

**TATUNG SYSTEM TECHNOLOGIES INC. AND  
SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Review Report  
For the Nine Months Ended September 30, 2025 and 2024**

Address: 22, Sec. 3, Chung-shan N. Rd., Taipei city, Taiwan ROC.  
Telephone: 886-2-2591-5266

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

## Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Review Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flows	7
8. Notes to the Consolidated Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the consolidated financial statements	8
(3) New standards, amendments and interpretations adopted	8~10
(4) Summary of material accounting policies	10~11
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	11
(6) Explanation of significant accounts	12~43
(7) Related-party transactions	43~48
(8) Assets pledged as security	48
(9) Commitments and contingencies	49
(10) Losses Due to major disasters	49
(11) Subsequent events	49
(12) Other	49
(13) Other disclosures	
(a) Information on significant transactions	50~51
(b) Information on investees	51
(c) Information on investment in Mainland China	51~52
(14) Segment information	52



安侯建業聯合會計師事務所  
KPMG

台北市110615信義路5段7號68樓(台北101大樓)  
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,  
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

電話 Tel + 886 2 8101 6666  
傳真 Fax + 886 2 8101 6667  
網址 Web kpmg.com/tw

## Independent Auditors' Review Report

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

### Introduction

We have reviewed the accompanying consolidated balance sheets of TATUNG SYSTEM TECHNOLOGIES INC. and its subsidiaries (“the Group”) as of September 30, 2025 and 2024, the related consolidated statements of comprehensive income for the three months and nine months then ended, and the changes in equity and cash flows for the nine months then ended, as well as the notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with the Standard on Review Engagements 2410, “Review of Financial Information Performed by the Independent Auditor of the Entity” of the Republic of China. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect the total assets amounting to \$359,182 thousand and \$324,108 thousand, constituting 10% and 11% of the consolidated total assets; and the total liabilities amounting to \$138,562 thousand and \$140,439 thousand, constituting 6% and 10% of the consolidated total liabilities as of September 30, 2025 and 2024, respectively; as well as the total comprehensive income amounting to \$12,835 thousand, \$7,213 thousand, \$32,940 thousand and \$10,263 thousand, constituting 18%, 18%, 22% and 8% of the consolidated total comprehensive income for the three months and nine months then ended respectively.

Furthermore, as stated in Note 6(h), the other equity accounted investments of the Group in its investee company of \$0 thousand as of September 30, 2024; and its equity in net earnings on this investee company of \$121 thousand and \$441 thousand for the three months and nine months ended September 30, 2024, were recognized solely on the financial statements prepared by this investee company, but not reviewed by independent auditors.

### **Qualified Conclusion**

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2025 and 2024, and of its consolidated financial performance for the three months and nine months then ended, as well as its consolidated cash flows for the nine months then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors’ review report are Huang, Hsin-Ting and Lai, Li-Chen.

KPMG

Taipei, Taiwan (Republic of China)  
November 7, 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 review 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****September 30, 2025, December 31, 2024, and September 30, 2024****(Expressed in Thousands of New Taiwan Dollar)**

	<u>September 30, 2025</u>		<u>December 31, 2024</u>		<u>September 30, 2024</u>		
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	
<b>Assets</b>							
<b>Current assets:</b>							
1100	Cash and cash equivalents (Note 6(a))	\$ 613,015	16	790,016	27	591,396	20
1136	Financial assets measured at amortized cost, current (Notes 6(c) and 8)	271,574	7	63,413	2	83,919	3
1140	Contract assets, current (Notes 6(s), (v) and 7)	708,188	19	203,124	7	220,941	8
1150	Notes receivable, net (Note 6(d))	8,743	-	5,886	-	18,282	1
1170	Accounts receivable, net (Note 6(d))	854,818	23	608,006	20	530,715	18
1180	Accounts receivable—related parties, net (Notes 6(d), 7 and 8)	57,104	2	71,438	2	70,596	2
1196	Operating lease receivable, net (Notes 6(e), (v) and 7)	4,455	-	3,565	-	6,099	-
1197	Finance lease receivable, net (Notes 6(f), (v) and 7)	3,237	-	2,816	-	5,175	-
1200	Other receivables (Notes 6(v) and 7)	2,460	-	2,063	-	1,281	-
1220	Current tax assets	60	-	-	-	663	-
130X	Inventories (Note 6(g))	762,849	20	608,620	21	725,756	25
1410	Prepayments(Note 7)	13,550	1	20,732	1	17,164	1
	<b>Total current assets</b>	<u>3,300,053</u>	<u>88</u>	<u>2,379,679</u>	<u>80</u>	<u>2,271,987</u>	<u>78</u>
<b>Non-current assets:</b>							
1510	Financial assets at fair value through profit or loss, non-current (Note 6(b))	62,798	2	63,910	2	65,124	2
1535	Financial assets measured at amortized cost, non-current (Notes 6(c) and 8)	29,185	1	42,234	1	40,819	1
1560	Contract assets, non-current (Notes 6(s) and (v))	-	-	-	-	15,015	1
1600	Property, plant and equipment (Note 6(i))	54,659	1	64,401	2	70,818	3
1755	Right-of-use assets (Notes 6(j) and 7)	99,886	3	125,420	4	137,713	5
1780	Intangible assets (Note 6(k))	3,945	-	4,499	-	5,893	-
1840	Deferred tax assets (Note 6(p))	27,910	-	28,754	1	27,466	1
1920	Refundable deposits (Note 7)	70,287	2	84,187	3	84,342	3
1932	Long-term receivables, net (Notes 6(d) and 7)	109,622	3	190,571	7	173,151	6
194D	Long-term finance lease receivable, net (Notes 6(f), (v) and 7)	715	-	3,218	-	2,081	-
	<b>Total non-current assets</b>	<u>459,007</u>	<u>12</u>	<u>607,194</u>	<u>20</u>	<u>622,422</u>	<u>22</u>
	<b>Total assets</b>	<u>\$ 3,759,060</u>	<u>100</u>	<u>2,986,873</u>	<u>100</u>	<u>2,894,409</u>	<u>100</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 Balance Sheets (CONT'D)****September 30, 2025, December 31, 2024, and September 30, 2024****(Expressed in Thousands of New Taiwan Dollar)**

	<b>September 30, 2025</b>		<b>December 31, 2024</b>		<b>September 30, 2024</b>		
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	
<b>Liabilities and Equity</b>							
<b>Current liabilities:</b>							
2100	Short-term loans (Note 6(m))	\$ -	-	50,000	2	100,000	3
2130	Contract liabilities, current (Notes 6(s) and 7)	152,620	4	213,287	7	186,802	7
2150	Notes payable	332	-	658	-	1,307	-
2170	Accounts payable (Note 6(l))	1,507,996	40	642,910	22	659,194	23
2180	Accounts payable—related parties (Note 7)	42,110	1	30,312	1	25,279	1
2200	Other payables (Notes 6(q) and 7)	283,811	8	250,555	8	189,601	7
2230	Current tax liabilities (Note 6(p))	16,181	1	27,466	1	8,776	-
2250	Provisions, current	6,941	-	3,609	-	3,609	-
2280	Lease liabilities, current(Notes 6(n) and 7)	34,102	1	37,947	1	41,709	1
2300	Other current liabilities	8,859	-	17,149	1	13,315	-
	<b>Total Current liabilities</b>	<u>2,052,952</u>	<u>55</u>	<u>1,273,893</u>	<u>43</u>	<u>1,229,592</u>	<u>42</u>
<b>Non-Current liabilities:</b>							
2527	Contract liabilities, non-current (Note 6(s))	-	-	27,501	1	41,252	2
2550	Provisions, non-current	10,000	-	-	-	-	-
2570	Deferred tax liabilities (Note 6(p))	830	-	1,183	-	1,017	-
2580	Lease liabilities, non-current (Notes 6(n) and 7)	69,112	2	91,722	3	100,130	3
2620	Long-term payables—related parties(Note 7)	26,295	1	50,669	2	50,669	2
2640	Net defined benefit liabilities, non-current (Note 6(o))	9,485	-	33,456	1	35,804	1
2645	Guarantee deposits received (Note 7)	680	-	130	-	130	-
	<b>Total non-current liabilities</b>	<u>116,402</u>	<u>3</u>	<u>204,661</u>	<u>7</u>	<u>229,002</u>	<u>8</u>
	<b>Total liabilities</b>	<u>2,169,354</u>	<u>58</u>	<u>1,478,554</u>	<u>50</u>	<u>1,458,594</u>	<u>50</u>
<b>Equity attributable to owners of parent (Note 6(q)):</b>							
3110	Common stock	1,000,728	27	885,600	29	885,600	31
3200	Capital surplus	80,788	2	80,788	3	80,788	3
<b>Retained earnings:</b>							
3310	Legal reserve	340,744	9	320,118	11	320,118	11
3320	Special reserve	3,930	-	3,881	-	3,881	-
3350	Unappropriated earnings	167,566	4	221,862	7	149,433	5
	<b>Total retained earnings</b>	<u>512,240</u>	<u>13</u>	<u>545,861</u>	<u>18</u>	<u>473,432</u>	<u>16</u>
3400	Other equity	(4,050)	-	(3,930)	-	(4,005)	-
	<b>Total equity</b>	<u>1,589,706</u>	<u>42</u>	<u>1,508,319</u>	<u>50</u>	<u>1,435,815</u>	<u>50</u>
	<b>Total liabilities and equity</b>	<u>\$ 3,759,060</u>	<u>100</u>	<u>2,986,873</u>	<u>100</u>	<u>2,894,409</u>	<u>100</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 Comprehensive Income**  
**For the three months and nine months ended September 30, 2025 and 2024**  
**(Expressed in Thousands of New Taiwan Dollar , except for Earnings Per Share)**

