the contingent consideration based on the future profitability of each subsidiary under the terms of the acquisition agreement.

Refer to note 6(w) for the amounts of gain (loss) recognized related to financial assets measured at fair value.

The Group entered into derivative contracts to manage foreign currency exchange risk resulting from its operating and financing activities. The derivative financial instruments that did not conform to the criteria for hedge accounting and were classified as financial assets and liabilities at fair value through profit or loss consisted of the following:

(i) Foreign currency forward contracts

December 31, 2021			
Contract amount (in thousands)		Currency	Maturity period
USD 3,500		USD Buy / NTD Sell	2022.01.14
GBP 847		USD Buy / GBP Sell	2022.01.14
EUR 1,770		USD Buy / EUR Sell	2022.01.14

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PARTNER TECH CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2020

Contract amount (in thousands)	Currency	Maturity period
USD 2,500	USD Buy / NTD Sell	2021.01.08
ZAR 44,203	USD Buy / ZAR Sell	2021.01.04
GBP 261	USD Buy / GBP Sell	2021.01.08
EUR 1,071	USD Buy / EUR Sell	2021.01.08

(ii) Foreign exchange swaps

December 31, 2021

Contract amount (in thousands)	Currency	Maturity period
USD 7,300	Swap in NTD / Swap out USD	2022.01.14

December 31, 2020

Contract amount (in thousands)	Currency	Maturity period
USD 6,800	Swap in NTD / Swap out USD	2021.01.08

(c) Financial assets at fair value through other comprehensive income — non-current

	December 31, 2021	December 31, 2020
Equity investments measured at fair value through other comprehensive income:		
Unlisted common shares	\$ <u>5,196</u>	<u>6,273</u>

The Group designated the investments shown above as financial assets measured at fair value through other comprehensive income because these equity investments are held for long-term for strategic purposes and not for trading.

No strategic investments were disposed for the year ended December 31, 2021 and 2020, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

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PARTNER TECH CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Notes and accounts receivable

	December 31, 2021	December 31, 2020
Notes and accounts receivable	\$ 409,711	302,390
Notes and accounts receivable from related parties	<u>25,566</u>	<u>33,504</u>
	435,277	335,894
Less: loss allowance	<u>(5,805)</u>	<u>(10,910)</u>
	<u>\$ 429,472</u>	<u>324,984</u>

- (i) The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables (including related parties) on December 31, 2021 and 2020. Forward looking information is taken into consideration as well. Analysis of expected credit loss on notes and accounts receivable (including related parties) as of December 31, 2021 and 2020 were as follows:

	December 31, 2021		
	Gross carrying amount	Weighted- average loss rate	Loss allowance
Current	\$ 358,976	0.33%	1,199
Past due 1-90 days	70,637	3.01%	2,126
Past due 91-180 days	4,451	29.97%	1,334
Past due 181-270 days	328	86.59%	284
Past due 271-360 days	757	96.96%	734
Past due over 361 days	<u>128</u>	100.00%	<u>128</u>
	<u>\$ 435,277</u>		<u>5,805</u>

	December 31, 2020		
	Gross carrying amount	Weighted- average loss rate	Loss allowance
Current	\$ 280,362	0.46%	1,293
Past due 1-90 days	43,881	3.15%	1,382
Past due 91-180 days	4,152	34.32%	1,425
Past due 181-270 days	1,166	57.38%	669
Past due 271-360 days	946	79.70%	754
Past due over 361 days	<u>5,387</u>	100.00%	<u>5,387</u>
	<u>\$ 335,894</u>		<u>10,910</u>

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PARTNER TECH CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (ii) Movements of the loss allowance for notes and accounts receivable (including related parties) were as follows:

	2021	2020
Balance at January 1	\$ 10,910	14,099
(Reversal of) recognized impairment losses	(206)	(504)
Write-off	(4,407)	(2,118)
Effect of exchange rate changes	(492)	(567)
Balance at December 31	<u><u>\$ 5,805</u></u>	<u><u>10,910</u></u>

- (iii) The Group entered into factoring contracts with financial institutions to sell its accounts receivable without recourse. According to these contracts, the Group is not responsible for any risk of uncollectible accounts receivable, but only the risk of loss due to commercial disputes. Thus, these contracts met the conditions of financial asset derecognition. Details of these contracts at each reporting date were as follows:

December 31, 2021						
<u>Underwriting bank</u>	<u>Factored amount</u>	<u>Unpaid advance amount</u>	<u>Advance amount</u>	<u>Amounts recognized in other receivables</u>	<u>Range of interest rates</u>	<u>Collateral</u>
Crefo Factoring Nord GmbH	\$ <u>40,546</u>	<u>-</u>	<u>33,242</u>	<u>7,304</u>	3.5%	<u>-</u>
December 31, 2020						
<u>Underwriting bank</u>	<u>Factored amount</u>	<u>Unpaid advance amount</u>	<u>Advance amount</u>	<u>Amounts recognized in other receivables</u>	<u>Range of interest rates</u>	<u>Collateral</u>
Crefo Factoring Nord GmbH	\$ <u>31,526</u>	<u>-</u>	<u>26,003</u>	<u>5,523</u>	3.5%	<u>-</u>

- (e) Other receivables

	December 31, 2021	December 31, 2020
Other receivables	\$ 24,718	27,820
Other receivables from related parties	270	113,786
	24,988	141,606
Less: loss allowance	(1,034)	(1,074)
	<u><u>\$ 23,954</u></u>	<u><u>140,532</u></u>

As of December 31, 2021 and 2020, except for other receivables amounting to \$1,034 and \$1,074, respectively, wherein the loss allowance is fully provided, no loss allowance was provided for the remaining receivables after the management's assessment.

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PARTNER TECH CORPORATION AND SUBSIDIARIES
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(f) Inventories

	December 31, 2021	December 31, 2020
Raw materials	\$ 105,332	69,326
Work in process	11,039	12,741
Finished goods and merchandise	447,852	224,712
Inventories in transit	32,537	11,103
	<u>\$ 596,760</u>	<u>317,882</u>

For the years ended December 31, 2021 and 2020, the amounts of inventories recognized as cost of revenue were as follows:

	2021	2020
Cost of inventories sold	\$ 1,818,551	1,331,472
Write-downs (reversal of) inventories	30,012	3,631
Losses on physical inventory	-	37
	<u>\$ 1,848,563</u>	<u>1,335,140</u>

The abovementioned write-downs of inventories arose from the write-down of inventories to net realizable value and were included in cost of revenue.

(g) Investments accounted for using equity method

In 2020, the Group disposed the entire ownership of You-POS Systems Inc. for a consideration of \$5,000, wherein the gain on disposal of \$1,931 was recognized in other gains and losses.

As of December 31, 2021 and 2020, net income (loss) and other comprehensive income arising from the Group's investments accounted for using the equity method were as follows:

	2021	2020
Attributable to the Group:		
Net income	\$ -	572
Other comprehensive income	-	-
Total comprehensive income	<u>\$ -</u>	<u>572</u>

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PARTNER TECH CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(h) Business Combination

(i) Loss of control in subsidiary — Corex (Pty) Ltd. (PCX)

The Group sold all of its investment in Corex (Pty) Ltd. (PCX) to Sysage Technology Co., Ltd. (Sysage) in January 2021, resulting in the Group to lose control over PCX. As the Company and Sysage are both subsidiaries of Qisda Corporation, the aforementioned transaction is considered as an organizational restructuring under common control. The difference between the disposal price of \$140,000 and equity attributable to subsequent owner of business combination under common control of \$94,109 (i.e. the carrying amount of identifiable net assets of \$175,340 arising from the disposal of PCX less the contingent consideration of \$81,231 transferred to Sysage) amounted to \$45,891 and was recognized as capital surplus. The relevant details are as follows:

Consideration transferred:

Carrying amount of identifiable net assets arising from the disposal PCX		\$ 140,000
Cash and cash equivalents	\$ 30,976	
Financial assets at fair value through profit or loss — current	101	
Notes and accounts receivable, net (including related parties)	74,041	
Inventories	106,499	
Prepayments and other current assets	51,996	
Property, plant and equipment	4,027	
Right-of-use assets	16,629	
Intangible assets	130,252	
Other non-current assets	13,796	
Short-term borrowings	(84,759)	
Notes and accounts payable (including related parties)	(22,376)	
Contract liabilities	(4,323)	
Other payables and other current liabilities	(120,421)	
Lease liabilities — current	(8,462)	
Lease liabilities — non-current	(11,384)	
Other non-current liabilities	(1,252)	
	175,340	
Contingent consideration transferred to Sysage	(81,231)	94,109
Recognized in capital surplus		<u>\$ 45,891</u>

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PARTNER TECH CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Property, plant and equipment

The movements of cost and accumulated depreciation of property, plant and equipment were as follows:

	<u>Buildings</u>	<u>Mold equipment</u>	<u>Machinery and equipment</u>	<u>Other equipment</u>	<u>Total</u>
Cost:					
Balance at January 1, 2021	\$ 158,539	154,954	4,391	97,507	415,391
Additions	-	2,817	89	35,433	38,339
Disposals	-	(19,738)	-	(2,392)	(22,130)
Effect of exchange rate changes	(6,316)	54	(121)	(4,291)	(10,674)
Balance at December 31, 2021	<u>\$ 152,223</u>	<u>138,087</u>	<u>4,359</u>	<u>126,257</u>	<u>420,926</u>
Balance at January 1, 2020	\$ 166,211	155,023	4,486	83,189	408,909
Additions	-	8,161	80	23,231	31,472
Disposals	-	(8,243)	(20)	(7,620)	(15,883)
Effect of exchange rate changes	(7,672)	13	(155)	(1,293)	(9,107)
Balance at December 31, 2020	<u>\$ 158,539</u>	<u>154,954</u>	<u>4,391</u>	<u>97,507</u>	<u>415,391</u>
Accumulated depreciation:					
Balance at January 1, 2021	\$ 33,688	104,754	3,677	57,619	199,738
Depreciation	4,274	20,577	95	24,077	49,023
Disposals	-	(19,738)	-	(1,718)	(21,456)
Effect of exchange rate changes	(1,276)	50	(89)	(2,900)	(4,215)
Balance at December 31, 2021	<u>\$ 36,686</u>	<u>105,643</u>	<u>3,683</u>	<u>77,078</u>	<u>223,090</u>
Balance at January 1, 2020	\$ 30,696	88,824	3,751	49,424	172,695
Depreciation	4,531	24,106	99	15,270	44,006
Disposals	-	(8,189)	(7)	(6,318)	(14,514)
Effect of exchange rate changes	(1,539)	13	(166)	(757)	(2,449)
Balance at December 31, 2020	<u>\$ 33,688</u>	<u>104,754</u>	<u>3,677</u>	<u>57,619</u>	<u>199,738</u>
Carrying amount:					
Balance at December 31, 2021	<u>\$ 115,537</u>	<u>32,444</u>	<u>676</u>	<u>49,179</u>	<u>197,836</u>
Balance at December 31, 2020	<u>\$ 124,851</u>	<u>50,200</u>	<u>714</u>	<u>39,888</u>	<u>215,653</u>

Refer to note 8 for a description of the Group's property, plant and equipment pledged as collateral for bank loans.

