

**TATUNG SYSTEM TECHNOLOGIES INC. AND
SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2024 and 2023**

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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 consolidated financial statements of TATUNG SYSTEM TECHNOLOGIES INC. as of and for the year ended December 31, 2024 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, "Consolidated Financial Statements. " endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the consolidated financial statements is included in the consolidated financial statements. Consequently, TATUNG SYSTEM TECHNOLOGIES INC. and Subsidiaries do not prepare a separate set of consolidated financial statements.

Company name: TATUNG SYSTEM TECHNOLOGIES INC.

Chairman: Wu, Chun-Lung

Date: March 3, 2025.



安侯建業聯合會計師事務所
KPMG

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Independent Auditors' Report

To the Board of Directors of TATUNG SYSTEM TECHNOLOGIES INC.:

Opinion

We have audited the consolidated financial statements of TATUNG SYSTEM TECHNOLOGIES INC. and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as of December 31, 2024 and 2023, 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 material 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, 2024 and 2023, 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"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements 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. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue Recognition

Please refer to Note 4(p) for the accounting principles on revenue recognition and Note 6(s) for the description on revenue recognition.

(a) Description of key audit matter:

The main source of revenue of the Group was from the goods and labor services, since the products sold are mainly servers, storage devices, software and other commodities, revenue is usually recognized when the buyer accepts the delivery or when the installation and acceptance are completed. Because the sales contracts of some large-scale projects include various types of goods and services, such as computers, peripheral devices, software, and maintenance, it is necessary to determine the performance obligation and the applicable methods of revenue recognition. Therefore, the test of revenue recognition is one of the key audit matters.

(b) Audit procedures performed:

The main audit procedures of the key audit matter mentioned above include:

- Understanding and testing the design and implementation of internal controls for the sales cycle.
- Sampling the original order or contract and shipment receipt, reviewing the transaction terms in order to evaluate whether the revenue recognition complies with the relevant standards.
- Performing a reconciliation of various vouchers before and after the balance sheet date in order to determine the appropriate period for sales revenue recognition in the financial statements.

Other Matter

TATUNG SYSTEM TECHNOLOGIES INC. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2024 and 2023, on which we have issued an unmodified 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 the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRIC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period 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 Huang, Hsin-Ting and Lai, Li-Chen.

KPMG

Taipei, Taiwan (Republic of China)
March 3, 2025

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.

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.

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

TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES**Consolidated Balance Sheets****December 31, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollar)**

Assets		December 31, 2024		December 31, 2023	
		Amount	%	Amount	%
Current assets:					
1100	Cash and cash equivalents (Note 6(a))	\$ 790,016	27	738,910	23
1136	Financial assets measured at amortized cost, current (Notes 6(c) and 8)	63,413	2	82,260	3
1140	Contract assets, current (Notes 6(s), (v) and 7)	203,124	7	215,129	7
1150	Notes receivable, net (Note 6(d))	5,886	-	16,428	-
1170	Accounts receivable, net (Note 6(d))	608,006	20	624,725	20
1180	Accounts receivable—related parties, net (Notes 6(d), 7 and 8)	71,438	2	100,905	3
1196	Operating lease receivable, net (Notes 6(e), (v) and 7)	3,565	-	8,130	-
1197	Finance lease receivable, net (Notes 6(f), (v) and 7)	2,816	-	5,647	-
1200	Other receivables (Notes 6(v) and 7)	2,063	-	2,086	-
130X	Inventories (Note 6(g))	608,620	21	716,280	23
1410	Prepayments	20,732	1	28,047	1
	Total current assets	2,379,679	80	2,538,547	80
Non-current assets:					
1510	Financial assets at fair value through profit or loss, non-current (Note 6(b))	63,910	2	48,899	2
1535	Financial assets measured at amortized cost, non-current (Notes 6(c) and 8)	42,234	1	45,250	1
1550	Investments accounted for using equity method (Note 6(h))	-	-	5,402	-
1560	Contract assets, non-current (Notes 6(s), (v) and 7)	-	-	30,030	1
1600	Property, plant and equipment (Notes 6(i) and 7)	64,401	2	81,686	3
1755	Right-of-use assets (Notes 6(j) and 7)	125,420	4	55,278	2
1780	Intangible assets (Note 6(k))	4,499	-	6,306	-
1840	Deferred tax assets (Note 6(p))	28,754	1	28,593	1
1920	Refundable deposits (Note 7)	84,187	3	85,745	3
1932	Long-term receivables, net (Notes 6(d) and 7)	190,571	7	239,830	7
194D	Long-term finance lease receivable, net (Notes 6(f), (v) and 7)	3,218	-	4,821	-
	Total non-current assets	607,194	20	631,840	20
	Total assets	\$ 2,986,873	100	3,170,387	100

See accompanying notes to consolidated financial statements.

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

TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES**Consolidated Balance Sheets (CONT'D)****December 31, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollar)**

		December 31, 2024		December 31, 2023	
		Amount	%	Amount	%
Liabilities and Equity					
Current liabilities:					
2100	Short-term loans (Note 6(l))	\$ 50,000	2	80,000	3
2110	Short-term notes and bills payable (Note 6(m))	-	-	49,990	2
2130	Contract liabilities, current (Notes 6(s) and 7)	213,287	7	157,929	5
2150	Notes payable	658	-	2,871	-
2170	Accounts payable	642,910	22	860,713	27
2180	Accounts payable—related parties (Note 7)	30,312	1	56,265	2
2200	Other payables (Note 7)	250,555	8	218,506	7
2230	Current tax liabilities (Note 6(p))	27,466	1	43,913	1
2250	Provisions, current	3,609	-	613	-
2280	Lease liabilities, current(Notes 6(n) and 7)	37,947	1	40,896	1
2300	Other current liabilities	17,149	1	21,680	1
	Total Current liabilities	1,273,893	43	1,533,376	49
Non-Current liabilities:					
2527	Contract liabilities, non-current (Note 6(s))	27,501	1	36,679	1
2570	Deferred tax liabilities (Note 6(p))	1,183	-	114	-
2580	Lease liabilities, non-current (Notes 6(n) and 7)	91,722	3	20,313	1
2620	Long-term payables—related parties(Note 7)	50,669	2	67,806	2
2640	Net defined benefit liabilities, non-current (Note 6(o))	33,456	1	45,971	1
2645	Guarantee deposits received (Note 7)	130	-	180	-
	Total non-current liabilities	204,661	7	171,063	5
	Total liabilities	1,478,554	50	1,704,439	54
Equity attributable to owners of parent (Note 6(q)):					
3110	Common stock	885,600	29	885,600	28
3200	Capital surplus	80,788	3	80,788	3
Retained earnings:					
3310	Legal reserve	320,118	11	301,376	10
3320	Special reserve	3,881	-	3,908	-
3350	Unappropriated earnings	221,862	7	198,158	5
	Total retained earnings	545,861	18	503,442	15
3400	Other equity	(3,930)	-	(3,882)	-
	Total equity	1,508,319	50	1,465,948	46
	Total liabilities and equity	\$ 2,986,873	100	3,170,387	100

See accompanying notes to consolidated financial statements.

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

TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES**Consolidated Statements of Comprehensive Income****For the years ended December 31, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollar , except for Earnings Per Share)**

		2024		2023	
		Amount	%	Amount	%
4000	Operating revenues (Notes 6(s) and 7)	\$ 3,930,226	100	4,179,561	100
5000	Operating costs (Notes 6(g)and 7)	<u>2,976,825</u>	<u>76</u>	<u>3,252,121</u>	<u>78</u>
5950	Gross profit	<u>953,401</u>	<u>24</u>	<u>927,440</u>	<u>22</u>
6000	Operating expenses (Notes 6(d), (o), (t)and 7):				
6100	Selling expenses	512,383	13	492,302	12
6200	Administrative expenses	161,489	4	151,507	4
6300	Research and development expenses	54,803	1	71,328	2
6450	Expected credit (gains) losses	<u>6,219</u>	<u>-</u>	<u>(470)</u>	<u>-</u>
	Total operating expenses	<u>734,894</u>	<u>18</u>	<u>714,667</u>	<u>18</u>
6900	Net operating income	<u>218,507</u>	<u>6</u>	<u>212,773</u>	<u>4</u>
7000	Non-operating income and expenses (Notes 6(h), (u)and 7):				
7100	Interest income	9,092	-	9,618	-
7010	Other income	16,132	-	6,186	-
7020	Other gains and losses	10,145	-	8,364	-
7050	Finance costs	(4,140)	-	(5,920)	-
7060	Shares of profit (loss) of associates accounted for using equity method	<u>441</u>	<u>-</u>	<u>819</u>	<u>-</u>
	Total non-operating income and expenses	<u>31,670</u>	<u>-</u>	<u>19,067</u>	<u>-</u>
7900	Profit before tax	<u>250,177</u>	<u>6</u>	<u>231,840</u>	<u>4</u>
7950	Less: Income tax expenses (Note 6(p))	<u>45,809</u>	<u>1</u>	<u>43,704</u>	<u>1</u>
8200	Net income	<u>204,368</u>	<u>5</u>	<u>188,136</u>	<u>3</u>
8300	Other comprehensive income (loss) :				
8310	Items that may not be reclassified subsequently to profit or loss				
8311	Losses on remeasurements of defined benefit plans	2,359	-	(897)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>(472)</u>	<u>-</u>	<u>179</u>	<u>-</u>
	Total items that may not be reclassified subsequently to profit or loss	<u>1,887</u>	<u>-</u>	<u>(718)</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign operations	(48)	-	26	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total items that may be reclassified subsequently to profit or loss	<u>(48)</u>	<u>-</u>	<u>26</u>	<u>-</u>
8300	Other comprehensive income (loss)	<u>1,839</u>	<u>-</u>	<u>(692)</u>	<u>-</u>
8500	Total comprehensive income	<u>\$ 206,207</u>	<u>5</u>	<u>187,444</u>	<u>3</u>
	Earnings per share (NT dollars) (Note 6(r))				
9750	Basic earnings per share	\$ <u>2.31</u>		<u>2.12</u>	
9850	Diluted earnings per share	\$ <u>2.30</u>		<u>2.11</u>	

See accompanying notes to consolidated financial statements.

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

TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES**Consolidated Statements of Changes in Equity****For the years ended December 31, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollar)**

	Equity attributable to owners of parent						Other Equity	
	Retained earnings						Exchange Differences on Translation of Foreign Operations Financial Statements	Total Equity
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total Retained Earnings		
Balance on January 1, 2023	\$ 885,600	80,092	283,678	3,978	183,348	471,004	(3,908)	1,432,788
Net income for the year ended December 31, 2023	-	-	-	-	188,136	188,136	-	188,136
Other comprehensive income for the year ended December 31, 2023	-	-	-	-	(718)	(718)	26	(692)
Total comprehensive income for the year ended December 31, 2023	-	-	-	-	187,418	187,418	26	187,444
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	17,698	-	(17,698)	-	-	-
Reversal of special reserve	-	-	-	(70)	70	-	-	-
Cash dividends	-	-	-	-	(154,980)	(154,980)	-	(154,980)
Gains after disgorgement exercised	-	696	-	-	-	-	-	696
Balance on December 31, 2023	885,600	80,788	301,376	3,908	198,158	503,442	(3,882)	1,465,948
Net income for the year ended December 31, 2024	-	-	-	-	204,368	204,368	-	204,368
Other comprehensive income for the year ended December 31, 2024	-	-	-	-	1,887	1,887	(48)	1,839
Total comprehensive income for the year ended December 31, 2024	-	-	-	-	206,255	206,255	(48)	206,207
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	18,742	-	(18,742)	-	-	-
Reversal of special reserve	-	-	-	(27)	27	-	-	-
Cash dividends	-	-	-	-	(163,836)	(163,836)	-	(163,836)
Balance on December 31, 2024	\$ 885,600	80,788	320,118	3,881	221,862	545,861	(3,930)	1,508,319

See accompanying notes to consolidated financial statements.