	For the three months ended September 30				For the nine months ended September 30				
	2025		2024		2025		2024		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	<b>Operating revenues (Notes 6(s) and 7)</b>								
5000	<b>Operating costs (Notes 6(g) and 7)</b>								
5950	<b>Gross profit</b>								
6000	<b>Operating expenses (Notes 6(d), (o), (t) and 7):</b>								
6100	Selling expenses	129,490	8	128,649	13	371,022	11	370,883	13
6200	Administrative expenses	42,528	3	37,370	4	119,872	3	117,485	4
6300	Research and development expenses	11,584	1	13,472	1	35,457	1	42,318	2
6450	Expected credit losses (gains)	2,956	-	(7)	-	2,940	-	(516)	-
	<b>Total operating expenses</b>	<u>186,558</u>	<u>12</u>	<u>179,484</u>	<u>18</u>	<u>529,291</u>	<u>15</u>	<u>530,170</u>	<u>19</u>
6900	<b>Net operating income</b>	<u>78,855</u>	<u>5</u>	<u>54,372</u>	<u>6</u>	<u>185,263</u>	<u>5</u>	<u>136,861</u>	<u>5</u>
7000	<b>Non-operating income and expenses (Notes 6(h), (u) and 7):</b>								
7100	Interest income	3,019	-	609	-	7,892	-	4,013	-
7010	Other income	5,632	-	2,047	-	9,494	-	12,325	-
7020	Other gains and losses	299	-	(6,087)	(1)	(10,934)	-	11,374	-
7050	Finance costs	(452)	-	(1,122)	-	(2,142)	-	(3,319)	-
7060	Shares of profit of associates accounted for using equity method	-	-	121	-	-	-	441	-
	<b>Total non-operating income and expenses</b>	<u>8,498</u>	<u>-</u>	<u>(4,432)</u>	<u>(1)</u>	<u>4,310</u>	<u>-</u>	<u>24,834</u>	<u>-</u>
7900	<b>Profit before tax</b>	<u>87,353</u>	<u>5</u>	<u>49,940</u>	<u>5</u>	<u>189,573</u>	<u>5</u>	<u>161,695</u>	<u>5</u>
7950	<b>Less: Income tax expenses (Note 6(p))</b>	<u>16,833</u>	<u>1</u>	<u>9,628</u>	<u>1</u>	<u>37,218</u>	<u>1</u>	<u>27,869</u>	<u>1</u>
8200	<b>Net income</b>	<u>70,520</u>	<u>4</u>	<u>40,312</u>	<u>4</u>	<u>152,355</u>	<u>4</u>	<u>133,826</u>	<u>4</u>
8300	<b>Other comprehensive income (loss) :</b>								
8360	<b>Items that may be reclassified subsequently to profit or loss</b>								
8361	Exchange differences on translation of foreign operations	31	-	20	-	(120)	-	(123)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-	-	-	-
	<b>Total items that may be reclassified subsequently to profit or loss</b>	<u>31</u>	<u>-</u>	<u>20</u>	<u>-</u>	<u>(120)</u>	<u>-</u>	<u>(123)</u>	<u>-</u>
8300	<b>Other comprehensive income (loss)</b>	<u>31</u>	<u>-</u>	<u>20</u>	<u>-</u>	<u>(120)</u>	<u>-</u>	<u>(123)</u>	<u>-</u>
8500	<b>Total comprehensive income</b>	<u>\$ 70,551</u>	<u>4</u>	<u>40,332</u>	<u>4</u>	<u>152,235</u>	<u>4</u>	<u>133,703</u>	<u>4</u>
	<b>Earnings per share (NT dollars) (Note 6(r))</b>								
9750	Basic earnings per share	<u>\$ 0.70</u>		<u>0.40</u>		<u>1.52</u>		<u>1.34</u>	
9850	Diluted earnings per share	<u>\$ 0.70</u>		<u>0.40</u>		<u>1.52</u>		<u>1.33</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 nine months ended September 30, 2025 and 2024****(Expressed in Thousands of New Taiwan Dollar)**

	Equity attributable to owners of parent						Other Equity	Total Equity
	Stock	Retained earnings					Exchange Differences on Translation of Foreign Operations Financial Statements	
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total Retained Earnings		
<b>Balance on January 1, 2024</b>	\$ 885,600	80,788	301,376	3,908	198,158	503,442	(3,882)	1,465,948
Net income for the nine months ended September 30, 2024	-	-	-	-	133,826	133,826	-	133,826
Other comprehensive income for the nine months ended September 30, 2024	-	-	-	-	-	-	(123)	(123)
Total comprehensive income for the nine months ended September 30, 2024	-	-	-	-	133,826	133,826	(123)	133,703
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)
<b>Balance on September 30, 2024</b>	<b>\$ 885,600</b>	<b>80,788</b>	<b>320,118</b>	<b>3,881</b>	<b>149,433</b>	<b>473,432</b>	<b>(4,005)</b>	<b>1,435,815</b>
<b>Balance on January 1, 2025</b>	\$ 885,600	80,788	320,118	3,881	221,862	545,861	(3,930)	1,508,319
Net income for the nine months ended September 30, 2025	-	-	-	-	152,355	152,355	-	152,355
Other comprehensive income for the nine months ended September 30, 2025	-	-	-	-	-	-	(120)	(120)
Total comprehensive income for the nine months ended September 30, 2025	-	-	-	-	152,355	152,355	(120)	152,235
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	20,626	-	(20,626)	-	-	-
Special reserve appropriated	-	-	-	49	(49)	-	-	-
Cash dividends	-	-	-	-	(70,848)	(70,848)	-	(70,848)
Stock dividends	115,128	-	-	-	(115,128)	(115,128)	-	-
<b>Balance on September 30, 2025</b>	<b>\$ 1,000,728</b>	<b>80,788</b>	<b>340,744</b>	<b>3,930</b>	<b>167,566</b>	<b>512,240</b>	<b>(4,050)</b>	<b>1,589,706</b>

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 nine months ended September 30, 2025 and 2024****(Expressed in Thousands of New Taiwan Dollar)**

	<b>For the nine months ended September 30</b>	
	<b>2025</b>	<b>2024</b>
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ 189,573	161,695
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit:</b>		
Depreciation expense	58,539	81,570
Amortization expense	3,331	5,519
Expected credit loss (gain)	2,940	(516)
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	7,091	(6,931)
Interest expense	2,142	3,319
Interest income	(7,892)	(4,013)
Dividend income	(3,851)	(1,400)
Share of profit of associates accounted for using equity method	-	(441)
Loss (gain) on disposal of property, plant and equipment	3	(3)
Gain on disposal of investments	-	(657)
Gain on disposal of other assets	-	(21)
<b>Total adjustments to reconcile profit (loss)</b>	<b>62,303</b>	<b>76,426</b>
<b>Changes in operating assets and liabilities:</b>		
Contract assets	(505,064)	9,203
Notes receivable	(2,857)	(1,854)
Accounts receivable	(249,752)	94,526
Accounts receivable-related parties	14,334	30,309
Operating lease receivable	(890)	2,031
Finance lease receivable	(421)	472
Other receivables	375	515
Inventories	(171,150)	(23,424)
Prepayments	7,182	10,883
Long-term receivables	80,949	66,679
Long-term finance lease receivable	2,503	2,740
Contract liabilities	(88,168)	33,447
Notes payable	(326)	(1,564)
Accounts payable	865,086	(201,519)
Accounts payable-related parties	11,798	(30,986)
Other payables	(36,005)	(28,707)
Other current liabilities	(4,958)	(5,369)
Net defined benefit liabilities	(23,971)	(10,167)
Other operating liabilities	(14,374)	(17,137)
<b>Total adjustments</b>	<b>(53,406)</b>	<b>6,504</b>
Cash inflow generated from operations	136,167	168,199
Income taxes paid	(48,072)	(61,639)
<b>Net cash flows from operating activities</b>	<b>88,095</b>	<b>106,560</b>