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(j) Right-of-use assets

	<u>Land</u>	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost:				
Balance at January 1, 2021	\$ 14,575	270,015	7,764	292,354
Additions	-	22,274	1,738	24,012
Lease modifications	-	(532)	-	(532)
Other reclassification	-	-	973	973
Disposals	-	(38,932)	(5,171)	(44,103)
Effect of exchange rate changes	(344)	(17,755)	(443)	(18,542)
Balance at December 31, 2021	<u>\$ 14,231</u>	<u>235,070</u>	<u>4,861</u>	<u>254,162</u>
Balance at January 1, 2020	\$ 15,478	275,046	13,980	304,504
Additions	-	1,566	1,375	2,941
Lease modifications	-	(5,204)	(4,143)	(9,347)
Disposals	-	(2,862)	(3,710)	(6,572)
Effect of exchange rates changes	(903)	1,469	262	828
Balance at December 31, 2020	<u>\$ 14,575</u>	<u>270,015</u>	<u>7,764</u>	<u>292,354</u>
Accumulated depreciation:				
Balance at January 1, 2021	\$ 9,651	179,314	6,274	195,239
Depreciation	1,166	30,302	1,149	32,617
Lease modifications	-	(399)	-	(399)
Other reclassification	-	-	973	973
Disposals	-	(38,932)	(5,171)	(44,103)
Effect of exchange rates changes	(240)	(11,152)	(416)	(11,808)
Balance at December 31, 2021	<u>\$ 10,577</u>	<u>159,133</u>	<u>2,809</u>	<u>172,519</u>
Balance at January 1, 2020	\$ 8,994	154,650	10,689	174,333
Depreciation	1,234	28,056	2,875	32,165
Lease modifications	-	(959)	(3,855)	(4,814)
Disposals	-	(2,862)	(3,710)	(6,572)
Effect of exchange rate changes	(577)	429	275	127
Balance at December 31, 2020	<u>\$ 9,651</u>	<u>179,314</u>	<u>6,274</u>	<u>195,239</u>
Carrying amount:				
Balance at December 31, 2021	<u>\$ 3,654</u>	<u>75,937</u>	<u>2,052</u>	<u>81,643</u>
Balance at December 31, 2020	<u>\$ 4,924</u>	<u>90,701</u>	<u>1,490</u>	<u>97,115</u>

(Continued)

PARTNER TECH CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(k) Intangible assets

- (i) The movements of costs, accumulated amortization and impairment loss of intangible assets were as follows:

	Goodwill	Customer relationships	Trademarks	Acquired computer software	Product certification cost	Total
Costs:						
Balance at January 1, 2021	\$ 126,244	68,234	7,830	44,718	36,792	283,818
Additions	-	-	-	2,340	638	2,978
Derecognitions	-	-	-	(1,816)	(31,404)	(33,220)
Effect of exchange rate changes	(8,807)	(6,765)	-	(877)	-	(16,449)
Balance at December 31, 2021	<u>\$ 117,437</u>	<u>61,469</u>	<u>7,830</u>	<u>44,365</u>	<u>6,026</u>	<u>237,127</u>
Balance at January 1, 2020	\$ 123,894	66,721	7,830	42,738	34,285	275,468
Additions	-	-	-	2,121	2,507	4,628
Effect of exchange rate changes	2,350	1,513	-	(141)	-	3,722
Balance at December 31, 2020	<u>\$ 126,244</u>	<u>68,234</u>	<u>7,830</u>	<u>44,718</u>	<u>36,792</u>	<u>283,818</u>
Accumulated amortization and impairment loss:						
Balance at January 1, 2021	\$ 8,411	29,220	2,574	38,930	32,609	111,744
Amortization	-	8,969	781	3,410	2,716	15,876
Derecognitions	-	-	-	(1,816)	(31,404)	(33,220)
Effect of exchange rate changes	-	(3,508)	180	(697)	-	(4,025)
Balance at December 31, 2021	<u>\$ 8,411</u>	<u>34,681</u>	<u>3,535</u>	<u>39,827</u>	<u>3,921</u>	<u>90,375</u>
Balance at January 1, 2020	\$ 1,826	19,385	1,567	35,548	21,979	80,305
Amortization	-	8,969	781	3,457	10,630	23,837
Impairment loss	6,585	-	-	-	-	6,585
Effect of exchange rate changes	-	866	226	(75)	-	1,017
Balance at December 31, 2020	<u>\$ 8,411</u>	<u>29,220</u>	<u>2,574</u>	<u>38,930</u>	<u>32,609</u>	<u>111,744</u>
Carrying amount:						
Balance at December 31, 2021	<u>\$ 109,026</u>	<u>26,788</u>	<u>4,295</u>	<u>4,538</u>	<u>2,105</u>	<u>146,752</u>
Balance at December 31, 2020	<u>\$ 117,833</u>	<u>39,014</u>	<u>5,256</u>	<u>5,788</u>	<u>4,183</u>	<u>172,074</u>

(ii) Amortization

The amortization of intangible assets is included in the following line items of the consolidated statement of comprehensive income:

	2021	2020
Selling expenses	12,511	12,512
Administrative expenses	23	13
Research and development expenses	3,342	11,312
	<u>\$ 15,876</u>	<u>23,837</u>

(Continued)

PARTNER TECH CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Impairment test on goodwill

The movements of goodwill arising from business combination were allocated to the respective CGUs identified as the following subsidiaries as of December 31, 2021 and 2020:

	PTE	Other CGUs without significant goodwill	Total
Balance at January 1, 2021	\$ 103,341	14,492	117,833
Effect of exchange rate changes	(8,567)	(240)	(8,807)
Balance at December 31, 2021	<u>\$ 94,774</u>	<u>14,252</u>	<u>109,026</u>
Balance at January 1, 2020	\$ 100,689	21,379	122,068
Impairment loss	-	(6,585)	(6,585)
Effect of exchange rate changes	2,652	(302)	2,350
Balance at December 31, 2020	<u>\$ 103,341</u>	<u>14,492</u>	<u>117,833</u>

Each CGU to which the goodwill is allocated represents the lowest level within the Group, at which the goodwill is monitored for internal management purposes. As of December 31, 2021 and 2020, based on the results of the impairment tests conducted by the Group, except for the recoverable amount of abovementioned CGUs less than its carrying amount which the Group recognized an impairment loss on goodwill amounting to \$6,585 for 2020, no impairment loss was recognized for the other CGUs.

The recoverable amount of a CGU was determined based on the value in use, and the related key assumptions were as follows:

	December 31, 2021	December 31, 2020
PTE :		
Revenue growth rate	1%~7%	1%~18%
Discount rate	17.05%	18.22%

- 1) The cash flow projections were based on future financial budgets, covering a period of 5 years, approved by management. Cash flows beyond that 5-year period have been extrapolated using 1% growth rate.
- 2) The estimation of discount rate used to determine value in use is based on the weighted average cost of capital.

(l) Short-term borrowings

	December 31, 2021	December 31, 2020
Unsecured bank loans	\$ <u>172,341</u>	<u>204,590</u>
Unused credit facilities	\$ <u>1,078,029</u>	<u>1,089,853</u>
Interest rate	<u>0.90%~2.55%</u>	<u>0.68%~2.55%</u>

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PARTNER TECH CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(m) Long-term debt

	December 31, 2021	December 31, 2020
Secured bank loans	\$ 56,930	63,447
Unsecured bank loans	13,291	15,496
Less: current portion of long-term debt	<u>(9,740)</u>	<u>(7,206)</u>
	<u>\$ 60,481</u>	<u>71,737</u>
Unused credit facilities	<u>\$ 9,668</u>	<u>19,377</u>
Interest rate	<u>2.19%~3.76%</u>	<u>1.51%~3.80%</u>
Maturity year	<u>2022~2040</u>	<u>2021~2040</u>

Refer to note 8 for a description of the Group's assets pledged as collateral to secure the bank loans.

(n) Lease liabilities

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

	December 31, 2021	December 31, 2020
Current:		
Related parties	<u>\$ 7,107</u>	<u>5,733</u>
Non-related parties	<u>20,913</u>	<u>21,777</u>
Non-current:		
Related parties	<u>\$ 4,659</u>	<u>-</u>
Non-related parties	<u>\$ 56,328</u>	<u>74,667</u>

Please refer to note 6(y) for the maturity analysis.

The amounts recognized in profit or loss were as follows:

	2021	2020
Income from sub-leasing right-of-use assets	<u>\$ 174</u>	<u>1,355</u>
Expenses relating to short-term leases	<u>\$ 2,261</u>	<u>3,028</u>

The amounts recognized in the statement of cash flows for the Group was as follows:

	2021	2020
Total cash outflow for leases	<u>\$ 39,462</u>	<u>35,431</u>

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PARTNER TECH CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Real estate leases

The Group leases land and buildings for its offices and warehouses. The leases typically run for a period of one to ten years. A new contract and price will be negotiated if the lease expires, and the Group will reassess the related right-of-use assets and lease liabilities. Some of the leases include options to extend the lease term after the end of the contract term.

(ii) Other leases

The Group leases vehicles and the lease terms run for one to five years. In addition, as certain leases of office equipment and vehicles meet the definition of short-term lease, the Group elected to apply exemption and not to recognize right-of-use assets and lease liabilities.

