Stock Code:8099

TATUNG SYSTEM TECHNOLOGIES INC.

Parent Company Only Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2025 and 2024

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

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Independent Auditors' Report

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

Opinion

We have audited the financial statements of TATUNG SYSTEM TECHNOLOGIES INC.("the Company"), which comprise the balance sheet as of December 31, 2025 and 2024, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit maters to be communicated in our report.

1. Revenue Recognition

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

   (a) Description of key audit matter:

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

(b) Audit procedures performed:

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

· Understanding and testing the design and implementation of internal controls for the sale cycle.

· Sampling the original order or contract and shipment receipt, reviewing the transaction terms in order to evaluate whether the revenue recognition complies with the relevant standards.

· Performing a reconciliation of various vouchers before and after the balance sheet date in order to determine the appropriate period for sales revenue recognizing in the financial statements.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the 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 Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
March 4, 2026

Notes to Readers

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

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

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

TATUNG SYSTEM TECHNOLOGIES INC.

Non-Consolidated Balance Sheets

December 31, 2025 and 2024

(Expressed in Thousands of New Taiwan Dollar)

		December 31, 2025		December 31, 2024	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (Note 6(a))	$ 604,105	17	643,474	23
1136	Financial assets measured at amortized cost, current (Notes 6(c) and 8)	191,606	6	34,408	1
1140	Contract assets, current (Notes 6(s), (v) and 7)	705,869	20	188,331	7
1150	Notes receivable, net (Note 6(d))	2,559	-	4,552	-
1170	Accounts receivable, net (Note 6(d))	627,974	18	509,587	18
1180	Accounts receivable－related parties, net (Notes 6(d) and 7)	53,513	2	61,217	2
1196	Operating lease receivable, net (Notes 6(e) and (v))	1,910	-	3,082	-
1197	Finance lease receivable, net (Notes 6(f), (v) and 7)	1,364	-	2,089	-
1200	Other receivables (Notes 6(v)and 7)	2,177	-	1,772	-
130X	Inventories (Note 6(g))	660,017	19	558,710	20
1410	Prepayments	6,960	-	16,914	1
	Total current assets	2,858,054	82	2,024,136	72
	Non-current assets:				
1510	Financial assets at fair value through profit or loss, non-current (Note 6(b))	57,846	2	63,910	2
1535	Financial assets measured at amortized cost, non-current (Notes 6(c) and 8)	26,111	1	40,505	2
1550	Investments accounted for using equity method (Note 6(h))	203,635	6	192,807	7
1600	Property, plant and equipment (Notes 6(i)and 7)	46,403	1	57,669	2
1755	Right-of-use assets (Notes 6(j) and 7)	81,046	2	111,745	4
1780	Intangible assets (Note 6(k))	3,257	-	4,463	-
1840	Deferred tax assets (Note 6(p))	39,948	1	26,022	1
1920	Refundable deposits (Note 7)	77,742	2	88,497	3
1932	Long-term receivables, net (Notes 6(d) and 7)	89,962	3	189,190	7
194D	Long-term finance lease receivable, net (Notes 6(f), (v) and 7)	520	-	1,691	-
	Total non-current assets	626,470	18	776,499	28
	Total assets	**$ 3,484,524**	**100**	**2,800,635**	**100**

See accompanying notes to parent company only financial statements.

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

TATUNG SYSTEM TECHNOLOGIES INC.

Non-Consolidated Balance Sheets (CONT'D)

December 31, 2025 and 2024

(Expressed in Thousands of New Taiwan Dollar)