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

TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the years ended December 31, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollar)**

	2024	2023
Cash flows from (used in) operating activities:		
Profit before tax	\$ 250,177	231,840
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	103,862	138,368
Amortization expense	7,228	4,482
Expected credit gain	6,219	(470)
Net gain on financial assets or liabilities at fair value through profit or loss	(5,717)	(10,095)
Interest expense	4,140	5,920
Interest income	(9,092)	(9,618)
Dividend income	(1,400)	(1,400)
Share of profit of associates accounted for using equity method	(441)	(819)
Loss on disposal of property, plant and equipment	31	41
Gain on disposal of investments	(657)	-
Gain on disposal of other assets	(70)	-
Total adjustments to reconcile profit	<u>104,103</u>	<u>126,409</u>
Changes in operating assets and liabilities:		
Contract assets	42,035	90,077
Notes receivable	10,542	16,365
Accounts receivable	10,500	180,542
Accounts receivable-related parties	29,467	(26,824)
Operating lease receivable	4,565	1,456
Finance lease receivable	2,831	5,707
Other receivables	(128)	(828)
Inventories	92,154	72,119
Prepayments	7,315	(9,829)
Long-term notes receivable	-	770
Long-term receivables	49,259	(14,622)
Long-term finance lease receivable	1,603	4,907
Contract liabilities	46,180	58,035
Notes payable	(2,213)	-
Accounts payable	(217,803)	(87,827)
Accounts payable-related parties	(25,953)	37,945
Other payables	30,755	(26,095)
Other current liabilities	(1,535)	14,657
Net defined benefit liabilities	(10,156)	(12,589)
Other operating liabilities	<u>(17,137)</u>	<u>1,857</u>
Total adjustments	<u>156,384</u>	<u>432,232</u>
Cash inflow generated from operations	406,561	664,072
Income taxes paid	<u>(61,820)</u>	<u>(29,158)</u>
Net cash flows from operating activities	<u>344,741</u>	<u>634,914</u>

See accompanying notes to consolidated financial statements.

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

TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES**Consolidated Statements of Cash Flows (CONT'D)****For the years ended December 31, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollar)**

	<u>2024</u>	<u>2023</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at amortized cost	(33,896)	(36,119)
Disposal of financial assets at amortized cost	55,759	17,097
Acquisition of financial assets at fair value through profit or loss	(9,294)	(20,604)
Proceeds from disposal of investments accounted for using equity method	6,500	-
Acquisition of property, plant and equipment	(5,065)	(19,506)
Disposal of property, plant and equipment	3	-
Decrease in refundable deposits	1,558	7,387
Acquisition of intangible assets	(5,421)	(4,611)
Interest received	9,243	9,330
Dividends received	<u>1,400</u>	<u>1,400</u>
Net cash flows from (used in) investing activities	<u>20,787</u>	<u>(45,626)</u>
Cash flows from (used in) financing activities:		
Increase in short-term loans	715,000	1,680,000
Decrease in short-term loans	(745,000)	(1,840,000)
Decrease in short-term notes and bills payable	(49,990)	(9,988)
Decrease in guarantee deposits received	(50)	(132)
Payment of lease liabilities	(66,279)	(105,360)
Cash dividends paid	(163,836)	(154,980)
Interest paid	(4,199)	(6,149)
Disgorgement exercised	<u>-</u>	<u>696</u>
Net cash flows used in financing activities	<u>(314,354)</u>	<u>(435,913)</u>
Effect of exchange rate changes on cash and cash equivalents	(68)	36
Net increase in cash and cash equivalents	51,106	153,411
Cash and cash equivalents at beginning of period	<u>738,910</u>	<u>585,499</u>
Cash and cash equivalents at end of period	<u><u>\$ 790,016</u></u>	<u><u>738,910</u></u>

See accompanying notes to consolidated financial statements.

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

TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

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

(1) Company history

TATUNG SYSTEM TECHNOLOGIES INC. (the “Company”). was established on May 5, 2000. The main business items include software and hardware sales related to computer, communications and cybersecurity; custom-made system integration consulting and services; providing value-added industrial application solutions.

The Company’s common shares were publicly listed on the Taiwan Stock Exchange (TWSE) on March 29, 2004. The Company’s registered office and the main business location is located at No. 22, Zhongshan North Road, Section 3, Taipei, Republic of China (R.O.C.).

The consolidated financial statements comprise the Company and subsidiaries (together referred as the “Group”)

Tatung Co. is the parent company of the Company and the ultimate controller of the group to which it belongs.

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

These consolidated financial statements were authorized for issue by the Board of Directors on March 3, 2025.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the IFRS Accounting Standards 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, 2024:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2025, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS21 “Lack of Exchangeability”

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TATUNG SYSTEM TECHNOLOGIES INC. 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
IFRS 18 “Presentation and Disclosure in Financial Statements”	The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combined with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities. • A more structured income statement: under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined ‘operating profit’ subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company’s main business activities. • Management performance measures (MPMs): the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards. • Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes.	January 1, 2027

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. 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”
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures”
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”
- Annual Improvements to IFRS Accounting Standards—Volume 11
- Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”

(4) Summary of material accounting policies:

The material accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Report by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C.. (altogether referred to “IFRS Accounting Standards” endorsed by the “FSC”).

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in note 4(r).

(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 consolidated financial statements are presented in New Taiwan Dollar (NTD), which is the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Basis of consolidation

(i) Preparation principles of consolidated financial statements

Control is achieved when the Group 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. Specifically, the Group controls an investee if and only if the Group has:

- 1) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- 2) exposure, or rights, to variable returns from its involvement with the investee, and
- 3) the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- 1) the contractual arrangement with the other vote holders of the investee
- 2) rights arising from other contractual arrangements
- 3) the Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Group loses control of a subsidiary, it:

- 1) derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- 2) derecognizes the carrying amount of any non-controlling interest;
- 3) recognizes the fair value of the consideration received;
- 4) recognizes the fair value of any investment retained;

(Continued)

TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 5) recognizes any surplus or deficit in profit or loss; and
- 6) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

(ii) List of subsidiaries in the consolidated financial statements

List of the subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Principal activity	Holding percentage	
			December 31, 2024	December 31, 2023
The Company	Chyun Huei Commercial Technologies Inc.	Computer and business equipment wholesale or retail and information software service	100 %	100 %
The Company	TISNet Technology Inc.	Telecommunications business, cloud information services and information security services	100 %	100 %
The Company	TSTI Technologies (Shanghai) Co., Ltd.	System integration service	100 %	100 %

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

(d) Foreign currencies

The Group's consolidated financial statements are presented in New Taiwan Dollar, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- (i) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (ii) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.
- (iii) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(e) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

- (i) when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and
- (ii) when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

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

The Group classifies the asset as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (ii) It holds the asset primarily for the purpose of trading;
- (iii) It expects to realize the asset within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

(Continued)

TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group classifies the liability as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It expects to settle the liability in its normal operating cycle;
- (ii) It holds the liability primarily for the purpose of trading
- (iii) The liability is due to be settled within twelve months after the reporting period; or
- (iv) It does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

(g) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 3 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(h) Financial instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(i) Financial instruments: Recognition and Measurement

The Group accounts for regular way purchase or sales of financial assets on the accounts date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- 1) the Group's business model for managing the financial assets and
- 2) the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, accounts receivables, financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

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

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
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Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- 1) purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- 2) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. Trade receivables that the Group intends to sell immediately or in the near term are measured at FVTPL; however, they are included in the 'trade receivables' line item. 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 interest or dividend income, are recognized in profit or loss.

(ii) **Impairment of financial assets**

The Group recognizes a loss allowance for expected credit losses on financial asset measured at amortized cost.

The Group measures expected credit losses of a financial instrument in a way that reflects:

- 1) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- 2) the time value of money; and
- 3) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The loss allowance is measures as follow:

- 1) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- 2) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- 3) For accounts receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.
- 4) For operating and financial lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 6(v) for further details on credit risk.

(iii) **Derecognition of financial assets**

A financial asset is derecognized when:

- 1) The rights to receive cash flows from the asset have expired
- 2) The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- 3) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivables including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(iv) **Financial liabilities and equity**

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
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Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(v) **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(i) **Inventories**

Inventories are valued at lower of cost and net realizable value item by item. Costs incurred in bringing each inventory to its present location and condition are accounted for using the weighted average method. For obsolete inventories, provision is made for allowance for inventory valuation and obsolescence loss.

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
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Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is treated in accordance with IFRS 15 and not within the scope of inventories.

(j) Investments accounted for using the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, 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 or joint venture. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Group's percentage of ownership interests in the associate or joint venture, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a prorate basis.

When the associate or joint venture issues new stock, and the Group's interest in an associate or a joint venture is reduced or increased as the Group fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Group disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 Investments in Associates and Joint Ventures. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Group estimates:

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
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- (i) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- (ii) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

Upon loss of significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(k) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 Property, plant and equipment. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Transportation equipment	1 ~ 6 years
Office equipment	1 ~ 6 years
Leased assets	1 ~ 8 years
Leasehold improvements	1 ~ 5 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
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(l) Leases

The Group assesses whether the 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. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

- (i) the right to obtain substantially all of the economic benefits from use of the identified asset; and
- (ii) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximizing the use of observable information.

Group as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (i) fixed payments (including in-substance fixed payments), less any lease incentives receivables;
- (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (iii) amounts expected to be payable by the lessee under residual value guarantees;
- (iv) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
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After the commencement date, the Group measures the lease liability on an amortized cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- (i) the amount of the initial measurement of the lease liability;
- (ii) any lease payments made at or before the commencement date, less any lease incentives received;
- (iii) any initial direct costs incurred by the lessee; and
- (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset 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.

The Group applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

Group as a lessor

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivables at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Group allocates the consideration in the contract applying IFRS 15.

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
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The Group recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

(m) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

A summary of the policies applied to the Group's intangible assets is as follows:

	<u>Computer software</u>	<u>Copyright</u>
Useful lives	1 ~ 5 years	5 years
Amortization method used	Amortized on a straight- line basis over the estimated useful life	Amortized on a straight- line basis over the estimated useful life
Internally generated or acquired	Acquired	Acquired

(Continued)

TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(n) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 Impairment of Assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(o) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

A provision is recognized for expected warranty claims on products sold, based on past experience, management's judgement and other known factors.

(Continued)

TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(p) Revenue recognition

The Group's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follow:

Sale of goods

The Group's main source of revenue is the sale of goods. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers (the customer has the right to use and gains almost all of the residual benefit). The main products of the Group are computer, communication, network-related equipment and software and revenue is recognized based on the consideration stated in the contract.

The credit period of the Group's sale of goods is from 30 to 150 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as accounts receivables. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Group has transferred the goods to customers but does not have a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets. Additionally, in accordance with IFRS 9, the Group measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

Rendering of services

The Group provides maintenance and other professional services for the sale of equipment. Such services are separately priced or negotiated, and provided based on contract period. As the Group provides the maintenance services over the contract period, the customers simultaneously receive and consume the benefits provided by the Group. Accordingly, the performance obligations are satisfied over time, and the related revenue are recognized by straight line method over the contract period.