(o) Provisions

	2021	2020
Balance at January 1	\$ 6,195	7,474
Provisions made	2,878	2,975
Amount utilized	(2,464)	(4,254)
Balance at December 31	<u><u>\$ 6,609</u></u>	<u><u>6,195</u></u>

The provision for warranties is estimated based on historical warranty data associated with similar products. The Group expects to settle most of the warranty liability within one to three years from the date of the sale of the product.

(p) Employee benefits

(i) Defined benefit plans

The reconciliation between the present value of defined benefit obligations and the net defined benefit liabilities for defined benefit plans were as follows:

	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	\$ 30,381	31,163
Fair value of plan assets	(4,501)	(3,998)
	25,880	27,165
Effect of the asset ceiling	-	-
Net defined benefit liabilities	<u><u>\$ 25,880</u></u>	<u><u>27,165</u></u>

(Continued)

PARTNER TECH CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Except for the Company, there is no any other entity within the Group which has defined benefit plans. The Company makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pension benefits for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive a payment based on years of service and average salary for the six months prior to the employee's retirement.

1) Composition of plan assets

The pension fund (the "Fund") contributed by the Company is managed and administered by the Bureau of Labor Funds of the Ministry of Labor (the Bureau of Labor Funds). According to the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, with regard to the utilization of the Fund, minimum earnings shall be no less than the earnings attainable from two-year time deposits, with interest rates offered by local banks.

As of December 31, 2021 and 2020, the Company's labor pension fund account balance at Bank of Taiwan amounted to \$4,501 and \$3,998, respectively. Please refer to the website of the Bureau of Labor Funds for information on the labor pension fund assets including the asset portfolio and yield of the fund.

2) Movements in present value of defined benefit obligations

The movements in present value of defined benefit obligations of the Company were as follows:

	<u>2021</u>	<u>2020</u>
Defined benefit obligations at January 1	\$ 31,163	32,396
Net interest expense	233	349
Remeasurement on the net defined benefit liabilities (assets):		
— Actuarial loss arising from changes in financial assumptions	1,003	1,847
— Actuarial loss (gain) arising from experience adjustments	(1,788)	258
Benefits paid by employer	(230)	(2,772)
Benefits paid by the plan	-	(915)
Defined benefit obligations at December 31	<u>\$ 30,381</u>	<u>31,163</u>

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PARTNER TECH CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Movements of fair value of plan assets

The movements of the fair value of plan assets of the Company were as follows:

	<u>2021</u>	<u>2020</u>
Fair value of plan assets at January 1	\$ 3,998	4,274
Interest income	32	51
Remeasurement on the net defined benefit liabilities (assets)		
— Return on plan assets (excluding current interest expense)	44	113
Contributions by the employer	427	475
Benefits paid by the plan	-	(915)
Fair value of plan assets at December 31	<u>\$ 4,501</u>	<u>3,998</u>

4) Changes in the effect of the asset ceiling

There was no effect of the asset ceiling.

5) Expenses recognized in profit or loss

	<u>2021</u>	<u>2020</u>
Net interest expense on the net defined benefit liability	\$ <u>201</u>	<u>298</u>
Selling expenses	\$ 58	111
Administrative expenses	65	86
Research and development expenses	78	101
	<u>\$ 201</u>	<u>298</u>

6) Actuarial assumptions

The principal assumptions of the actuarial valuation were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount rate	0.750 %	0.750 %
Future salary increases rate	3.000 %	3.000 %

The Company expects to make contribution of \$406 to the defined benefit plans in the year following December 31, 2021.

The weighted average duration of the defined benefit plans is 16.55 years.

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PARTNER TECH CORPORATION AND SUBSIDIARIES
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7) Sensitivity analysis

When calculating the present value of the defined benefit obligations, the Company uses judgments and estimations to determine the actuarial assumptions for each measurement date, including discount rates and future salary changes. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

The following table summarizes the impact of a change in the assumptions on the present value of the defined benefit obligation on December 31, 2021 and 2020.

	Increase (decrease) in present value of defined benefit obligations	
	0.25% Increase	0.25% Decrease
December 31, 2021		
Discount rate	(1,147)	1,198
Future salary change	1,153	(1,111)
December 31, 2020		
Discount rate	(1,246)	1,304
Future salary change	1,256	(1,207)

Each sensitivity analysis considers the change in one assumption at a time, leaving the other assumptions unchanged. This approach shows the isolated effect of changing one individual assumption but does not take into account that some assumptions are related. The method used to carry out the sensitivity analysis is the same as the calculation of the net defined benefit liabilities recognized in the balance sheets.

In 2021, the method and assumptions used to carry out the sensitivity analysis was the same as in the prior year.

(ii) Defined contribution plans

The Company and its domestic subsidiaries contribute monthly an amount equal to 6% of each employee's monthly wages to the employee's individual pension fund account at 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 has no legal or constructive obligation to pay additional amounts after contributing a fixed amount.

For the years ended December 31, 2021 and 2020, the Group recognized pension expenses of \$13,948 and \$13,473, respectively, in relation to the defined contribution plans.

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PARTNER TECH CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(q) Income taxes

(i) The components of income tax expense (benefit) were as follows:

	<u>2021</u>	<u>2020</u>
Current income tax expense (benefit)	\$ 43,762	(824)
Deferred income tax expense (benefit)		
Origination and reversal of temporary differences	3,025	4,374
Changes in unrecognized temporary differences	<u>(3,545)</u>	<u>(9,441)</u>
	<u>(520)</u>	<u>(5,067)</u>
Income tax expense (benefit)	<u><u>\$ 43,242</u></u>	<u><u>(5,891)</u></u>

The components of income tax expense (benefit) recognized in other comprehensive income were as follows:

	<u>2021</u>	<u>2020</u>
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit plans	<u>\$ 166</u>	<u>(399)</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	<u><u>\$ (3,182)</u></u>	<u><u>(4,674)</u></u>

Reconciliation of income tax expense (benefit) and income before income tax were as follows:

	<u>2021</u>	<u>2020</u>
Loss before income tax	<u>\$ 177,865</u>	<u>41,376</u>
Income tax using the Company's statutory tax rate	\$ 35,573	8,275
Effect of different tax rates in foreign jurisdictions	10,573	1,335
Investment income recorded under equity method	(3,885)	(657)
Changes in unrecognized temporary differences	(3,545)	(9,441)
Investment tax credits	(4,845)	(2,000)
Others	<u>9,371</u>	<u>(3,403)</u>
	<u><u>\$ 43,242</u></u>	<u><u>(5,891)</u></u>

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PARTNER TECH CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred income tax assets

	December 31, 2021	December 31, 2020
Tax losses	\$ 1,845	5,390

As the Company and certain subsidiaries determined that it is not probable that future taxable profits will be available against which the temporary differences and operating loss carryforwards can be utilized, these items were not recognized as deferred income tax assets.

As of December 31, 2021, the unrecognized tax losses for which no deferred income tax assets were recognized and the respective expiry years were as follows:

Unrecognized tax losses	Tax effects of tax losses	Year of expiry
\$ 4,562	1,141	2023
<u>2,817</u>	<u>704</u>	2024
<u>\$ 7,379</u>	<u>1,845</u>	

2) Recognized deferred income tax assets and liabilities

Changes in the amount of deferred income tax assets and liabilities were as follows:

Deferred income tax assets:

	Balance at January 1	Recognized in profit or loss	Recognized in other comprehensive income (loss)	Balance at December 31
2021				
Unrealized inter-company profits	\$ 9,401	8,432	-	17,833
Share of losses of subsidiaries	16,614	(9,495)	-	7,119
Loss allowance for receivables	142	(72)	-	70
Provision for inventory obsolescence	8,594	5,369	-	13,963
Defined benefit plans	5,433	(93)	(166)	5,174
Warranty provision	1,239	-	-	1,239
Foreign currency translation differences	6,643	-	3,182	9,825
Operating loss carryforwards	5,318	(5,318)	-	-
Tax incentive	7,987	2,013	-	10,000
Others	<u>5,342</u>	<u>(2,556)</u>	<u>-</u>	<u>2,786</u>
	<u>\$ 66,713</u>	<u>(1,720)</u>	<u>3,016</u>	<u>68,009</u>

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PARTNER TECH CORPORATION AND SUBSIDIARIES
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	Balance at January 1	Recognized in profit or loss	Recognized in other comprehensive income	Balance at December 31
2020				
Unrealized inter-company profits	\$ 7,741	1,660	-	9,401
Share of losses of subsidiaries	16,153	461	-	16,614
Loss allowance for receivables	441	(299)	-	142
Provision for inventory obsolescence	7,197	1,397	-	8,594
Defined benefit plans	5,624	(590)	399	5,433
Warranty provision	1,177	62	-	1,239
Foreign currency translation differences	1,969	-	4,674	6,643
Operating loss carryforwards	7,026	(1,708)	-	5,318
Tax incentive	9,283	(1,296)	-	7,987
Others	4,015	1,327	-	5,342
	\$ 60,626	1,014	5,073	66,713

Deferred income tax liabilities:

	Balance at January 1	Recognized in profit or loss	Balance at December 31
2021			
Unrealized foreign exchange gain	\$ 13	18	31
Intangible assets acquired through business combination	10,300	(2,258)	8,042
Others	208	-	208
	\$ 10,521	(2,240)	8,281
2020			
Unrealized foreign exchange gain	\$ 134	(121)	13
Intangible assets acquired through business combination	14,232	(3,932)	10,300
Others	208	-	208
	\$ 14,574	(4,053)	10,521

- (iii) The Company's income tax returns for the years through 2019 have been examined and approved by the R.O.C. income tax authorities.

(Continued)

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Notes to the Consolidated Financial Statements

(r) Capital and other equity

(i) Common stock

As of December 31, 2021 and 2020, the Company's authorized shares of common stock consisted of 80,000 thousand shares, of which 75,086 thousand shares were issued and outstanding. The par value of the Company's common stock is \$10 (dollars) per share. All issued shares were paid up upon issuance.

