

**TATUNG SYSTEM TECHNOLOGIES INC.  
PARENT COMPANY ONLY  
FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS' REPORT  
FOR THE YEARS ENDED  
DECEMBER 31, 2021 AND 2020**

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

The reader is advised that these parent company only financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

## Independent Auditors' Report Translated from Chinese

To Tatung System Technologies Inc.

### Opinion

We have audited the accompanying parent company only balance sheets of Tatung System Technologies Inc. (“the Company”) as of December 31, 2021 and 2020, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020, and notes to the parent company only financial statements including a summary of significant accounting policies (together “the parent company only financial statements”).

In our opinion, based on our audits and the reports of other auditors (please refer to the Other Matter), the parent company only financial statements referred to above present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2021 and 2020, and its parent company only financial performance and cash flows for the years ended December 31, 2021 and 2020, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent company only Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2021 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Revenue Recognition

The company recognized revenue in the amount of NT\$3,618,049 thousand in 2021. The main source of revenue was from the goods and labor services. Since the products sold are mainly servers, storage devices, software and other commodities, revenue is usually recognized when the buyer accepts the delivery and when installation and acceptance are completed. Because the sales contracts of some large-scale projects include various types of goods and services, such as computers, peripheral devices, software, and maintenance, it is necessary to determine the performance obligation and whether the timing of revenue recognition is over time or at a point in time. The amount of revenue recognized and its recognition method involve judgment and analysis. Therefore, we considered that revenue recognition is a key audit matter.

The audit procedures we performed regarding revenue recognition included but are not limited to operating effectiveness of internal controls with respect to the revenue cycle, selecting samples to conduct test of details by inspecting the significant conditions of contracts to ensure the revenue is recognized within the appropriate period. We also consider the appropriateness of disclosure of revenue. Please refer to Notes 6 of the parent company only financial statements.

## Inventory

The net carrying value of inventory as of December 31, 2021 for the Company amounted to NT\$564,478 thousand, which accounted for 18% of total assets. Its business model is mainly to purchase material after signing a contract according to customers' demands and transfer ownership upon completion of installation and acceptance. Therefore, the net carrying value of inventory included NT\$467,296 thousand of which accounted for 83% of inventory that have been delivered but not yet completed acceptance by customer and was still booked under inventory. Since inventory is the key component of the Company's assets, and the amount is material to the financial statements, we therefore determined inventory a key audit matter.

The audit procedures we performed included but are not limited to, inventories that has been delivered to customer at the end of the period and has not yet been completed for acceptance, selecting orders or contracts to examine the trading conditions; and selecting samples to test whether the inventory received the delivery order signed by the customer and to send the confirmation to the recipient of the delivery to perform review in the subsequent period. We also considered the appropriateness of disclosure of inventories. Please refer to Note 6 of the parent company only financial statements.



## **Other Matter – Making Reference to the Audits of Component Auditors**

We did not audit the financial statements of certain associates and joint ventures accounted for using the equity method whose statements are based solely on the reports of other auditors. Investments in these associates and joint ventures accounted for using the equity method amounted to NT\$4,336 thousand and NT\$4,565 thousand, representing 0.14% and 0.17% of total assets as of December 31, 2021 and 2020, respectively. The related shares of profits (losses) recognized from the subsidiaries, associates and joint ventures using the equity method amounted to NT\$(229) thousand and NT\$(79) thousand, representing (0.11)% and (0.05)% of the net income before tax for the years ended December 31, 2021 and 2020; and the related shares of other comprehensive income from the subsidiaries, associates and joint ventures using the equity method amounted to both NT\$0 thousand, representing 0% of the net other comprehensive income (loss) for the years ended December 31, 2021 and 2020.

## **Responsibilities of Management and Those Charged with Governance for the Parent company only Financial Statements**

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of the Company.

## **Auditor’s Responsibilities for the Audit of the Parent company only Financial Statements**

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

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

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

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



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

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

Yang, Chih-Huei

Wang, Yahn-Jyun

Ernst & Young, Taiwan

March 3, 2022

#### Notice to Readers

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

Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

TATUNG SYSTEM TECHNOLOGIES INC.  
PARENT COMPANY ONLY BALANCE SHEETS  
As of December 31, 2021 and December 31, 2020  
(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2021		December 31, 2020	
Contents	Notes	Amount	%	Amount	%
<b>Current assets</b>					
Cash and cash equivalents	4 and 6.(1)	\$491,310	16	\$444,955	17
Financial assets measured at amortized cost, current	4, 6.(2), 6.(16) and 8	65,968	2	19,844	1
Contract assets, current	4, 6.(15), 6.(16) and 7	367,302	12	256,548	10
Notes receivable, net	4, 6.(3) and 6.(16)	4,140	-	1,444	-
Accounts receivable, net	4, 6.(4) and 6.(16)	474,775	16	456,835	17
Accounts receivable - related parties, net	4, 6.(4), 6.(16) and 7	90,651	3	75,190	3
Operating lease receivable, net	4, 6.(5), 6.(15) and 6.(16)	19,058	1	14,596	1
Finance lease receivable, net	4, 6.(6), 6.(15), 6.(16) and 7	16,951	1	20,240	1
Other receivables	6.(16) and 7	170	-	173	-
Inventories	4 and 6.(7)	564,478	18	628,695	24
Prepayments		27,906	1	31,057	1
Total current assets		<u>2,122,709</u>	<u>70</u>	<u>1,949,577</u>	<u>75</u>
<b>Non-current assets</b>					
Financial assets measured at amortized cost, non-current	4, 6.(2), 6.(16) and 8	36,859	1	33,574	1
Investments accounted for using the equity method	4 and 6.(8)	233,059	8	215,032	8
Contract assets, non-current	4, 6.(15) and 6.(16)	185,307	6	109,933	4
Property, plant and equipment	4 and 6.(9)	99,241	3	91,860	3
Right-of-use assets	4, 6.(17) and 7	156,167	5	46,048	2
Intangible assets	4 and 6.(10)	7,195	-	2,732	-
Deferred tax assets	4 and 6.(21)	42,224	1	43,155	2
Refundable deposits	7	82,277	3	76,042	3
Long-term receivables, net	4, 6.(4), 6.(11), 6.(16) and 7	75,689	3	26,706	1
Long-term finance lease receivable, net	4, 6.(6), 6.(16), 6.(17) and 7	11,955	-	17,652	1
Total non-current assets		<u>929,973</u>	<u>30</u>	<u>662,734</u>	<u>25</u>
Total assets		<u>\$3,052,682</u>	<u>100</u>	<u>\$2,612,311</u>	<u>100</u>

The accompanying notes are an integral part of the parent company only financial statements.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

TATUNG SYSTEM TECHNOLOGIES INC.  
PARENT COMPANY ONLY BALANCE SHEETS  
As of December 31, 2021 and December 31, 2020  
(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity		December 31, 2021		December 31, 2020	
Contents	Notes	Amount	%	Amount	%
Current liabilities					
Short-term loans	6.(12)	\$50,000	2	\$50,000	2
Contract liabilities, current	4, 6.(15) and 7	73,466	2	53,403	2
Notes payable		2,192	-	34,215	1
Accounts payable		850,697	28	642,503	25
Accounts payable - related parties	7	9,056	-	8,574	-
Other payables	7	222,797	7	199,915	8
Current tax liabilities	4 and 6.(21)	37,791	1	29,183	1
Provisions, current	4	465	-	2,078	-
Lease liabilities, current	4, 6.(17) and 7	112,505	4	78,162	3
Other current liabilities	4	25,479	1	5,930	-
Total current liabilities		<u>1,384,448</u>	<u>45</u>	<u>1,103,963</u>	<u>42</u>
Non-current liabilities					
Lease liabilities, non-current	4, 6.(17) and 7	111,746	4	93,660	4
Long-term payable		87,751	3	-	-
Net defined benefit liability, non-current	4 and 6.(13)	53,119	2	62,167	2
Guarantee deposits		474	-	508	-
Total non-current liabilities		<u>253,090</u>	<u>9</u>	<u>156,335</u>	<u>6</u>
Total liabilities		<u>1,637,538</u>	<u>54</u>	<u>1,260,298</u>	<u>48</u>
Equity	6.(14)				
Capital stock					
Common stock		885,600	29	885,600	34
Capital surplus		80,092	2	80,092	3
Retained earnings					
Legal reserve		265,401	9	252,049	10
Special reserve		3,896	-	4,069	-
Unappropriated earnings		184,133	6	134,099	5
Total retained earnings		<u>453,430</u>	<u>15</u>	<u>390,217</u>	<u>15</u>
Other equity		(3,978)	-	(3,896)	-
Total equity		<u>1,415,144</u>	<u>46</u>	<u>1,352,013</u>	<u>52</u>
Total liabilities and equity		<u>\$3,052,682</u>	<u>100</u>	<u>\$2,612,311</u>	<u>100</u>

The accompanying notes are an integral part of the parent company only financial statements.



## TATUNG SYSTEM TECHNOLOGIES INC.

## PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

Contents	Notes	For the years ended December 31			
		2021		2020	
		Amount	%	Amount	%
Operating revenues	4, 6.(15) and 7	\$3,618,049	100	\$3,597,047	100
Operating costs	6.(6), 6.(7), 6.(18) and 7	(2,839,921)	(79)	(2,901,302)	(81)
Gross profit		778,128	21	695,745	19
Operating expenses	6.(17), 6.(18) and 7				
Selling expenses		(369,876)	(10)	(357,251)	(10)
Administrative expenses		(152,801)	(4)	(134,438)	(3)
Research and development expenses		(73,922)	(2)	(66,773)	(2)
Expected credit losses	4 and 6.(16)	70	-	(239)	-
Subtotal		(596,529)	(16)	(558,701)	(15)
Operating Income		181,599	5	137,044	4
Non-operating income and expenses					
Interest income	6.(19)	4,330	-	3,752	-
Other income	6.(19)	5,651	-	1,944	-
Other gains and losses	6.(19)	(1,577)	-	(2,317)	-
Finance costs	6.(19) and 7	(1,272)	-	(1,363)	-
Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using the equity method	6.(8)	25,121	1	32,177	1
Subtotal		32,253	1	34,193	1
Income before tax		213,852	6	171,237	5
Income tax expense	4 and 6.(21)	(35,573)	(1)	(25,743)	(1)
Net Income		178,279	5	145,494	4
Other comprehensive income (loss)	6.(20)				
Items that will not be reclassified subsequently to profit or loss					
Remeasurements of defined benefit plans		5,476	-	(10,826)	-
Remeasurements of defined benefit plans of subsidiaries, associates and joint ventures		109	-	(3,161)	-
Income tax related to items that will not be reclassified subsequently		(1,095)	-	2,165	-
Items that may be reclassified subsequently to profit or loss					
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method, components of other comprehensive income		(82)	-	173	-
Total other comprehensive income (loss) , net of income tax		4,408	-	(11,649)	-
Total comprehensive income (loss)		\$182,687	5	\$133,845	4
Earnings per share (NT\$)	6.(22)				
Basic earnings per share		\$2.01		\$1.64	
Diluted earnings per share		\$2.00		\$1.63	

The accompanying notes are an integral part of the parent company only financial statements.