Most of the contractual considerations of the Group are collected evenly throughout the contract period. When the Group has performed the services to customers but does not has a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets. However, for some rendering of services contracts, part of the consideration was received from customers upon signing the contract, and the Group has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component arises.

Information System Services

The Group provides services for the management, development, design, import and support of enterprise information systems. Some of the contracts include hardware equipment and software agreements.

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Most of the service contracts of the Group are customized integrated services provided according to customer demand and have enforceable rights for the payment of completed service. Therefore, revenue is recognized base on the completion ratio of services. The price of the service contract is usually fixed, and the contract price is collected in accordance with the schedule agreed with the customer. When the service provided by the Group exceeds the payment made by the customer, the contract assets are recognized. However, any payment by the customer in excess of the services already provided by the Group shall be regarded as a contract liability.

For contract agreements that include multiple deliverables of goods or services, the content of the contract is hardware equipment and maintenance services. Since maintenance services can also be performed by other manufacturers and do not involve integrated services, maintenance services are identified as separate performance obligations. The transaction price is based on the relative stand-alone selling price to allocate the contract price to each performance obligation. Revenue from the hardware equipment is recognized when the hardware equipment is delivered to the customer, the legal ownership is transferred to the customer and the customer has accepted the hardware equipment, and maintenance service is recognized when the obligation is fulfilled.

In addition, the Group provides quality warranty for the hardware equipment, and the provision is treated in accordance with IAS 37.

The contract between the Group and the customer provides the goods or services promised to the customer and the payment period from the customer does not exceed one year. Therefore, the Group does not adjust the transaction price for the time value of the currency.

(q) Government grants and government assistance

The Group recognizes an unconditional government grant related to a biological asset in profit or loss 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.

(r) Employee benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore, fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- (i) the date of the plan amendment or curtailment, and
- (ii) the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(s) **Income taxes**

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- (i) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- (ii) In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (i) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- (ii) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(t) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as convertible bonds and employee compensation.

(u) 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 about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

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

In preparing these consolidated financial statements, management has made judgments and estimates about the future, including climate-related risks and opportunities, 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.

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Estimates and underlying assumptions are reviewed on an ongoing basis and are consistent with the Group's risk management and climate-related commitments where appropriate. Revisions to estimates are recognized prospectively in the period of the change and future periods.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

(a) Measurement of defined benefit obligations

Accrued pension liabilities and resulting pension expenses under defined benefit pension plans are calculated using the Projected Unit Credit Method. Actuarial assumptions comprise the discount rate, rate of employee turnover, future salary increase rate, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability. Refer to note 6(o) for further description of the actuarial assumptions and sensitivity analysis.

(b) Recognition of deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. Assessment of the realization of the deferred tax assets requires management's subjective judgment and estimate, including the future revenue growth and profitability, tax holidays, the amount of tax credits that can be utilized and feasible tax planning strategies. Changes in the economic environment, industry trends, and relevant laws and regulations may result in adjustments to the deferred tax assets. Refer to note 6(p) for further description of the recognition of deferred tax assets.

The Group's accounting policies include measuring financial and non financial assets and liabilities at fair value through profit or loss.

The Group's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value. The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- (a) Level 1: quoted prices (unadjusted) in active markets for identifiable 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 (ie as prices) or indirectly (ie derived from prices).
- (c) Level 3: inputs for the assets or liability that are not based on observable market data.

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date. Please refer to Note 6(v) for assumptions used in measuring fair value.

(Continued)

TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2024	December 31, 2023
Cash on hand and revolving funds	\$ 383	436
Bank drafts	729,633	631,586
Time deposits	60,000	106,888
Total	\$ 790,016	738,910

- (i) The aforesaid cash and cash equivalents were not pledged as collateral.
- (ii) For time deposits in pledge and non-restricted cash in banks (more than three months) reclassified to financial assets measured at amortized cost, please refer to Note 6(c) and 8.
- (iii) For interest rate risk and sensitivity analysis of the Group's financial assets and liabilities, please refer to Note 6(v).

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

	December 31, 2024	December 31, 2023
Financial assets designated at fair value through profit or loss:		
Publicly listed stocks	\$ 35,254	21,420
Non-publicly listed stocks	28,656	27,479
Total	\$ 63,910	48,899

- (i) None of the aforementioned financial assets at FVTPL were pledged as collateral.
- (ii) For credit risk and market risk, please refer to Note 6(v).

(c) Financial assets measured at amortized cost

	December 31, 2024	December 31, 2023
Time deposit - General	\$ 50,941	68,272
Time deposit - Restricted (Performance Guarantee)	54,706	59,238
Less: Loss allowance	-	-
Total	\$ 105,647	127,510
Current	\$ 63,413	82,260
Non-current	42,234	45,250
Total	\$ 105,647	127,510

- (i) For those pledged as collateral for financial assets, please refer to note 8.

(Continued)

TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) For credit risk, please refer to note 6(v).

(d) Notes and accounts receivables(including related parties)(including current and non-current)

	December 31, 2024	December 31, 2023
Notes receivable arose from operation	\$ 5,886	16,428
Less: Loss allowance	-	-
Subtotal	<u>5,886</u>	<u>16,428</u>
Accounts receivable	\$ 520,240	518,401
Installment accounts receivable	228,282	285,246
Less: Unrealized interest revenue, installment accounts receivable	<u>(1,619)</u>	<u>(3,315)</u>
Subtotal	746,903	800,332
Less: Loss allowance	<u>(7,628)</u>	<u>(1,546)</u>
Subtotal	<u>739,275</u>	<u>798,786</u>
Accounts receivable-related parties	\$ 41,595	40,617
Installment accounts receivable-related parties	90,528	128,358
Less: Unrealized interest revenue, installment accounts receivable-related parties	<u>(1,383)</u>	<u>(2,301)</u>
Subtotal	130,740	166,674
Less: Loss allowance	-	-
Subtotal	<u>130,740</u>	<u>166,674</u>
Total	<u>\$ 875,901</u>	<u>981,888</u>
Current	\$ 685,330	742,058
Non-current	<u>190,571</u>	<u>239,830</u>
Total	<u>\$ 875,901</u>	<u>981,888</u>

(i) Credit loss

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. To measure the expected credit losses, notes receivable and accounts receivable have been grouped based on shared credit risk characteristics that represent the ability of customers to pay all amounts due under the terms of the contract, as well as the geographic location of the sales, and incorporate forward-looking information, including macroeconomic and relevant industry information. The loss allowance provision were determined as follows:

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2024

Group 1

	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 825,681	0%~0.08%	588
0 to 180 days past due	16,572	0%~1.47%	298
181 to 365 days past due	176	0%~14.20%	31
More than 366 days past due	-	0%	-
Total	<u><u>\$ 842,429</u></u>		<u><u>917</u></u>

Group 2

	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ -	0%	-
0 to 180 days past due	6,711	100%	6,711
181 to 365 days past due	-	0%	-
More than 366 days past due	-	100%	-
Total	<u><u>\$ 6,711</u></u>		<u><u>6,711</u></u>

Group 3

	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 34,389	0%	-
0 to 180 days past due	-	0%	-
181 to 365 days past due	-	0%	-
More than 366 days past due	-	0%	-
Total	<u><u>\$ 34,389</u></u>		<u><u>-</u></u>

(Continued)

TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2023

Group 1

	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 882,289	0%~0.02%	80
0 to 180 days past due	34,617	0%~0.36%	129
181 to 365 days past due	6,417	0%~18.7%	1,200
More than 366 days past due	-	0%	-
Total	<u><u>\$ 923,323</u></u>		<u><u>1,409</u></u>

Group 2

	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ -	0%	-
0 to 180 days past due	-	0%	-
181 to 365 days past due	-	0%	-
More than 366 days past due	137	100%	137
Total	<u><u>\$ 137</u></u>		<u><u>137</u></u>

Group 3

	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 58,984	0%	-
0 to 180 days past due	960	0%	-
181 to 365 days past due	30	0%	-
More than 366 days past due	-	0%	-
Total	<u><u>\$ 59,974</u></u>		<u><u>-</u></u>

The movement in the allowance for notes receivable, accounts receivable and long-term receivables were as follows:

	<u>For the years ended December 31</u>	
	<u>2024</u>	<u>2023</u>
Balance at January 1	\$ 1,546	2,275
Amounts written off	(137)	(259)
Impairment losses recognized (reversed)	6,219	(470)
Balance at December 31	<u><u>\$ 7,628</u></u>	<u><u>1,546</u></u>

(Continued)

TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The expected recovery of installment accounts receivable is as follows:

	December 31, 2024	December 31, 2023
Less than one year	\$ 125,237	168,157
One to two years	109,507	97,895
More than two years	81,064	141,936
Total	<u>\$ 315,808</u>	<u>407,988</u>

(ii) For those pledged as collateral for financial assets, please refer to Note 8.

(iii) For credit risk and market risk of the Group, please refer to Note 6(v).

(e) Operating lease receivable (including related parties)

	December 31, 2024	December 31, 2023
Operating lease receivable	\$ 3,489	8,073
Less: Loss allowance	-	-
Subtotal	<u>3,489</u>	<u>8,073</u>
Operating lease receivable-related parties	76	57
Less: Loss allowance	-	-
Subtotal	<u>76</u>	<u>57</u>
Total	<u>\$ 3,565</u>	<u>8,130</u>

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

	December 31, 2024	December 31, 2023
Less than one year	\$ 7,292	8,728
One to two years	5,784	7,346
Two to three years	2,828	5,431
Three to four years	837	2,538
Four to five years	78	656
More than five years	-	-
Present value of lease payments receivable	<u>\$ 16,819</u>	<u>24,699</u>

For credit risk information, please refer to Note 6(v).

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(f) Finance lease receivable (including related parties)

	December 31, 2024	December 31, 2023
Finance lease receivable	\$ 1,724	6,260
Less: Unearned finance income on finance lease	(15)	(69)
Subtotal (total carrying amount)	1,709	6,191
Less: Loss allowance	-	-
Subtotal	1,709	6,191
Finance lease receivable-related parties	\$ 4,373	4,296
Less: Unearned finance income on finance lease-related parties	(48)	(19)
Subtotal (total carrying amount)	4,325	4,277
Less: Loss allowance	-	-
Subtotal	4,325	4,277
Total	\$ 6,034	10,468
Current	\$ 2,816	5,647
Non-current	3,218	4,821
Total	\$ 6,034	10,468

A maturity analysis of lease payments, which reflects the undiscounted lease payments to be received after the reporting date, is as follows:

	December 31, 2024	December 31, 2023
Less than one year	\$ 2,879	5,735
One to two years	1,735	2,692
Two to three years	841	1,609
Three to four years	321	520
Four to five years	321	-
More than five years	-	-
Total lease payments receivable	6,097	10,556
Less: Unearned finance income	(63)	(88)
Less: Loss allowance	-	-
Present value of lease payments receivable	\$ 6,034	10,468

For credit risk information, please refer to Note 6(v).