		December 31, 2025		December 31, 2024	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term loans (Note 6(m))	$ -	-	50,000	2
2130	Contract liabilities, current (Notes 6(s) and 7)	123,505	4	190,057	7
2150	Notes payable	506	-	658	-
2170	Accounts payable (Note 6(l))	1,090,589	31	530,077	19
2180	Accounts payable－related parties (Note 7)	26,217	1	36,933	1
2200	Other payables (Note 7)	289,360	8	215,811	8
2230	Current tax liabilities (Note 6(p))	49,987	2	24,678	1
2250	Provisions, current	9,983	-	3,609	-
2280	Lease liabilities, current (Notes 6(n) and 7)	29,845	1	34,473	1
2300	Other current liabilities	7,067	-	16,327	-
	Total current liabilities	1,627,059	47	1,102,623	39
	Non-Current liabilities:				
2527	Contract liabilities, non-current(Note 6(s))	-	-	27,501	1
2550	Provisions, non-current	77,000	2	-	-
2570	Deferred tax liabilities (Note 6(p))	1,000	-	1,183	-
2580	Lease liabilities, non-current (Notes 6(n) and 7)	54,230	2	81,443	3
2620	Long-term payables－related parties (Note 7)	26,295	1	50,669	2
2640	Net defined benefit liabilities, non-current (Note 6(o))	12,385	-	28,767	1
2645	Guarantee deposits received (Note 7)	680	-	130	-
2650	Credit balance of investments accounted for using the equity method (Note 6(h))	481	-	-	-
	Total non-current liabilities	172,071	5	189,693	7
	Total liabilities	1,799,130	52	1,292,316	46
	Equity attributable to owners of parent (Note 6(q)):				
3110	Common stock	1,000,728	29	885,600	32
3200	Capital surplus	80,788	2	80,788	3
	Retained earnings:				
3310	Legal reserve	340,744	10	320,118	11
3320	Special reserve	3,930	-	3,881	-
3350	Unappropriated earnings	263,259	7	221,862	8
	Total retained earnings	607,933	17	545,861	19
3400	Other equity	(4,055)	-	(3,930)	-
	Total equity	1,685,394	48	1,508,319	54
	Total liabilities and equity	**$ 3,484,524**	**100**	**2,800,635**	**100**

See accompanying notes to parent company only financial statements.

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

TATUNG SYSTEM TECHNOLOGIES INC.

Non-Consolidated Statements of Comprehensive Income

For the years ended December 31, 2025 and 2024

(Expressed in Thousands of New Taiwan Dollar , except for Earnings Per Share)

		2025		2024	
		Amount	%	Amount	%
4000	**Operating revenues (Notes 6(s) and 7)**	$ 4,293,444	100	3,265,495	100
5000	**Operating costs (Notes 6(g) and 7)**	3,357,943	78	2,420,368	74
5950	**Gross profit**	935,501	22	845,127	26
6000	**Operating expenses (Notes 6(d), (o), (t) and 7):**				
6100	Selling expenses	451,872	11	435,377	13
6200	Administrative expenses	160,735	4	154,080	5
6300	Research and development expenses	46,770	1	54,803	2
6450	Expected credit losses	-	-	(530)	-
	Total operating expenses	659,377	16	643,730	20
6900	**Net operating income**	276,124	6	201,397	6
7000	**Non-operating income and expenses (Notes 6(h), (u) and 7):**				
7100	Interest income	10,314	-	7,696	-
7010	Other income	10,456	-	15,093	-
7020	Other gains and losses	(14,861)	-	11,071	-
7050	Finance costs	(2,255)	-	(3,293)	-
7070	Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method	27,379	1	14,206	1
	Total non-operating income and expenses	31,033	1	44,773	1
7900	**Profit before tax**	307,157	7	246,170	7
7950	**Less: Income tax expenses (Note 6(p))**	54,354	1	41,802	1
8200	**Net income**	252,803	6	204,368	6
8300	**Other comprehensive income (loss) :**				
8310	**Items that may not be reclassified subsequently to profit or loss**				
8311	Losses on remeasurements of defined benefit plans	(2,900)	-	2,549	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified	(2,435)	-	(152)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	580	-	(510)	-
	Total items that may not be reclassified subsequently to profit or loss	(4,755)	-	1,887	-
8360	**Items that may be reclassified subsequently to profit or loss**				
8380	Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(125)	-	(48)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Total items that may be reclassified subsequently to profit or loss	(125)	-	(48)	-
8300	**Other comprehensive income (loss)**	(4,880)	-	1,839	-
8500	**Total comprehensive income**	$ **247,923**	**6**	**206,207**	**6**
	Earnings per share (NT dollars) (Note 6(r))				
9750	Basic earnings per share	$ **2.53**		**2.04**	
9850	Diluted earnings per share	$ **2.52**		**2.04**	

See accompanying notes to parent company only financial statements.

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

TATUNG SYSTEM TECHNOLOGIES INC.