TATUNG SYSTEM TECHNOLOGIES INC.  
 PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
 For the Years Ended December 31, 2021 and 2020  
 (Expressed in Thousands of New Taiwan Dollars)

Contents	Common Stock	Capital Surplus	Retained Earnings			Other Equity	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations Financial Statements	
Balance as of January 1, 2020	\$885,600	\$80,679	\$241,779	\$3,707	\$104,199	\$(4,069)	\$1,311,895
Distribution of 2019 retained earnings							
Legal reserve	-	-	10,270	-	(10,270)	-	-
Special reserve	-	-	-	362	(362)	-	-
Cash dividends	-	-	-	-	(92,988)	-	(92,988)
Net income in 2020	-	-	-	-	145,494	-	145,494
Other comprehensive income (loss) in 2020	-	-	-	-	(11,822)	173	(11,649)
Total comprehensive income (loss)	-	-	-	-	133,672	173	133,845
Changes in ownership interests in subsidiaries	-	(587)	-	-	(152)	-	(739)
Balance as of December 31, 2020	\$885,600	\$80,092	\$252,049	\$4,069	\$134,099	\$(3,896)	\$1,352,013
Balance as of January 1, 2021	\$885,600	\$80,092	\$252,049	\$4,069	\$134,099	\$(3,896)	\$1,352,013
Distribution of 2020 retained earnings							
Legal reserve	-	-	13,352	-	(13,352)	-	-
Special reserve	-	-	-	(173)	173	-	-
Cash dividends	-	-	-	-	(119,556)	-	(119,556)
Net income in 2021	-	-	-	-	178,279	-	178,279
Other comprehensive income (loss) in 2021	-	-	-	-	4,490	(82)	4,408
Total comprehensive income (loss)	-	-	-	-	182,769	(82)	182,687
Balance as of December 31, 2021	\$885,600	\$80,092	\$265,401	\$3,896	\$184,133	\$(3,978)	\$1,415,144

The accompanying notes are an integral part of the parent company only financial statements.

TATUNG SYSTEM TECHNOLOGIES INC.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2021 and 2020  
(Expressed in Thousands of New Taiwan Dollars)

Contents	For the year ended December 31		Contents	For the year ended December 31	
	2021	2020		2021	2020
	Amount	Amount		Amount	Amount
Cash flows from operating activities:			Cash flows from investing activities :		
Net income before income tax	\$213,852	\$171,237	Acquisition of financial assets measured at amortized cost	(209,433)	(10,814)
Adjustments:			Disposal of financial assets measured at amortized cost	160,024	7,532
Adjustments to reconcile profit (loss):			Acquisition of investments accounted for using the equity method	-	(1,101)
Depreciation expense	112,389	89,073	Acquisition of property, plant and equipment	(18,906)	(2,254)
Amortization expense	2,378	1,219	Disposal of property, plant and equipment	27	-
Expected credit (gains) losses	(70)	239	Refundable deposits paid	(6,235)	-
Interest expense	1,272	1,363	Refundable deposits refunded	-	8,361
Interest income	(4,330)	(3,752)	Acquisition of intangible assets	(6,841)	(3,569)
Share of (profit) losses of subsidiaries, associates and joint ventures accounted for using the equity method	(25,121)	(32,177)	Interest received	4,282	3,793
Gain on disposal of property, plant and equipment	(15)	-	Dividends received	7,121	2,674
Gain on disposal of other assets	(1)	-	Net cash (used in) generated by investing activities	(69,961)	4,622
Gain from lease modification	-	(585)			
Changes in operating assets and liabilities:					
Contract assets	(186,128)	(147,559)	Cash flows from financing activities :		
Notes receivable	(2,696)	4,729	Decrease in short-term loans	-	(100,000)
Accounts receivable	(17,870)	44,350	Guarantee deposits received	-	304
Accounts receivable - related parties	(15,461)	(19,176)	Guarantee deposits refunded	(34)	-
Other receivables	51	23,643	Payments of lease liabilities	(58,736)	(45,311)
Inventories	(35,442)	103,296	Cash dividends	(119,556)	(92,988)
Prepayments	3,151	(19,770)	Interest paid	(1,245)	(1,465)
Finance lease receivable	3,289	5,975	Net cash used in financing activities	(179,571)	(239,460)
Operating lease receivable	(4,462)	(3,294)			
Long-term finance lease receivable	5,697	8,972			
Long-term receivables	(48,983)	(19,092)			
Contract liabilities	20,063	(55,530)			
Notes payable	(32,023)	1,048			
Accounts payable	208,194	(77,976)			
Accounts payable - related parties	482	(12,648)			
Other payables	22,685	16,977			
Other current liabilities	17,936	(3,398)			
Net defined benefit liability	(3,572)	(5,241)			
Other operating liabilities	87,751	-			
Cash generated from operations	323,016	71,923	Net increase (decrease) in cash and cash equivalents	46,355	(176,731)
Income taxes paid	(27,129)	(13,816)	Cash and cash equivalents, beginning of period	444,955	621,686
Net cash generated by operating activities	295,887	58,107	Cash and cash equivalents, end of period	\$491,310	\$444,955

The accompanying notes are an integral part of the parent company only financial statements.



TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
FOR THE YEARS ENDED December 31, 2021 and 2020  
(Expressed in Thousands of New Taiwan Dollars unless otherwise specified)

1. Organization Operations

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 locate at No. 22, Zhongshan North Road, Section 3, Taipei, Republic of China (R.O.C.).

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

2. Date and procedures of authorization of financial statements for issue

The parent company only financial statements of the Company for the years ended December 31, 2021 and 2020 were authorized for issue by the Company’s board of directors on March 3, 2022.

3. Newly issued or revised standards and interpretations

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2020. Apart from the nature and impact of the new standard and amendment is described below, the remaining new standards and amendments had no material impact on the Company.

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below.

Item	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	January 1, 2022

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

A. Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements

(a) Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities. Besides, the amendments clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Conceptual Framework.

(b) Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

(c) Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

(d) Annual Improvements to IFRS Standards 2018 - 2020

*Amendment to IFRS 1*

The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

*Amendment to IFRS 9 Financial Instruments*

The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

*Amendment to Illustrative Examples Accompanying IFRS 16 Leases*

The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee’s leasehold improvements.

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

*Amendment to IAS 41*

The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2022 have no material impact on the Company.

- (3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	January 1, 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2023
d	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	January 1, 2023
e	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
f	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 1, 2023

- A. IFRS 10“Consolidated Financial Statements” and IAS 28“Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.



TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

B. IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a Company of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a Company of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1, 2023 (from the original effective date of January 1, 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after January 1, 2023.

C. Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

D. Disclosure Initiative - Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

E. Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

F. Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company’s financial statements were authorized for issue, the local effective dates are to be determined by FSC. The abovementioned new or amended standards and interpretations have no material impact on the Company.

4. Summary of significant accounting policies

(1) Statement of compliance

The parent company only financial statements of the Company for the years ended December 31, 2021 and 2020 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”).

(2) Basis of preparation

The Company prepared parent company only financial statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent company only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent company only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

The parent company only financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The parent company only financial statements are expressed in thousands of New Taiwan Dollars (“NT\$”) unless otherwise stated.

(3) Foreign currency transactions

The Company’s parent company only financial statements are presented in NT\$, which is also the Company’s functional currency.

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

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

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

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



TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

(4) Translation of financial statements in foreign currency

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

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

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

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

(5) Current and non-current distinction

An asset is classified as current when:

- A. The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- B. The Company holds the asset primarily for the purpose of trading
- C. The Company expects to realize the asset within twelve months after the reporting period
- D. The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

A liability is classified as current when:

- A. The Company expects to settle the liability in its normal operating cycle
- B. The Company holds the liability primarily for the purpose of trading
- C. The liability is due to be settled within twelve months after the reporting period
- D. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

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

(7) Financial instruments

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

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

A. Financial instruments: Recognition and Measurement

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

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

- (a) the Company's business model for managing the financial assets and
- (b) the contractual cash flow characteristics of the financial asset.

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

*Financial assets measured at amortized cost*

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

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

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

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

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

**B. Impairment of financial assets**

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



TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

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

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

The loss allowance is measures as follow:

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

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

C. Derecognition of financial assets

A financial asset is derecognized when:

- (a) The rights to receive cash flows from the asset have expired
- (b) The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- (c) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

D. Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

Financial liabilities

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

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

E. Offsetting of financial instruments

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

(8) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- A. In the principal market for the asset or liability, or
- B. In the absence of a principal market, in the most advantageous market for the asset or liability

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(9) Inventories

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

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

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

(10) Investments accounted for using the equity method

The Company accounted for its investments in subsidiaries using equity method and made necessary adjustments in accordance with Article 21 of the Regulations. The current period net income or loss and other comprehensive income or loss in the parent company only financial statement are same as the net income or loss and other comprehensive income or loss attributable to allocation holders of the parent in the consolidated financial statement. Additionally, the equity in the parent company only financial statement is the same as the equity attributable to equity holders of the parent in the consolidated financial statement. Such adjustments were made after the Company considered the different accounting treatments to account for its investments in subsidiaries in the parent company only financial statements under IFRS 10 "Parent company only Financial Statements" and the different IFRSs adopted from different reporting entity's perspectives, and the Company recorded such adjustments by crediting or debiting to investments accounted for using the equity method, share of profit or loss of subsidiaries, associates and joint ventures and share of other comprehensive income of subsidiaries, associates and joint ventures.

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

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

Using the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the Company's related interest in the associate or joint venture.

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

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

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



TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

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

- A. Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- B. The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

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

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

(11) Property, plant and equipment

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

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

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

Transportation equipment	1~6 years
Office equipment	1~6 years
Leased assets	1~8 years
Right-of-use assets	1~5 years
Leasehold improvements	1~5 years

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

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

(12) Leases

The Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, has both of the following:

- A. the right to obtain substantially all of the economic benefits from use of the identified asset;  
and
- B. the right to direct the use of the identified asset.