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(g) Inventories

The details of inventories are as follows:

	December 31, 2024	December 31, 2023
Merchandise	\$ <u>608,620</u>	<u>716,280</u>

- (i) The Group's inventory costs recognized as operating costs and expenses for the years ended December 31, 2024 and 2023, were \$2,975,611 thousand and \$3,251,825 thousand, respectively.
- (ii) The inventory valuation losses recognized for the years ended December 31, 2024 and 2023, were \$1,214 thousand and \$296 thousand, respectively. The inventory valuation losses resulted from obsolete inventories, which were written down as an allowance for inventory.
- (iii) The inventory of the Group were not pledged as collateral.

(h) Investments accounted for using equity method

- (i) The details of investments accounted for using equity method are as follows:

<u>Name of investee</u>	<u>December 31, 2024</u>		<u>December 31, 2023</u>	
	<u>Amount</u>	<u>Percentage of ownership</u>	<u>Amount</u>	<u>Percentage of ownership</u>
<u>Investments in associates</u>				
I-Torch Technology Corp.	\$ <u>-</u>	- %	<u>5,402</u>	20 %
<u>For the years ended December 31</u>				
	<u>2024</u>		<u>2023</u>	
Attributable to the Group:				
Profit from continuing operations	\$ <u>441</u>		<u>819</u>	
Comprehensive income	\$ <u>441</u>		<u>819</u>	

- (ii) On August 26, 2024, the Group disposed its 20% shares in I-Torch Technology Corp., resulting in its loss of significant influence over the company for a disposal price of \$6,500 thousand. The gain on disposal of \$657 thousand has been included in the Consolidated Statement of Comprehensive Income under the caption of "Other Gains and Losses", for details of the related income or loss, please refer to Note 6 (u).
- (iii) The investments accounted for using equity method of the Group were not pledged as collateral.

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Property, plant and equipment

	December 31, 2024	December 31, 2023
Owner occupied property, plant and equipment	\$ 27,356	33,585
Property, plant and equipment leased out under operating leases	37,045	48,101
Total	<u><u>\$ 64,401</u></u>	<u><u>81,686</u></u>

(i) The cost, depreciation, and impairment of the property, plant and equipment were as follows:

	Office equipment	Leasehold improvements	Total
Cost or deemed cost:			
Balance on January 1, 2024	\$ 144,871	27,616	172,487
Additions	5,939	479	6,418
Disposal	(6,310)	(1,055)	(7,365)
Effect of movements in exchange rates	32	-	32
Other changes	631	-	631
Balance on December 31, 2024	<u><u>\$ 145,163</u></u>	<u><u>27,040</u></u>	<u><u>172,203</u></u>
Balance on January 1, 2023	\$ 145,265	14,471	159,736
Additions	5,075	13,504	18,579
Disposal	(6,042)	(359)	(6,401)
Effect of movements in exchange rates	591	-	591
Other changes	(18)	-	(18)
Balance on December 31, 2023	<u><u>\$ 144,871</u></u>	<u><u>27,616</u></u>	<u><u>172,487</u></u>
Depreciation and impairment losses:			
Balance on January 1, 2024	\$ 127,652	11,250	138,902
Depreciation	8,332	4,915	13,247
Disposal	(6,278)	(1,053)	(7,331)
Effect of movements in exchange rates	29	-	29
Balance on December 31, 2024	<u><u>\$ 129,735</u></u>	<u><u>15,112</u></u>	<u><u>144,847</u></u>
Balance on January 1, 2023	\$ 124,875	8,084	132,959
Depreciation	8,795	3,525	12,320
Disposal	(6,001)	(359)	(6,360)
Effect of movements in exchange rates	(17)	-	(17)
Balance on December 31, 2023	<u><u>\$ 127,652</u></u>	<u><u>11,250</u></u>	<u><u>138,902</u></u>

(Continued)

TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
Carrying amounts:			
Balance on December 31, 2024	\$ <u>15,428</u>	<u>11,928</u>	<u>27,356</u>
Balance on January 1, 2023	\$ <u>20,390</u>	<u>6,387</u>	<u>26,777</u>
Balance on December 31, 2023	\$ <u>17,219</u>	<u>16,366</u>	<u>33,585</u>

- (ii) The cost, depreciation, and impairment of the property, plant and equipment leased out under operating leases were as follows:

	<u>Office equipment</u>
Cost or deemed cost:	
Balance on January 1, 2024	\$ 111,008
Disposal	(31,824)
Other changes	<u>14,875</u>
Balance on December 31, 2024	\$ <u>94,059</u>
Balance on January 1, 2023	\$ 157,385
Disposal	(70,700)
Other changes	<u>24,323</u>
Balance on December 31, 2023	\$ <u>111,008</u>
Depreciation and impairment losses:	
Balance on January 1, 2024	\$ 62,907
Depreciation	25,931
Disposal	<u>(31,824)</u>
Balance on December 31, 2024	\$ <u>57,014</u>
Balance on January 1, 2023	\$ 92,739
Depreciation	40,868
Disposal	<u>(70,700)</u>
Balance on December 31, 2023	\$ <u>62,907</u>
Carrying amounts:	
Balance on December 31, 2024	\$ <u>37,045</u>
Balance on January 1, 2023	\$ <u>64,646</u>
Balance on December 31, 2023	\$ <u>48,101</u>

As of December 31, 2024 and 2023, none of the Group's property, plant and equipment were capitalized with borrowing costs or pledged as collateral.

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(j) Right-of-use assets

The Group leases many assets including buildings, transportation equipment, office equipment and other equipment. Information about leases for which the Group is a lessee was presented below:

	<u>Building</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Total</u>
Cost:					
Balance on January 1, 2024	\$ 27,035	10,584	1,385	158,864	197,868
Additions	132,149	3,954	2,062	-	138,165
Write-off	(11,828)	(3,841)	(931)	(115,684)	(132,284)
Effect of movements in exchange rates	19	-	-	-	19
Balance on December 31, 2024	<u>\$ 147,375</u>	<u>10,697</u>	<u>2,516</u>	<u>43,180</u>	<u>203,768</u>
Balance on January 1, 2023	\$ 99,489	13,352	1,281	159,349	273,471
Additions	3,638	1,918	104	-	5,660
Write-off	(76,082)	(4,686)	-	(485)	(81,253)
Effect of movements in exchange rates	(10)	-	-	-	(10)
Balance on December 31, 2023	<u>\$ 27,035</u>	<u>10,584</u>	<u>1,385</u>	<u>158,864</u>	<u>197,868</u>
Accumulated depreciation and impairment losses:					
Balance on January 1, 2024	\$ 11,405	6,345	1,003	123,837	142,590
Depreciation	31,758	2,669	234	30,023	64,684
Write-off	(8,472)	(3,841)	(931)	(115,684)	(128,928)
Effect of movements in exchange rates	2	-	-	-	2
Balance on December 31, 2024	<u>\$ 34,693</u>	<u>5,173</u>	<u>306</u>	<u>38,176</u>	<u>78,348</u>
Balance on January 1, 2023	\$ 55,237	6,642	738	75,097	137,714
Depreciation	32,251	3,439	265	49,225	85,180
Write-off	(76,082)	(3,736)	-	(485)	(80,303)
Effect of movements in exchange rates	(1)	-	-	-	(1)
Balance on December 31, 2023	<u>\$ 11,405</u>	<u>6,345</u>	<u>1,003</u>	<u>123,837</u>	<u>142,590</u>
Carrying amounts:					
Balance on December 31, 2024	<u>\$ 112,682</u>	<u>5,524</u>	<u>2,210</u>	<u>5,004</u>	<u>125,420</u>
Balance on January 1, 2023	<u>\$ 44,252</u>	<u>6,710</u>	<u>543</u>	<u>84,252</u>	<u>135,757</u>
Balance on December 31, 2023	<u>\$ 15,630</u>	<u>4,239</u>	<u>382</u>	<u>35,027</u>	<u>55,278</u>

As of December 31, 2024 and 2023, the right-of-use assets of the Group were not pledged as collateral.

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(k) Intangible assets

	<u>Computer software</u>	<u>Copyright</u>	<u>Total</u>
Cost or deemed cost:			
Balance on January 1, 2024	\$ 6,829	5,000	11,829
Additions-acquired separately	5,421	-	5,421
Disposal	<u>(6,670)</u>	<u>-</u>	<u>(6,670)</u>
Balance on December 31, 2024	<u>\$ 5,580</u>	<u>5,000</u>	<u>10,580</u>
Balance on January 1, 2023	\$ 5,988	5,000	10,988
Additions-acquired separately	4,611	-	4,611
Disposal	<u>(3,770)</u>	<u>-</u>	<u>(3,770)</u>
Balance on December 31, 2023	<u>\$ 6,829</u>	<u>5,000</u>	<u>11,829</u>
Amortization and impairment losses:			
Balance on January 1, 2024	\$ 3,023	2,500	5,523
Amortization	6,228	1,000	7,228
Disposal	<u>(6,670)</u>	<u>-</u>	<u>(6,670)</u>
Balance on December 31, 2024	<u>\$ 2,581</u>	<u>3,500</u>	<u>6,081</u>
Balance on January 1, 2023	\$ 3,311	1,500	4,811
Amortization	3,482	1,000	4,482
Disposal	<u>(3,770)</u>	<u>-</u>	<u>(3,770)</u>
Balance on December 31, 2023	<u>\$ 3,023</u>	<u>2,500</u>	<u>5,523</u>
Carrying amounts:			
Balance on December 31, 2024	<u>\$ 2,999</u>	<u>1,500</u>	<u>4,499</u>
Balance on January 1, 2023	<u>\$ 2,677</u>	<u>3,500</u>	<u>6,177</u>
Balance on December 31, 2023	<u>\$ 3,806</u>	<u>2,500</u>	<u>6,306</u>

Amortization expense of intangible assets under the statement of comprehensive income:

	<u>For the years ended December 31</u>	
	<u>2024</u>	<u>2023</u>
Operating costs	\$ 1,258	-
Selling expenses	2,530	720
Administrative expenses	3,440	2,762
Research and development expenses	<u>-</u>	<u>1,000</u>
Total	<u>\$ 7,228</u>	<u>4,482</u>

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(l) Short-term loans

	December 31, 2024	December 31, 2023
Unsecured bank loans	\$ <u>50,000</u>	<u>80,000</u>
Unused short-term credit lines	\$ <u>507,180</u>	<u>821,015</u>
Range of interest rates	<u>1.95%</u>	<u>1.79%</u>

None of the assets for the Group were pledged as collateral.

(m) Short-term notes and bills payable

December 31, 2024			
	Guarantee or acceptance Institution	Range of interest rates (%)	Amount
Commercial papers payable	IBFC, MEGA BILLS	-	\$ <u>-</u>
Unused short-term credit lines			\$ <u>110,000</u>
December 31, 2023			
	Guarantee or acceptance Institution	Range of interest rates (%)	Amount
Commercial papers payable	IBFC, MEGA BILLS, CBF	1.838%	\$ 50,000
Less: Discount on short-term notes and bills payable			<u>(10)</u>
Total			\$ <u>49,990</u>
Unused short-term credit lines			\$ <u>110,000</u>

None of the assets for the Group were pledged as collateral.

(n) Lease liabilities

The details for the carrying amount of lease liabilities are as follows:

	December 31, 2024	December 31, 2023
Current	\$ 37,947	40,896
Non-current	<u>91,722</u>	<u>20,313</u>
Total	\$ <u>129,669</u>	<u>61,209</u>

For the maturity analysis, please refer to note 6(v).