Non-Consolidated Statements of Changes in Equity

For the years ended December 31, 2025 and 2024

(Expressed in Thousands of New Taiwan Dollar)

			Retained Earnings				Other Equity	
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total retained earnings	Exchange Differences on Translation of Foreign Operations Financial Statements	Total Equity
Balance on January 1, 2024	$ 885,600	80,788	301,376	3,908	198,158	503,442	(3,882)	1,465,948
Net income for the year ended December 31, 2024	-	-	-	-	204,368	204,368	-	204,368
Other comprehensive income for the year ended December 31, 2024	-	-	-	-	1,887	1,887	(48)	1,839
Total comprehensive income for the year ended December 31, 2024	-	-	-	-	206,255	206,255	(48)	206,207
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	18,742	-	(18,742)	-	-	-
Reversal of special reserve	-	-	-	(27)	27	-	-	-
Cash dividends	-	-	-	-	(163,836)	(163,836)	-	(163,836)
Balance on December 31, 2024	885,600	80,788	320,118	3,881	221,862	545,861	(3,930)	1,508,319
Net income for the year ended December 31, 2025	-	-	-	-	252,803	252,803	-	252,803
Other comprehensive income for the year ended December 31, 2025	-	-	-	-	(4,755)	(4,755)	(125)	(4,880)
Total comprehensive income for the year ended December 31, 2025	-	-	-	-	248,048	248,048	(125)	247,923
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	20,626	-	(20,626)	-	-	-
Special reserve appropriated	-	-	-	49	(49)	-	-	-
Cash dividends	-	-	-	-	(70,848)	(70,848)	-	(70,848)
Stock dividends	115,128	-	-	-	(115,128)	(115,128)	-	-
Balance on December 31, 2025	**$ 1,000,728**	**80,788**	**340,744**	**3,930**	**263,259**	**607,933**	**(4,055)**	**1,685,394**

See accompanying notes to parent company only financial statements.

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

TATUNG SYSTEM TECHNOLOGIES INC.

Statements of Non-Consolidated Cash Flows

For the years ended December 31, 2025 and 2024

(Expressed in Thousands of New Taiwan Dollar)

		2025	2024
Cash flows from (used in) operating activities:			
Profit before tax	$	307,157	246,170
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation expense		68,709	95,563
Amortization expense		4,258	5,579
Expected credit gain		-	(530)
Net loss (gain) on financial assets or liabilities at fair value through profit or loss		12,043	(5,717)
Interest expense		2,255	3,293
Interest income		(10,314)	(7,696)
Dividend income		(3,851)	(1,400)
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method		(27,379)	(14,206)
Gain on disposal of property, plan and equipment		(36)	-
Gain on disposal of other assets		-	(70)
Gain on disposal of investments		-	(657)
Total adjustments to reconcile profit (loss)		45,685	74,159
Changes in operating assets and liabilities:			
Contract assets		(517,538)	44,081
Notes receivable		1,993	6,138
Accounts receivable		(118,386)	32,582
Accounts receivable–related parties		7,704	26,924
Operating lease receivable		1,172	4,680
Finance lease receivable		725	2,713
Other receivables		(130)	140
Inventories		(121,785)	87,195
Prepayments		9,953	1,638
Long-term receivables		99,228	46,769
Long-term finance lease receivable		1,171	2,424
Contract liabilities		(94,053)	37,384
Notes payable		(152)	(2,213)
Accounts payable		560,512	(239,996)
Accounts payable–related parties		(10,716)	(15,586)
Other payables		75,129	25,008
Other current liabilities		(2,886)	(1,502)
Net defined benefit liabilities		(19,282)	(10,200)
Other operating liabilities		52,626	(17,137)
Total adjustments		(29,030)	105,201
Cash inflow generated from operations		278,127	351,371
Income taxes paid		(42,544)	(53,711)
Net cash flows from operating activities		235,583	297,660

See accompanying notes to parent company only financial statements.

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

TATUNG SYSTEM TECHNOLOGIES INC.