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 nine months ended September 30, 2025 and 2024****(Expressed in Thousands of New Taiwan Dollar)**

	<b>For the nine months ended September 30</b>	
	<b>2025</b>	<b>2024</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at amortized cost	(376,117)	(27,524)
Disposal of financial assets at amortized cost	181,005	30,296
Acquisition of financial assets at fair value through profit or loss	(6,347)	(9,294)
Proceeds from capital reduction of investments of financial assets measured at fair value through profit or loss	368	-
Proceeds from disposal of investments accounted for using equity method	-	6,500
Acquisition of property, plant and equipment	(4,979)	(4,693)
Disposal of property, plant and equipment	-	3
Decrease in refundable deposits	13,900	1,403
Acquisition of intangible assets	(2,777)	(5,106)
Interest received	7,120	4,303
Dividends received	3,851	1,400
<b>Net cash flows used in investing activities</b>	<b>(183,976)</b>	<b>(2,712)</b>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term loans	140,000	645,000
Decrease in short-term loans	(190,000)	(625,000)
Decrease in short-term notes and bills payable	-	(49,990)
Increase in guarantee deposits received	550	-
Decrease in guarantee deposits received	-	(50)
Payment of lease liabilities	(29,414)	(54,031)
Cash dividends paid	-	(163,836)
Interest paid	(2,150)	(3,317)
<b>Net cash flows used in financing activities</b>	<b>(81,014)</b>	<b>(251,224)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(106)</b>	<b>(138)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(177,001)</b>	<b>(147,514)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>790,016</b>	<b>738,910</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 613,015</b>	<b>591,396</b>

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**

**September 30, 2025 and 2024**

**(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 for the nine months ended September 30, 2025 and 2024 comprise the Company and subsidiaries (together referred as the “Group”)

Tatung Company 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:**

The consolidated financial statements for the nine Months ended September 30, 2025 and 2024 were authorized for issuance by the board of directors on November 7, 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, 2025:

- Amendments to IAS21 “Lack of Exchangeability”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2026, would not have a significant impact on its consolidated financial statements:

- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- 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”

(Continued)

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

- (c) The impact of IFRS Accounting Standards 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:

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
IFRS 18 “Presentation and Disclosure in Financial Statements”	<p>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.</p> <ul style="list-style-type: none"> <li>● 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.</li> <li>● 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.</li> <li>● 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.</li> </ul>	<p>January 1, 2027            Note: On September 25, 2025, the FSC issued a press release announcing that Taiwan will adopt IFRS 18 beginning in 2028. Entities that need to adopt the new standard earlier may do with the endorsement of the FSC.</p>

(Continued)

**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 19 “Subsidiaries without Public Accountability: Disclosures” and amendments to IFRS 19 “Subsidiaries without Public Accountability: Disclosures”

**(4) Summary of material accounting policies:**

**(a) Statement of compliance**

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

Except the following accounting policies mentioned below, the material accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2024. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2024

**(b) Basis of consolidation**

**(i) 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			Note
			September 30, 2025	December 31, 2024	September 30, 2024	
The Company	Chyun Huei Commercial Technologies Inc.	Computer and business equipment wholesale or retail and information software service	100 %	100 %	100 %	Note 1
The Company	TISNet Technology Inc.	Telecommunications business, cloud information services and information security services	100 %	100 %	100 %	Note 1
The Company	TSTI Technologies (Shanghai) Co., Ltd.	System integration service	100 %	100 %	100 %	Note 2

Note1: The aforementioned companies are immaterial subsidiaries, whose financial statements for the nine months ended September 30, 2025 and 2024, have not been reviewed.

Note2: The aforementioned company is an immaterial subsidiary, whose financial statements for the nine months ended September 30, 2025, have not been reviewed.

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

(Continued)

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

(c) Employee benefits

The pension cost in the interim period was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, and made amendments according to significant market fluctuation, curtailment, settlement or other significant one-time adjustment.

(d) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B 12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are measured by multiplying together the pre-tax income for the interim reporting period and the management's best estimate of effective annual tax rate. This should be recognized fully as tax expense for the current period.

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

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

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

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2024. For related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2024.

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

**(6) Explanation of significant accounts:**

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the interim consolidated financial statements for the current period and the 2024 consolidated financial statements. Please refer to note 6 to the 2024 annual consolidated financial statements.

(a) Cash and cash equivalents

	<u>September 30,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>	<u>September 30,</u> <u>2024</u>
Cash on hand and revolving funds	\$ 431	383	432
Bank drafts	224,089	729,633	583,051
Time deposits	229,045	60,000	7,913
Cash equivalents	<u>159,450</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 613,015</u>	<u>790,016</u>	<u>591,396</u>

- (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

	<u>September 30,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>	<u>September 30,</u> <u>2024</u>
Financial assets designated at fair value through profit or loss:			
Publicly listed stocks	\$ 27,094	35,254	36,174
Non-publicly listed stocks	<u>35,704</u>	<u>28,656</u>	<u>28,950</u>
Total	<u>\$ 62,798</u>	<u>63,910</u>	<u>65,124</u>

- (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).

(Continued)

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

(c) Financial assets measured at amortized cost

	September 30, 2025	December 31, 2024	September 30, 2024
Time deposit - General	\$ 249,619	50,941	66,783
Time deposit - Restricted (Performance Guarantee)	51,140	54,706	57,955
Less: Loss allowance	-	-	-
<b>Total</b>	<b>\$ 300,759</b>	<b>105,647</b>	<b>124,738</b>
Current	\$ 271,574	63,413	83,919
Non-current	29,185	42,234	40,819
<b>Total</b>	<b>\$ 300,759</b>	<b>105,647</b>	<b>124,738</b>

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

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

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

	September 30, 2025	December 31, 2024	September 30, 2024
Notes receivable arose from operation	\$ 8,743	5,886	18,282
Less: Loss allowance	-	-	-
Subtotal	8,743	5,886	18,282
Accounts receivable	\$ 778,940	520,240	452,669
Installment accounts receivable	159,247	228,282	210,149
Less: Unrealized interest revenue, installment accounts receivable	(1,881)	(1,619)	(3,280)
Subtotal	936,306	746,903	659,538
Less: Loss allowance	(10,568)	(7,628)	(1,030)
Subtotal	925,738	739,275	658,508
Accounts receivable-related parties	\$ 24,381	41,595	37,043
Installment accounts receivable-related parties	72,973	90,528	81,212
Less: Unrealized interest revenue, installment accounts receivable- related parties	(1,548)	(1,383)	(2,301)
Subtotal	95,806	130,740	115,954
Less: Loss allowance	-	-	-
Subtotal	95,806	130,740	115,954
<b>Total</b>	<b>\$ 1,030,287</b>	<b>875,901</b>	<b>792,744</b>

(Continued)

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

	<u>September 30, 2025</u>	<u>December 31, 2024</u>	<u>September 30, 2024</u>
Current	\$ 920,665	685,330	619,593
Non-current	<u>109,622</u>	<u>190,571</u>	<u>173,151</u>
Total	<u>\$ 1,030,287</u>	<u>875,901</u>	<u>792,744</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:

**September 30, 2025**

Group 1

	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 995,679	0%~0.08%	804
0 to 180 days past due	17,888	0%~0.21%	37
181 to 365 days past due	71	0%~2.82%	2
More than 366 days past due	<u>3,321</u>	100%	<u>3,321</u>
Total	<u>\$ 1,016,959</u>		<u>4,164</u>

Group 2

	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ -	0%	-
0 to 180 days past due	-	0%	-
181 to 365 days past due	-	0%	-
More than 366 days past due	<u>6,404</u>	100%	<u>6,404</u>
Total	<u>\$ 6,404</u>		<u>6,404</u>

(Continued)

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

Group 3

	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 17,492	0%	-
0 to 180 days past due	-	0%	-
181 to 365 days past due	-	0%	-
More than 366 days past due	-	0%	-
Total	<u>\$ 17,492</u>		<u>-</u>

**December 31, 2024**

Group 1

	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
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>\$ 842,429</u>		<u>917</u>

Group 2

	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
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>\$ 6,711</u>		<u>6,711</u>

(Continued)

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

Group 3

	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
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>\$ 34,389</u>		<u>-</u>