(ii) Capital surplus

	December 31, 2021	December 31, 2020
Paid-in capital in excess of par value	\$ 131,696	161,730
Difference between consideration and carrying amount arising from acquisition or disposal of shares in subsidiaries	45,891	-
Changes in equity of associates accounted for using equity method	501	-
Others	36	36
	<u>\$ 178,124</u>	<u>161,766</u>

Pursuant to the Company Act, any realized capital surplus is initially used to cover an accumulated deficit, and the balance, if any, could be transferred to common stock as stock dividends based on the original shareholding ratio or distributed as cash dividends based on a resolution approved by the stockholders. Realized capital surplus includes the premium derived from the issuance of shares of stock in excess of par value and donations from stockholders received by the Company. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, distribution of stock dividends from capital surplus in any one year shall not exceed 10% of paid-in capital.

(iii) Unappropriated earnings and dividend policy

1) Legal reserve

If a company has no accumulated deficit, it may, pursuant to a resolution approved by the stockholders, distribute its legal reserve to its shareholders by issuing new shares or by distributing cash for the portion in excess of 25% of the paid-in capital. According to the Company Act and the Company's articles of incorporation, the abovementioned distribution of earnings by way of cash dividends should be approved by the Company's Board of Directors and should be reported to the Company's shareholders in its meeting.

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PARTNER TECH CORPORATION AND SUBSIDIARIES
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2) Special reserve

In accordance with Ruling No. 1010012865 issued by the Financial Supervisory Commission on April 6, 2012, a special reserve equal to the total amount of items that were accounted for as deductions from stockholders' equity was set aside from current and prior-year earnings. This special reserve shall revert to the retained earnings and be made available for distribution when the items that are accounted for as deductions from stockholders' equity are reversed in subsequent periods.

3) Earnings distribution

The Company's articles of incorporation stipulate that at least 10% of annual net income after deducting an accumulated deficit, if any, must be retained as a legal reserve until such retention equals the amount of paid-in capital. In addition, a special reserve should be set aside or reversed in accordance with applicable laws and regulations. The remaining balance of the annual net income, together with unappropriated earnings from previous years, if any, can be distributed as dividends after the earnings distribution plan proposed by the Board of Directors is approved during the stockholders' meeting. The abovementioned distribution of earnings by way of cash dividends should be approved by the Company's Board of Directors and should be reported to the Company's shareholders in its meeting.

As the Company is in its growing phase, to continuously expand the scale, increase profitability, and take regulations into account, the Company adopts a remaining dividend policy to improve the Company's growth and sustainable operations.

In consideration of the need to expand the scale of operations and cash flow, if the Company has annual earnings and the distributable earnings for the years achieves 2% of capital, the dividend distribution shall not be less than 10% of the distributable earnings for the year, of which of the percentage of cash dividends shall not be less than 20% of the total dividends for the year.

On May 5, 2021 and April 30, 2020, the Company's shareholders decided to distribute cash of \$0.5 dollars per share, amounting to \$30,034, from capital surplus.

The appropriation of 2021 earnings had been proposed by the Board of Directors on March 4, 2022. The resolved appropriation of the dividend per share was as follows:

	2021	
	Dividends per share (in dollars)	Amount
Dividends per share:		
Cash dividends	\$ 0.60	<u><u>45,051</u></u>

Related information is available on the Market Observation Post System website of the Taiwan Stock Exchange.

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PARTNER TECH CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Other equity items (net after tax)

1) Foreign currency translation differences:

	<u>2021</u>	<u>2020</u>
Balance at January 1	\$ (32,178)	(13,482)
Foreign exchange differences arising from translation of foreign operations	(13,918)	(18,696)
Balance at December 31	<u>\$ (46,096)</u>	<u>(32,178)</u>

2) Unrealized gains (losses) on financial assets at fair value through other comprehensive income:

	<u>2021</u>	<u>2020</u>
Balance at January 1	\$ (4,414)	-
Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	(1,077)	(4,414)
Balance at December 31	<u>\$ (5,491)</u>	<u>(4,414)</u>

(v) Non-controlling interests (net after tax)

	<u>2021</u>	<u>2020</u>
Balance at January 1	\$ 91,958	51,221
Equity attributable to non-controlling interests:		
Net income	40,300	30,159
Foreign currency translation differences	(8,228)	578
Changes in ownership interest in subsidiaries	488	-
Changes in non-controlling interests	-	10,000
Balance at December 31	<u>\$ 124,518</u>	<u>91,958</u>

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(s) Share-based payment

As of December 31, 2021 and 2020, the Group had the following employee stock option plans (“ESOPs”):

	<u>2021 PTTN ESOP</u>
Grant date	2021/8/18
Number of shares granted (in thousands)	600 units
Exercise price	\$10.00
Each unit eligible to subscribe	1 common share
Contract term	5 years
	One year, 50%
Qualified employees	Two years, 50%
Vesting conditions	Eligible employees of PTTN

(i) The main inputs to measure the fair value of ESOPs at grant date

The Group used the Black-Scholes Model in measuring the fair value of its employee stock options. The main inputs to the valuation model were as follows:

	<u>2021 PTTN ESOP</u>
Weighted-average fair value of stock option (in dollars)	\$5.92
Fair value of common stock on grant date (in dollars)	\$15.35
Exercise price (in dollars)	\$10.00
Expected life (in years)	3.0~3.5 years
Risk-free interest rate (%)	0.24~0.26%
Expected volatility (%)	25.1 %
Expected dividend (%)	-

Expected volatility was determined based on the historical volatility of comparable companies. The risk-free interest rate was determined based on government bonds with similar Yield to Maturity. There were no expected dividends as no dividends were expected to be paid in PTNN’s expected life of options.

(ii) Movements in the number of options outstanding:

	<u>2021</u>	<u>2021 PTTN ESOP</u>
	<u>Number of options</u>	<u>Weighted-average</u>
	<u>(in thousands)</u>	<u>exercise price</u>
		<u>(in US dollars)</u>
Outstanding, beginning of year	-	\$ -
Granted	600	10.00
Exercised	-	-
Outstanding, end of year	<u>600</u>	10.00
Exercisable, end of year	<u>-</u>	-

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PARTNER TECH CORPORATION AND SUBSIDIARIES
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Information on outstanding ESOPs for each reporting date was as follows:

	December 31, 2021	December 31, 2020
Range of exercise price (in dollars)	\$10.00	-
Weighted average of remaining option plan period (in years)	2.7~3.2	-

(iii) Employee compensation cost:

The compensation cost recognized for the above-mentioned ESOPs was as follows:

	2021	2020
Compensation cost	<u>\$ 989</u>	<u>-</u>

The compensation cost recognized for the above-mentioned share-based payment arrangements was reported in cost of sales and operating expense.

(t) Earnings per share ("EPS")

(i) Basic earnings per share

	2021	2020
Profit attributable to the shareholders of the Company	<u>\$ 94,323</u>	<u>5,141</u>
Weighted-average number of ordinary shares outstanding (in thousands)	<u>75,086</u>	<u>75,086</u>
Basic earnings per share (in dollars)	<u>\$ 1.26</u>	<u>0.07</u>

(ii) Diluted earnings per share

	2021	2020
Profit attributable to the shareholders of the Company	<u>\$ 94,323</u>	<u>5,141</u>
Weighted-average number of ordinary shares outstanding (basic) (in thousands)	75,086	75,086
Effect of dilutive potential common stock (in thousands):		
Remuneration to employees	<u>279</u>	<u>32</u>
Weighted-average number of ordinary share outstanding (including effect of dilutive potential common stock)	<u>75,365</u>	<u>75,118</u>
Diluted earnings per share (in dollars)	<u>\$ 1.25</u>	<u>0.07</u>

(Continued)

PARTNER TECH CORPORATION AND SUBSIDIARIES
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(u) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2021</u>	<u>2020</u>
Primary geographical markets:		
Domestic sales	\$ 446,901	287,115
Export:		
Europe	1,277,629	971,250
Asia	603,889	463,879
America	330,967	261,419
Africa	23,726	1,298
Oceania	18,874	3,891
Subtotal	<u>2,255,085</u>	<u>1,701,737</u>
	<u>\$ 2,701,986</u>	<u>1,988,852</u>
Major products:		
Desktop POS and mobile POS	\$ 1,354,655	1,104,154
IoT	<u>1,347,331</u>	<u>884,698</u>
	<u>\$ 2,701,986</u>	<u>1,988,852</u>

(ii) Contract balances

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
Notes and accounts receivable (including related parties)	\$ 435,277	396,784	353,679
Less: loss allowance	<u>(5,805)</u>	<u>(20,014)</u>	<u>(14,099)</u>
Total	<u>\$ 429,472</u>	<u>376,770</u>	<u>339,580</u>
Contract liabilities	<u>\$ 48,244</u>	<u>36,944</u>	<u>35,579</u>

For details on notes and accounts receivable and related loss allowance, please refer to note 6(d).

The amounts of revenue recognized for the year ended December 31, 2021 and 2020 that were included in the contract liability balance at the beginning of the period were \$17,021 and \$26,353 respectively.

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PARTNER TECH CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Remuneration to employees and directors

The Company's article of incorporation requires that earnings shall first to be offset against any deficit, then, a range from 5% to 20% will be distributed as remuneration to its employees and no more than 1% to its directors. Employees who are entitled to receive the abovementioned employee remuneration, in shares or cash, include the employees of the subsidiaries of the Company who meet certain specific requirement.

For the years ended December 31, 2021 and 2020, the Company estimated its remuneration to employees amounting to \$6,994 and \$497, respectively, and the remuneration to directors amounting to \$789 and \$56, respectively. The abovementioned estimated amounts are calculated based on the net profits before tax of each period (excluding the remuneration to employees and directors), multiplied by a certain percentage of the remuneration to employees and directors. The estimations are recognized as cost of revenue or operating expenses. If the actual amounts differ from the estimated amounts, the differences shall be accounted as changes in accounting estimates and recognized as profit or loss in next year.