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The amounts recognized in profit or loss were as follows:

	For the years ended December 31	
	2024	2023
Interests on lease liabilities	\$ <u>2,349</u>	<u>455</u>
Income from sub-leasing right-of-use assets	\$ <u>18,908</u>	<u>22,188</u>
Expenses relating to short-term leases	\$ <u>302</u>	<u>200</u>

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

	For the years ended December 31	
	2024	2023
Total cash outflow for leases	\$ <u>68,930</u>	<u>106,015</u>

(i) Real estate leases

The Group leases buildings for its office. The leases of office space typically run for a period from 1 to 5 years, and the contract does not impose any restrictions on the Group.

Some of the Group's property rental agreement contain extension and termination options. In determining the lease terms, the non-cancellable period for which the Group has the right to use an underlying asset, together with both periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option. These options are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group.

After the commencement date, the Group reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

(ii) Other leases

The Group leases transportation equipment, parts of office equipment and other equipment, with lease terms of 1 to 3 years.

Some of the Group's Copier lease agreements contain variable payments terms that are linked to certain volume of use generated from the leased stores, which is very common in the industry of the Group. As such variable lease payments do not meet the definition of lease payments, those payments are not included in the measurement of the assets and liabilities.

The lease term for certain office equipment leased by the Group for one year. These leases are short-term. The Group has selected not to recognize right-of-use assets and lease liabilities for these leases.

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(o) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

	December 31, 2024	December 31, 2023
Present value of defined benefit obligations	\$ 83,779	85,884
Fair value of plan assets	(50,323)	(39,913)
Net defined benefit liability(asset)	<u><u>\$ 33,456</u></u>	<u><u>45,971</u></u>

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$50,323 thousand as of December 31, 2024. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations for the Group were as follows:

	For the years ended December 31	
	2024	2023
Defined benefit obligations at January 1	\$ 85,884	100,606
Current service costs and interest	1,155	1,348
Remeasurements loss (gain)		
— Actuarial gain arising from financial assumptions	(499)	(478)
— Experience adjustment	2,086	1,733
Benefit paid	(4,847)	(17,325)
Defined benefit obligations at December 31	<u><u>\$ 83,779</u></u>	<u><u>85,884</u></u>

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group were as follows:

	For the years ended December 31	
	2024	2023
Fair value of plan assets at January 1	\$ (39,913)	(42,943)
Interest income	(479)	(463)
Contributions paid by the employer	(10,832)	(13,474)
Benefits paid	4,847	17,325
Remeasurement of the net defined benefit liability (asset)	(3,946)	(358)
Fair value of plan assets at December 31	<u><u>\$ (50,323)</u></u>	<u><u>(39,913)</u></u>

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows :

	For the years ended December 31	
	2024	2023
Current service costs	\$ 178	310
Net interest of net liabilities for defined benefit obligations	498	575
	<u><u>\$ 676</u></u>	<u><u>885</u></u>

5) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows :

	For the years ended December 31	
	2024	2023
Discount rate	1.40%	1.20%
Future salary increase rate	1.00%	1.00%

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date for 2024 is \$601 thousand.

The weighted-average lifetime of the defined benefits plans is 1~3 years.

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

6) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows :

	Impact on the defined benefit obligations	
	<u>Increase 0.50%</u>	<u>Decrease 0.50%</u>
December 31, 2024		
Discount rate (changes in 0.5%)	\$ (1,173)	1,283
Future salary increasing rate (change in 0.5%)	1,282	(1,183)
December 31, 2023		
Discount rate (changes in 0.5%)	\$ (1,884)	2,133
Future salary increasing rate (change in 0.5%)	2,126	(1,896)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2024 and 2023.

(ii) Defined contribution plans

The pension costs incurred from the contributions to the Bureau of the Labor Insurance were as follows:

	<u>For the years ended December 31</u>	
	<u>2024</u>	<u>2023</u>
Operating expenses	\$ <u>21,963</u>	<u>23,001</u>

(p) Income tax

(i) Income tax expense

	<u>For the years ended December 31</u>	
	<u>2024</u>	<u>2023</u>
Current tax expenses		
Current period	\$ 48,135	42,881
Adjustment for prior periods	<u>(2,762)</u>	<u>(322)</u>
	<u>45,373</u>	<u>42,559</u>
Deferred tax expense		
Origination and reversal of temporary differences	<u>436</u>	<u>1,145</u>
Income tax expense	\$ <u>45,809</u>	<u>43,704</u>

(Continued)

TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The amount of income tax recognized in other comprehensive income for the years ended December 31, 2024 and 2023, were as follows:

	For the years ended December 31	
	2024	2023
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit plans	\$ <u>472</u>	<u>(179)</u>

Reconciliation of income tax and profit before tax for 2024 and 2023 is as follows

	For the years ended December 31	
	2024	2023
Profit excluding income tax	\$ <u>250,177</u>	<u>231,840</u>
Income tax using the Company's domestic tax rate	50,036	46,368
Effect of tax rates in foreign jurisdiction (not applicable for separate financial statements)	(153)	(202)
Adjustments for change in value of financial assets	(1,143)	(2,019)
Adjustments for prior periods	(2,762)	(322)
Others	<u>(169)</u>	<u>(121)</u>
Income tax expense	\$ <u>45,809</u>	<u>43,704</u>

(ii) Deferred tax assets and liabilities

1) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2024 and 2023 were as follows:

Deferred Tax Assets:

	Defined Benefit Plans	Inventory valuation and obsolescence loss	Investments accounted for using equity method	Others	Total
January 1, 2024	\$ 9,113	4,207	13,460	1,813	28,593
Recognized in profit or loss	(2,031)	243	613	1,808	633
Recognized in other comprehensive income	<u>(472)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(472)</u>
December 31, 2024	\$ <u>6,610</u>	<u>4,450</u>	<u>14,073</u>	<u>3,621</u>	<u>28,754</u>
January 1, 2023	\$ 11,454	4,148	12,650	1,908	30,160
Recognized in profit or loss	(2,520)	59	810	(95)	(1,746)
Recognized in other comprehensive income	<u>179</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>179</u>
December 31, 2023	\$ <u>9,113</u>	<u>4,207</u>	<u>13,460</u>	<u>1,813</u>	<u>28,593</u>

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Deferred Tax Liabilities:

	<u>Exchange gains</u>
January 1, 2024	\$ 114
Recognized in profit or loss	1,069
Recognized in other comprehensive income	-
December 31, 2024	<u>\$ 1,183</u>
January 1, 2023	\$ 715
Recognized in profit or loss	(601)
Recognized in other comprehensive income	-
December 31, 2023	<u>\$ 114</u>

(iii) Assessment of tax

As of December 31, 2024, the assessment of the Group's income tax returns is as follows.

<u>Company name</u>	<u>Year of Assessment</u>
The Company	2022
Chyun Huei Commercial Technologies Inc.	2022
TISNet Technology Inc.	2022

(q) Capital and other equity

(i) Common stock

As of December 31, 2024 and 2023, the Company's authorized capital were all \$2,000,000 thousand, and issued capital were all \$885,600 thousand, with a par value of \$10, comprising 88,560 thousand shares. Each share is entitled to one voting right to receive dividends. All issued shares were paid up upon issuance.

(ii) Capital surplus

The components of capital surplus were as follows:

	<u>December 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Common stock premium	\$ 75,600	75,600
Employee share options	4,492	4,492
Gains from exercising the right of disgorgement	696	696
Total	<u>\$ 80,788</u>	<u>80,788</u>

According to the Company Act, the capital reserve shall not be used except to offset deficit. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the Company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Retained earnings

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order: offset prior years' operation losses (including adjustments to the amount of undistributed surplus); legal reserve, which is 10% of leftover profits. However, this restriction does not apply in the event that the amount of the accumulated legal reserve equals or exceeds the Company's total capital stock. Allocation or reverse of special reserves as required by law or government authorities. If the amount set aside for "the cumulative net increase in fair value of investment property from the preceding period" and "the cumulative decrease in equity of the prior period" are insufficient, the equal amount of special reserve should be set aside based on the undistributed earnings before distributing earnings. If there remains any deficiency, the remaining amount required should be set aside from the amount of the after-tax net profit for the period, plus items other than the after-tax net profit for the period. The remaining net profits and the retained earnings from previous years (including adjustments to the amount of undistributed surplus), if any, the Board of Directors will prepare a distribution proposal and submit the same to the shareholders' meeting for review and approval by a resolution.

In order to maintain the return on investment of shareholders, the total amount of earnings distributed by the Company shall not be less than 50% of the distributable earnings for the year. The ratio of cash dividends and stock dividends distributed by the Company surplus is determined based on the current year's profit and the Company's capital planning, as well as the interest of the shareholders. Accordingly, cash dividends shall not be less than 10% of the total dividends. If the cash dividends per share are less than NT\$0.1, no cash dividends will be issued and stock dividends will be issued instead.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

On March 31, 2021, the FSC issued Order No. Financial Supervisory Securities Corporate 1090150022, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the special reserve in the amount equal to the reversal may be released for earnings distribution.

When the Company distributes distributable earnings, an equivalent amount of special reserve should be set aside from the current period's earnings and prior period's undistributed earnings for the net decrease in other shareholders' equity that occurred in the current year. For the cumulative decrease in other shareholders' equity in the prior period, the special reserve should be set aside from prior period's undistributed earnings and should not be distributed. For any subsequent reversal of deductions from other shareholders' equity, the reversed portion of the earnings may be distributed.

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Earning distribution

Earning distribution for 2023 and 2022 was decided by the resolution adopted, at the general meeting of shareholders held on May 28, 2024 and June 15, 2023, respectively. The relevant dividend distributions to shareholders were follows:

	For the years ended December 31	
	2023	2022
Legal reserve	\$ 18,742	17,698
Reversal of special reserve	(27)	(70)
Cash dividends	163,836	154,980
Dividend per share (NT\$)	1.85	1.75

On March 3, 2025, the Company's Board of Directors resolved to appropriate the 2024 earnings. The earnings were appropriated as follows:

	For the year ended December 31, 2024	
	Amount per share	Total amount
Dividends distributed to shareholders:		
Cash	\$ 0.8	70,848
Shares	1.3	115,128
Total	\$	185,976

(iv) Other comprehensive income accumulated in reserves, net of tax

	Exchange differences on translation of foreign operations financial statements
Balance at January 1, 2024	\$ (3,882)
Exchange differences on foreign operations	(48)
Balance at December 31, 2024	\$ (3,930)
Balance at January 1, 2023	\$ (3,908)
Exchange differences on foreign operations	26
Balance at December 31, 2023	\$ (3,882)

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(r) Earnings per share

	For the years ended December 31	
	2024	2023
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	\$ <u>204,368</u>	<u>188,136</u>
Weighted average number of ordinary shares outstanding	<u>88,560</u>	<u>88,560</u>
Basic earnings per share (dollar)	\$ <u>2.31</u>	<u>2.12</u>
Diluted earnings per share		
Profit attributable to ordinary shareholders of the Company	\$ <u>204,368</u>	<u>188,136</u>
Weighted average number of ordinary shares outstanding	88,560	88,560
Effect of potentially dilutive ordinary shares		
Effect of employee shares bonus	293	479
Weighted average number of ordinary shares outstanding (after adjusting the effect of potentially dilutive ordinary shares)	<u>88,853</u>	<u>89,039</u>
Diluted earnings per share (dollar)	\$ <u>2.30</u>	<u>2.11</u>

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the years ended December 31	
	2024	2023
Sale of goods	\$ 2,993,252	3,346,005
Rendering of services	846,996	713,659
Leasing revenue	89,978	119,897
Total	\$ <u>3,930,226</u>	<u>4,179,561</u>
Timing of revenue recognition:		
At a point in time	\$ 3,083,230	3,465,902
Over time	846,996	713,659
Total	\$ <u>3,930,226</u>	<u>4,179,561</u>

(Continued)

TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Contract balances

1) Contract assets (including current and non-current)

	December 31, 2024	December 31, 2023	January 1, 2023
Sales of goods	\$ 183,975	231,012	321,578
Rendering of services	19,149	14,147	13,659
Total	<u>\$ 203,124</u>	<u>245,159</u>	<u>335,237</u>
Current	\$ 203,124	215,129	238,505
Non-current	-	30,030	96,732
Total	<u>\$ 203,124</u>	<u>245,159</u>	<u>335,237</u>

For details on notes and accounts receivables and allowance for impairment, please refer to Note 6(d), For details on impairment of contract assets, please refer to Note 6(l).