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

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

Company as a lessee

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

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

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

After the commencement date, the Company measures the lease liability on an amortized cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

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

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

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

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

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

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

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

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

Company as a lessor

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

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

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

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

(13) Intangible assets

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

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

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

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

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

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

	Computer software	Copyright
Useful lives	12~60 months	5 years
Amortization method used	Amortized on a straight-line basis over the estimated useful life	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired	Acquired	Acquired

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

(14) Impairment of non-financial assets

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

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

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

(15) Provisions

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



TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

Provision for warranties

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

(16) Revenue recognition

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

Sale of goods

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

The Company provides its customer with a warranty with the purchase of the products. The warranty provides assurance that the product will operate as expected by the customers. The warranty is treated in accordance with IAS 37.

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

Rendering of services

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

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

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

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

Information System Services

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

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

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

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

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

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

(17) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(18) Post-employment benefits

All regular employees of the Company is entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company. Therefore, fund assets are not included in the Company's parent company only financial statements.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

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

- A. the date of the plan amendment or curtailment, and
- B. the date that the Company recognizes restructuring-related costs

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

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

(19) Income taxes

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

Current income tax

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

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

Deferred tax

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

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

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

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

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

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

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

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

5. Significant accounting judgements, estimates and assumptions

The preparation of the Company's parent company only financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(1) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate and changes of the future salary etc. Please refer to Note 6 for a detailed description of the assumptions used to measure defined benefit cost and defined benefit obligation.

(2) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Company company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.



TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

6. Contents of significant accounts

(1) Cash and cash equivalents

	As of December 31,	
	2021	2020
Cash on hand	\$205	\$205
Cash in banks	432,161	386,149
Time deposits	58,944	58,601
Total	<u>\$491,310</u>	<u>\$444,955</u>

(2) Financial assets measured at amortized cost

	As of December 31,	
	2021	2020
Time deposits	\$102,827	\$53,418
Less: loss allowance	-	-
Total	<u>\$102,827</u>	<u>\$53,418</u>
Current	\$65,968	\$19,844
Non-current	36,859	33,574
Total	<u>\$102,827</u>	<u>\$53,418</u>

The Company classified certain financial assets as financial assets measured at amortized cost. Please refer to Note 6.(16) for information on loss allowance, Note 8 for more details on financial assets measured at amortized cost under pledge, and Note 12 for more details on credit risk.

(3) Notes receivable

	As of December 31,	
	2021	2020
Notes receivable	\$4,140	\$1,444
Less: loss allowance	-	-
Total	<u>\$4,140</u>	<u>\$1,444</u>
Current	\$4,140	\$1,444
Non-current	-	-
Total	<u>\$4,140</u>	<u>\$1,444</u>

Notes receivables were not pledged.

The Company follows the requirement of IFRS 9 to assess the impairment. Please refer to Note 6.(16) for more details on loss allowance and Note 12 for details on credit risk.

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

(4) Accounts receivable and Accounts receivable-related parties

	As of December 31,	
	2021	2020
Accounts receivable	\$453,416	\$447,041
Installment accounts receivable	47,768	17,692
Less: unrealized interest income-installment accounts receivable	(2,482)	(625)
Subtotal (total carrying amount)	498,702	464,108
Less: loss allowance	(926)	(996)
Subtotal	497,776	463,112
Accounts receivable-related parties	51,423	46,977
Installment accounts receivable-related parties	97,801	53,185
Less: Unrealized interest income-installment accounts receivable-related parties	(5,885)	(4,543)
Subtotal (total carrying amount)	143,339	95,619
Less: loss allowance	-	-
Subtotal	143,339	95,619
Total	<u>\$641,115</u>	<u>\$558,731</u>
Current	\$565,426	\$532,025
Non-current	75,689	26,706
Total	<u>\$641,115</u>	<u>\$558,731</u>

The expected recovery of the installment accounts receivable was as follows:

	As of December 31,	
	2021	2020
Not later than one year	\$61,513	\$39,003
Later than one year and not later than two years	18,922	26,706
Later than two years	56,767	-
Total	<u>\$137,202</u>	<u>\$65,709</u>

Accounts receivables were not pledged.

The payment term of accounts receivable is generally within 30-150 days. The total carrying amount as of December 31, 2021 and 2020 are NT\$642,041 thousand and NT\$559,727 thousand, respectively. Please refer to Note 6.(16) for more details on loss allowance of accounts receivables for the year ended December 31, 2021 and 2020. Please refer to Note 12 for more details on credit risk management.

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

(5) Operating lease receivable (including related parties)

	As of December 31,	
	2021	2020
Operating lease receivable	\$19,058	\$14,596
Less: loss allowance	-	-
Subtotal	19,058	14,596
Operating lease receivable-related parties	-	-
Less: loss allowance	-	-
Subtotal	-	-
Total	<u>\$19,058</u>	<u>\$14,596</u>
Current	\$19,058	\$14,596
Non-current	-	-
Total	<u>\$19,058</u>	<u>\$14,596</u>

The Company follows the requirement of IFRS 9 to assess the impairment. Please refer to Note 6.(16) for more details on loss allowance and Note 12 for details on credit risk.

(6) Finance lease receivable (including related parties)

	As of December 31,	
	2021	2020
Finance lease receivable	\$29,246	\$38,299
Less: Unearned finance income on finance lease	(340)	(619)
Subtotal (total carrying amount)	28,906	37,680
Less: loss allowance	-	-
Subtotal	28,906	37,680
Finance lease receivable - related parties	-	213
Less: Unearned finance income on finance lease-related parties	-	(1)
Subtotal (total carrying amount)	-	212
Less: loss allowance	-	-
Subtotal	-	212
Total	<u>\$28,906</u>	<u>\$37,892</u>
Current	\$16,951	\$20,240
Non-current	11,955	17,652
Total	<u>\$28,906</u>	<u>\$37,892</u>

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

The Company follows the requirement of IFRS 9 to assess the impairment. Please refer to Note 6.(16) for more details on loss allowance and Note 12 for details on credit risk.

Please refer to Note 6. (17)B. for the classification of liquidity of lease income.

(7) Inventories

	As of December 31,	
	2021	2020
Inventory - merchandise	\$97,182	\$70,374
Merchandise have been delivered and have not been accepted yet	467,296	558,321
Total	<u>\$564,478</u>	<u>\$628,695</u>

The Company's inventory costs recognized as expenses in 2021 and 2020 were NT\$2,839,921 thousand and NT\$2,901,302 thousand, respectively, including the inventory valuation losses recognized in 2021 and 2020 were NT\$0 thousand and NT\$10,742 thousand, respectively.

As at December 31, 2021 and 2020, the Company's allowance for inventory valuation and obsolescence losses were both NT\$20,201 thousand.

Inventories were not pledged.

(8) Investments accounted for using the equity method

The following table lists the investments accounted for using the equity method of the Company:

Investees	As of December 31,			
	2021		2020	
	Amount	Percentage of ownership (%)	Amount	Percentage of ownership (%)
Investments in subsidiaries:				
Chyun Hwei Commercial Technologies Inc.	\$153,505	100%	\$135,035	100%
TISNet Technology Inc.	70,992	100%	65,089	100%
TSTI Technologies (Shanghai) Co., Ltd.	4,226	100%	10,343	100%
Investments in associates:				
I Torch Technology Corp.	4,336	20%	4,565	20%
Total	<u>\$233,059</u>		<u>\$215,032</u>	

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

The Company reacquired 6% of TSTI Technologies (Shanghai) Co., Ltd. in May 2020 at the price of NT\$1,101 thousand (RMB 262 thousand), and completed the registration of the change on July 3, 2020.

The related shares of profits (losses) recognized from the subsidiaries, associates and joint ventures using the equity method amounted to NT\$25,121 thousand and NT\$32,177 thousand for the years ended December 31, 2021 and 2020.

Investments in subsidiaries

Investments in subsidiaries are expressed in parent company only financial statements as "Investments accounted for using equity method", with necessary evaluation adjustments.

The above investments in subsidiaries and associates were not pledged.

(9) Property, plant and equipment

	As of December 31,	
	2021	2020
Owner occupied property, plant and equipment	\$24,302	\$10,430
Property, plant and equipment leased out under operating leases	74,939	81,430
Total	<u>\$99,241</u>	<u>\$91,860</u>

A. Owner occupied property, plant and equipment

	Transportation equipment	Office equipment	Leasehold improvements	Total
Cost:				
As of January 1, 2021	\$540	\$59,385	\$9,717	\$69,642
Additions	-	18,426	650	19,076
Disposals	(502)	(4,526)	(1,420)	(6,448)
Other changes	-	737	-	737
As of December 31, 2021	<u>\$38</u>	<u>\$74,022</u>	<u>\$8,947</u>	<u>\$83,007</u>
As of January 1, 2020	\$575	\$61,781	\$10,784	\$73,140
Additions	-	1,336	265	1,601
Disposals	(35)	(5,426)	(1,332)	(6,793)
Other changes	-	1,694	-	1,694
As of December 31, 2020	<u>\$540</u>	<u>\$59,385</u>	<u>\$9,717</u>	<u>\$69,642</u>

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

	Transportation equipment	Office equipment	Leasehold improvements	Total
Depreciation and impairment:				
As of January 1, 2021	\$534	\$50,629	\$8,049	\$59,212
Depreciation	6	5,028	895	5,929
Disposals	(502)	(4,514)	(1,420)	(6,436)
Other changes	-	-	-	-
As of December 31, 2021	<u>\$38</u>	<u>\$51,143</u>	<u>\$7,524</u>	<u>\$58,705</u>
As of January 1, 2020	\$561	\$51,214	\$8,018	\$59,793
Depreciation	8	4,838	1,363	6,209
Disposals	(35)	(5,426)	(1,332)	(6,793)
Other changes	-	3	-	3
As of December 31, 2020	<u>\$534</u>	<u>\$50,629</u>	<u>\$8,049</u>	<u>\$59,212</u>
Net carrying amount as at:				
As of December 31, 2021	<u>\$-</u>	<u>\$22,879</u>	<u>\$1,423</u>	<u>\$24,302</u>
As of December 31, 2020	<u>\$6</u>	<u>\$8,756</u>	<u>\$1,668</u>	<u>\$10,430</u>

B. Property, plant and equipment leased out under operating leases

	Office equipment
Cost:	
As of January 1, 2021	\$174,470
Additions	-
Disposals	(26,902)
Other changes	40,612
As of December 31, 2021	<u>\$188,180</u>
As of January 1, 2020	\$248,655
Additions	-
Disposals	(127,562)
Other changes	53,377
As of December 31, 2020	<u>\$174,470</u>



TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

	Office equipment
Depreciation and impairment:	
As of January 1, 2021	\$93,040
Depreciation	47,103
Disposals	(26,902)
Other changes	-
As of December 31, 2021	\$113,241
As of January 1, 2020	\$183,339
Depreciation	37,266
Disposals	(127,562)
Other changes	(3)
As of December 31, 2020	\$93,040
Net carrying amounts as at:	
As of December 31, 2021	\$74,939
As of December 31, 2020	\$81,430

The Company's property, plant and equipment were not pledged as security and whose interests were not capitalized.