**September 30, 2024**

Group 1

	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 746,113	0%~0.02%	121
0 to 180 days past due	12,113	0%~5.90%	715
181 to 365 days past due	57	100%	57
More than 366 days past due	-	0%	-
Total	<u>\$ 758,283</u>		<u>893</u>

Group 2

	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
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>\$ 137</u>		<u>137</u>

(Continued)

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

Group 3

	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 34,065	0%	-
0 to 180 days past due	1,289	0%	-
181 to 365 days past due	-	0%	-
More than 366 days past due	-	0%	-
Total	<u>\$ 35,354</u>		<u>-</u>

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

	<u>For the nine months ended September 30</u>	
	<u>2025</u>	<u>2024</u>
Balance at January 1	\$ 7,628	1,546
Impairment losses recognized (reversed)	2,940	(516)
Balance at September 30	<u>\$ 10,568</u>	<u>1,030</u>

The expected recovery of installment accounts receivable is as follows:

	<u>September 30, 2025</u>	<u>December 31, 2024</u>	<u>September 30, 2024</u>
Less than one year	\$ 119,169	125,237	112,629
One to two years	78,544	109,507	100,537
More than two years	31,078	81,064	72,614
Total	<u>\$ 228,791</u>	<u>315,808</u>	<u>285,780</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)

	<u>September 30, 2025</u>	<u>December 31, 2024</u>	<u>September 30, 2024</u>
Operating lease receivable	\$ 4,314	3,489	6,052
Less: Loss allowance	-	-	-
Subtotal	4,314	3,489	6,052
Operating lease receivable-related parties	141	76	47
Less: Loss allowance	-	-	-
Subtotal	141	76	47
Total	<u>\$ 4,455</u>	<u>3,565</u>	<u>6,099</u>

(Continued)

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

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

	September 30, 2025	December 31, 2024	September 30, 2024
Less than one year	\$ 8,776	7,292	7,639
One to two years	6,325	5,784	5,986
Two to three years	3,476	2,828	3,555
Three to four years	672	837	1,091
Four to five years	184	78	163
More than five years	-	-	-
Present value of lease payments receivable \$	<u>19,433</u>	<u>16,819</u>	<u>18,434</u>

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

(f) Finance lease receivable (including related parties)

	September 30, 2025	December 31, 2024	September 30, 2024
Finance lease receivable	\$ 781	1,724	4,195
Less: Unearned finance income on finance lease	(15)	(15)	(69)
Subtotal (total carrying amount)	766	1,709	4,126
Less: Loss allowance	-	-	-
Subtotal	766	1,709	4,126
Finance lease receivable-related parties	\$ 3,234	4,373	3,149
Less: Unearned finance income on finance lease-related parties	(48)	(48)	(19)
Subtotal (total carrying amount)	3,186	4,325	3,130
Less: Loss allowance	-	-	-
Subtotal	3,186	4,325	3,130
Total	<u>\$ 3,952</u>	<u>6,034</u>	<u>7,256</u>
Current	\$ 3,237	2,816	5,175
Non-current	715	3,218	2,081
Total	<u>\$ 3,952</u>	<u>6,034</u>	<u>7,256</u>

(Continued)

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

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

	<b>September 30, 2025</b>	<b>December 31, 2024</b>	<b>September 30, 2024</b>
Less than one year	\$ 3,300	2,879	5,263
One to two years	715	1,735	1,366
Two to three years	-	841	715
Three to four years	-	321	-
Four to five years	-	321	-
More than five years	-	-	-
Total lease payments receivable	4,015	6,097	7,344
Less: Unearned finance income	(63)	(63)	(88)
Less: Loss allowance	-	-	-
Present value of lease payments receivable \$	<u><b>3,952</b></u>	<u><b>6,034</b></u>	<u><b>7,256</b></u>

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

(g) Inventories

The details of inventories are as follows:

	<b>September 30, 2025</b>	<b>December 31, 2024</b>	<b>September 30, 2024</b>
Merchandise	\$ <u><b>762,849</b></u>	<u><b>608,620</b></u>	<u><b>725,756</b></u>

- (i) The Group's inventory costs recognized as operating costs and expenses for the three months ended September 30, 2025 and 2024 and the nine months ended September 30, 2025 and 2024, were \$1,321,293 thousand, \$734,190 thousand, \$2,778,626 thousand and \$2,146,472 thousand, respectively.
- (ii) The inventory valuation losses recognized for the three months ended September 30, 2025 and 2024 and the nine months ended September 30, 2025 and 2024, were \$323 thousand, \$733 thousand, \$251 thousand and \$1,104 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.

(Continued)



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

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

	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
<b>Cost or deemed cost:</b>			
Balance on January 1, 2025	\$ 145,163	27,040	172,203
Additions	3,343	57	3,400
Disposal	(65,887)	(1,189)	(67,076)
Effect of movements in exchange rates	(20)	-	(20)
Other changes	(34)	-	(34)
Balance on September 30, 2025	<u>\$ 82,565</u>	<u>25,908</u>	<u>108,473</u>
Balance on January 1, 2024	\$ 144,871	27,616	172,487
Additions	4,014	479	4,493
Disposal	(5,358)	(20)	(5,378)
Effect of movements in exchange rates	36	1	37
Other changes	631	-	631
Balance on September 30, 2024	<u>\$ 144,194</u>	<u>28,076</u>	<u>172,270</u>
<b>Depreciation and impairment losses:</b>			
Balance on January 1, 2025	\$ 129,735	15,112	144,847
Depreciation	6,435	2,976	9,411
Disposal	(65,884)	(1,189)	(67,073)
Effect of movements in exchange rates	(17)	-	(17)
Other changes	(9)	-	(9)
Balance on September 30, 2025	<u>\$ 70,260</u>	<u>16,899</u>	<u>87,159</u>
Balance on January 1, 2024	\$ 127,652	11,250	138,902
Depreciation	6,163	3,755	9,918
Disposal	(5,358)	(20)	(5,378)
Effect of movements in exchange rates	34	1	35
Balance on September 30, 2024	<u>\$ 128,491</u>	<u>14,986</u>	<u>143,477</u>
<b>Carring amounts:</b>			
Balance on January 1, 2025	<u>\$ 15,428</u>	<u>11,928</u>	<u>27,356</u>
Balance on September 30, 2025	<u>\$ 12,305</u>	<u>9,009</u>	<u>21,314</u>
Balance on January 1, 2024	<u>\$ 17,219</u>	<u>16,366</u>	<u>33,585</u>
Balance on September 30, 2024	<u>\$ 15,703</u>	<u>13,090</u>	<u>28,793</u>

(Continued)

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

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

	<b>Office equipment</b>
<b>Cost or deemed cost:</b>	
Balance on January 1, 2025	\$ 94,059
Disposal	(675)
Other changes	16,946
Balance on September 30, 2025	<b>\$ 110,330</b>
Balance on January 1, 2024	\$ 111,008
Disposal	(31,825)
Other changes	13,317
Balance on September 30, 2024	<b>\$ 92,500</b>
<b>Depreciation and impairment losses:</b>	
Balance on January 1, 2025	\$ 57,014
Depreciation	20,646
Disposal	(675)
Balance on September 30, 2025	<b>\$ 76,985</b>
Balance on January 1, 2024	\$ 62,907
Depreciation	19,393
Disposal	(31,825)
Balance on September 30, 2024	<b>\$ 50,475</b>
<b>Carrying amounts:</b>	
Balance on January 1, 2025	<b>\$ 37,045</b>
Balance on September 30, 2025	<b>\$ 33,345</b>
Balance on January 1, 2024	<b>\$ 48,101</b>
Balance on September 30, 2024	<b>\$ 42,025</b>

As of September 30, 2025, December 31 and September 30, 2024, none of the Group's property, plant and equipment were capitalized with borrowing costs or pledged as collateral.