The significant changes in the Group's balances of contract assets for the years ended December 31, 2024 and 2023, are as follows:

	For the years ended December 31	
	2024	2023
The opening balance transferred to accounts receivable	\$ (229,229)	(250,123)
Change in the measure of progress	187,194	160,045
Net movements for the period	<u>\$ (42,035)</u>	<u>(90,078)</u>

2) Contract liabilities (including current and non-current)

	December 31, 2024	December 31, 2023	January 1, 2023
Sale of good	\$ 127,460	115,289	120,985
Rendering of services	113,328	79,319	15,588
Total	<u>\$ 240,788</u>	<u>194,608</u>	<u>136,573</u>
Current	\$ 213,287	157,929	136,573
Non-current	27,501	36,679	-
Total	<u>\$ 240,788</u>	<u>194,608</u>	<u>136,573</u>

(Continued)

TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The significant changes in the Group's balances of contract liabilities for the years ended December 31, 2024 and 2023, are as follows:

	For the years ended December 31	
	2024	2023
The opening balance transferred to revenue	\$ (147,627)	(135,818)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue in the period)	193,807	193,853
Net movements for the period	\$ 46,180	58,035

(t) Employee compensation and directors' remuneration

The Company's Articles of Incorporation stipulate that if there is a profit for the year, the Company should set aside 5% to 15% of its net income before tax, after deducting employee compensation and director's remuneration, and not more than 5% of the Company's directors' remuneration, provided that if the Company has an accumulated deficit (including the amount of adjustment to undistributed earnings), the Company should retain the amount in advance to cover the deficit. The employee compensation should be paid out by shares or cash and should be resolved by the Board of Directors with at least two-thirds of the directors present and with the approval of a majority of the directors present, and reported to the shareholders' meeting. The recipients of shares or cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2024 and 2023, the amount of employees' compensation provided by the Company was \$20,000 thousand and \$19,500 thousand, respectively, and the amount of directors' remuneration was \$5,570 thousand and \$4,420 thousand, respectively. The amounts were estimated on the distribution percentages of employees' compensation and directors' remuneration as stipulated in the Company's Articles of Incorporation, and were reported as operating expenses. If there is a difference between the actual distribution amount and the estimated amount in the next year, it will be treated based on the change in accounting estimates, and be recognized as the profit/loss of the next year. If the Board of Directors decides to use stock to pay employees' compensation, the number of shares will be calculated based on the closing price of ordinary shares on the day before the Board of Directors' resolution. The information is available on the Market Observation Post System website. There was no difference between the amounts approved in the Board of Director's meeting and the amounts estimated in the 2024 and 2023 consolidated financial statements.

(u) Non-operating income and expenses

(i) Interest income

	For the years ended December 31	
	2024	2023
Interest income from bank deposits	\$ 4,681	3,765
Interest income from financial assets measured at amortized cost	1,317	1,208
Others	3,094	4,645
Total interest income	\$ 9,092	9,618

(Continued)

TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Other income

	For the years ended December 31	
	2024	2023
Government grant income	\$ 9,028	478
Dividend income	1,400	1,400
Others	5,704	4,308
Total other income	<u><u>\$ 16,132</u></u>	<u><u>6,186</u></u>

(iii) Other gains and losses

	For the years ended December 31	
	2024	2023
Losses on disposals of property, plant and equipment	\$ (31)	(41)
Gains on disposals of investments	657	-
Foreign exchange gains (losses)	3,779	(1,696)
Gains on financial assets at fair value through profit or loss	5,717	10,095
Others	23	6
Net value on other gains and losses	<u><u>\$ 10,145</u></u>	<u><u>8,364</u></u>

(iv) Finance costs

	For the years ended December 31	
	2024	2023
Interest expense	\$ 1,107	4,754
Other finance expenses		
Interest on lease liabilities	2,349	455
Others	684	711
Subtotal of other finance expenses	3,033	1,166
Total finance costs	<u><u>\$ 4,140</u></u>	<u><u>5,920</u></u>

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Financial instruments

(i) Credit risk

1) Credit risk exposure

As of December 31, 2024 and 2023, the Group's exposure to credit risk and the maximum exposure were mainly from the carrying amount of financial assets and contract assets recognized in the consolidated balance sheet.

2) Concentration of credit risk

As of December 31, 2024 and 2023, contract assets and accounts receivable from top ten customers represent 40% and 38% of the total contract assets and accounts receivable of the Group, respectively. The concentration of credit risk of the remaining contract assets and accounts receivable is relatively insignificant.

Credit risk from bank deposits and other financial instruments is managed by the Group's Finance Department in accordance with the Group's policies. The Group only transacts with counterparties approved by the internal control procedure, which are creditworthy banks and investment-grade financial institutions, companies and government entities. Consequently, there is no significant credit risk.

3) Receivables and debt securities

For credit risk exposure of notes and accounts receivable, please refer to Note 6(d). Other financial assets measured at amortized cost includes other receivables and time deposits.

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected credit losses. Regarding how the financial instruments are considered to have low credit risk, please refer to Note 4(h).

Based on historical credit loss experience of contract assets, there is no significant difference in loss patterns among different customer groups. Therefore, the loss allowance is measured at the expected credit loss rates without distinguishing among groups. The relevant information is as follows:

	December 31, 2024	December 31, 2023	January 1, 2023
Total carrying amount (including current and non-current)	\$ 203,124	245,159	335,237
Expected credit loss rates	0 %	0 %	0 %
Loss allowance	-	-	-
Total	<u><u>\$ 203,124</u></u>	<u><u>245,159</u></u>	<u><u>335,237</u></u>

(Continued)

TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The loss allowable of lease receivables are measured at the expected credit losses, details are as follows:

	December 31, 2024	December 31, 2023	January 1, 2023
Operating lease receivable	\$ 3,565	8,130	9,586
Finance lease receivable	6,034	10,468	21,082
Total carrying amount (including current and non-current)	<u>9,599</u>	<u>18,598</u>	<u>30,668</u>
Expected credit loss rates	0 %	0 %	0 %
Loss allowance	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 9,599</u></u>	<u><u>18,598</u></u>	<u><u>30,668</u></u>

The movement in the provision for impairment of contract assets, lease receivables, other receivables, and long-term receivables for the years ended December 31, 2024 and 2023, are as follows:

	Contract assets	Lease receivables	Other receivables	long-term receivables
Balance at December 31, 2024 (as beginning balance)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at January 1, 2023	\$ -	-	-	913
Write off	<u>-</u>	<u>-</u>	<u>-</u>	<u>(913)</u>
Balance at December 31, 2023	<u><u>\$ -</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

(ii) Liquidity risk

The operating capital of the Group is sufficient to support its contractual obligations, so there is no liquidity risk due to the inability to raise funds.

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flow	Within 1 year	2-3 years	4-5 years	Over 5 years
December 31, 2024						
Non-derivative financial liabilities						
Short-term Loans	\$ 50,000	50,083	50,083	-	-	-
Accounts payable (including related parties)	975,104	975,104	924,435	50,669	-	-
Guarantee deposits received	130	130	-	130	-	-
Lease liabilities	<u>129,669</u>	<u>134,010</u>	<u>39,703</u>	<u>65,380</u>	<u>28,927</u>	<u>-</u>
	<u><u>\$ 1,154,903</u></u>	<u><u>1,159,327</u></u>	<u><u>1,014,221</u></u>	<u><u>116,179</u></u>	<u><u>28,927</u></u>	<u><u>-</u></u>

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Carrying amount	Contractual cash flow	Within 1 year	2-3 years	4-5 years	Over 5 years
December 31, 2023						
Non-derivative financial liabilities						
Short-term Loans	\$ 80,000	80,122	80,122	-	-	-
Short-term notes and bills payable	49,990	50,000	50,000	-	-	-
Accounts payable (including related parties)	1,206,161	1,206,161	1,138,355	63,144	4,662	-
Guarantee deposits received	180	180	-	180	-	-
Lease liabilities	61,209	61,969	41,251	17,671	3,047	-
	<u>\$ 1,397,540</u>	<u>1,398,432</u>	<u>1,309,728</u>	<u>80,995</u>	<u>7,709</u>	<u>-</u>

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

(iii) Market risk

1) Currency risk

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

Unit: thousands (foreign currency)

December 31, 2024				
	Foreign currency	Exchange rate	TWD	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$	677	32.785	22,195
CNY		8,095	4.561	36,921
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD	\$	365	32.785	11,967
December 31, 2023				
	Foreign currency	Exchange rate	TWD	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$	2,254	30.705	69,209
CNY		17,957	4.335	77,844
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD	\$	724	30.705	22,230

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts and other receivables, accounts and other payables that are denominated in foreign currency. As of December 31, 2024 and 2023, a strengthening (weakening) of 1% of the exchange rate of the functional currency of the Group and the Group against the main foreign currencies would increase (decrease) profit before tax by \$472 thousand and \$1,248 thousand, respectively. The analysis of the two periods was conducted using the same basis, assuming all other variables held constant.

3) Foreign exchange gains or losses on monetary items

Since the Group has many kinds of functional currencies, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2024 and 2023, net foreign exchange gains (losses) are amounted to \$3,779 thousand, and \$(1,696) thousand, respectively.

4) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 10 basis points when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased/decreased by 10 basis points, the Group's net income would have increased/decreased \$50 thousand and \$80 thousand for the years ended December 31, 2024 and 2023, respectively, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at variable rates.

5) Other market price risk

For the years ended December 31, 2024 and 2023, the sensitivity analysis for the changes in the securities price at the reporting date were performed using the same basis for profit or loss as illustrated below:

	For the years ended December 31	
	2024	2023
Prices of securities at the reporting date	Net income	Net income
Increasing 1%	\$ <u><u>639</u></u>	<u><u>489</u></u>
Decreasing 1%	\$ <u><u>(639)</u></u>	<u><u>(489)</u></u>

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Fair value of financial instruments

1) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except for financial instruments not measured at fair value, whose carrying amount is reasonably close to the fair value, and lease liabilities, for which disclosure of fair value information is not required:

		December 31, 2024			
	<u>carrying value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through profit or loss, non-current					
Publicly listed stock	\$ 35,254	35,254	-	-	35,254
Non-publicly listed stock	28,656	-	-	28,656	28,656
Total	<u>\$ 63,910</u>	<u>35,254</u>	<u>-</u>	<u>28,656</u>	<u>63,910</u>

		December 31, 2023			
	<u>carrying value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through profit or loss, non-current					
Publicly listed stock	\$ 21,420	21,420	-	-	21,420
Non-publicly listed stock	27,479	-	-	27,479	27,479
Total	<u>\$ 48,899</u>	<u>21,420</u>	<u>-</u>	<u>27,479</u>	<u>48,899</u>

2) Valuation techniques for financial instruments not measured at fair value

The Group's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

a) Financial assets and financial liabilities measured at amortized cost

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

3) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

Financial instruments trade in active markets is based on quoted market prices.