Statements of Non-Consolidated Cash Flows (CONT'D)

For the years ended December 31, 2025 and 2024

(Expressed in Thousands of New Taiwan Dollar)

	2025	2024
Cash flows from (used in) investing activities:		
Acquisition of financial assets measured at amortized cost	(293,789)	(30,516)
Disposal of financial assets measured at amortized cost	150,985	52,208
Acquisition of financial assets at fair value through profit or loss	(6,347)	(9,294)
Proceeds from capital reduction of investments of financial assets measured at fair value through profit or loss	368	-
Proceeds from disposal of investments accounted for using equity method	-	6,500
Proceeds from capital reduction of investments accounted for using equity method	-	35,000
Acquisition of property, plant and equipment	(4,905)	(4,044)
Disposal of property, plant and equipment	63	-
Decrease in refundable deposits	10,755	2,280
Acquisition of intangible assets	(3,052)	(4,097)
Interest received	10,009	7,847
Dividends received	18,323	21,098
Net cash flows from (used in) investing activities	(117,590)	76,982
Cash flows from (used in) financing activities:		
Increase in short-term loans	130,000	700,000
Decrease in short-term loans	(180,000)	(730,000)
Decrease in short-term notes and bills payable	-	(49,990)
Increase in guarantee deposits received	550	-
Decrease in guarantee deposits received	-	(50)
Payment of lease liabilities	(34,801)	(62,565)
Cash dividends paid	(70,848)	(163,836)
Interest paid	(2,263)	(3,352)
Net cash flows used in financing activities	(157,362)	(309,793)
Net increase in cash and cash equivalents	(39,369)	64,849
Cash and cash equivalents at beginning of period	643,474	578,625
Cash and cash equivalents at end of period	$ **604,105**	**643,474**

See accompanying notes to parent company only financial statements.

(1) Company history

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

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

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

(2) Approval date and procedures of the financial statements

These financial statements were authorized for issue by the Board of Directors on March 4, 2026.

(3) New standards, amendments and interpretations adopted

(a) The impact of the IFRS Accounting Standards endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2025:

- Amendments to IAS21 "Lack of Exchangeability"

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

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

- IFRS 17 "Insurance Contracts" and amendments to IFRS 17 "Insurance Contracts"
- Amendments to IFRS 9 and IFRS 7 "Amendments to the Classification and Measurement of Financial Instruments"
- Annual Improvements to IFRS Accounting Standards—Volume 11
- Amendments to IFRS 9 and IFRS 7 "Contracts Referencing Nature-dependent Electricity"

(Continued)

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
IFRS 18 "Presentation and Disclosure in Financial Statements"	The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combined with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities. ● A more structured income statement: under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined ' operating profit' subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company' s main business activities. ● Management performance measures (MPMs): the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards. ● Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes.	January 1, 2027 Note: On September 25, 2025, the FSC issued a press release announcing that Taiwan will adopt IFRS 18 beginning in 2028. Entities that need to adopt the new standard earlier may do with the endorsement of the FSC.

TATUNG SYSTEM TECHNOLOGIES INC.
Notes to Non-consolidated Financial Statements

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

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

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"
- IFRS 19 "Subsidiaries without Public Accountability: Disclosures" and amendments to IFRS 19 "Subsidiaries without Public Accountability: Disclosures"
- Amendments to IAS 21 "Translation to a Hyperinflationary Presentation Currency"

(4) Summary of material accounting policies

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

(a) Statement of compliance

These parent company only financial statements of the Company for the year ended December 31, 2025 and 2024 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

(b) 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.

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 (NTD) unless otherwise stated.

(c) Foreign currencies

(i) Foreign currency transactions

The Company' s parent company only financial statements are presented in New Taiwan Dollar, which is also the Company's functional currency.

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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:

1) 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.

2) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.

3) 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.

(ii) 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 New Taiwan Dollar 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 is recognized. The following partial disposals are account for as disposals:

1) When the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and

2) 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.

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

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

(i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;

(ii) It holds the asset primarily for the purpose of trading;

(iii) It expects to realize the asset within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

(i) It expects to settle the liability in its normal operating cycle;

(ii) It holds the liability primarily for the purpose of trading

(iii) The liability is due to be settled within twelve months after the reporting period; or

(iv) It does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

(e) 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.

(f) Financial instruments

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

(Continued)

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

(i) Financial instruments: Recognition and Measurement

The 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:

1) the Company's business model for managing the financial assets and

2) the contractual cash flow characteristics of the financial asset.