(10) Intangible assets

	Computer software	Copyright	Total
Cost:			
As of January 1, 2021	\$1,124	\$2,000	\$3,124
Addition-acquired separately	3,841	3,000	6,841
Disposals	(1,190)	-	(1,190)
As of December 31, 2021	\$3,775	\$5,000	\$8,775
As of January 1, 2020	\$743	\$-	\$743
Addition-acquired separately	1,569	2,000	3,569
Disposals	(1,188)	-	(1,188)
As of December 31, 2020	\$1,124	\$2,000	\$3,124

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

	Computer software	Copyright	Total
Amortization and impairment:			
As of January 1, 2021	\$(292)	\$(100)	\$(392)
Amortization	(1,978)	(400)	(2,378)
Disposals	1,190	-	1,190
As of December 31, 2021	<u>\$(1,080)</u>	<u>\$(500)</u>	<u>\$(1,580)</u>
As of January 1, 2020	\$(361)	\$-	\$(361)
Amortization	(1,119)	(100)	(1,219)
Disposals	1,188	-	1,188
As of December 31, 2020	<u>\$(292)</u>	<u>\$(100)</u>	<u>\$(392)</u>
Net carrying amounts as at:			
As of December 31, 2021	<u>\$2,695</u>	<u>\$4,500</u>	<u>\$7,195</u>
As of December 31, 2020	<u>\$832</u>	<u>\$1,900</u>	<u>\$2,732</u>

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

	For the years ended December 31,	
	2021	2020
Selling expenses	<u>\$441</u>	<u>\$49</u>
Administrative expenses	<u>\$1,518</u>	<u>\$991</u>
Research and development expenses	<u>\$419</u>	<u>\$179</u>

(11) Long-term receivables

	As of December 31,	
	2021	2020
Long-term receivables (including related parties)	\$-	\$5,366
Long-term installment receivables (including related parties)	75,689	26,706
Subtotal (total carrying amount)	75,689	32,072
Less: loss allowance	-	(5,366)
Total	<u>\$75,689</u>	<u>\$26,706</u>

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

(12) Short-term loans

	Interest Rates (%)	As of December 31,	
		2021	2020
Unsecured bank loans	1.00%~1.15%	\$50,000	\$50,000

The Company's unused short-term lines of credits amounted to NT\$358,103 thousand and NT\$112,456 thousand, as of December 31, 2021 and 2020, respectively.

(13) Post-employment benefits

Defined contribution plan

The Company adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Expenses under the defined contribution plan for the years ended December 31, 2021 and 2020 were NT\$18,727 thousand and NT\$17,483 thousand, respectively.

Defined benefit plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15<sup>th</sup> year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT\$639 thousand to its defined benefit plan during the 12 months beginning after December 31, 2021.

As of December 31, 2021 and 2020, the Company's defined benefit plan was expected to expire in 2029 and 2031, respectively.

Pension costs recognized in profit or loss are as follows:

	For the years ended December 31,	
	2021	2020
Current period service costs	\$626	\$703
Interest income or expense	193	385
Total	<u>\$819</u>	<u>\$1,088</u>

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	As of December 31,	
	2021	2020
Defined benefit obligation	\$110,120	\$113,760
Plan assets at fair value	(57,001)	(51,593)
Net defined benefit liabilities	<u>\$53,119</u>	<u>\$62,167</u>

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
As of January 1, 2020	\$111,988	\$(55,406)	\$56,582
Current period service costs	703	-	703
Net interest expense (income)	762	(377)	385
Past service cost and gains and losses arising from settlements	-	-	-
Subtotal	113,453	(55,783)	57,670
Remeasurements of the defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	299	-	299
Actuarial gains and losses arising from changes in financial assumptions	3,237	-	3,237
Experience adjustments	9,190	-	9,190
Remeasurements of the defined benefit assets	-	(1,900)	(1,900)
Subtotal	12,726	(1,900)	10,826
Payments of benefit obligation	(12,419)	12,419	-
Contributions by employer	-	(6,329)	(6,329)
As of December 31, 2020	\$113,760	\$(51,593)	\$62,167
Current period service costs	626	-	626
Net interest expense (income)	353	(160)	193
Past service cost and gains and losses arising from settlements	-	-	-
Subtotal	114,739	(51,753)	62,986
Remeasurements of the defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	(1,482)	-	(1,482)
Actuarial gains and losses arising from changes in financial assumptions	(2,809)	-	(2,809)
Experience adjustments	(328)	-	(328)
Remeasurements of the defined benefit assets	-	(857)	(857)
Subtotal	(4,619)	(857)	(5,476)
Payments of benefit obligation	-	-	-
Contributions by employer	-	(4,391)	(4,391)
As of December 31, 2021	\$110,120	\$(57,001)	\$53,119

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of December 31,	
	2021	2020
Discount rate	0.52%	0.31%
Expected rate of salary increases	1.00%	1.00%

Sensitivity analysis for significant assumption is shown below:

	2021		2020	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increases by 0.5%	\$-	\$2,631	\$-	\$4,325
Discount rate decreases by 0.5%	6,693	-	8,078	-
Future salary rate increases by 0.5%	6,622	-	7,979	-
Future salary rate decreases by 0.5%	-	2,632	-	4,318

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(14)Equity

A. Common stock

As of December 31, 2021 and 2020, the Company's authorized capital were NT\$2,000,000 thousand and NT\$1,000,000 thousand, respectively, and issued capital were both NT\$885,600 thousand, with a par value of NT\$10, both of which were 88,560 thousand shares. Each share is entitled to one voting right and the right to receive dividends.

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

B. Capital surplus

	As of December 31,	
	2021	2020
Common stock premium	\$75,600	\$75,600
Employee stock options	4,492	4,492
Total	\$80,092	\$80,092

According to the Company Act, the capital surplus shall not be used except for offset the deficit of the company. When a company incurs no loss, it may distribute the capital surplus 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.

C. Retained earnings and dividend policies:

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. 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 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.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in capital. The legal reserve can be used to offset the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.



TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

According to existing regulations, when the Company distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to “other net deductions from shareholders’ equity for the current fiscal year, provided that if the company has already set aside special reserve in the first-time adoption of the IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders’ equity. For any subsequent reversal of other net deductions from shareholders’ equity, the amount reversed may be distributed from the 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.

Details of the 2021 and 2020 earnings distribution and dividends per share as approved and resolved by the board of directors’ meeting and shareholders’ meeting on March 3, 2022 and August 19, 2021, respectively, are as follows:

	Appropriation of earnings		Dividends per share (NT\$)	
	2021	2020	2021	2020
Legal reserve	\$18,277	\$13,352		
Special reserve	82	(173)		
Cash dividends	159,408	119,556	\$1.80	\$1.35

Please refer to Note 6.(18) for more details about provision for employees’ bonuses and compensation for directors and supervisors.

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

(15) Operating revenues

	For the years ended December 31,	
	2021	2020
Revenue from contracts with customers		
Sale of goods	\$2,793,920	\$2,708,012
Rendering of services	702,327	630,106
Subtotal	3,496,247	3,338,118
Leasing revenue	121,802	258,929
Total	<u>\$3,618,049</u>	<u>\$3,597,047</u>

Analysis of revenue from contracts with customers during 2021 and 2020 are as follows:

A. Disaggregation of revenue

	For the years ended December 31,	
	2021	2020
Sale of goods	\$2,793,920	\$2,708,012
Rendering of services	702,327	630,106
Total	<u>\$3,496,247</u>	<u>\$3,338,118</u>

Timing of revenue recognition:

At a point in time	\$2,793,920	\$2,708,012
Over time	702,327	630,106
Total	<u>\$3,496,247</u>	<u>\$3,338,118</u>

B. Contract balances

(a) Contract assets (including non-current)

	As of		
	December 31, 2021	December 31, 2020	January 1, 2020
Sale of goods	\$543,497	\$359,808	\$202,793
Rendering of services	9,112	6,673	16,129
Total	<u>\$552,609</u>	<u>\$366,481</u>	<u>\$218,922</u>
Current	\$367,302	\$256,548	\$198,664
Non-current	185,307	109,933	20,258
Total	<u>\$552,609</u>	<u>\$366,481</u>	<u>\$218,922</u>

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

The significant changes in the Company's balances of contract assets during the year ended December 31, 2021 and 2020 are as follows:

	For the years ended December 31,	
	2021	2020
The opening balance transferred to accounts receivables	\$(256,196)	\$(195,632)
Change in the measure of progress	442,324	343,191

(b) Contract liabilities

	As of		
	December 31, 2021	December 31, 2020	January 1, 2020
Sale of goods	\$65,624	\$44,688	\$98,681
Rendering of services	7,842	8,715	10,252
Total	<u>\$73,466</u>	<u>\$53,403</u>	<u>\$108,933</u>

The significant changes in the Company's balances of contract liabilities during the year ended December 31, 2021 and 2020 are as follows:

	For the years ended December 31,	
	2021	2020
The opening balance transferred to revenue	\$(51,045)	\$(106,399)
Increase in receipts in advance during the periods (excluding the amount incurred and transferred to revenue during the periods)	71,108	50,869

C. Transaction price allocated to unsatisfied performance obligations

The Company's transaction price allocated to unsatisfied performance obligations (including partially unsatisfied) amounted to NT\$116,620 thousand as at December 31, 2021. Management expects that 57% of the transaction price allocated to unsatisfied performance obligations will be recognized as revenue in 2022. The remaining will be recognized during the 2023 to 2027 financial year.

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

The Company's transaction price allocated to unsatisfied performance obligations (including partially unsatisfied) amounted to NT\$113,008 thousand as at December 31, 2020. Management expects that 67% of the transaction price allocated to unsatisfied performance obligations will be recognized as revenue in 2021. The remaining will be recognized during the 2022 to 2027 financial year.

D.Assets recognized from costs to fulfil a contract

None.