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arms-length basis. Whether transactions are taking place ‘regularly’ is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

Measurements of fair value of financial instruments without an active market are based on valuation technique or quoted price from a competitor. Fair value, measured by using valuation technique that can be extrapolated from either similar financial instruments or discounted cash flow method or other valuation techniques, including models, is calculated based on available market data at the reporting date.

4) Transfers between Level 1 and Level 2

The valuation techniques of the Group remained unchanged. No transfers were made between the fair value levels in the hierarchy for the years ended December 31, 2024 and 2023.

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

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

Most of the Group’s financial instruments that use Level 3 inputs have only one significant unobservable input. Only equity investment without an active market have multiple significant unobservable inputs. The significant unobservable inputs of the equity investments without an active market are independent, therefore, there is no correlation between them.

Quantified 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 at fair value through profit or loss—equity investments without an active market	Market approach	Market liquidity discount rate (20% as of December 31, 2024 and 2023)	None

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
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- 6) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

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

			Current profit (loss) arising from changes in fair value		Other comprehensive income arising from changes in fair value	
	Inputs	Upward or downward Movements	Favorable	Unfavorable	Favorable	Unfavorable
December 31, 2024						
Financial assets at fair value through profit or loss						
Equity investments without an active market—market approach	Market liquidity discount	1%	358	(358)	-	-
December 31, 2023						
Financial assets at fair value through profit or loss						
Equity investments without an active market—market approach	Market liquidity discount	1%	343	(343)	-	-

The favorable and unfavorable effects represent the changes in fair value, and the fair value is based on a variety of unobservable inputs, calculated using a valuation technique. If the fair value of a financial instrument is affected by more than one input, the above table only reflects the effect of changes in a single input, and it does not take into account the correlation and variability between the inputs.

(w) Financial risk management

(i) Overview

The Group have exposures to the following risks from its financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

The Group's risk management objectives are to manage market risk, credit risk and liquidity risk related to its operating activities. The Group identifies, measures, and manages the aforementioned risks based on policy and risk preference.

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
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The Group has established appropriate policies, procedures, and internal controls, for its financial risk management. Before entering into significant financial activities, due approval process by the board of directors and audit committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(iii) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for contract assets, accounts and notes receivables and lease receivables) and financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for advance receipts.

Credit risk from bank deposits and other financial instruments is managed by the Group's Finance Department in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are creditworthy banks and investment-grade financial institutions, companies and government entities. Consequently, there is no significant credit risk.

The Group adopted IFRS 9 to assess the expected credit losses. Except for contract assets and accounts receivables, the remaining debt instrument investments which are not measured at fair value through profit or loss, low credit risk for these investments is a prerequisite upon acquisition and by using their credit risk as a basis for the distinction of categories. The Group makes an assessment at each reporting date as to whether the debt instrument investments are still considered low credit risk and then further determines the method of measuring the loss allowance and the loss rates.

Financial assets are written off when there is no realistic prospect of future recovery (the issuer or the debtor is in financial difficulties or bankruptcy).

(iv) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments, bank borrowings, convertible bonds and finance leases. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
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(v) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk.

In practice, it is rarely the case that a single risk variable will change independently from other risk variables, there are usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

1) Currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenues or expenses are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group's receivables and payables in foreign currencies are usually equal in amount, which would result in a natural hedge effect, therefore, hedge accounting is not applied. Since the aforementioned natural hedge does not meet the requirements for hedge accounting, the Group does not apply hedge accounting.

2) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt instrument investments at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable loans and borrowings and entering into interest rate swaps. Hedge accounting does not apply to these swaps as they do not qualify for it.

(x) Capital management

The primary purpose of the Group's capital management is to ensure the Group can maintain a strong credit rating and healthy capital ratios in order to support its business and maximize shareholders' equity value. The Group manages and adjusts its capital structure in accordance with changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment, return capital or issue new shares.

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(y) Investing and financing activities of non-cash transaction

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2024	Cash flows	Others	December 31, 2024
Short-term loans	\$ 80,000	(30,000)	-	50,000
Short-term notes and bills payable	49,990	(49,990)	-	-
Lease liabilities	61,209	(66,279)	134,739	129,669
Guarantee deposits received	180	(50)	-	130
Total liabilities from financing activities	<u>\$ 191,379</u>	<u>(146,319)</u>	<u>134,739</u>	<u>179,799</u>

	January 1, 2023	Cash flows	Others	December 31, 2023
Short-term loans	\$ 240,000	(160,000)	-	80,000
Short-term notes and bills payable	59,978	(9,988)	-	49,990
Lease liabilities	161,860	(105,360)	4,709	61,209
Guarantee deposits received	312	(132)	-	180
Total liabilities from financing activities	<u>\$ 462,150</u>	<u>(275,480)</u>	<u>4,709</u>	<u>191,379</u>

(7) Related-party transactions

(a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

Name of related party	Relationship with the Group
Tatung Co.	Parent company
I-Torch Technology Corp.(Note 1)	Associates
Shan-Chin Investment Co., Ltd.	Other related party
Tatung Asset Development Co.(Note 2)	Other related party
Tatung Company of Japan Inc.	Other related party
Tatung SM-Cycle Co., Ltd.	Other related party
Tatung Consumer Products (Taiwan) Co., Ltd.	Other related party
Tatung Medical & Healthcare Technologies Co., Ltd.	Other related party
TOES Opto-Mechatronics Co., Ltd.	Other related party
Forward Electronics Co., Ltd.	Other related party
Forward Intelligent Energy Co., Ltd.	Other related party
Elitegroup Computer System Co., Ltd.	Other related party
Tatung Forever Energy Co., Ltd.	Other related party
The Joint Welfare Committee of Tatung	Other related party
Tatung (Shanghai) Co., Ltd.	Other related party

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
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<u>Name of related party</u>	<u>Relationship with the Group</u>
Affiliate Union of Tatung Company	Other related party
The Employee Welfare Committee of Tatung System Technologies Inc.	Other related party
Cinzhi Power Co., Ltd.	Other related party
Tatung (Thailand) Co., Ltd.	Other related party
Tatung Semiconductor Co.	Other related party
Tatung Fine Chemicals Co., Ltd.	Other related party
ChyunYao Digitalization Technology INC.	Other related party
Gintung Energy Co., Ltd.	Other related party

Note 1: The entity is no longer a related party of the Group as of August 26, 2024.

Note 2: Tatung Asset Development Co. was formerly named as Shan-Chin Asset Development Co.. The name change was completed on July 4, 2024.

(b) Significant transactions with related parties

(i) Sales

	<u>For the years ended December 31</u>	
	<u>2024</u>	<u>2023</u>
Parent company	\$ 209,407	213,444
Associates	49	39
Other related parties	49,780	23,428
	<u><u>\$ 259,236</u></u>	<u><u>236,911</u></u>

There were no significant differences between selling prices to related parties and prices to arm's length customers. The comparison of collection terms between related parties and arm's length customers is summarized as follows:

<u>For the years ended December 31</u>			
<u>2024</u>		<u>2023</u>	
<u>Related party</u>	<u>Arm's length customer</u>	<u>Related party</u>	<u>Arm's length customer</u>
O/A 30-90 days	O/A 30-150 days	O/A 30-90 days	O/A 30-150 days

(ii) Purchases

	<u>For the years ended December 31</u>	
	<u>2024</u>	<u>2023</u>
Parent company	\$ 8,977	84,816
Associates	200	-
Other related parties	5,237	6,525
	<u><u>\$ 14,414</u></u>	<u><u>91,341</u></u>

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
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There are no significant differences between purchasing prices from related parties and prices from arm's length suppliers. The comparison of payment terms between related parties and arm's length suppliers is summarized as follows:

For the years ended December 31				
2024			2023	
Location	Related party	Arm's length customer	Related party	Arm's length customer
Domestic	O/A 60-90 days	O/A 30-90 days	O/A 60-90 days	O/A 30-90 days
Oversea	30-90 days after QC	30-60 days after QC	30-90 days after QC	30-60 days after QC

(iii) Operating expenses

			For the year ended December 31	
			2024	2023
Parent company			\$ 10,088	10,243
Other related parties			351	235
			\$ 10,439	10,478

(iv) Property transaction

			For the years ended December 31	
			2024	2023
Acquisition of assets				
Other related parties			\$ 257	506

(v) Contract Assets

Account	Relationship	December 31, 2024	December 31, 2023
Contract assets, current	Parent company	\$ 34,148	44,227
"	Other related parties	9,850	85
		\$ 43,998	44,312

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(vi) Receivables from related parties

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Accounts receivable - related parties	Parent company	\$ 69,171	64,873
"	Tatung Medical & Healthcare Technologies Co., Ltd.	76	5,126
"	Tatung (Shanghai) Co., Ltd.	-	23,678
"	Other related parties	2,191	7,228
Operating lease receivable	Parent company	59	41
"	Other related parties	17	16
Finance lease receivable	Parent company	1,497	1,511
		<u>\$ 73,011</u>	<u>102,473</u>
Long-term receivables	Parent company	\$ 59,302	65,769
Long-term finance lease receivable	Parent company	2,828	2,766
		<u>\$ 62,130</u>	<u>68,535</u>

(vii) Other receivables

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Other related parties	<u>\$ 53</u>	<u>-</u>

(viii) Refundable deposits

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Tatung Asset Development Co.	<u>\$ 4,334</u>	<u>4,036</u>

(ix) Guarantee deposits received

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Parent company	<u>\$ 130</u>	<u>130</u>

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(x) Payables to related parties

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Accounts payable - related parties	Parent company	\$ 25,578	37,924
"	Tatung (Shanghai) Co., Ltd.	-	13,513
"	Tatung Medical & Healthcare Technologies Co., Ltd.	-	4,453
"	Other related parties	4,734	375
		<u>\$ 30,312</u>	<u>56,265</u>
Long-term payables-related parties	Parent company	<u>\$ 50,669</u>	<u>67,806</u>
Other payables	Parent company	\$ 1,718	1,477
"	Other related parties	591	282
		<u>\$ 2,309</u>	<u>1,759</u>

(xi) Contract liabilities

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Contract liabilities, current	Parent company	\$ 698	658
"	Other related parties	1,131	336
		<u>\$ 1,829</u>	<u>994</u>

(xii) Leases to related parties

		Right-of-use assets	
		<u>December 31, 2024</u>	<u>December 31, 2023</u>
Tatung Asset Development Co.		<u>\$ 99,546</u>	<u>-</u>
		Lease liabilities (including current and non-current)	
		<u>December 31, 2024</u>	<u>December 31, 2023</u>
Tatung Asset Development Co.		<u>\$ 100,433</u>	<u>-</u>
		Finance costs	
		<u>For the years ended December 31 2024</u>	<u>2023</u>
Tatung Asset Development Co.		<u>\$ 2,003</u>	<u>137</u>

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

In January 2023, the Group entered into a one-year lease agreement with a related party, Tatung Asset Development Co., at an amount of \$3,045 thousand, for its office use while acquiring the right-of-use asset, wherein the rental price is based on within the vicinity.

Upon maturity of the contract, the Group renewed its lease agreement for another year at the amount of \$124,432 thousand, with commencement dates set on January, 2024, and the rent was payable monthly according to the agreement.