The estimated remuneration to employees and directors for 2021 and 2020 were the same as the amount approved by the Company's Board of Director and paid in cash. Related information is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(w) Non-operating income and loss

(i) Interest income

	2021	2020
Interest income from loans and receivables (Note 7)	\$ 230	3,299
Interest income from bank deposits	462	706
	\$ 692	4,005

(ii) Other income

	2021	2020
Rental income	\$ -	462

(iii) Other gains and losses

	2021	2020
Gain (loss) on disposal of property, plant and equipment	\$ (203)	1,253
Gain on disposal of investments (note 6(g))		1,931
Foreign currency exchange losses, net	(15,705)	(6,380)
Gain on financial assets and liabilities at fair value through profit or loss	7,583	15,076
Gain on lease modification	22	54
Impairment loss on non-financial assets (Note 6(k))	-	(6,585)
Others	5,627	2,218
	\$ (2,676)	7,567

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PARTNER TECH CORPORATION AND SUBSIDIARIES
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(iv) Finance costs

	<u>2021</u>	<u>2020</u>
Interest expense from bank loans	\$ (4,166)	(7,816)
Interest expense on lease liabilities	<u>(2,261)</u>	<u>(3,028)</u>
	<u>\$ (6,427)</u>	<u>(10,844)</u>

(x) Financial instruments

(i) Categories of financial instruments

1) Financial assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial assets at fair value through profit or loss—current	\$ <u>1,223</u>	<u>1,709</u>
Financial assets at fair value through other comprehensive income—non-current	<u>5,196</u>	<u>6,273</u>
Financial assets measured at amortized cost:		
Cash and cash equivalents	452,214	287,503
Notes and accounts receivable (including related parties)	429,472	324,984
Other receivables (including related parties)	23,954	140,532
Other financial assets — current	5,273	7,035
Refundable deposits	<u>7,099</u>	<u>7,737</u>
Subtotal	<u>918,012</u>	<u>767,791</u>
Total	<u>\$ 924,431</u>	<u>775,773</u>

2) Financial liabilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial liabilities at fair value through profit or loss — current	\$ <u>700</u>	<u>3,522</u>
Financial liabilities measured at amortized cost:		
Short-term borrowings	172,341	204,590
Notes and accounts payable (including related parties)	347,085	231,302
Other payables (including related parties)	141,330	89,727
Long-term debt (including current portion)	70,221	78,943
Lease liabilities (including current and non-current) (including related parties)	<u>89,007</u>	<u>102,177</u>
Subtotal	<u>819,984</u>	<u>706,739</u>
Total	<u>\$ 820,684</u>	<u>710,261</u>

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PARTNER TECH CORPORATION AND SUBSIDIARIES
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(ii) Fair value information

1) Financial instruments not measured at fair value

The Group considers that the carrying amounts of financial assets and financial liabilities measured at amortized cost approximate their fair values.

2) Financial instruments measured at fair value

The fair value of financial instruments at fair value through profit and loss and financial assets at fair value through other comprehensive income are measured on a recurring basis.

The table below analyzes financial instruments that are measured at fair value subsequent to initial recognition, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The different levels have been defined as follows:

- a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- c) Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

	December 31, 2021				
	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss—current:					
Foreign exchange swaps	\$ 827	-	827	-	827
Foreign currency forward contracts	396	-	396	-	396
	<u>\$ 1,223</u>	<u>-</u>	<u>1,223</u>	<u>-</u>	<u>1,223</u>
Financial assets measured at fair value through other comprehensive income—non-current:					
Privately held equity securities	<u>\$ 5,196</u>	<u>-</u>	<u>-</u>	<u>5,196</u>	<u>5,196</u>
Financial liabilities at fair value through profit and loss—current:					
Foreign currency forward contracts	\$ 700	-	700	-	700

(Continued)

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	December 31, 2020				
	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial asset at fair value through profit or loss—current:					
Foreign exchange swaps	\$ 1,292	-	1,292	-	1,292
Foreign currency forward contracts	417	-	417	-	417
	<u>\$ 1,709</u>	<u>-</u>	<u>1,709</u>	<u>-</u>	<u>1,709</u>
Financial assets measured at fair value through other comprehensive income—non-current:					
Privately held securities	<u>\$ 6,273</u>	<u>-</u>	<u>-</u>	<u>6,273</u>	<u>6,273</u>
Financial liabilities at fair value through profit and loss—current and non-current:					
Foreign currency forward contracts	1,274	-	1,274	-	1,274
Contingent consideration arising from business combinations	2,248	-	2,248	-	2,248
	<u>\$ 3,522</u>	<u>-</u>	<u>3,522</u>	<u>-</u>	<u>3,522</u>

(iii) Valuation techniques used in fair value measurement

The fair value of derivative financial instruments is determined using a valuation technique, with estimates and assumptions consistent with those used by market participants that are readily available to the Group. The fair value of foreign currency forward contracts, foreign exchange swaps and foreign exchange option are computed individually by each contract using the valuation technique.

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.

The fair value of privately held stock is estimated by using the market approach and is determined by reference to valuations of similar companies, recent financing activities, market conditions and other economic indices.

(iv) Transfers between levels of the fair value hierarchy

There were no transfers among fair value hierarchies for the years ended December 31, 2021 and 2020.

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PARTNER TECH CORPORATION AND SUBSIDIARIES
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(v) Movement in financial assets included in Level 3 of fair value hierarchy

1) Financial assets at fair value through other comprehensive income:

	<u>2021</u>	<u>2020</u>
Balance at January 1	\$ 6,273	10,687
Losses recognized in other comprehensive income, and presented in unrealized losses on financial assets measured at fair value through other comprehensive income	<u>(1,077)</u>	<u>(4,414)</u>
Balance at December 31	<u>\$ 5,196</u>	<u>6,273</u>

2) Financial liabilities at fair value through profit or loss:

	<u>2021</u>	<u>2020</u>
Balance at January 1	\$ -	17,498
Recognized in profit or loss	<u>-</u>	<u>(17,498)</u>
Balance at December 31	<u>\$ -</u>	<u>-</u>

The above-mentioned total gains or losses were included in “other gains and losses” and “unrealized losses on financial assets measured at fair value through other comprehensive income.” The gains or losses attributable to the assets and liabilities held on December 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Total gains or losses:		
Losses recognized in other comprehensive income, and presented in unrealized losses on financial assets measured at fair value through other comprehensive income	<u>(1,077)</u>	<u>(4,414)</u>

(vi) Quantitative information of significant unobservable inputs (Level 3) used at 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 other comprehensive and financial liabilities at fair value through profit and loss.

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Quantitative information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Interrelationship between significant unobservable inputs and fair value measurement
Financial assets measured at fair value through other comprehensive income—equity investments without an active market	Market approach	Discount for lack of marketability	The estimated fair value would decrease if the discount for lack of marketability was higher

(y) Financial risk management

The Group is exposed to credit risk, liquidity risk, and market risk (including currency risk, interest rate risk and other market price risk). The Group has disclosed the information on exposure to the aforementioned risks and the Group's policies and procedures to measure and manage those risks as well as the quantitative information below.

The Company's Board of Directors is responsible for developing and monitoring the Group's risk management policies. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor adherence to the controls. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's operations.

The Group's management monitors and reviews financial activities in accordance with procedures required by relevant regulations and internal controls. Internal auditors undertake both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Company's Board of Directors.

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty of a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents, derivative instruments, and receivables from customers. The maximum exposure to credit risk is equal to the carrying amount of the Group's financial assets.

The Group maintains cash and enters into derivative transactions with various reputable financial institutions; therefore, the exposure related to the potential default by those counterparties is not considered significant. By doing sales through worldwide distributors and system integrators, the Group believes that there is no significant concentration of credit risk due to the Group's large number of customers and their wide geographical spread.

The Group has established a credit policy under which each customer is analyzed individually for creditworthiness for the purpose of setting the credit limit.

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PARTNER TECH CORPORATION AND SUBSIDIARIES
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(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in settling its financial liabilities by delivering cash or other financial assets. The Group manages liquidity risk by monitoring regularly the current and mid- to long-term cash demand, maintaining adequate cash and banking facilities, and ensuring compliance with the terms of the loan agreements. As of December 31, 2021 and 2020, the Group had unused credit facilities of \$1,087,697 and \$1,109,230, respectively.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments, including principal and interest.

	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
December 31, 2021						
Non-derivative financial liabilities:						
Short-term borrowings	\$ 173,028	173,028	-	-	-	-
Notes and accounts payable (including related parties)	347,085	347,085	-	-	-	-
Other payables (including related parties)	141,330	141,330	-	-	-	-
Long-term debt (including current portion)	80,016	3,956	7,095	7,594	17,702	43,669
Lease liabilities (including current and non-current) (including related parties)	93,493	15,783	13,707	17,363	36,924	9,716
	<u>\$ 834,952</u>	<u>681,182</u>	<u>20,802</u>	<u>24,957</u>	<u>54,626</u>	<u>53,385</u>
Derivative financial instruments:						
Foreign currency forward contracts — settled in gross:						
Outflow	\$ (86,826)	(86,826)	-	-	-	-
Inflow	86,126	86,126	-	-	-	-
	<u>\$ (700)</u>	<u>(700)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
December 31, 2020						
Non-derivative financial liabilities:						
Short-term borrowings	\$ 205,502	205,502	-	-	-	-
Financial liabilities at fair value through profit or loss—contingent consideration arising from business combinations—current	2,248	2,248	-	-	-	-
Notes and accounts payable (including related parties)	231,302	231,302	-	-	-	-
Other payables (including related parties)	89,727	89,727	-	-	-	-
Long-term debt (including current portion)	103,179	4,811	4,918	8,396	22,372	62,682
Lease liabilities (including current and non-current) (including related parties)	108,833	15,842	13,807	20,108	31,455	27,621
	<u>\$ 740,791</u>	<u>549,432</u>	<u>18,725</u>	<u>28,504</u>	<u>53,827</u>	<u>90,303</u>
Derivative financial instruments:						
Foreign currency forward contracts—settled in gross:						
Outflow	\$ (141,571)	(141,571)	-	-	-	-
Inflow	140,297	140,297	-	-	-	-
	<u>\$ (1,274)</u>	<u>(1,274)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

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(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group utilizes derivative financial instruments to manage market risk and the volatility of profit or loss. All such transactions are carried out within the guidelines set by the Company's Board of Directors.

1) Foreign currency risk

The Group utilizes foreign currency forward contracts and foreign exchange swaps to hedge its foreign currency exposure with respect to its sales and purchases. The maturity dates of the derivative financial instruments of the Group entered into were less than six months and did not conform to the criteria for hedge accounting. These financial instruments help to reduce, but do not eliminate, the impact of foreign currency exchange rate movements.