<u>Financial assets measured at amortized cost</u>

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

1) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and

2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

1) purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

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

Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. Trade receivables that the Company intends to sell immediately or in the near term are measured at FVTPL; however, they are included in the ‘trade receivables’ line item. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

(ii) Impairment of financial assets

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

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

1) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

2) the time value of money; and

3) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follow:

1) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the 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.

2) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.

3) For accounts receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

4) For operating and financial lease receivables arising from transactions within the scope of IFRS 16, the 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.

(iii) Derecognition of financial assets

A financial asset is derecognized when:

1) The rights to receive cash flows from the asset have expired

2) The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred

3) 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.

(iv) 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.

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.

(Continued)

Derecognition of financial liabilities

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

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

(v) Offsetting of financial instruments

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

(g) 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.

(h) 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.

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 affects 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.

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:

(i) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or

(ii) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

(Continued)

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.

(i) 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.

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

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

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

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

(j) 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:

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

(ii) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the 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, maximizing the use of observable information.

<u>Company as a lessee</u>

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:

(i) fixed payments (including in-substance fixed payments), less any lease incentives receivables;

(ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

(iii) amounts expected to be payable by the lessee under residual value guarantees;

(iv) the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and

(v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

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:

(i) the amount of the initial measurement of the lease liability;

(ii) any lease payments made at or before the commencement date, less any lease incentives received;

(iii) any initial direct costs incurred by the lessee; and

(iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the 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.

(k) 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	1～5 years	5 years
Amortization method used	Amortized on a straight- line basis over the estimated useful life	Amortized on a straight- line basis over the estimated useful life
Internally generated or acquired	Acquired	Acquired

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(l) 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.

(m) 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.

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

(n) 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.

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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 contacts 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.

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 has a right to an amount of consideration that is unconditional, these contacts 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 base on the completion ratio of services. The price of the service contract is usually fixed, and the contract price is collected in accordance with the schedule agreed with the customer. When the service provided by the 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.

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.

(o) Government grants and government assistance

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

(p) Employee benefits

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

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

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

(i) the date of the plan amendment or curtailment, and

(ii) the date that the Company recognizes restructuring-related costs

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

(q) Income taxes

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

Current income tax

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

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

Deferred tax

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

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

(i) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

(ii) In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

(i) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

(ii) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the 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.

(r) Earnings per share

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

(s) Operating segments

Please refer to the consolidated financial report of TATUNG SYSTEM TECHNOLOGIES INC. for the years ended December 31, 2025 for operating segments information.

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

In preparing these parent company only financial statements, management has made judgments and estimates about the future, including climate-related risks and opportunities, that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

(a) Measurement of defined benefit obligations

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

TATUNG SYSTEM TECHNOLOGIES INC.
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(b) Recognition of deferred tax assets

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

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

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

(a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.

(b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).

(c) Level 3: inputs for the assets or liability that are not based on observable market data.

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

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2025	December 31, 2024
Cash on hand and revolving funds	$ 345	295
Bank drafts	224,506	593,179
Time deposits	110,000	50,000
Cash equivalents	269,254	-
Total	**$ 604,105**	**643,474**

(i) The aforesaid cash and cash equivalents were not pledged as collateral.

(ii) For time deposits in pledge and non-restricted cash in banks (more than three months) reclassified to financial assets measured at amortized cost, please refer to Note 6(c) and 8.

(iii) For interest rate risk and sensitivity analysis of the Company's financial assets and liabilities, please refer to Note 6(v).

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

		December 31, 2025	December 31, 2024
Financial assets designated at fair value through profit or loss:			
Publicly listed stocks	$	22,060	35,254
Non publicly listed stocks		35,786	28,656
Total	$	**57,846**	**63,910**

(i) None of the aforementioned financial assets at FVTPL were pledged as collateral.

(ii) For credit risk and market risk, please refer to Note 6(v).

(c) Financial assets measured at amortized cost

		December 31, 2025	December 31, 2024
Time deposit - General	$	173,490	26,448
Time deposit - Restricted (Performance Guarantee)		44,227	48,465
Less: Loss allowance		-	-
Total	$	**217,717**	**74,913**
Current	$	191,606	34,408
Non-current		26,111	40,505
Total	$	**217,717**	**74,913**

(i) For those pledged as collateral for guarantee, please refer to Note 8.