For information regarding the acquisition of right-of-use assets from related parties, please refer to the Market Observation Post System website.

The above lease transactions were based on the market price, with the leasing decision and payment method being consistent with the general transactions.

(xiii) Interest income

	For the years ended December 31	
	2024	2023
Tatung Asset Development Co.	\$ <u>69</u>	<u>62</u>

(xiv) Other income

	December 31, 2024	December 31, 2023
Other related parties	\$ <u>50</u>	<u>-</u>

(c) Key management personnel compensation

	For the years ended December 31	
	2024	2023
Short-term employee benefits	\$ <u>20,263</u>	<u>21,858</u>

(8) Assets Pledged as security:

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2024	December 31, 2023
Financial assets measured at amortized cost, current	Performance guarantee	\$ 14,177	13,988
Financial assets measured at amortized cost, non-current	Performance guarantee	40,529	45,250
Accounts receivable — related parties	Sale with recourse	1,433	1,126
		<u>\$ 56,139</u>	<u>60,364</u>

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group has entered into a factoring agreement with recourse to a financial institution for part of its accounts receivable. Although the Group has transferred the cash flow contract rights of these accounts receivables, it still needs to bear the credit risk that these accounts receivable cannot be collected according to the contract terms. Therefore, it does not meet the conditions for derecognition of financial assets. The relevant information is as follows:

Contracting Party	Status	December 31, 2024	December 31, 2023
Taishin International Bank	Amount transferred	\$ 1,433	1,126
"	Advance amount	\$ -	-

(9) Commitments and contingencies:

The relevant information for commissioning the bank to issue warranties and performance bonds for business needs is as follows:

Item	Target	December 31, 2024	December 31, 2023
Guarantee notes submitted	Business collaboration, project agency and application for bank financing	\$ 1,173,042	1,119,099
Deposit bank guarantee	business collaboration	\$ 42,972	29,914

(10) Losses Due to major disasters:None

(11) Subsequent events:None

(12) Other:

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

		For the year ended December 31				
By item	By function	2024			2023	
		Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense
Employee benefits						
Salary		909	514,287	515,196	615	503,167
Labor and health insurance		110	47,320	47,430	83	48,851
Pension		49	22,590	22,639	38	23,848
Others		-	24,532	24,532	-	24,859
Depreciation		56,092	47,770	103,862	90,208	48,160
Amortization		1,258	5,970	7,228	-	4,482

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

(i) Loans to other parties:None

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limit of guarantee/endorsement amount for receiving party	Maximum balance for the period	Ending balance	Actual amount provided	Amount of collateral guarantee/endorsement	Percentage of accumulated guarantee amount to net assets value from the latest financial statement	Limit of total guarantee/endorsement amount	Guarantee provided by parent company	Guarantee provided by a subsidiary	Guarantee provided to subsidiaries in Mainland China
		Name	Relationship										
0	Tatung System Technologies Inc.	Chyun Huei Commercial Technologies Inc.	2	301,663	50,000	50,000	-	-	3.31 %	754,159	Y	N	N
0	Tatung System Technologies Inc.	TISNet Technology Inc.	2	301,663	84,000	54,000	-	-	3.58 %	754,159	Y	N	N

Note 1: The Company and its subsidiaries are coded as follows:

- The Company is coded "0".
- The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: According to the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" issued by the R.O.C. Securities and Futures Bureau, receiving parties should be disclosed as one of the following:

- An investee that has a business relationship with the Company.
- A subsidiary in which the Company holds directly over 50% of equity interest.
- An investee in which the Company and its subsidiaries hold over 50% of equity interest.
- An investee in which the Company holds directly or indirectly over 90% of equity interest.
- A company which needs mutual insurance basing on the construction agreement.
- A company in which the Company endorses or guarantees basing on the holding proportion of mutual investments.
- The performance guarantee of the preconstruction real estate contact between the same industry in accordance with the Consumer Protection Law is jointly guaranteed.

Note 3: Information of the limit amount of financing provided to others for individual loans and the maximum amount of financing provided to others should be filled in and explain who the individual loan was extended to and the calculation of the total amount of financing in the remarks.

Note 4: The maximum amount of endorsement or guarantee provided to others for current year.

Note 5: Should be the amount approved by the board of directors, but should be the amount approved by the chairperson when he/she is authorized by the board of directors according to Article 12 (8) of Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.

Note 6: Should enter actual amount receiving party provided within the limit amount of guarantee/endorsement.

Note 7: A company is coded "Y" when a subsidiary is endorsed by the listed parent company, or a listed parent company is endorsed by a subsidiary, or a company with an endorsement in Mainland China.

Note 8: Individual endorsement or guarantee shall not exceed 20% of the Company's net assets value.

Note 9: Total endorsement or guarantee for others shall not exceed 50% of the Company's net assets value.

(iii) Securities held as of December 31, 2024 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest percentage of ownership (%)	Note
				Shares/Units	Carrying value	Percentage of ownership (%)	Fair value		
The Company	Stock-Ausenior Information Co., Ltd.	-	Financial assets at fair value through profit or loss, non-current	1,400,000	28,656	8.48 %	28,656	9.33 %	
The Company	Stock-Tatung Co.	Investment compaines evaluated by the equity method of the company	"	736,000	35,254	0.03 %	35,254	0.03 %	

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Purchaser (seller)	Related party	Relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
Tatung System Technologies Inc.	Tatung Co.	Investment companies evaluated by the equity method of the company	Sales	(146,855)	(4.50)%	O/A 30-90 days	No significant difference	O/A 30-150 days	103,935	13.46%	Note 1

Note 1: The Company has a contract assets amounted to \$34,148 thousand to Tatung Co.

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

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
Tatung System Technologies Inc.	Tatung Co.	Investment companies evaluated by the equity method of the company	103,935	1.38	-		19,033	-

- (ix) Trading in derivative instruments:None
- (x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	Tatung System Technologies Inc.	TSTI Technologies (Shanghai) Co., Ltd.	1	Sales	50,585	According to the conditions in the contract	1.29%
0	Tatung System Technologies Inc.	TSTI Technologies (Shanghai) Co., Ltd.	1	Accounts receivable - related parties	13,921	"	0.47%
0	Tatung System Technologies Inc.	TSTI Technologies (Shanghai) Co., Ltd.	1	Long-term receivable - related parties	13,830	"	0.46%
1	TSTI Technologies (Shanghai) Co., Ltd.	Tatung System Technologies Inc.	2	Purchases	49,529	"	1.26%
1	TSTI Technologies (Shanghai) Co., Ltd.	Tatung System Technologies Inc.	2	Accounts payable - related parties	27,930	"	0.94%

Note 1: Company numbering as follows:

- 1.Parent company-0
- 2.Subsidiaries starts from 1

Note 2: The numbering of the relationship between transaction parties as follows:

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

Note 3:In preparing the consolidated financial statements, the transactions have been eliminated.

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2024 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Investor company	Investee company	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2024			Highest percentage of ownership (%)	Net income (losses) of investee company	Investment income (loss) recognized	Note
				December 31, 2024	December 31, 2023	Shares	Percentage of ownership	Carrying value				
Tatung System Technologies Inc.	Chyun Huei Commercial Technologies Inc.	Taipei City, Taiwan	Computer and business equipment wholesale or retail and information software service	7,740	42,740	7,500,000	100.00 %	101,482	100.00 %	389	989	Note 2
Tatung System Technologies Inc.	TISNet Technology Inc.	Taipei City, Taiwan	Telecommunications business, cloud information services and information security services	62,590	62,590	6,750,000	100.00 %	89,123	100.00 %	15,843	15,843	
Tatung System Technologies Inc.	I-Torch Technology Corp.	Taichung City, Taiwan	Software wholesale, equipment management and consulting service	-	5,000	-	- %	-	20.00 %	2,206	441	Note 3

Note 1: The transactions among the consolidated entities were written off in the consolidated financial statements.

Note 2: The intercompany transactions eliminated in prior periods have been realized in the current period.

Note 3: Due to operational considerations of the Group, TSTI disposed its entire shares in I-Torch Technology Corp. by signing and approving the sale on July 27, 2024, and completed the transfer of the shares on August 26, 2024, and the relevant amount has been received in full.

(c) Information on investment in Mainland China:

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

(In Thousands of New Taiwan Dollars)

Investee company	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2024	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2024	Net income (losses) of the investee	Percentage of ownership	Highest percentage of ownership (%)	Investment income (losses) recognized	Carrying value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
TSTI Technologies (Shanghai) Co., Ltd.	System integration service	80,053 (CNY16,700)	(1)	137,404 (USD4,606)	-	-	137,404 (USD4,606)	(3,067) (CNY689)	100.00%	100.00%	(3,067)	2,202	-

Note : To improve the financial structure and operational capital of TSTI Technologies (Shanghai) Co., Ltd., the Board of Directors of TSTI Technologies (Shanghai) Co., Ltd. resolved on September 30, 2024, to convert CNY 1,700 thousand of debt into equity investment. This resolution was approved by the Department of Investment Review, MOEA under Approval No. 11320208870 on November 25, 2024. Subsequently, on November 28, 2024, a memorandum was issued to set the debt-to-equity conversion date as December 2, 2024. The Company did not actually remit any funds.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2024	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
137,404 (USD 4,606)	145,013 (USD 4,846)	904,991

Note 1: The method for engaging in investment in Mainland China include the following:

- (1) Direct investment in Mainland China.
- (2) Indirectly investment in Mainland China through companies registered in a third region. (Please specify the name of the company in third region).
- (3) Other methods

Note 2: Initial investment amounts denominated in foreign currencies are translated into New Taiwan Dollars .

Note 3: The recognition of the investment through profit or loss of TSTI Technologies (Shanghai) Co., Ltd. was based on the financial statements which were reviewed and attested by parent company's CPA in R.O.C. within the same period.

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Note 4: According to the rules of the Investment Board, Ministry of Economic Affairs, the maximum amount on investments should be the higher of the Company's net asset or 60% of the consolidated net assets.

Note 5: The above amounts were translated into New Taiwan Dollars at the exchange rate 32.785 as of December 31, 2024.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Tatung Co.		38,386,499	43.34 %
Genesis Technology Inc.		7,200,000	8.13 %
Twinbot International Consultants Limited		5,889,000	6.64 %
Hsu, I-Yin		4,761,000	5.37 %

Note1: The main shareholder information in this table is calculated by the Taiwan Depository & Clearing Corporation on the last business day at the end of each quarter. The total number of ordinary shares and special shares held by the shareholders who have completed the delivery of the Company without physical registration is more than 5%. As for the share capital recorded in the Company's financial report and the number of shares actually delivered by the Company without physical registration, the calculation basis may be different.

Note2: If shares are entrusted, the above information regarding such shares will be revealed by each trustors of individual trust account. The shareholders holding more than 10% of the total shares of the company should declare insider's equity according to Securities and Exchange Act. The numbers of the shares declared by the insider include the shares of the trust assets which the insider has discretion over use. For details of the insider's announcement please refer to the Market Observation Post System website.

(14) Segment information:

The Group generates revenues mainly from distribution and maintenance of computers and peripherals; research, design, development, and sale of computer software/hardware, and informatization and digital transformation services. The Group's decision makers evaluate performance of the Company and allocate resources accordingly. The Group has consolidated all of its operations into one single reporting segment due to the fact that they share similar economic characteristics and exhibit comparable long-term financial performance. Segment information is prepared using the same basis and significant accounting policies stated in Note 4.