(16)Expected credit losses/ (gains)

	For the years ended December 31,	
	2021	2020
Operating expenses -expected credit losses/ (gains)		
Contract assets (include related parties)	\$-	\$-
Notes receivable	-	-
Accounts receivable (include related parties)	(70)	239
Operating lease receivable (include related parties)	-	-
Finance lease receivable (include related parties)	-	-
Subtotal	<u>(70)</u>	<u>239</u>
Non-operating income and expenses-expected credit losses		
Financial assets measured at amortized cost	-	-
Other receivables (include related parties)	-	-
Long-term receivables (include related parties)	-	-
Subtotal	<u>-</u>	<u>-</u>
Total	<u><u>\$(70)</u></u>	<u><u>\$239</u></u>

Please refer to Note 12 for more details on credit risk.

The credit risk for the Company's financial assets measured at amortized cost are assessed as low, therefore the 12 months expected credit loss allowance is measured at an amount of NT\$0 thousand (loss ratio of 0 %).

The Company measures the loss allowance of its contract assets, receivables (including notes receivable and accounts receivable) and lease receivables (including operating lease receivable and finance lease receivable and lease receivables ) at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as at December 31, 2021 and 2020 are as follows:

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

A. The loss allowable of contract assets is measured at an amount equal to lifetime expected credit losses details are as follows:

	As of December 31,	
	2021	2020
Total carrying amount	\$552,609	\$366,481
Expected credit loss rates	0%	0%
Loss allowance	-	-
<b>Total</b>	<b>\$552,609</b>	<b>\$366,481</b>

B. The Company considered the receivables by counterparties' credit ratings, by geographical regions and by industry sectors and its loss allowance is measured by using a provision matrix, details are as follows:

As of December 31, 2021

Group one	Not yet due	Overdue						Total
		<=60 days	61-120 days	121-180 days	181-240 days	241-365 days	>365 days	
Gross carrying amount	\$629,528	\$14,918	\$1,428	\$27	\$51	\$70	\$-	\$646,022
Loss ratio	0%	0%	43%	100%	100%	100%	0%	
Lifetime expected credit losses	-	-	(619)	(27)	(51)	(70)	-	(767)
<b>Subtotal</b>	<b>\$629,528</b>	<b>\$14,918</b>	<b>\$809</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$645,255</b>

Group two	Not yet due	Overdue						Total
		<=60 days	61-120 days	121-180 days	181-240 days	241-365 days	>365 days	
Gross carrying amount	\$-	\$-	\$-	\$-	\$-	\$-	\$159	\$159
Loss ratio	0%	0%	0%	0%	0%	0%	100%	
Lifetime expected credit losses	-	-	-	-	-	-	(159)	(159)
<b>Subtotal</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>

As of December 31, 2020

Group one	Not yet due	Overdue						Total
		<=60 days	61-120 days	121-180 days	181-240 days	241-365 days	>365 days	
Gross carrying amount	\$541,532	\$8,196	\$9,520	\$544	\$-	\$1,140	\$-	\$560,932
Loss ratio	0%	0%	0%	0%	0%	66%	0%	
Lifetime expected credit losses	-	-	-	-	-	(757)	-	(757)
<b>Subtotal</b>	<b>\$541,532</b>	<b>\$8,196</b>	<b>\$9,520</b>	<b>\$544</b>	<b>\$-</b>	<b>\$383</b>	<b>\$-</b>	<b>\$560,175</b>

Group two	Not yet due	Overdue						Total
		<=60 days	61-120 days	121-180 days	181-240 days	241-365 days	>365 days	
Gross carrying amount	\$-	\$-	\$-	\$-	\$-	\$-	\$239	\$239
Loss ratio	0%	0%	0%	0%	0%	0%	100%	
Lifetime expected credit losses	-	-	-	-	-	-	(239)	(239)
<b>Subtotal</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>

Note : The Company's notes receivables are not overdue.

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

C. The loss allowable of lease receivables is measured at an amount equal to lifetime expected credit losses details are as follows:

	As of December 31,	
	2021	2020
Operating lease receivables	\$19,058	\$14,596
Finance lease receivables	28,906	37,892
Total carrying amount	47,964	52,488
Expected credit losses ratio	0%	0%
Loss allowable	-	-
Total	<u>\$47,964</u>	<u>\$52,488</u>

The movement in the provision for impairment of contract assets, accounts receivables, lease receivables, other receivables, and long-term receivables during the years ended December 31, 2021 and 2020 are as follows:

	Contract assets	Accounts receivables	Lease receivables	Others (Note 2)
As of January 1, 2021	\$-	\$996	\$-	\$5,366
Addition/(reversal) for the current period	-	(70)	-	-
Write off (Note 1)	-	-	-	(5,366)
Reclassification	-	-	-	-
Effect of exchange rate changes	-	-	-	-
As of December 31, 2021	<u>\$-</u>	<u>\$926</u>	<u>\$-</u>	<u>\$-</u>
As of January 1, 2020	\$-	\$830	\$-	\$5,366
Addition/(reversal) for the current period	-	239	-	-
Write off (Note 1)	-	(73)	-	-
Reclassification	-	-	-	-
Effect of exchange rate changes	-	-	-	-
As of December 31, 2020	<u>\$-</u>	<u>\$996</u>	<u>\$-</u>	<u>\$5,366</u>

Note 1: The contract amount of the financial assets that were eliminated but still under recourse during 2021 and 2020 both was NT\$0 thousand.

Note 2: Others include other receivables and long-term receivables.

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

(17) Leases

A. Company as a lessee

The Company leases various properties, including real estate such as buildings, transportation equipment, office equipment. The lease terms range from one to five years. There are no restrictions placed upon the Company by entering into these leases.

The Company's leases effect on the financial position, financial performance and cash flows are as follow:

(a) Amounts recognized in the balance sheet

i. Right-of-use assets

The carrying amount of right-of-use assets

	As of December 31,	
	2021	2020
Buildings	\$44,097	\$3,304
Transportation equipment	7,362	3,754
Office equipment	558	769
Other equipment	104,150	38,221
Total	\$156,167	\$46,048

During the year ended December 31, 2021 and 2020, the Company's additions to right-of-use assets amounted to NT\$170,284 thousand and NT\$39,871 thousand, respectively.

ii. Lease liabilities

	As of December 31,	
	2021	2020
Lease liabilities	\$224,251	\$171,822
Current	\$112,505	\$78,162
Non-current	\$111,746	\$93,660

Please refer to Note 6.(19)D. for the interest on lease liabilities recognized during the year ended December 31, 2021 and 2020 and refer to Note 12.(5) Liquidity Risk Management for the maturity analysis for lease liabilities.

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

(b) Amounts recognized in the statement of comprehensive income

Depreciation charge for right-of-use assets

	For the years ended	
	December 31,	
	2021	2020
Buildings	\$23,699	\$23,788
Transportation equipment	3,017	2,581
Office equipment	211	206
Other equipment	32,430	19,023
Total	\$59,357	\$45,598

(c) Income and costs relating to leasing activities

	For the years ended	
	December 31,	
	2021	2020
The expenses relating to short-term leases	\$320	\$365
Income from subleasing right-of-use assets	36,740	21,633

For the year ended December 31, 2021 and 2020, the category of the Company's short-term leases portfolio it commits to was similar to that of the underlying asset related to the short-term lease expenses disclosed above.

(d) Cash outflow relating to leasing activities

During the year ended December 31, 2021 and 2020, the Company's total cash outflows for leases amounting to NT\$59,056 thousand and NT\$45,676 thousand, respectively.

(e) Other information relating to leasing activities

i. Variable lease payments

Some of the Company'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 Company. 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.



TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

ii. Extension and termination options

Some of the Company's property rental agreement contain extension and termination options. In determining the lease terms, the non-cancellable period for which the Company has the right to use an underlying asset, together with both periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Company 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 Company.

After the commencement date, the Company 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 Company 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.

B. Company as a lessor

The Company has entered into leases on office equipment with lease terms range from three to eight years. These leases are classified as finance leases as they transfer substantially all the risks and rewards incidental to ownership of underlying assets.

	For the years ended December 31,	
	2021	2020
Lease income for operating leases		
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	\$85,075	\$55,409
Income relating to variable lease payments that do not depend on an index or a rate	31,035	39,017
Subtotal	<u>116,110</u>	<u>94,426</u>
Lease income for finance leases		
Selling profit or loss	2,173	11,402
Total	<u>\$118,283</u>	<u>\$105,828</u>

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

Please refer to Note 6.(9) for relevant disclosure of property, plant and equipment for operating leases under IFRS 16. For operating leases entered by the Company, the undiscounted lease payments to be received and a total of the amounts for the remaining years as at December 31, 2021 and 2020 are as follows:

	<u>As of December 31,</u>	
	<u>2021</u>	<u>2020</u>
Not later than one year	\$89,152	\$97,426
Later than one year but not later than two years	2,813	75,556
Later than two years but not later than three years	2,655	935
Later than three years but not later than four years	2,388	846
Later than four years but not later than five years	2,105	672
Later than five years	1,120	2,016
Total	<u>\$100,233</u>	<u>\$177,451</u>

For finance leases entered by the Company, the undiscounted lease payments to be received and a total of the amounts for the remaining years as at December 31, 2021 and 2020 are as follows:

	<u>As of December 31,</u>	
	<u>2021</u>	<u>2020</u>
Not later than one year	\$17,290	\$20,860
Later than one year but not later than two years	8,249	11,303
Later than two years but not later than three years	3,259	4,792
Later than three years but not later than four years	448	1,557
Later than four years but not later than five years	-	-
Later than five years	-	-
Total undiscounted lease payments	29,246	38,512
Less: Unearned finance income on finance leases	(340)	(620)
Less: loss allowance	-	-
Net investment in the lease (Finance lease receivable)	<u>\$28,906</u>	<u>\$37,892</u>
Current	<u>\$16,951</u>	<u>\$20,240</u>
Non-current	<u>\$11,955</u>	<u>\$17,652</u>

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

(18) Employee benefits, depreciation and amortization expenses are summarized by function as follows:

By Nature \ By Function	For the years ended December 31,					
	2021			2020		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$-	\$423,252	\$423,252	\$-	\$391,031	\$391,031
Labor and health insurance	-	39,365	39,365	-	34,695	34,695
Pension	-	19,546	19,546	-	18,571	18,571
Remuneration to directors	-	3,577	3,577	-	4,357	4,357
Other employee benefits expense	-	19,877	19,877	-	21,716	21,716
Depreciation	79,534	32,855	112,389	56,289	32,784	89,073
Amortization	-	2,378	2,378	-	1,219	1,219

The Company's average number of employees on December 31, 2021 and 2020, were 546 and 527 people, respectively, of which 7 people were directors, who were not concurrently employees.

The cost of average employee benefits on December 31, 2021 and 2020, amounted to NT\$931 thousand and NT\$898 thousand, respectively. The cost of average employee salaries on December 31, 2021 and 2020, amounted to NT\$785 thousand and NT\$753 thousand, respectively. The average employee salary raise percentage was 4%.