(Continued)

**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>
<b>Cost:</b>					
Balance on January 1, 2025	\$ 147,375	10,697	2,516	43,180	203,768
Additions	352	2,607	-	-	2,959
Write-off	(1,977)	(1,920)	(122)	(33,852)	(37,871)
Effect of movements in exchange rates	(13)	-	-	-	(13)
Balance on September 30, 2025	<u>\$ 145,737</u>	<u>11,384</u>	<u>2,394</u>	<u>9,328</u>	<u>168,843</u>
Balance on January 1, 2024	\$ 27,035	10,584	1,385	158,864	197,868
Additions	131,905	3,955	-	-	135,860
Write-off	(6,682)	(3,841)	(931)	(80,631)	(92,085)
Effect of movements in exchange rates	20	-	-	-	20
Balance on September 30, 2024	<u>\$ 152,278</u>	<u>10,698</u>	<u>454</u>	<u>78,233</u>	<u>241,663</u>
<b>Accumulated depreciation and impairment losses:</b>					
Balance on January 1, 2025	\$ 34,693	5,173	306	38,176	78,348
Depreciation	21,620	2,092	363	4,407	28,482
Write-off	(1,977)	(1,920)	(122)	(33,852)	(37,871)
Effect of movements in exchange rates	(2)	-	-	-	(2)
Balance on September 30, 2025	<u>\$ 54,334</u>	<u>5,345</u>	<u>547</u>	<u>8,731</u>	<u>68,957</u>
Balance on January 1, 2024	\$ 11,405	6,345	1,003	123,837	142,590
Depreciation	23,854	2,000	176	26,229	52,259
Write-off	(5,504)	(3,841)	(931)	(80,631)	(90,907)
Effect of movements in exchange rates	8	-	-	-	8
Balance on September 30, 2024	<u>\$ 29,763</u>	<u>4,504</u>	<u>248</u>	<u>69,435</u>	<u>103,950</u>
<b>Carrying amounts:</b>					
Balance on September 30, 2025	<u>\$ 91,403</u>	<u>6,039</u>	<u>1,847</u>	<u>597</u>	<u>99,886</u>
Balance on September 30, 2024	<u>\$ 122,515</u>	<u>6,194</u>	<u>206</u>	<u>8,798</u>	<u>137,713</u>

As of September 30, 2025, December 31 and September 30, 2024, the right-of-use assets of the Group were not pledged as collateral.

(Continued)

**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>
<b>Carrying amounts:</b>			
Balance on January 1, 2025	\$ <u>2,999</u>	<u>1,500</u>	<u>4,499</u>
Balance on September 30, 2025	\$ <u>3,195</u>	<u>750</u>	<u>3,945</u>
Balance on January 1, 2024	\$ <u>3,806</u>	<u>2,500</u>	<u>6,306</u>
Balance on September 30, 2024	\$ <u>4,143</u>	<u>1,750</u>	<u>5,893</u>

There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the nine months ended September 30, 2025 and 2024. Information on amortization for the period is discussed in note 12. Please refer to note 6(k) to the 2024 annual consolidated financial statements for other related information.

## (l) Accounts payable

Accounts payable were summarized as follows:

	<u>September 30, 2025</u>	<u>December 31, 2024</u>	<u>September 30, 2024</u>
Accounts payable to suppliers	\$ <u>1,507,996</u>	<u>642,910</u>	<u>659,194</u>

## (m) Short-term loans

	<u>September 30, 2025</u>	<u>December 31, 2024</u>	<u>September 30, 2024</u>
Unsecured bank loans	\$ <u>-</u>	<u>50,000</u>	<u>100,000</u>
Unused short-term credit lines	\$ <u>995,261</u>	<u>507,180</u>	<u>655,090</u>
Range of interest rates	<u>-</u>	<u>1.95%</u>	<u>1.9%</u>

## (i) Issuance and repayment of loans

For the nine months ended September 30, 2025 and 2024, the borrowings increased by \$140,000 thousand and \$645,000 thousand, respectively; the amounts repaid were \$190,000 thousand and \$625,000 thousand, respectively. Please refer to Note 6 (u) for details on interest expenses.

## (ii) For the exposure of liquidity risk, please refer to 6(v).

## (iii) Collateral of bank loans

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

(Continued)

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

(n) Lease liabilities

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

	<u>September 30, 2025</u>	<u>December 31, 2024</u>	<u>September 30, 2024</u>
Current	\$ 34,102	37,947	41,709
Non-current	69,112	91,722	100,130
Total	<u>\$ 103,214</u>	<u>129,669</u>	<u>141,839</u>

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

The amounts recognized in profit or loss were as follows:

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Interests on lease liabilities	\$ 457	579	1,459	1,802
Income from sub-leasing right-of-use assets	\$ 230	3,498	1,988	16,988
Expenses relating to short-term leases	\$ 202	82	428	223

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

	<u>For the nine months ended September 30</u>	
	<u>2025</u>	<u>2024</u>
Total cash outflow for leases	\$ 31,301	56,056

(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.

(Continued)

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

(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.

(o) Employee benefits

(i) Defined benefit plans

Management believes that there was no material volatility of market, no material reimbursement and settlement or other material one-time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2024 and 2023.

The expenses recognized in loss for the Group were \$135 thousand, \$169 thousand, \$414 thousand and \$507 thousand for the three months ended September 30, 2025 and 2024 and the nine months ended September 30, 2025 and 2024, respectively.

(ii) Defined contribution plans

The Group's expenses for the pension plan contributions to the Bureau of Labor Insurance, for the three months ended September 30, 2025 and 2024 and the nine months ended September 30, 2025 and 2024 were \$5,537 thousand, \$5,428 thousand, \$16,067 thousand and \$16,625 thousand, respectively.

(p) Income tax

(i) Income tax expense

	For the three months ended September 30		For the nine months ended September 30	
	2025	2024	2025	2024
Current tax expenses				
Current period	\$ 18,804	11,803	38,072	28,603
Adjustment for prior periods	-	(1,419)	(1,344)	(2,764)
Deferred tax expense				
Origination and reversal of temporary differences	(1,971)	(756)	490	2,030
Income tax expense	<u>\$ 16,833</u>	<u>9,628</u>	<u>37,218</u>	<u>27,869</u>

(Continued)

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

(ii) Assessment of tax

As of September 30, 2025, the assessment of the Group's income tax returns is as follows.

<u>Company name</u>	<u>Year of Assessment</u>
The Company	2023
Chyun Huei Commercial Technologies Inc.	2023
TISNet Technology Inc.	2023

(q) Capital and other equity

Except for the following disclosure, there was no significant change in capital and other equity for the nine months ended September 30, 2025 and 2024. For the related information, please refer to note 6(q) to the consolidated financial statements for the year ended December 31, 2024.

(i) Common stock

As of September 30, 2025, December 31 and September 30, 2024, the Company's authorized capital amounted to \$2,000,000 thousand for each period, with 100,073 thousand shares, 885,600 thousand shares and 885,600 thousand shares, being issued, at a par value of \$10 per share, amounting to \$1,000,728 thousand, 88,560 thousand and 88,560 thousand, respectively. Each share is entitled to one voting right to receive dividends. All issued shares were paid up upon issuance.

A resolution was passed during the general meeting of the shareholders held on June 16, 2025 for the issuance of 130 new shares per one thousand shares, using retained earnings, with an amount totaling \$115,128 thousand. The Company has received the approval from the Financial Supervisory Commission for the above mentioned capital increase on September 3, 2025. Also, a resolution was passed during the board meeting to set September 28, 2025 as the base date for the stock allotment. All relevant statutory registration procedures have since been completed on October 17, 2025.

(ii) Capital surplus

The components of capital surplus were as follows:

	<u>September 30,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>	<u>September 30,</u> <u>2024</u>
Common stock premium	\$ 75,600	75,600	75,600
Employee share options	4,492	4,492	4,492
Gains from exercising the right of disgorgement	696	696	696
Total	<u>\$ 80,788</u>	<u>80,788</u>	<u>80,788</u>

(Continued)

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

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.

(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.

(Continued)

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

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.

3) Earning distribution

On June 16, 2025 and May 28, 2024, the shareholders resolved to distribute the 2024 and 2023 earnings. The relevant dividend distributions to shareholders were as follows:

	2025		2024	
	Amount per share	Total amount	Amount per share	Total amount
Dividends distributed to shareholders:				
Cash	\$ 0.80	70,848	1.85	163,836
Shares	1.30	<u>115,128</u>	-	<u>-</u>
Total		<u>\$ <u>185,976</u></u>		<u><u>163,836</u></u>

Note: As of September 30, 2025 and 2024, the dividends payable were \$70,848 thousand and \$0, respectively, recognized in other payables.