(ii) As of December 31, 2025 and 2024 , the interest rate ranges for the aforementioned financial assets were all from 0.72% to 1.70%.

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

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

		December 31, 2025	December 31, 2024
Notes receivable arose from operation	$	2,559	4,552
Less: Loss allowance		-	-
Subtotal		2,559	4,552

TATUNG SYSTEM TECHNOLOGIES INC.
Notes to Non-consolidated Financial Statements

		December 31, 2025	December 31, 2024
Accounts receivable		547,432	430,163
Installment accounts receivable		143,892	196,462
Less: Unrealized interest income-installment accounts receivable		(416)	(869)
Subtotal		690,908	625,756
Less: Loss allowance		(767)	(767)
Subtotal		690,141	624,989
Accounts receivable-related parties	$	8,350	17,837
Installment accounts receivable-related parties		73,518	118,730
Less: Unrealized interest income-installment accounts receivable-related parties		(560)	(1,562)
Subtotal		81,308	135,005
Less: Loss allowance		-	-
Subtotal		81,308	135,005
Total	$	**774,008**	**764,546**
Current	$	684,046	575,356
Non-current		89,962	189,190
Total	$	**774,008**	**764,546**

(i) Credit loss

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes receivable and accounts receivable have been grouped based on shared credit risk characteristics that represent the ability of customers to pay all amounts due under the terms of the contract, as well as the geographic location of the sales, and incorporated forward-looking information, including macroeconomic and relevant industry information. The loss allowance provision were determined as follows:

December 31, 2025

		Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$	733,765	0%~0.06%	428
0 to 180 days past due		40,913	0%~0.69%	282
181 to 365 days past due		49	0%~18.37%	9
More than 366 days past due		48	100%	48
Total	$	**774,775**		**767**

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TATUNG SYSTEM TECHNOLOGIES INC.
Notes to Non-consolidated Financial Statements

December 31, 2024

	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 751,783	0%~0.06%	441
0 to 180 days past due	13,354	0%~2.21%	295
181 to 365 days past due	176	0%~17.61%	31
More than 366 days past due	-	100%	-
Total	**$ 765,313**		**767**

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

	For the years ended December 31	
	2025	**2024**
Balance at January 1	$ 767	1,434
Impairment losses reversed	-	(530)
Amounts written off	-	(137)
Balance at December 31	**$ 767**	**767**

The expected recovery of installment accounts receivable is as follows:

	December 31, 2025	December 31, 2024
Less than one year	$ 126,472	123,571
One to two year	65,418	107,357
More than two year	24,544	81,833
Total	**$ 216,434**	**312,761**

(ii) The aforesaid notes, accounts and long-term receivables were not pledged as collateral.

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

(e) Operating lease receivable

	December 31, 2025	December 31, 2024
Operating lease receivable	$ 1,910	3,082
Less: Loss allowance	-	-
Total	**$ 1,910**	**3,082**

TATUNG SYSTEM TECHNOLOGIES INC.
Notes to Non-consolidated Financial Statements

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

	December 31, 2025	December 31, 2024
Less than one year	$ 7,546	6,072
One to two years	4,720	5,287
Two to three years	2,140	2,461
Three to four years	418	599
Four to five years	57	75
More than five years	-	-
Present value of lease payments receivable	**$ 14,881**	**14,494**

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

(f) Finance lease receivable (including related parties)

	December 31, 2025	December 31, 2024
Finance lease receivable	$ 586	1,715
Less: Unearned finance income on finance lease	(2)	(15)
Subtotal (total carrying amount)	584	1,700
Less: Loss allowance	-	-
Subtotal	584	1,700
Finance lease receivable-related parties	$ 1,300	2,080
Less: Unearned finance income on finance lease-related parties	-	-
Subtotal (total carrying amount)	1,300	2,080
Less: Loss allowance	-	-
Subtotal	1,300	2,080
Total	**$ 1,884**	**3,780**
Current	$ 1,364	2,089
Non-current	520	1,691
Total	**$ 1,884**	**3,780**