In accordance with the Securities and Exchange Act, the Company established the Audit Committee to replace the supervisors. Therefore the supervisors' remuneration were NT\$0 on December 31, 2021 and 2020.

Our company commits to providing competitive pay policy according to market salary, industry standard, organizational structure and internal fairness. In order to retain and attract talents, we periodically evaluate above conditions and properly adjust our remuneration.

Directors' remuneration shall be based on the current period's income before tax less employees' compensation and allocated no more than 5% of the base, and the overall business results and their degree of participation will be taking into consideration.

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

Manager and employees' salary includes monthly base salary (MBS), bonuses based on business outcome and employee remuneration according to annual profit and our Article of Incorporation.

Besides, in order to fulfill our corporate social responsibility, we design an integral employee benefit plan(EBP), provides employees with reasonable allowances and subsidies, and regularly conducts employee performance appraisal and competency assessment to truly recognize employees' work performance and career potential as an important cornerstone for organization development, succession and talent management.

The Company's Article of Incorporation states that if there is a profit, the Company should set aside employee compensation at 5%~15% of the profit and no more than 5% for board member compensation. When the Company suffers an accumulated deficit, the profit should be retained to recover the deficit. The employee compensation should be paid out by shares or cash and should be resolved in the board of directors' meeting, with two-thirds of the board members present and over half of the present members' approval, and shall report it to the shareholders' meeting. Information of the board of directors' resolution regarding the employees' compensation and remuneration to directors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on the profit of the year ended December 31, 2021, the Company estimated the amounts of the employees' compensation and remuneration to directors for the year ended December 31, 2021 to be 8% and 1% of profit of the current year, respectively. As such, employees' compensation and remuneration to directors for the year ended December 31, 2021 amount to NT\$18,000 thousand and NT\$3,017 thousand, respectively, recognized as employee benefits expense. Employees' compensation and remuneration to directors for the year ended December 31, 2020 amount to 8% and 2%, respectively. The Company estimated the amounts of the employees' compensation and remuneration to directors for the year ended December 31, 2020 to be NT\$15,000 thousand and NT\$4,065 thousand, respectively, recognized as employee benefits expense.

The Company actual distribution of the employees' compensation and remuneration to directors for the year ended December 31, 2020 to be NT\$15,000 thousand and NT\$4,065 thousand, respectively, which are the same as the amounts listed of the recognized expenses in the 2020 financial report.

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

(19) Non-operating income and expenses

A. Interest income

	For the years ended December 31,	
	2021	2020
Interest income		
Interest on bank deposit	\$265	\$183
Financial assets measured at amortized cost	516	432
Other interest income	3,549	3,137
Total	<u>\$4,330</u>	<u>\$3,752</u>

B. Other income

	For the years ended December 31,	
	2021	2020
Other income-other	<u>\$5,651</u>	<u>\$1,944</u>

C. Other gains and losses

	For the years ended December 31,	
	2021	2020
Gains (losses) on disposal of property, plant and equipment	\$15	\$-
Foreign exchange gains (losses), net	(1,592)	(2,902)
Lease modification gains (losses), net	-	585
Total	<u>\$(1,577)</u>	<u>\$(2,317)</u>

D. Finance costs

	For the years ended December 31,	
	2021	2020
Interest on borrowings from bank	\$561	\$600
Interest on lease liabilities	711	763
Total	<u>\$1,272</u>	<u>\$1,363</u>

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

E. Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using the equity method

	For the years ended December 31,	
	2021	2020
Share of profit (loss) accounted for using the equity method	\$25,121	\$32,177

(20) Components of other comprehensive income

For the year ended December 31, 2021:

	Arising during the period	Income tax benefit (expense)	Other comprehensive income, net of tax
Not to be reclassified to profit or loss:			
Remeasurements of defined benefit plans	\$5,476	\$(1,095)	\$4,381
Remeasurements of defined benefit plans of subsidiaries, associates and joint ventures	109	-	109
To be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	(82)	-	(82)
Total	\$5,503	\$(1,095)	\$4,408

For the year ended December 31, 2020:

	Arising during the period	Income tax benefit (expense)	Other comprehensive income, net of tax
Not to be reclassified to profit or loss:			
Remeasurements of defined benefit plans	\$(10,826)	\$2,165	\$(8,661)
Remeasurements of defined benefit plans of subsidiaries, associates and joint ventures	(3,161)	-	(3,161)
To be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	173	-	173
Total	\$(13,814)	\$2,165	\$(11,649)

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

(21) Income tax

The major components of income tax expense are as follows:

Income tax expense (income) recognized in profit or loss

	For the years ended December 31,	
	2021	2020
Current income tax expense:		
Current income tax charge	\$36,703	\$28,580
Adjustments in respect of current income tax of prior periods	(966)	(2,311)
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	(164)	(526)
Total income tax expense	<u>\$35,573</u>	<u>\$25,743</u>

Income tax recognized in other comprehensive income

	For the years ended December 31,	
	2021	2020
Deferred tax (expense) income:		
Remeasurements of defined benefit plans	\$(1,095)	\$2,165
Income tax relating to components of other comprehensive income	<u>\$(1,095)</u>	<u>\$2,165</u>

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended December 31,	
	2021	2020
Accounting income before tax from continuing operations	<u>\$213,852</u>	<u>\$171,237</u>
Tax at the domestic rates applicable to profits in the country concerned	42,770	34,247
Tax effect of expenses not deductible for tax purposes	(6,231)	(6,199)
Additional income tax on undistributed surplus	-	6
Adjustments in respect of current income tax of prior periods	-	(980)
Tax expense (income) recognized in the period for previously unrecognized tax loss, tax credit or temporary difference of prior periods	(966)	(1,331)
Total income tax expense recognized in profit or loss	<u>\$35,573</u>	<u>\$25,743</u>

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2021:

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Unrealized allowance expense	\$34	\$(34)	\$-	\$-
Inventory valuation and obsolescence loss	4,040	-	-	4,040
Investments accounted for using the equity method	24,661	1,208	-	25,869
Employee benefit	1,320	58	-	1,378
Provisions-maintenance warranties	416	(323)	-	93
Net defined benefit liability, non-current	12,433	(714)	(1,095)	10,624
Unrealized exchange gains (losses)	251	(31)	-	220
Deferred tax (expense)/income		\$164	\$(1,095)	
Net deferred tax assets/(liabilities)	\$43,155			\$42,224
Reflected in balance sheet as follows:				
Deferred tax assets	\$43,155			\$42,224
Deferred tax liabilities	\$-			\$-

For the year ended December 31, 2020:

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Unrealized allowance expense	\$-	\$34	\$-	\$34
Inventory valuation and obsolescence loss	1,892	2,148	-	4,040
Investments accounted for using the equity method	24,898	(237)	-	24,661
Employee benefit	940	380	-	1,320
Provisions-maintenance warranties	1,182	(766)	-	416
Net defined benefit liability, non-current	11,316	(1,048)	2,165	12,433
Unrealized exchange gains (losses)	236	15	-	251
Deferred tax (expense)/income		\$526	\$2,165	
Net deferred tax assets/(liabilities)	\$40,464			\$43,155
Reflected in balance sheet as follows:				
Deferred tax assets	\$40,464			\$43,155
Deferred tax liabilities	\$-			\$-

Unrecognized deferred tax assets

As of December 31, 2021 and 2020, unused tax losses, unused tax credits, and deductible temporary differences, due to the expected future sufficient taxable income, is available for use. Therefore, the Company has no unrecognized deferred income tax assets.



TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

The assessment of income tax returns

As of December 31, 2021, the assessment of the income tax returns of the Company is as follows:

	<u>The assessment of income tax returns by tax authorities</u>
The Company	Assessed and approved up to 2019

(22) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the years ended December 31	
	2021	2020
A. Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$178,279	\$145,494
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	88,560	88,560
Basic earnings per share (NT\$)	\$2.01	\$1.64
B. Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$178,279	\$145,494
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	88,560	88,560
Effect of dilution:		
Employee compensation-stock (in thousands)	568	739
Weighted average number of ordinary shares outstanding after dilution (in thousands)	89,128	89,299
Diluted earnings per share (NT\$)	\$2.00	\$1.63

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of the financial statements were authorized for issue.

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

7. Related party transactions

Related parties that have transactions with the Company during the financial reporting period:

Related parties and relationship

Name of related parties	Relationship with the Company
Tatung Co.	Parent company
Chyun Huei Commercial Technologies Inc.	Subsidiaries
TISNet Technology Inc.	Subsidiaries
TSTI Technologies (Shanghai) Co., Ltd.	Subsidiaries
The Joint Welfare Committee of Tatung	Other related party
The Employee Welfare Committee of Tatung System Technologies Inc.	Other related party
Chinese Taipei Football Association	Other related party
I-Torch Technology Corp.	Associates
Chunghwa Picture Tubes, Ltd.	Associates
Tatung Medical & Healthcare Technologies Co., Ltd.	Associates
Forward Electronics Co., Ltd.	Associates
Shan-Chin Asset Development Co.	Associates
Tatung Consumer Products (Taiwan) Co., Ltd.	Associates
Tatung University	Associates
Tatung Okuma Co., Ltd.	Associates
Elitegroup Computer System Co., Ltd.	Associates

Significant related party transactions

(1) Sales

	For the years ended	
	December 31,	
	2021	2020
Parent company	\$157,766	\$233,802
Subsidiaries	119,988	100,263
Associates	25,221	8,461
Total	<u>\$302,975</u>	<u>\$342,526</u>

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

The Company 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:

For the years ended December 31,			
2021		2020	
Related parties	General customers	Related parties	General customers
O/A 30-90 days	O/A 30-150 days	O/A 30-90 days	O/A 30-120 days

(2) Purchase

	For the years ended December 31,	
	2021	2020
	Parent company	\$2,163
Subsidiaries	16,021	42,428
Associates	5,537	2,587
Total	\$23,721	\$49,167

The Company there are no significant differences between purchasing prices from related parties and prices from arm's length suppliers. The comparison of payment terms between related parties and arm's length suppliers is summarized as follows:

	For the years ended December 31,			
	2021		2020	
	Related parties	General suppliers	Related parties	General suppliers
Domestic	O/A 60-90 days	O/A 60-90 days	O/A 60-90 days	O/A 60-90 days
Overseas	30-45 days after QC	30 days after QC	30-45 days after QC	30 days after QC