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

	<b>Exchange differences on translation of foreign operations financial statements</b>
Balance at January 1, 2025	\$ (3,930)
Exchange differences on foreign operations	<u>(120)</u>
Balance at September 30, 2025	<u>\$ (4,050)</u>
Balance at January 1, 2024	\$ (3,882)
Exchange differences on foreign operations	<u>(123)</u>
Balance at September 30, 2024	<u>\$ (4,005)</u>

(Continued)

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

## (r) Earnings per share

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
<b>Basic earnings per share</b>				
Profit attributable to ordinary shareholders of the Company	\$ <u>70,520</u>	<u>40,312</u>	<u>152,355</u>	<u>133,826</u>
Weighted average number of ordinary shares outstanding	<u>100,073</u>	<u>100,073</u>	<u>100,073</u>	<u>100,073</u>
Basic earnings per share (dollar)	\$ <u>0.70</u>	<u>0.40</u>	<u>1.52</u>	<u>1.34</u>
<b>Diluted earnings per share</b>				
Profit attributable to ordinary shareholders of the Company	\$ <u>70,520</u>	<u>40,312</u>	<u>152,355</u>	<u>133,826</u>
Weighted average number of ordinary shares outstanding	100,073	100,073	100,073	100,073
Effect of potentially dilutive ordinary shares				
Effect of employee shares bonus	<u>194</u>	<u>170</u>	<u>253</u>	<u>239</u>
Weighted average number of ordinary shares outstanding (after adjusting the effect of potentially dilutive ordinary shares)	<u>100,267</u>	<u>100,243</u>	<u>100,326</u>	<u>100,312</u>
Diluted earnings per share (dollar)	\$ <u>0.70</u>	<u>0.40</u>	<u>1.52</u>	<u>1.33</u>

Note: For the nine months ended September 30, 2025, the Company increased its capital from retained earnings by issuing 11,513 thousand shares, resulting in the number of shares outstanding to be 100,073 thousand shares after having been retrospectively adjusted for the nine months ended September 30, 2024.

## (s) Revenue from contracts with customers

## (i) Disaggregation of revenue

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
Sale of goods	\$ 1,316,014	743,075	2,759,482	2,152,062
Rendering of services	256,865	204,587	688,128	591,991
Leasing revenue	<u>14,150</u>	<u>21,117</u>	<u>45,821</u>	<u>70,554</u>
Total	\$ <u>1,587,029</u>	<u>968,779</u>	<u>3,493,431</u>	<u>2,814,607</u>
Timing of revenue recognition:				
At a point in time	\$ 1,330,164	764,192	2,805,303	2,222,616
Over time	<u>256,865</u>	<u>204,587</u>	<u>688,128</u>	<u>591,991</u>
Total	\$ <u>1,587,029</u>	<u>968,779</u>	<u>3,493,431</u>	<u>2,814,607</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)

	<u>September 30, 2025</u>	<u>December 31, 2024</u>	<u>September 30, 2024</u>
Sales of goods	\$ 692,065	183,975	206,273
Rendering of services	16,123	19,149	29,683
Total	<u>\$ 708,188</u>	<u>203,124</u>	<u>235,956</u>
Current	\$ 708,188	203,124	220,941
Non-current	-	-	15,015
Total	<u>\$ 708,188</u>	<u>203,124</u>	<u>235,956</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(v).

The significant changes in the Group's balances of contract assets for the nine months ended September 30, 2025 and 2024, are as follows:

	<u>For the nine months ended September 30</u>	
	<u>2025</u>	<u>2024</u>
The opening balance transferred to accounts receivable	\$ (161,316)	(198,283)
Change in the measure of progress	666,380	189,080
Net movements for the period	<u>\$ 505,064</u>	<u>(9,203)</u>

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

	<u>September 30, 2025</u>	<u>December 31, 2024</u>	<u>September 30, 2024</u>
Sale of good	\$ 52,292	127,460	98,070
Rendering of services	100,328	113,328	129,984
Total	<u>\$ 152,620</u>	<u>240,788</u>	<u>228,054</u>
Current	\$ 152,620	213,287	186,802
Non-current	-	27,501	41,252
Total	<u>\$ 152,620</u>	<u>240,788</u>	<u>228,054</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 nine months ended September 30, 2025 and 2024, are as follows:

	<b>For the nine months ended</b>	
	<b>September 30</b>	
	<b>2025</b>	<b>2024</b>
The opening balance transferred to revenue	\$ (174,410)	(140,333)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue in the period)	86,242	173,779
Net movements for the period	<b>\$ (88,168)</b>	<b>33,446</b>

(t) Employee compensation and directors' remuneration

On June 16, 2025, the Company resolved at its shareholders' meeting to amend its Articles of Incorporation. Pursuant to the amendment, 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, prior to deducting employee compensation and director's remuneration, as employee compensation, with at least 20% allocated to those entry-level employees, and not more than 5% allocated to directors. However, 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 should be 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. Prior to the amendment, 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, prior to deducting employee compensation and director's remuneration, and not more than 5% of the 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 should be 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.

(Continued)

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

For the three months ended September 30, 2025 and 2024 and the nine months ended September 30, 2025 and 2024, the amount of employees' compensation provided by the Company was \$7,305 thousand (including a minimum amount of \$1,461 thousand to those entry-level employees), \$4,151 thousand, \$15,727 thousand (including a minimum amount of \$3,145 thousand to those entry-level employees), and \$13,563 thousand, respectively, and the amount of directors' remuneration was \$2,050 thousand, \$1,840 thousand, \$4,905 thousand and \$3,954 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 in the next year. If the Board of Directors decides to use stock to pay employees' compensation, the number of shares of stock 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.

For the years ended December 31, 2024 and 2023, respectively, the remuneration to employees amounted to \$20,000 thousand and \$19,500 thousand, and the amounts of remuneration to directors were \$5,570 thousand and \$4,420 thousand, respectively, with no difference from the actual distribution. The related information is available on the Market Observation Post System website.

(u) Non-operating income and expenses

(i) Interest income

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
Interest income from bank deposits	\$ 1,663	267	5,791	2,972
Interest income from financial assets measured at amortized cost	975	324	1,675	979
Others	381	18	426	62
Total interest income	<b>\$ 3,019</b>	<b>609</b>	<b>7,892</b>	<b>4,013</b>

(ii) Other income

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
Government grant income	\$ 840	-	3,550	9,028
Dividend income	3,851	1,400	3,851	1,400
Others	941	647	2,093	1,897
Total other income	<b>\$ 5,632</b>	<b>2,047</b>	<b>9,494</b>	<b>12,325</b>

(Continued)

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

(iii) Other gains and losses

	For the three months ended September 30		For the nine months ended September 30	
	2025	2024	2025	2024
(Losses) gains on disposals of property, plant and equipment	\$ -	3	(3)	3
Gains on disposals of investments	-	657	-	657
Foreign exchange gains (losses)	964	(1,224)	(3,840)	3,762
(Losses) gains on financial assets at fair value through loss or profit	(665)	(5,523)	(7,091)	6,931
Others	-	-	-	21
Net value on others losses and gain	<u>\$ 299</u>	<u>(6,087)</u>	<u>(10,934)</u>	<u>11,374</u>

(iv) Finance costs

	For the three months ended September 30		For the nine months ended September 30	
	2025	2024	2025	2024
Interest expense	\$ -	539	328	974
Other finance expenses				
Interest on lease liabilities	457	579	1,459	1,802
Others	(5)	4	355	543
Subtotal of other finance expenses	452	583	1,814	2,345
Total finance costs	<u>\$ 452</u>	<u>1,122</u>	<u>2,142</u>	<u>3,319</u>

(v) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk liquidity risk and market risk arising from financial instruments. For related information, please refer to note 6(v) to the consolidated financial statements for the year ended December 31, 2024.

(i) Credit risk

1) Credit risk exposure

As of September 30, 2025, December 31 and September 30, 2024, 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.

(Continued)

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

2) Concentration of credit risk

As of September 30, 2025, December 31 and September 30, 2024, contract assets and accounts receivable from top ten customers represent 63%, 40% and 37% 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) to the consolidated financial statements for the years ended December 31, 2024.

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:

	<b>September 30, 2025</b>	<b>December 31, 2024</b>	<b>September 30, 2024</b>
Total carrying amount (including current and non-current)	\$ 708,188	203,124	235,956
Expected credit loss rates	0 %	0 %	0 %
Loss allowance	-	-	-
Total	<u>\$ 708,188</u>	<u>203,124</u>	<u>235,956</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:

	<b>September 30, 2025</b>	<b>December 31, 2024</b>	<b>September 30, 2024</b>
Operating lease receivable	\$ 4,455	3,565	6,099
Finance lease receivable	3,952	6,034	7,256
Total carrying amount (including current and non-current)	<u>8,407</u>	<u>9,599</u>	<u>13,355</u>
Expected credit loss rates	0 %	0 %	0 %
Loss allowance	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 8,407</u></u>	<u><u>9,599</u></u>	<u><u>13,355</u></u>

The movement in the provision for impairment of contract assets, lease receivables, other receivables, and long-term receivables for the nine months ended September 30, 2025 and 2024, are as follows:

	<b>Contract assets</b>	<b>Lease receivables</b>	<b>Other receivables</b>	<b>long-term receivables</b>
Balance at September 30, 2025 (as beginning balance)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at September 30, 2024 (as beginning balance)	<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.