The Group's exposure to foreign currency risk arises from cash and cash equivalents, notes and accounts receivable (including related-party transactions), notes and accounts payable (including related-party transactions), other receivables (including related-party transactions), other payables (including related-party transactions), and loans and borrowings that are denominated in a currency other than the respective functional currency of the Group entities. At the reporting date, the carrying amounts of the Group's significant monetary assets and liabilities denominated in a currency other than the respective functional currencies of the Group entities and their respective sensitivity analysis were as follows (including the monetary items that have been eliminated in the accompanying consolidated financial statements):

December 31, 2021					
	Foreign currency	Exchange rate	TWD	Change in magnitude	Pre-tax effect on profit or loss
<u>Financial assets</u>					
Monetary items					
USD	\$ 23,106	27.680	639,574	1 %	6,396
<u>Financial liabilities</u>					
Monetary items					
USD	24,013	27.680	664,680	1 %	6,647

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PARTNER TECH CORPORATION AND SUBSIDIARIES
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December 31, 2020					
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Change in magnitude</u>	<u>Pre-tax effect on profit or loss</u>
<u>Financial assets</u>					
Monetary items					
USD	\$ 22,811	28.350	646,692	1 %	6,467
<u>Financial liabilities</u>					
Monetary items					
USD	15,126	28.350	428,822	1 %	4,288

As the Group deal in diverse foreign currencies, gains and losses on foreign exchange were summarized as a single amount. The aggregate of realized and unrealized foreign exchange loss for the years ended December 31, 2021 and 2020 were \$15,705 and \$6,380, respectively.

2) Interest rate risk

The following sensitivity analysis is based on the risk exposure to floating-interest-rate liabilities on the reporting date. The sensitivity analysis assumes the liabilities recorded at the reporting date had been outstanding for the entire period. The change in interest rate reported to the key management in the Group is based on 100 basis points (1%), which is consistent with the assessment made by the key management in respect of the possible change in interest rate.

If the interest rate had been 100 basis points (1%) higher/lower with all other variables held constant, pre-tax income for the years ended December 31, 2021 and 2020 would have been \$2,426 and \$2,835, respectively, lower/higher, which mainly resulted from the borrowings with floating interest rates.

3) Other market price risk

The Group has long-term investments in unlisted stocks, which the Group does not actively participate in trading. The Group anticipates that there is no significant market risk related to the investments.

Assuming a hypothetical increase or decrease of 5% in equity prices of the equity investments at each reporting date, the other comprehensive income for the years ended December 31, 2021 and 2020, would have increased or decreased by \$260 and \$314, respectively.

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PARTNER TECH CORPORATION AND SUBSIDIARIES

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(z) Capital management

The Group's objectives for managing capital are to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, issue new shares, or sell assets to settle any liabilities.

The Group uses the debt-to-equity ratio to manage capital. This ratio uses the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, other equity and equity attributable to subsequent owner of business combination under common control.

The Group's liability-to-equity ratio at the end of each reporting period were as follows:

	December 31, 2021	December 31, 2020
Total liabilities	\$ 963,811	789,498
Less: cash and cash equivalents	(452,214)	(287,503)
Net liabilities	<u>\$ 511,597</u>	<u>501,995</u>
Total equity	<u>\$ 1,131,443</u>	<u>908,425</u>
Liability-to-equity ratio	<u>45.22 %</u>	<u>55.26 %</u>

(aa) Changes in liabilities from financing activities

(i) For the information of right-of-use assets acquired in 2021 and 2020, please refer to note 6(j).

(ii) Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2021	Cash flows	Non-cash changes Additions of lease liabilities	Lease modifications	December 31, 2021
Short-term borrowings	\$ 204,590	(32,249)	-	-	172,341
Lease liabilities	102,177	(37,027)	24,012	(155)	89,007
Long-term debt	78,943	(8,722)	-	-	70,221
Total liabilities from financing activities	<u>\$ 385,710</u>	<u>(77,998)</u>	<u>24,012</u>	<u>(155)</u>	<u>331,569</u>

	January 1, 2020	Cash flows	Non-cash changes Additions of lease liabilities	Lease modifications	December 31, 2020
Short-term borrowings	\$ 114,330	90,260	-	-	204,590
Lease liabilities	134,871	(31,048)	2,941	(4,587)	102,177
Long-term debt	77,084	1,859	-	-	78,943
Total liabilities from financing activities	<u>\$ 326,285</u>	<u>61,071</u>	<u>2,941</u>	<u>(4,587)</u>	<u>385,710</u>

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7. Related-party transactions:

(a) Parent company and ultimate controlling party

Qisda Corporation is both the parent company and the ultimate controlling party of the Group. It owns 68.23% of all shares outstanding of the Company, and has issued the consolidated financial statements available for public use.

(b) Name and relationship with related parties

The following are the entities that have had transactions with the Group during the periods covered in the consolidated financial statements.

Name of related parties	Relationship with the Group
Qisda Corporation (“Qisda”)	The Company’s parent company
Other related parties:	
BenQ Corp. (“BenQ”)	Qisda’s subsidiary
BenQ Asia Pacific Corp. (“BQP”)	Qisda’s subsidiary
BenQ GURU Corp. (“GST”)	Qisda’s subsidiary
BenQ Co., Ltd. (“BQC”)	Qisda’s subsidiary
BenQ Intelligent Technology (Shanghai) Co., Ltd. (“BQC_RO”)	Qisda’s subsidiary
Guru Systems (Suzhou) Co., Ltd. (“GSS”)	Qisda’s subsidiary
BenQ Medical Technology Corp. (“BMTC”)	Qisda’s subsidiary
BenQ Healthcare Corporation (“BHS”)	Qisda’s subsidiary
Global Intelligence Network Co., Ltd. (“Ginnet”)	Qisda’s subsidiary
Qisda Optonics (Suzhou) Co., Ltd. (“QCOS”)	Qisda’s subsidiary
BenQ ESCO Corp. (“BES”)	Qisda’s subsidiary
Dawning Technology Inc. (“Dawningtech”)	(Note 1)
BenQ Europe B.V. (“BQE”)	Qisda’s subsidiary
BenQ (M.E.) FZE (“BQme”)	Qisda’s subsidiary
BenQ Singapore Pte Ltd. (“BQsg”)	Qisda’s subsidiary
BenQ Material Corp. (“BMC”)	Qisda’s subsidiary
BenQ Mexico S De R.L. de C.V. (“BQmx”)	Qisda’s subsidiary
Expert Alliance Smart Technology Co. Ltd.	Qisda’s subsidiary
Qisda (Suzhou) Co., Ltd. (“QCSZ”)	Qisda’s subsidiary
DFI Inc. (“DFI”)	Qisda’s subsidiary
Sysage Technology Co., Ltd. (“Sysage”)	Qisda’s subsidiary
Expert Alliance Systems & Consultancy (HK) Company Limited (“EASC”)	Qisda’s subsidiary
Brainstorm Corporation (“Brainstorm”)	Qisda’s subsidiary
Golden Spirit Co., Ltd. (“GSC”)	Qisda’s subsidiary
BenQ Foundation	Qisda’s substantive related party
Corex (Pty) Ltd. (“PCX”)	(Note 2)

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(Note 1) Prior to January 2021, Dawningtech was a subsidiary of Qisda. Starting from January 2021, Dawningtech was no longer a related party of the Group.

(Note 2) Prior to January 2021, PCX was a subsidiary of the Group. The Group sold all of its investment in Corex (Pty) Ltd. to Sysage Technology Co., Ltd. in January 2021 and the Group as the transferring company considered PCX as its other related party instead of its subsidiary as if the equity interest had been held by the acquirer before the beginning of the period. Please refer to note (b)(iii) for a description of organizational restructuring under common control.

(c) Significant related-party transactions

(i) Revenue

	2021	2020
Parent company	\$ 1,835	4,139
Other related parties		
PCX	23,624	8,809
Brainstorm	8,108	-
Others	3,661	1,228
	\$ 37,228	14,176

The sales prices for some of the abovementioned transactions were not comparable to the sales prices for third-party customers as the specifications of products were different. For the other transactions, there were no significant differences between the sales prices for related parties and those for third-party customers. The payment terms of OA30 to OA90 days showed no significant difference between related parties and third-party customers.

The Group sold raw material to related parties (QCSZ) for reprocessing, and the related finished goods were resold back to the Group. For this reason, the Group offset the recognized revenues and costs from these transactions, which amounted to \$177,636 and \$170,719, for the years ended December 31, 2021 and 2020, respectively.

(ii) Purchases

	December 31, 2021	December 31, 2020
Parent company—Qisda	\$ 90,767	112,444
Other related parties:		
QCSZ	39,082	49,262
Others	35,594	19,359
	\$ 165,443	181,065

The purchases price for the abovementioned transactions were not comparable to the purchases price for third-party vendors as the specifications of products were different. The payment terms of OA30 to OA90 days showed no significant difference between related parties and third-party vendors.

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(iii) Lease

The Group leases offices, dormitory and warehouses, and the rent is paid monthly with reference to the nearby office rental rates. The related interest expense on lease liabilities amounted to \$163 and \$287, respectively. As of December 31, 2021 and 2020, the balance of the lease liabilities amounted to \$11,766, and \$5,733, respectively. Please refer to note 6(n) for details on the lease liabilities.

(iv) Property transactions

In 2021 and 2020, the Group purchased other equipments from other related parties for \$559 and \$486, respectively. As of December 31, 2021 and 2020, the related payables that are not paid were recognized in other payables to other related parties.

(v) Disposal of shares of subsidiaries

The Group sold all of its investment in PCX to Sysage Technology Co., Ltd. Please refer to note 6(h) for details on the disposal of PCX.

(vi) Loans to related parties

<u>Account</u>	<u>Related-party categories</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other receivables — loan	Other related party — PCX	\$ -	113,400
Other receivables — interest	Other related party — PCX	-	342
		<u>\$ -</u>	<u>113,742</u>

The Group loaned to PCX with the interest rate of 3.5% by reference to the interest rate of short-term borrowings from financial institutions. Other receivables from PCX were uncollateralized and no provisions for doubtful receivables were required after the assessment made by the management. For the years ended December 31, 2021 and 2020, the interest income from loans to PCX amounted to \$230 and \$3,299, respectively.