(3) Operating expenses

	For the years ended December 31,	
	2021	2020
	Other operating expenses and costs	
Parent company	\$10,066	\$12,124
Subsidiaries	3,861	4,747
Associates	19,883	20,762
Other related parties	-	600
Total	\$33,810	\$38,233

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

(4) Contract assets, current

	As of December 31,	
	2021	2020
Parent company	\$71,210	\$36,655
Less: loss allowance	-	-
Net	\$71,210	\$36,655

(5) Contract assets, non-current

	As of December 31,	
	2021	2020
Parent company	\$113,908	\$90,090
Less: loss allowance	-	-
Net	\$113,908	\$90,090

(6) Accounts receivable - related parties

	As of December 31,	
	2021	2020
Parent company	\$30,957	\$36,176
TSTI Technologies (Shanghai) Co., Ltd.	30,413	35,116
TISNet Technology Inc.	20,208	321
Other subsidiaries	424	855
Associates	8,649	2,722
Total	90,651	75,190
Less: loss allowance	-	-
Net	\$90,651	\$75,190

(7) Finance lease receivable

	As of December 31,	
	2021	2020
Parent company	\$-	\$212
Less: loss allowance	-	-
Net	\$-	\$212

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

(8) Long-term receivables

	As of December 31,	
	2021	2020
TSTI Technologies (Shanghai) Co., Ltd.	\$52,688	\$20,429
Chunghwa Picture Tubes, Ltd.	-	5,366
Total	52,688	25,795
Less: loss allowance	-	(5,366)
Net	<u>\$52,688</u>	<u>\$20,429</u>

(9) Other receivables

	As of December 31,	
	2021	2020
TISNet Technology Inc.	\$22	\$-
Less: loss allowance	-	-
Net	<u>\$22</u>	<u>\$-</u>

(10) Financing-Other receivables

For the year ended December 31, 2021, no such occurrence took place.

	For the years ended December 31, 2020				
	Maximum balance	Ending balance	Interest rate	Interest Income	Interest Receivable
Chyun Huei Commercial Technologies Inc.	<u>\$20,000</u>	<u>\$-</u>	2.20%	<u>\$348</u>	<u>\$-</u>

(11) Refundable deposits

	As of December 31,	
	2021	2020
Associates	<u>\$3,797</u>	<u>\$3,424</u>

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

(12) Accounts payable - related parties

	As of December 31,	
	2021	2020
Parent company	\$304	\$1,398
TISNet Technology Inc.	2,392	5,158
Chyun Huei Commercial Technologies Inc.	3,464	598
Other subsidiaries	5	72
Tatung University	2,286	1,330
Associates	605	18
Total	<u>\$9,056</u>	<u>\$8,574</u>

(13) Other payables

	As of December 31,	
	2021	2020
Parent company	\$1,254	\$1,172
Subsidiaries	961	992
Other related parties	390	221
Total	<u>\$2,605</u>	<u>\$2,385</u>

(14) Lease- related parties

Right-of-use assets

	As of December 31,	
	2021	2020
Parent company	\$-	\$117
Shan-Chin Asset Development Co.	39,130	-
Total	<u>\$39,130</u>	<u>\$117</u>

Lease liability, current

	As of December 31,	
	2021	2020
Parent company	\$-	\$56
Shan-Chin Asset Development Co.	19,640	-
Total	<u>\$19,640</u>	<u>\$56</u>

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

Lease determined through mutual agreement based on market conditions, and the rent is paid on a monthly basis.

Lease liability, non-current

	As of December 31,	
	2021	2020
Parent company	\$-	\$62
Shan-Chin Asset Development Co.	19,716	-
Total	<u>\$19,716</u>	<u>\$62</u>

Lease determined through mutual agreement based on market conditions, and the rent is paid on a monthly basis.

Finance costs

	For the years ended December 31,	
	2021	2020
Parent company	\$1	\$1
Shan-Chin Asset Development Co.	560	653
Total	<u>\$561</u>	<u>\$654</u>

(15) Interest income

	For the years ended December 31,	
	2021	2020
Shan-Chin Asset Development Co.	<u>\$27</u>	<u>\$35</u>

(16) Compensation of key management personnel

	For the years ended December 31,	
	2021	2020
Short-term employee benefits	<u>\$17,408</u>	<u>\$17,766</u>

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

8. Assets pledged as collateral

The following table lists assets of the Company pledged as security:

Items	Carrying amounts as of		Purpose of the pledge
	December 31,		
	2021	2020	
Financial assets measured at amortized cost, current	\$2,604	\$9,389	Various guarantees
Financial assets measured at amortized cost, non-current	36,570	33,286	Various guarantees
Total	<u>\$39,174</u>	<u>\$42,675</u>	

9. Significant contingencies and unrecognized contractual commitments

As of December 31, 2021, the Company's Significant contingencies and unrecognized contractual commitments that are not included in the financial statements:

- (1) Performance bond and guarantee note issued by bank amounted to NT\$97,743 thousand.
- (2) In addition to the guarantee notes, the deposit guarantee letter issued by a bank amounted to NT\$15,703 thousand.

10. Losses due to major disasters

None.

11. Significant subsequent events

None.



TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

12. Others

(1) Categories of financial instruments

Financial assets

	<u>As of December 31,</u>	
	<u>2021</u>	<u>2020</u>
Financial assets measured at amortized cost:		
Cash and cash equivalents (without cash on hand)	\$491,105	\$444,750
Financial assets measured at amortized cost (including non-current)	102,827	53,418
Notes receivables (including non-current)	4,140	1,444
Accounts receivables (including related parties) (including non-current)	641,115	558,731
Other receivables (including related parties) (including non-current)	170	173
Operating lease receivables (including related parties)	19,058	14,596
Financial lease receivables (including related parties) (including non-current)	28,906	37,892
Refundable deposits (including related parties)	82,277	76,042
Total	<u>\$1,369,598</u>	<u>\$1,187,046</u>

Financial liabilities

	<u>As of December 31,</u>	
	<u>2021</u>	<u>2020</u>
Financial liabilities measured at amortized cost:		
Short-term loans	\$50,000	\$50,000
Notes payables	2,192	34,215
Accounts Payables (including related parties) (including non-current)	947,504	651,077
Other payables (including related parties)	222,797	199,915
Lease liabilities (including related parties) (including non-current)	224,251	171,822
Guarantee deposits	474	508
Total	<u>\$1,447,218</u>	<u>\$1,107,537</u>

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

(2) Financial risk management objectives and policies

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Company identifies, measures and manages the aforementioned risks based on the Company's policy and risk tendency.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on relevant regulations and internal control procedures. The Company complies with its financial risk management policies at all times.

(3) Market risk

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

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

Foreign currency risk

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

The Company's certain foreign currency receivables are denominated in the same foreign currency with foreign currency payables, therefore natural hedge is received. Hedge accounting is not applied as they did not qualify for hedge accounting criteria.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates for foreign currency USD and foreign currency RMB.

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

The information of the sensitivity analysis is as follows:

- A. When NTD appreciates/depreciates against foreign currency RMB by 1%, the profit for the years ended December 31, 2021 and 2020 is decreased/increased by NT\$851 thousand and NT\$564 thousand, respectively.
- B. When NTD appreciates/depreciates against foreign currency USD by 1%, the profit for the years ended December 31, 2021 and 2020 is decreased/increased by NT\$199 thousand and NT\$440 thousand, respectively.

Interest rate risk

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

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

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, an increase/decrease of 10 basis points of interest rate could cause the profit for the years ended December 31, 2021 and 2020 to both decrease/increase by NT\$50 thousand.

(4) Credit risk management

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

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

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

As of December 31, 2021 and 2020, contract assets and accounts receivables from top ten customers represent 54% and 58% of the total contract assets and accounts receivables of the Company, respectively. The credit concentration risk of other contract assets and accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Company's treasury in accordance with the Company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counter parties.

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

Level of credit risk	Indicator	Measurement method for expected credit losses	Carrying amount	
			December 31, 2021	December 31, 2020
Low credit risk	Counter parties with great credit	12-month expected credit losses	\$102,827	\$53,418
Credit risk significantly increased	Contract payment overdue 180 days	Lifetime expected credit losses	121	1,140
Credit-impaired	Contract payment overdue 365 days Other impaired evidence	Lifetime expected credit losses	159	5,605
Simplified method (Note)	(Note)	Lifetime expected credit losses	1,246,644	978,934

Note: By using simplified approach loss allowance is measured at (lifetime expected credit losses), including contract assets, notes receivables and accounts receivables, lease receivables, operating lease receivables, finance lease receivables and other accounts receivables.

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

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

(5) Liquidity risk management

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

Non-derivative financial liabilities

	Less Than 1 Year	2-3 Years	4-5 Years	More than 5 Years	Total
<u>December 31, 2021</u>					
Short-term loans	\$50,042	\$-	\$-	\$-	\$50,042
Notes payable	2,192	-	-	-	2,192
Accounts Payables (including relates parties)	859,753	87,751	-	-	947,504
Other Payables (including relates parties)	222,797	-	-	-	222,797
Lease liabilities (including relates parties) (Note)	113,962	111,834	764	-	226,560
Guarantee deposits (including related parties)	474	-	-	-	474
<u>December 31, 2020</u>					
Short-term loans	\$50,049	\$-	\$-	\$-	\$50,049
Notes payable	34,215	-	-	-	34,215
Accounts Payables (including relates parties)	651,077	-	-	-	651,077
Other Payables (including relates parties)	199,915	-	-	-	199,915
Lease liabilities (including relates parties) (Note)	78,146	90,494	3,921	-	172,561
Guarantee deposits (including related parties)	508	-	-	-	508

Note: Including cash flows resulted from short-term lease or leases of low-value assets.

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for 2021:

	<u>Short-term loans</u>	<u>Lease liabilities</u>	<u>Total liabilities from financing activities</u>
As of January 1, 2021	\$50,000	\$171,822	\$221,822
Cash flows	-	(58,736)	(58,736)
Non-cash flows	-	111,165	111,165
As of December 31, 2021	<u>\$50,000</u>	<u>\$224,251</u>	<u>\$274,251</u>

Reconciliation of liabilities for 2020:

	<u>Short-term loans</u>	<u>Lease liabilities</u>	<u>Total liabilities from financing activities</u>
As of January 1, 2020	\$150,000	\$211,470	\$361,470
Cash flows	(100,000)	(45,311)	(145,311)
Non-cash flows	-	5,663	5,663
As of December 31, 2020	<u>\$50,000</u>	<u>\$171,822</u>	<u>\$221,822</u>

(7) Fair value of financial instruments

A. The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

The carrying amount of cash and cash equivalents, receivables, payables and other current liabilities approximate their fair value due to their short maturities.