	<b>Carrying amount</b>	<b>Contractual cash flow</b>	<b>Within 1 year</b>	<b>2-3 years</b>	<b>4-5 years</b>	<b>Over 5 years</b>
<b>September 30, 2025</b>						
Non-derivative financial liabilities						
Accounts payable (including related parties)	\$ 1,860,544	1,860,544	1,834,249	26,295	-	-
Guarantee deposits received	680	680	-	680	-	-
Lease liabilities	<u>103,214</u>	<u>106,004</u>	<u>35,345</u>	<u>62,658</u>	<u>8,001</u>	<u>-</u>
	<u><u>\$ 1,964,438</u></u>	<u><u>1,967,228</u></u>	<u><u>1,869,594</u></u>	<u><u>89,633</u></u>	<u><u>8,001</u></u>	<u><u>-</u></u>

(Continued)

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

	<u>Carrying amount</u>	<u>Contractual cash flow</u>	<u>Within 1 year</u>	<u>2-3 years</u>	<u>4-5 years</u>	<u>Over 5 years</u>
<b>December 31, 2024</b>						
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	129,669	134,010	39,703	65,380	28,927	-
	<u>\$ 1,154,903</u>	<u>1,159,327</u>	<u>1,014,221</u>	<u>116,179</u>	<u>28,927</u>	<u>-</u>
<b>September 30, 2024</b>						
Non-derivative financial liabilities						
Short-term Loans	\$ 100,000	100,156	100,156	-	-	-
Accounts payable (including related parties)	926,050	926,050	875,381	49,472	1,197	-
Guarantee deposits received	130	130	-	130	-	-
Lease liabilities	141,839	146,684	43,603	67,739	35,342	-
	<u>\$ 1,168,019</u>	<u>1,173,020</u>	<u>1,019,140</u>	<u>117,341</u>	<u>36,539</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)

	<u>September 30, 2025</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 1,403	30.445	42,714
CNY	5,082	4.285	21,776
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	\$ 503	30.445	15,314
CNY	24	4.285	103

(Continued)

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

	<b>December 31, 2024</b>		
	<b>Foreign currency</b>	<b>Exchange rate</b>	<b>TWD</b>
<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
<b>September 30, 2024</b>			
	<b>Foreign currency</b>	<b>Exchange rate</b>	<b>TWD</b>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 1,146	31.650	36,271
CNY	8,037	4.517	36,303
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	\$ 721	31.650	22,820

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 September 30, 2025, December 31 and September 30, 2024, 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 \$491 thousand and \$498 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 three months ended September 30, 2025 and 2024 and the nine months ended September 30, 2025 and 2024, net foreign exchange gains (losses) are amounted to \$964 thousand, \$(1,224) thousand, \$(3,840) thousand, and \$3,762 thousand, respectively.

(Continued)

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

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 were all \$0 for the nine months ended September 30, 2025 and 2024, 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 nine months ended September 30, 2025 and 2024, 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:

<u>Prices of securities at the reporting date</u>	<b>For the nine months ended</b>	
	<b>September 30</b>	
	<b>2025</b>	<b>2024</b>
	<b>Net income</b>	<b>Net income</b>
Increasing 1%	<b>\$ 628</b>	<b>651</b>
Decreasing 1%	<b>\$ (628)</b>	<b>(651)</b>

(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:

(Continued)

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

<b>September 30, 2025</b>					
	<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	\$ 27,094	27,094	-	-	27,094
Non-publicly listed stock	<u>35,704</u>	<u>-</u>	<u>-</u>	<u>35,704</u>	<u>35,704</u>
Total	<u>\$ 62,798</u>	<u>27,094</u>	<u>-</u>	<u>35,704</u>	<u>62,798</u>
<b>December 31, 2024</b>					
	<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	<u>28,656</u>	<u>-</u>	<u>-</u>	<u>28,656</u>	<u>28,656</u>
Total	<u>\$ 63,910</u>	<u>35,254</u>	<u>-</u>	<u>28,656</u>	<u>63,910</u>
<b>September 30, 2024</b>					
	<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	\$ 36,174	36,174	-	-	36,174
Non-publicly listed stock	<u>28,950</u>	<u>-</u>	<u>-</u>	<u>28,950</u>	<u>28,950</u>
Total	<u>\$ 65,124</u>	<u>36,174</u>	<u>-</u>	<u>28,950</u>	<u>65,124</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.

(Continued)

**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 nine months ended September 30, 2025 and 2024.

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:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Interrelationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through profit or loss—equity investments without an active market	Market approach	Market liquidity discount rate (20% as of September 30, 2025, December 31, 2024 and September 30, 2024)	None

(Continued)

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

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

The Group's measurement on the fair value of financial instruments is deemed reasonable despite 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:

	Inputs	Upward or downward Movements	Current profit (loss) arising from changes in fair value		Other comprehensive income arising from changes in fair value	
			Favorable	Unfavorable	Favorable	Unfavorable
<b>September 30, 2025</b>						
Financial assets at fair value through profit or loss						
Equity investments without an active market—market approach	Market liquidity discount	1%	446	(446)	-	-
<b>December 31, 2024</b>						
Financial assets at fair value through profit or loss						
Equity investments without an active market—market approach	Market liquidity discount	1%	358	(358)	-	-
<b>September 30, 2024</b>						
Financial assets at fair value through profit or loss						
Equity investments without an active market—market approach	Market liquidity discount	1%	362	(362)	-	-

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

There were no significant changes in the Group's financial risk management and policies as disclosed in note 6 (w) to the consolidated financial statements for the year ended December 31, 2024.

(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.

(Continued)

**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:

	<u>January 1,</u> <u>2025</u>	<u>Cash flows</u>	<u>Others</u>	<u>September 30,</u> <u>2025</u>
Short-term loans	\$ 50,000	(50,000)	-	-
Lease liabilities	129,669	(29,414)	2,959	103,214
Guarantee deposits received	<u>130</u>	<u>550</u>	<u>-</u>	<u>680</u>
Total liabilities from financing activities	<u>\$ 179,799</u>	<u>(78,864)</u>	<u>2,959</u>	<u>103,894</u>

	<u>January 1,</u> <u>2024</u>	<u>Cash flows</u>	<u>Others</u>	<u>September 30,</u> <u>2024</u>
Short-term loans	\$ 80,000	20,000	-	100,000
Short-term notes and bills payable	49,990	(49,990)	-	-
Lease liabilities	61,209	(54,031)	134,661	141,839
Guarantee deposits received	<u>180</u>	<u>(50)</u>	<u>-</u>	<u>130</u>
Total liabilities from financing activities	<u>\$ 191,379</u>	<u>(84,071)</u>	<u>134,661</u>	<u>241,969</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.

<u>Name of related party</u>	<u>Relationship with the Group</u>
Tatung Company	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
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
The Employee Welfare Committee of Tatung System Technologies Inc.	Other related party

(Continued)

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
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
Tatung Die Casting 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 three months ended</u> <u>September 30</u>		<u>For the nine months ended</u> <u>September 30</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Parent company	\$ 22,637	21,405	69,664	113,518
Associates	-	-	-	49
Other related parties	8,244	7,280	24,378	45,295
	<u>\$ 30,881</u>	<u>28,685</u>	<u>94,042</u>	<u>158,862</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 three months ended September 30</u>			
<u>2025</u>		<u>2024</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
<u>For the nine months ended September 30</u>			
<u>2025</u>		<u>2024</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

(Continued)

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

## (ii) Purchases

	For the three months ended September 30		For the nine months ended September 30	
	2025	2024	2025	2024
	Parent company	\$ 2,731	792	3,651
Associates	-	-	-	200
ChyunYao Digitalization Technology INC.	9,156	-	13,971	-
Other related parties	28	348	1,346	459
	<u>\$ 11,915</u>	<u>1,140</u>	<u>18,968</u>	<u>8,489</u>

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 three months ended September 30				
		2025	2024	
Location	Related party	Arm's length supplier	Related party	Arm's length supplier
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

  

For the nine months ended September 30				
		2025	2024	
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 three months ended September 30		For the nine months ended September 30	
	2025	2024	2025	2024
	Parent company	\$ 2,500	2,577	7,739
Other related parties	31	51	123	243
	<u>\$ 2,531</u>	<u>2,628</u>	<u>7,862</u>	<u>8,285</u>

## (iv) Contract Assets

Account	Relationship	September 30, 2025	December 31, 2024	September 30, 2024
Contract assets, current	Parent company	\$ -	34,148	1,043
"	Other related parties	85	9,850	85
		<u>\$ 85</u>	<u>43,998</u>	<u>1,128</u>

(Continued)