(vii) Cost of revenue and operating expenses

Cost of revenue and operating expenses related to the after-sale service, marketing, product development and design ,and other disbursement by related parties were as below:

<u>Account</u>	<u>Related-party categories</u>	<u>2021</u>	<u>2020</u>
Cost of revenue	Parent company	\$ 563	525
	Other related parties	862	2,233
Operating expenses	Parent company	962	1,385
	Other related parties	2,625	1,738
		<u>\$ 5,012</u>	<u>5,881</u>

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PARTNER TECH CORPORATION AND SUBSIDIARIES
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(viii) Receivables

<u>Account</u>	<u>Related-parties categories</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts receivable from related parties	Parent company	\$ 204	108
	Other related parties:		
	QCSZ	16,867	31,904
	PCX	8,001	1,492
	Others	<u>494</u>	<u>-</u>
		<u>25,566</u>	<u>33,504</u>
Other receivable from related parties	Other related parties:		
	DFI	138	-
	Expert Alliance Smart Technology Co. Ltd.	89	-
	QCOS	43	-
	PCX	-	113,742
	Others	<u>-</u>	<u>44</u>
		<u>270</u>	<u>113,786</u>
		<u>\$ 25,836</u>	<u>147,290</u>

(ix) Payables

<u>Account</u>	<u>Related party categories</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts payable to related parties	Parent company— Qisda	\$ 45,381	30,652
	Other related parties:		
	QCSZ	21,641	32,807
	Others	<u>8,205</u>	<u>9,076</u>
		<u>75,227</u>	<u>72,535</u>
Other payables to related parties	Parent company	768	311
	Other related parties:		
	DFI	475	491
	Ginnet	367	-
	Others	<u>490</u>	<u>1,339</u>
		<u>2,100</u>	<u>2,141</u>
		<u>\$ 77,327</u>	<u>74,676</u>

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PARTNER TECH CORPORATION AND SUBSIDIARIES
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(x) Guarantees

As of December 31, 2021 and 2020, endorsements and guarantees the Company provided to related parties for credit facilities were as follows:

	December 31, 2021	December 31, 2020
Other related parties—PCX	<u>\$ -</u>	<u>85,050</u>

(d) Compensation for key management personnel

	2021	2020
Short-term employee benefits	\$ 17,128	21,476
Post-employment benefits	<u>740</u>	<u>876</u>
	<u>\$ 17,868</u>	<u>22,352</u>

8. Pledged assets:

The carrying amounts of the assets pledged as collateral are detailed below:

Pledged assets	Pledged to secure	December 31, 2021	December 31, 2020
Other financial assets — current (time deposits)	Guarantee deposit for custom duties	\$ 3,176	2,168
Other financial assets — current (time deposits)	Credit lines of bank loans	2,097	2,199
Other financial assets — current (time deposits)	Performance guarantee deposit	-	2,668
Property, plant and equipment	Credit lines of bank loans	<u>82,619</u>	<u>88,730</u>
		<u>\$ 87,892</u>	<u>95,765</u>

9. Significant commitments and contingencies:

As of December 31, 2021 and 2020, the Group's unused letters of credit amounted to \$5,179 and \$948, respectively.

10. Significant loss from disaster: None.

11. Significant subsequent events: None.

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PARTNER TECH CORPORATION AND SUBSIDIARIES
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12. Others:

Employee benefits, depreciation and amortization expenses categorized by function were as follows:

	2021			2020		
	Cost of revenue	Operating expenses	Total	Cost of revenue	Operating expenses	Total
Employee benefits:						
Salaries	4,452	381,885	386,337	3,891	326,107	329,998
Insurance	531	33,202	33,733	451	26,062	26,513
Pension	258	13,891	14,149	231	13,540	13,771
Others	259	11,268	11,527	230	10,237	10,467
Depreciation	20,694	60,946	81,640	24,046	52,125	76,171
Amortization	-	15,876	15,876	-	23,837	23,837

13. Additional disclosures:

(a) Information on significant transactions:

In accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Group discloses the following information on significant transactions for the year ended December 31, 2021:

(i) Financing provided to other parties:

No.	Name of Lender	Name of Borrower	Financial Statement Account	Is a Related Party	Highest Balance of Financing to Other Parties During the Period	Ending Balance	Actual Usage Amount During the Period	Range of Interest Rates During the Period	Purpose of Fund Financing for the Borrower (Note 3)	Transaction Amounts	Reasons for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Total Financing Amount Limits
													Item	Value		
0	The Company	Corex (Pty) Ltd.	Other receivables from related parties	Yes	113,400	-	-	3.50%~8.85%	2	-	Operating requirements	-	-	-	402,770	402,770

Note 1: Parties to intercompany transactions are identified and numbered as follows:

- 1: "0" represents the Company.
- 2: Subsidiaries are numbered from "1".

Note 2: The aggregate financing amount and the individual financing amount shall not exceed 40% of the most recent audited or reviewed net worth of the Company, respectively.

Note 3: Purpose of fund financing:

- Type 1: Business transaction purpose.
- Type 2: Short-term financing purpose.

(Continued)

PARTNER TECH CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(ii) Guarantees and endorsements for other parties:

No.	Endorsement/ Guarantee Provider	Counter-party of Guarantee and Endorsement		Limits on Amount of Guarantees and Endorsements Provided to Each Guaranteed Party (Note 1)	Highest Balance of Guarantees and Endorsements During the Period	Balance of Guarantees and Endorsements as of Reporting Date	Actual Usage Amount During the Period	Property Pledged for Guarantees and Endorsements	Ratio of Accumulated Amounts of Guarantees and Endorsements to Net Worth of the Latest Financial Statements	Maximum Amounts for Guarantees and Endorsements (Note 1)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Endorsements/ Guarantees Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship (Note 2)										
0	The Company	Partner Tech Middle East FZCO	2	201,385	57,060	55,360	55,360	-	5.50 %	503,463	Y	N	N
0	The Company	Partner-Tech USA Inc.	2	201,385	28,530	27,680	27,680	-	2.75 %	503,463	Y	N	N
0	The Company	Partner Tech Europe GmbH	2	201,385	57,060	55,360	55,360	-	5.50 %	503,463	Y	N	N

Note 1: The aggregate endorsements/guarantees amount provided by the Company and the endorsement/guarantee amount provided to individual guarantee party shall not exceed 50% and 20% of the most recent audited or reviewed net worth of the Company, respectively.

Note 2: Relationships between the endorsement/guarantee provider and the guaranteed party:

Type 2. A subsidiary indirectly owned by the Company over 50%

Note 3: The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

(iii) Marketable securities held at the reporting date (excluding investments in subsidiaries, associates, and joint ventures):

(Amounts in Thousands of Shares)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	Ending Balance				Maximum ownership during 2021		Note
				Shares/ Units	Carrying Value	Percentage of Ownership	Fair value	Shares/ Units	Percentage of Ownership	
The Company	Preferred stock: D8AI Holding Corporation	-	Financial assets at fair value through other comprehensive income—non-current	3,500	5,196	2.30 %	5,196	3,500	2.30 %	

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of TWD300 million or 20% of the capital stock: None.

(v) Acquisition of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital: None.

(vi) Disposal of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock: None.

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PARTNER TECH CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of TWD100 million or 20% of the capital stock:

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchases / (Sales)	Amount	% to Total Purchases / (Sales)	Payment Terms	Units Price	Payment Terms	Ending Balance	% of Total Notes/Accounts Receivable (Payable)	
The Company	Partner Tech USA Inc.	Parent/Subsidiary	(Sales)	(275,324)	(22.99)%	OA 90	The sales prices for some of the transactions were not comparable to the sales prices for third-party customers as the specifications of products were different. For the other transactions, there were no significant differences between the sales prices for related parties and those for third-party customers.	-	112,778	21.94%	
The Company	Partner-Tech Europe GmbH	Parent/Subsidiary	(Sales)	(362,551)	(30.27)%	OA 90	"	-	144,261	28.06%	
The Company	Partner Tech UK Corp., Ltd.	Parent/Subsidiary	(Sales)	(120,016)	(10.02)%	OA 90	"	-	38,969	7.58%	
The Company	Partner Tech Middle East FZCO	Parent/Subsidiary	(Sales)	(120,345)	(10.05)%	OA 30	"	-	98,208	19.10%	
Partner Tech USA Inc.	The Company	Parent/Subsidiary	Purchases	275,324	89.19%	OA 90	The purchases price for the transactions were not comparable to the purchases price for third-party vendors as the specifications of products were different.	-	(112,778)	(99.43)%	
Partner-Tech Europe GmbH	The Company	Parent/Subsidiary	Purchases	362,551	49.93%	OA 90	"	-	(144,261)	(70.90)%	
Partner Tech UK Corp Ltd.	The Company	Parent/Subsidiary	Purchases	120,016	73.56%	OA 90	"	-	(38,969)	(93.96)%	
Partner Tech Middle East FZCO	The Company	Parent/Subsidiary	Purchases	120,345	49.77%	OA 90	"	-	(98,208)	(97.65)%	

Note: The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

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PARTNER TECH CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of capital stock:

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
The Company	Partner-Tech Europe GmbH	Parent/Subsidiary	144,261	3.47	-	-	96,615	-
The Company	Partner Tech USA Inc.	Parent/Subsidiary	112,778	3.98	-	-	42,308	-

- (ix) Trading in derivative instruments: Refer to note 6(b)
- (x) Business relationships and significant intercompany transactions:

No. (Note 1)	Company Name	Counter Party	Nature of Relationship	Transaction Details			
				Account	Amount	Payment Terms	Percentage of Consolidated Total Operating Revenue and Total Assets (Note 3)
0	The Company	Partner-Tech Europe GmbH	Parent/Subsidiary	Sales	362,551	OA90	13.42 %
0	The Company	Partner Tech USA Inc.	Parent/Subsidiary	Sales	275,324	OA90	10.19 %
0	The Company	Partner Tech Middle East FZCO	Parent/Subsidiary	Sales	120,345	OA90	4.45 %
0	The Company	Partner Tech UK Corp., Ltd.	Parent/Subsidiary	Sales	120,016	OA90	4.44 %
0	The Company	La Fresh Information Co., Ltd.	Parent/Subsidiary	Sales	26,543	OA90	0.98 %
0	The Company	Epoint Systems Pte. Ltd.	Parent/Subsidiary	Sales	13,045	OA90	0.48 %
0	The Company	Partner Tech (Shanghai) Co., Ltd.	Parent/Subsidiary	Sales	11,226	OA45	0.42 %
0	The Company	Mace Digital Corporation	Parent/Subsidiary	Sales	8,680	OA90	0.32 %
0	The Company	We Best Solution Corporation	Parent/Subsidiary	Sales	13,335	OA90	0.49 %
0	The Company	Partner Tech Middle East FZCO	Parent/Subsidiary	Accounts Receivable	98,208	OA90	4.69 %
0	The Company	Partner-Tech Europe GmbH	Parent/Subsidiary	Accounts Receivable	144,261	OA90	6.89 %
0	The Company	Partner Tech USA Inc.	Parent/Subsidiary	Accounts Receivable	112,778	OA90	5.38 %
0	The Company	Partner Tech UK Corp., Ltd.	Parent/Subsidiary	Accounts Receivable	38,969	OA90	1.86 %
0	The Company	La Fresh Information Co., Ltd.	Parent/Subsidiary	Accounts Receivable	9,718	OA90	0.46 %
0	The Company	Epoint Systems Pte. Ltd.	Parent/Subsidiary	Accounts Receivable	2,092	OA90	0.10 %
0	The Company	Partner Tech (Shanghai) Co., Ltd.	Parent/Subsidiary	Accounts Receivable	4,262	OA90	0.20 %

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PARTNER TECH CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

No. (Note 1)	Company Name	Counter Party	Nature of Relationship	Transaction Details			
				Account	Amount	Payment Terms	Percentage of Consolidated Total Operating Revenue and Total Assets (Note 3)
0	The Company	Mace Digital Corporation	Parent/Subsidiary	Accounts Receivable	2,213	OA90	0.11 %
0	The Company	We Best Solution Corporation	Parent/Subsidiary	Accounts Receivable	9,867	OA90	0.47 %

Note 1: Parties to the intercompany transactions are identified and numbered as follows:

1. "0" represents the Company.
2. Subsidiaries are numbered from "1".

Note 2: Intercompany relationships and significant intercompany transactions are disclosed only for sales and accounts receivables. The corresponding purchases and accounts payables are not disclosed.

Note 3: Based on the transaction amount divided by consolidated operating revenue or consolidated total assets.

Note 4: The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

(b) Information on investees:

The following is the information on investees for the year 2019 (excluding information on investees in Mainland China):

(In Thousands of shares)

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2021			Maximum ownership during 2021		Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of Ownership	Carrying Value	Shares	Percentage of Ownership			
The Company	We Best Solution Corporation	Taiwan	Import and export of electronic products	21,843	21,843	2,500	100.00 %	30,288	2,500	100.00 %	10,217	10,217	Note 2
The Company	P&J Investment Holding Co., Ltd. (B.V.I.)	British Virgin Islands	Investing and holding activity	230,307	230,307	5,551	100.00 %	152,295	5,551	100.00 %	16,954	16,954	Note 2
The Company	Partner Tech UK Corp., Ltd.	UK	Import and export of electronic products	43,834	43,834	886	88.60 %	33,625	886	88.60 %	6,151	5,450	Note 2
The Company	Partner-Tech Europe GmbH	Germany	Import and export of electronic products	51,451	51,451	(Note 1)	50.02 %	126,153	(Note 1)	50.02 %	54,758	25,911	Note 2
The Company	Partner Tech Middle East FZCO	United Arab Emirates	Import and export of electronic products	137,387	137,387	0.099	99.00 %	23,668	0.099	99.00 %	8,990	7,911	Note 2
The Company	Epoint Systems Pte. Ltd.	Singapore	Software development and sales of product	57,449	27,449	222	69.88 %	55,232	222	69.88 %	2,863	533	Note 2
The Company	La Fresh Information Co., Ltd.	Taiwan	Software development and sales of product	20,500	20,500	2,050	50.62 %	31,052	2,050	50.62 %	7,319	3,690	Note 2

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Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2021			Maximum ownership during 2021		Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of Ownership	Carrying Value	Shares	Percentage of Ownership			
The Company	Mace Digital Corporation	Taiwan	Import and export of electronic products	11,000	11,000	1,100	52.38 %	17,961	1,100	52.38 %	10,534	5,518	Note 2
The Company	Partner Tech North Africa	Morocco	Import and export of electronic products	4,075	4,075	13	58.18 %	(138)	13	58.18 %	-	-	Note 2
Partner-Tech Europe GmbH	Partner Tech UK Corp., Ltd.	UK	Import and export of electronic products	5,640	5,640	114	11.40 %	5,410	114	11.40 %	6,151	701	Note 2
Partner-Tech Europe GmbH	Sloga team D.o.o.	Slovenia	Import and export of electronic products	980	980	(Note 1)	90.00 %	(14,472)	(Note 1)	90.00 %	2,113	1,902	Note 2
Partner-Tech Europe GmbH	Retail Solution & System S.L.	Spain	Import and export of electronic products	-	-	(Note 1)	68.00 %	15,456	(Note 1)	68.00 %	20,451	13,907	Note 2
Partner Tech Middle East FZCO	E-POS International LLC	United Arab Emirates	Import and export of electronic products	2,485	2,485	0.3	100.00 %	(52,988)	0.3	100.00 %	(517)	(517)	-
We Best Solution Corporation	La Fresh Information Co., Ltd.	Taiwan	Import and export of electronic products	10	10	1	0.02 %	12	1	0.02 %	7,319	1	Note 2
We Best Solution Corporation	Partner Tech North Africa	Morocco	Import and export of electronic products	1	1	0.001	0.005 %	-	0.001	0.005 %	-	-	Note 2
We Best Solution Corporation	Partner Tech Middle East FZCO	United Arab Emirates	Import and export of electronic products	1,560	1,560	0.001	1.00 %	202	0.001	1.00 %	8,990	79	Note 2
P&J Investment Holding Co., Ltd. (B.V.I.)	P&S Investment Holding Co., Ltd. (B.V.I.)	British Virgin Islands	Investing and holding activity	134,973	134,973	4,560	100.00 %	151,817	4,560	100.00 %	16,946	16,946	Note 2
P&S Investment Holding Co., Ltd. (B.V.I.)	Partner Tech USA Inc.	USA	Import and export of electronic products	31,593	31,593	1,091	100.00 %	71,591	1,091	100.000 %	15,884	15,884	Note 2

Note 1: There was no shares as the company is a limited liability company.

Note 2: The intercompany transactions have been eliminated when preparing the consolidated financial statements.

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PARTNER TECH CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(c) Information on investments in Mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021	Net Income (Loss) Investee	% of Ownership of Direct or Indirect Investment	Maximum ownership during 2021		Investment Income (Loss)	Carrying Value as of December 31, 2021	Accumulated Inward Remittance of Earnings as of December 31, 2021
					Outflow	Inflow				Shares	Percentage of Ownership			
Partner Tech (Shanghai) Co., Ltd.	Import and export of electronic products	96,880 (USD3,500 thousand)	Note 1	96,880 (USD5,000 thousand)	-	-	96,880 (USD3,500 thousand)	1,062	100.00 %	-	100.00 %	1,062 (Note 2)	80,201	-

Note 1: Indirect investment in Mainland China is through a holding company established in a third country.

Note 2: Investment income or loss was recognized based on the audited financial statements issued by International CPA firm that has a cooperative relationship with ROC CPA firm.

Note 3: The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1 = NT\$27.68

(ii) Limitation on investment in Mainland China:

Investee Company Name	Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Amounts Authorized by Investment Commission, MOEA
The Company	96,880 (USD 3,500 thousand)	191,158 (USD 6,906 thousand)	604,155

(iii) Significant transactions with investee companies in Mainland China:

Related Party	Nature of Relationships	Transactions Details					Notes/Accounts Receivable or Payable		Unrealized Gain/Loss
		Type of Transaction	Amount	Price	Payment Terms	Compare with Normal Transactions	Ending Balance	% of Total	
Partner Tech (Shanghai) Co., Ltd.	Parent/Subsidiary	Sales	11,226	In accordance with mutual agreements	OA 90	The sales prices for some of the transactions were not comparable to the sales prices for third-party customers as the specifications of products were different. For the other transactions, there were no significant differences between the sales prices for related parties and those for third-party customers.	4,262	0.83%	134

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PARTNER TECH CORPORATION AND SUBSIDIARIES

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- (iv) The situation of endorsement/guarantee provided with investee companies in Mainland China, either directly or indirectly through a third area: None.
- (v) The situation of financings provided with investee companies in Mainland China, either directly or indirectly through a third area: None.
- (vi) Other transactions that have material effect on profit or loss or financial position: None.

14. Segment information:

(a) General information

As disclosed in Note 6(h) to the consolidated financial statements, Partner Tech Corporation sold all of its investment in Corex (Pty) Ltd. which is engaged mainly in the sales of computer and peripheral to Sysage Technology Co., Ltd. in January 2021. Starting from January 2021, the Group has only one reportable segment and is engaged primarily in the design, manufacturing and sales of Point of Sale (POS) terminals and peripherals. The overall operating results are regularly reviewed by the Group's chief operating decision maker to assess its performance. In 2021 and 2020, there were no material inconsistency between the reportable segment profit or loss and the consolidated financial statements.

(b) Product information

Revenues from external customers are detailed below:

Products	2021	2020
Desktop POS and mobile POS	\$ 1,354,655	1,104,154
IoT	1,347,331	884,698
	<u>\$ 2,701,986</u>	<u>1,988,852</u>

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(c) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

<u>Region</u>	<u>2021</u>	<u>2020</u>
Revenues from external customers are detailed below:		
Taiwan	\$ 446,901	287,115
Germany	1,067,522	849,607
USA	321,571	242,980
Others	<u>865,992</u>	<u>609,150</u>
	<u>\$ 2,701,986</u>	<u>1,988,852</u>
	<u>December 31,</u>	<u>December 31,</u>
	<u>2021</u>	<u>2020</u>
Non-current assets:		
Taiwan	\$ 197,538	232,757
Singapore	82,913	90,289
Germany	72,257	83,923
Others	<u>75,049</u>	<u>80,149</u>
	<u>\$ 427,757</u>	<u>487,118</u>

Non-current assets include property, plant and equipment, intangible assets, right-of-use assets, and other non-current assets but do not include financial instruments and deferred income tax assets.

(d) Major customer information

The Group does not have individual customer with sales exceeding 10% of the consolidated revenue in 2021 and 2020.