B. Fair value of financial instruments measured at amortized cost

The Company's financial assets and liabilities measured at amortized cost approached their fair value.

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

(8) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

As of December 31, 2021			
	Foreign currencies	Exchange rate	NTD
<u>Financial assets</u>			
Monetary items :			
USD	\$1,458	27.680	\$40,359
RMB	19,602	4.344	85,149
 <u>Financial liabilities</u>			
Monetary items :			
USD	\$739	27.680	\$20,462
RMB	1	4.344	5
As of December 31, 2020			
	Foreign currencies	Exchange rate	NTD
<u>Financial assets</u>			
Monetary items :			
USD	\$1,812	28.480	\$51,611
RMB	12,903	4.377	56,477
 <u>Financial liabilities</u>			
Monetary items :			
USD	\$267	28.480	\$7,604
RMB	17	4.377	72

Since there were various functional currencies used within the Company, the Company was unable to disclose foreign exchange gains (losses) towards each foreign currency with significant impact. The realized and unrealized foreign exchange gains (losses) was NT\$(1,592) thousand and NT\$(2,902) thousand for the years ended December 31, 2021 and 2020, respectively.

TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

(9) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Other disclosure

(1) Information at significant transactions:

- A. Financing provided to others: refer to Attachment 1.
- B. Endorsement/Guarantee provided to others: refer to Attachment 2.
- C. Securities held: None.
- D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- E. Acquisition of real estate up to the amount exceeding the lower of NT\$300 million or 20% of capital stock: None.
- F. Disposal of real estate up to the amount exceeding the lower of NT\$300 million or 20% of capital stock: None.
- G. Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20% of capital stock: refer to Attachment 3.
- H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of capital stock: None.
- I. Engaging in derivative transactions: None.

(2) Information on investees:

Of the investee company directly or indirectly has significant influence or control over, their investee companies' information: refer to Attachment 4.

(3) Information on investments in China:

- A. The investee company name, main business, paid-in capital, type of the investment, capital inflow and outflow, ownership, investment gains and losses, ending balance of investment, repatriation of investment income and the mainland investment limit scenario: refer to Attachment 5.



TATUNG SYSTEM TECHNOLOGIES INC.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

B. Transactions with the investee companies directly or indirectly through a third country following the occurrence of significant transactions, prices, payment terms and unrealized gains and losses were as below:

- (a) Ending balance and percentage of purchase and related payables: refer to Attachment 6.
- (b) Ending balance and percentage of sales and related receivables: refer to Attachment 6.
- (c) Gains and loss on the transaction of property: None.
- (d) Ending balance and purpose of endorsement guarantees or collateral: None.
- (e) Ending balance, maximum limit, interest rates range and current interest amount of financing: None.
- (f) Other investments that have significant impact on current profit or financial condition, such as the services provided or received: None.

(4) Major Shareholder Information: refer to Attachment 7.

## ATTACHMENT 1

## Financing provided to others

(Unit : thousands of NTD)

No. (Note 1)	Lender	Counter-party	Financial statement account (Note 2)	Related Party	Maximum balance for the period (Note 3)	Ending balance (Note 8)	Actual amount provided	Interest rate	Nature of financing (Note 4)	Amount of sales to (purchases from) counter-party (Note 5)	Reason for financing (Note 6)	Loss allowance	Collateral		Limit of financing amount for individual counter-party (Note 7)	Limit of total financing amount (Note 7)
													Item	Value		
0	Tatung System Technologies Inc.	Chyun Huei Commercial Technologies Inc.	Other receivables - related parties	Yes	\$50,000	\$-	\$-	0.0%	2	\$-	Business turnover	\$-	None	None	\$141,514 (Note 7.2)	\$566,058 (Note 7.3)

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

1. Issuer fills in coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: If the economic substance of transactions are financing to others, regardless of which component they are recognized as in the financial statements, certain transactions such as the account receivables –related parties and advances are included herein.

Note 3: Maximum balance of financing provided to others for the current year.

Note 4: Nature of financing is coded as follows:

1. Operational funding is coded "1"
2. Short-term financing is coded "2"

Note 5: Total amount of the financing is disclosed herein if the financing is related to business transactions. Total amount of financing shall refer to the amount the lender provides to the borrower within the past year.

Note 6: The reasons and counterparties of the financing are addressed herein as the financing was associated with short-term capital needs.

Note 7: 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.

1. The transaction amount between the lending entity and the borrower within the most recent year.
2. The transaction amount required for short-term financing shall not exceed 10% of the net value of Tatung System Technologies Inc..
3. The accumulated total financing provided to others is limited to 40% of the net value of Tatung System Technologies Inc.

Note 8: If a public company brings the financing proposal to the board of directors according to Article 14-1, the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, the company still needs to disclose the amount resolved by the board in the balance to disclose the risk, even if the funds are not appropriated yet. When the funds are repaid afterwards, the company should disclose the amount returned to reflect the risk adjustment.

If a public company authorizes the chairman of the board of directors to appropriate or use certain limits of the funds several times in the period of a year according to Article 14-2, Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, the company still needs to disclose the amount resolved by the board in the balance.

## ATTACHMENT 2

## Endorsement/Guarantee provided to others

(Unit : thousands of NTD)

No. (Note 1)	Endorsor/Guarantor	Receiving party		Limit of guarantee/ endorsement amount for receiving party (Note 3&8)	Maximum balance for the period (Note 4)	Ending balance (Note 5)	Actual amount provided (Note 6)	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 (Note 3&9)	Guarantee provided by parent company (Note 7)	Guarantee provided by a subsidiary (Note 7)	Guarantee provided to subsidiaries in Mainland China (Note 7)
		Company name	Relationship (Note 2)										
0	Tatung System Technologies Inc.	Chyun Hwei Commercial Technologies Inc.	2	\$283,029	\$128,500	\$128,500	\$-	\$-	9.08%	\$707,572	Y	-	-
0	Tatung System Technologies Inc.	TISNet Technology Inc.	2	283,029	84,000	84,000	-	-	5.94%	707,572	Y	-	-

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 contact between the same industry in accordance with the Consumer Protection Law is jointly guaranteed.

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

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

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

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

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

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

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

## ATTACHMENT 3

Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20% of capital stock

(Unit : thousands of NTD)

Purchaser (seller)	Related party	Relationship	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales) (%)	Payment Term	Unit price	Payment Term	Balance	Percentage of total receivables (payables) (%)	
Tatung System Technologies Inc.	Tatung Co.	Investment companies evaluated by the equity method of the company	Sales	\$(157,766)	4.36%	O/A 30-90 days	No significant difference	O/A 30-150 days	\$30,957	4.79%	Note 1

Note 1: In addition, the balance of contract assets was NT\$185,118 thousand

## ATTACHMENT 4

Names, locations and related information of investee companies (excluding investment in Mainland China)

(Unit : thousands of NTD)

Investor company	Investee company	Location	Main businesses and products	Initial Investment		Ending balance			Net income (loss) of investee company	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of shares	Percentage of ownership (%)	Book value			
Tatung System Technologies Inc.	Chyun Huei Commercial Technologies Inc.	Taipei City, Taiwan	Computer and business equipment wholesale or retail and information software service	\$42,740	\$42,740	11,000,000	100	\$153,505	\$21,171	\$21,171	
Tatung System Technologies Inc.	TISNet Technology Inc.	Taipei City, Taiwan	The second type of telecommunications business, cloud information services and information security services	62,590	62,590	5,850,000	100	70,992	10,214	10,214	
Tatung System Technologies Inc.	I-Torch Technology Corp.	Taitung City, Taiwan	Software wholesale, equipment management and consulting service	5,000	5,000	500,000	20	4,336	(1,143)	(229)	

## ATTACHMENT 5

## Investment in Mainland China

(Unit : thousands of NTD)

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized (Note 2)	Carrying Value as of December 31, 2021	Accumulated Inward Remittance of Earnings as of Outflow December 31, 2021
					Outflow	Inflow						
TSTI Technologies (Shanghai) Co., Ltd.	System integration service	\$144,888 (RMB 30,000)	(1)	\$137,404 (USD 4,606)	\$-	\$-	\$137,404 (USD 4,606)	\$(6,035) (RMB 1,390)	100.00%	\$(6,035) Recognized basis (2) B.	\$4,226	\$-

Accumulated Investment in Mainland China December 31,2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (60% of consolidated net value)
\$137,404 (USD 4,606)	\$137,404 (USD 4,606)	\$849,086

Note 1: The methods 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: The investment income (loss) recognized in current period:

- (1) Please specify if no investment income (loss) has been recognized as still in the preparation stage.
- (2) The investment income (loss) were determined based on the following:
  - A. The financial report was audited and certified by an international accounting firm in cooperation with an R.O.C. accounting firm.
  - B. The financial statements certified by the CPA of the parent company in Taiwan.
  - C. Others.

Note 3: Initial investment amounts denominated in foreign currencies are translated into New Taiwan Dollars .

Note 4: According to Item 3 of the "Principles for the Review of Investment or Technical Cooperation in Mainland China", issued by MOEA on August 29, 2008, Order No. Jin-Shen Zi No. 09704604680, the cumulative amount of the investor's investment in mainland China shall not exceed 60% of the net or the combined net value, whichever is higher.

## ATTACHMENT 6

Transactions with the investee companies directly or indirectly through a third country following the occurrence of significant transactions

(Unit : thousands of NTD)

Purchaser (seller)	Related party	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
		Purchases (Sales)	Amount	Percentage of total purchases (sales) (%)	Payment Term	Unit price	Payment Term	Balance	Percentage of total receivables (payables) (%)	
Tatung System Technologies Inc.	TSTI Technologies (Shanghai) Co., Ltd.	Sales	\$(75,350)	(2.08)%	120 days	No significant difference		\$83,101	12.86%	Note 1
"	"	Purchases	1,385	0.05 %	120 days	No significant difference		5	0.00%	Note 1

Note 1: The above ratios are calculated based on the company's individual financial statements.

## Attachment 7

## Major shareholder information

(Unit : share)

Shareholder	Share	Number of shares	Percentage of ownership (%)
Tatung Co.		37,819,027	42.70%
Hsu, I-Yin		8,085,000	9.12%
Genesis Technology Inc.		7,200,000	8.13%
Twinbot International Consultants Limited		5,816,000	6.56%

Note 1: The main shareholder information in this table is calculated by the Taiwan Depository & Clearing Corporation on the last business day at the end of each quarter. The total number of ordinary shares and special shares held by the shareholders who have completed the delivery of the Company without physical registration is more than 5%. As for the share capital recorded in the Company's financial report and the number of shares actually delivered by the Company without physical registration, the calculation basis may be different.