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

(v) Receivables from related parties

<u>Account</u>	<u>Relationship</u>	<u>September 30, 2025</u>	<u>December 31, 2024</u>	<u>September 30, 2024</u>
Accounts receivable - related parties	Parent company	\$ 50,190	69,171	54,115
"	Other related parties	6,914	2,267	16,481
Operating lease receivable	Parent company	124	59	26
"	Other related parties	17	17	21
Finance lease receivable	Parent company	2,471	1,497	1,635
		<u>\$ 59,716</u>	<u>73,011</u>	<u>72,278</u>
Long-term receivables	Parent company	\$ 38,702	59,302	45,358
Long-term finance lease receivable	Parent company	715	2,828	1,495
		<u>\$ 39,417</u>	<u>62,130</u>	<u>46,853</u>
Other receivables	Other related parties	\$ -	53	-

(vi) Other prepayments

	<u>September 30, 2025</u>	<u>December 31, 2024</u>	<u>September 30, 2024</u>
Other related parties	\$ <u>26</u>	<u>-</u>	<u>-</u>

(vii) Refundable deposits

	<u>September 30, 2025</u>	<u>December 31, 2024</u>	<u>September 30, 2024</u>
Tatung Asset Development Co.	\$ <u>4,177</u>	<u>4,334</u>	<u>3,978</u>

(viii) Guarantee deposits received

	<u>September 30, 2025</u>	<u>December 31, 2024</u>	<u>September 30, 2024</u>
Parent company	\$ <u>130</u>	<u>130</u>	<u>130</u>

(Continued)

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

## (ix) Payables to related parties

<u>Account</u>	<u>Relationship</u>	<u>September 30, 2025</u>	<u>December 31, 2024</u>	<u>September 30, 2024</u>
Accounts payable - related parties	Parent company	\$ 32,079	25,578	25,109
"	Other related parties	10,031	4,734	170
		<u>\$ 42,110</u>	<u>30,312</u>	<u>25,279</u>
Long-term payables-related parties	Parent company	<u>\$ 26,295</u>	<u>50,669</u>	<u>50,669</u>
Other payables	Parent company	\$ 1,687	1,718	1,778
"	Other related parties	218	591	364
		<u>\$ 1,905</u>	<u>2,309</u>	<u>2,142</u>

## (x) Contract liabilities

<u>Account</u>	<u>Relationship</u>	<u>September 30, 2025</u>	<u>December 31, 2024</u>	<u>September 30, 2024</u>
Contract liabilities, current	Parent company	\$ 1,527	698	674
"	Other related parties	3,550	1,131	451
		<u>\$ 5,077</u>	<u>1,829</u>	<u>1,125</u>

## (xi) Leases to related parties

	<u>Right-of-use assets</u>		
	<u>September 30, 2025</u>	<u>December 31, 2024</u>	<u>September 30, 2024</u>
Tatung Asset Development Co.	<u>\$ 80,881</u>	<u>99,546</u>	<u>105,767</u>

	<u>Lease liabilities (including current and non-current)</u>		
	<u>September 30, 2025</u>	<u>December 31, 2024</u>	<u>September 30, 2024</u>
Tatung Asset Development Co.	<u>\$ 82,147</u>	<u>100,433</u>	<u>106,473</u>

	<u>Finance costs</u>			
	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Tatung Asset Development Co.	<u>\$ 378</u>	<u>487</u>	<u>1,217</u>	<u>1,543</u>

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.

(Continued)

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

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.

(xii) Interest income

	For the three months ended September 30		For the nine months ended September 30	
	2025	2024	2025	2024
	Tatung Asset Development Co.	\$ 19	18	58

(c) Key management personnel compensation

	For the three months ended September 30		For the nine months ended September 30	
	2025	2024	2025	2024
	Short-term employee benefits	\$ 4,517	4,700	11,905

**(8) Assets pledged as security:**

The carrying values of pledged assets were as follows:

Pledged assets	Object	September 30, 2025	December 31, 2024	September 30, 2024
Financial assets measured at amortized cost, current	Performance guarantee	\$ 23,660	14,177	18,840
Financial assets measured at amortized cost, non-current	Performance guarantee	27,480	40,529	39,115
Accounts receivable—related parties	Sale with recourse	-	1,433	1,433
		\$ 51,140	56,139	59,388

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	September 30, 2025	December 31, 2024	September 30, 2024
Taishin International Bank	Amount transferred	\$ -	1,433	1,433
"	Advance amount	-	-	-

(Continued)

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

**(9) Commitments and contingencies:**

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

<u>Item</u>	<u>Target</u>	<u>September 30, 2025</u>	<u>December 31, 2024</u>	<u>September 30, 2024</u>
Guarantee notes submitted	Business collaboration, project agency and application for bank financing	\$ <u>1,012,210</u>	<u>1,173,042</u>	<u>1,053,316</u>
Deposit bank guarantee	business collaboration	\$ <u>44,739</u>	<u>42,972</u>	<u>25,063</u>

**(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:

		<b>For the three months ended September 30</b>					
		<b>2025</b>			<b>2024</b>		
<b>By item</b>	<b>By function</b>	<b>Cost of Sale</b>	<b>Operating Expense</b>	<b>Total</b>	<b>Cost of Sale</b>	<b>Operating Expense</b>	<b>Total</b>
Employee benefits							
Salary		551	130,751	131,302	311	125,735	126,046
Labor and health insurance		43	11,307	11,350	41	11,719	11,760
Pension		18	5,654	5,672	19	5,578	5,597
Others		-	6,081	6,081	-	5,832	5,832
Depreciation		7,767	11,247	19,014	13,344	11,759	25,103
Amortization		-	1,015	1,015	314	1,364	1,678

		<b>For the nine months ended September 30</b>					
		<b>2025</b>			<b>2024</b>		
<b>By item</b>	<b>By function</b>	<b>Operating Cost</b>	<b>Operating Expense</b>	<b>Total</b>	<b>Operating Cost</b>	<b>Operating Expense</b>	<b>Total</b>
Employee benefits							
Salary		1,209	373,509	374,718	727	370,481	371,208
Labor and health insurance		98	34,343	34,441	96	35,553	35,649
Pension		43	16,438	16,481	43	17,089	17,132
Others		-	17,030	17,030	-	18,879	18,879
Depreciation		25,097	33,442	58,539	45,713	35,857	81,570
Amortization		-	3,331	3,331	943	4,576	5,519

(Continued)

**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	317,941	50,000	50,000	-	-	3.15 %	794,853	Y	N	N
0	Tatung System Technologies Inc.	TISNet Technology Inc.	2	317,941	74,000	70,000	-	-	4.40 %	794,853	Y	N	N

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

1. The Company is coded "0".
2. 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:

1. An investee that has a business relationship with the Company.
2. A subsidiary in which the Company holds directly over 50% of equity interest.
3. An investee in which the Company and its subsidiaries hold over 50% of equity interest.
4. An investee in which the Company holds directly or indirectly over 90% of equity interest.
5. A company which needs mutual insurance basing on the construction agreement.
6. A company in which the Company endorses or guarantees basing on the holding proportion of mutual investments.
7. The performance guarantee of the preconstruction real estate contract 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 September 30, 2025 (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				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	1,796,670	35,704	8.17 %	35,704	
The Company	Stock-Tatung Company	Investment compaines evaluated by the equity method of the company	"	699,200	27,094	0.03 %	27,094	

(Continued)

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

- (iv) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (v) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:None
- (vi) 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	Accounts receivable-related parties	13,154	According to the conditions in the contract	0.35%
1	TSTI Technologies (Shanghai) Co., Ltd.	Tatung System Technologies Inc.	2	Accounts payable-related parties	13,333	"	0.35%

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.

(b) Information on investees:

The following is the information on investees for the nine months ended September 30, 2025 (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 September 30, 2025			Net income (losses) of investee company	Investment income (loss) recognized	Note
				September 30, 2025	December 31, 2024	Shares	Percentage of ownership	Carrying value			
Tatung System Technologies Inc.	Chyun Hwei Commercial Technologies Inc.	Taipei City, Taiwan	Computer and business equipment wholesale or retail and information software service	7,740	7,740	7,500,000	100.00 %	111,380	10,110	10,110	
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 %	82,645	7,781	7,781	

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

(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, 2025	Investment flows		Accumulated outflow of investment from Taiwan as of September 30, 2025	Net income (losses) of the investee	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)	(1,732) (CNY401)	100.00%	(1,732)	350	-

(Continued)

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

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of September 30, 2025	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
137,404 (USD 4,606 )	145,013 (USD 4,846 )	953,824

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 financial statements of TSTI Technologies (shanghai) Co., Ltd has not been reviewed.

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 30.445 as of September 30, 2025.

(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".

**(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.