TATUNG SYSTEM TECHNOLOGIES INC.
Notes to Non-consolidated Financial Statements

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

	December 31, 2025	December 31, 2024
Less than one year	$ 1,366	2,104
One to two years	520	1,171
Two to three years	-	520
Four to five years	-	-
More than five years	-	-
Total lease payments receivable	1,886	3,795
Less: Unearned finance income on finance lease	(2)	(15)
Less: Loss allowance	-	-
Present value of lease payments receivable	**$ 1,884**	**3,780**

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

(g) Inventories

The details of inventories are as follows:

	December 31, 2025	December 31, 2024
Merchandise	**$ 660,017**	**558,710**

(i) The Company's inventory costs recognized as operating costs and expenses for the years ended December 31, 2025 and 2024, were $3,357,943 thousand and $2,420,368 thousand, respectively.

(ii) No losses on decline in value of inventories were recognized due to the write-down of inventories to net realizable value, nor were gain on the reversal of the write-down of inventories recognized due to increased net realizable value or sale of inventories in 2025 and 2024.

(iii) As of December 31, 2025 and 2024, the inventories of the Company were not pledged as collateral .

TATUNG SYSTEM TECHNOLOGIES INC.
Notes to Non-consolidated Financial Statements

(h) Investments accounted for using equity method

The details of investments accounted for using equity method are as follows:

		December 31, 2025	December 31, 2024
Investments in subsidiaries	$	203,154	192,807
Transfer to credit balance of investments accounted for using equity method		481	-
Total	$	203,635	192,807

(i) Investments in subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2025.

(ii) Associates

The Group's financial information for investments accounted for using the equity method that are individually insignificant was as follows:

	December 31, 2025		December 31, 2024	
Name of investee	Amount	Percentage of ownership	Amount	Percentage of ownership
Investments in associates				
I-Torch Technology Corp	$ -	- %	-	- %

	For the years ended December 31	
	2025	2024
Attributable to the Company		
Profit from continuing operations	$ -	441
Other comprehensive income	-	-
Comprehensive income	$ -	441

(iii) On August 26, 2024, the Company disposed its 20% shares in I-Torch Technology Corp., resulting in its loss of significant influence over the company for a disposal price of $6,500 thousand. The gain on disposal of $657 thousand has been included in the Non-Consolidated statement of Comprehensive Income under the caption of "other gains and losses", for details of the related income or loss, please refer to Note 6(u).

(iv) As of December 31, 2025 and 2024, the investments accounted for using equity method of the Company were not pledged as collateral.

TATUNG SYSTEM TECHNOLOGIES INC.
Notes to Non-consolidated Financial Statements

(i) Property, plant and equipment

		December 31, 2025	December 31, 2024
Owner occupied property, plant and equipment	$	17,178	23,460
Property, plant and equipment leased out under operating leases		29,225	34,209
Total	$	**46,403**	**57,669**

(i) The cost, depreciation, and impairment of the property, plant and equipment for the Company for the years ended December 31, 2025 and 2024 were as follows:

		Office equipment	Leasehold improvements	Total
Cost or deemed cost:				
Balance on January 1, 2025	$	64,469	22,448	86,917
Additions		3,333	-	3,333
Disposal		(2,318)	(25)	(2,343)
Other changes		(44)	-	(44)
Balance on December 31, 2025	$	**65,440**	**22,423**	**87,863**
Balance on January 1, 2024	$	64,040	23,148	87,188
Additions		5,276	-	5,276
Disposal		(4,847)	(700)	(5,547)
Balance on December 31, 2024	$	**64,469**	**22,448**	**86,917**
Depreciation and impairment losses:				
Balance on January 1, 2025	$	52,617	10,840	63,457
Depreciation		5,966	3,586	9,552
Disposal		(2,291)	(25)	(2,316)
Other changes		(8)	-	(8)
Balance on December 31, 2025	$	**56,284**	**14,401**	**70,685**
Balance on January 1, 2024	$	51,780	7,336	59,116
Depreciation		5,684	4,204	9,888
Disposal		(4,847)	(700)	(5,547)
Balance on December 31, 2024	$	**52,617**	**10,840**	**63,457**
Carrying amounts:				
Balance on December 31, 2025	$	**9,156**	**8,022**	**17,178**
Balance on January 1, 2024	$	**12,260**	**15,812**	**28,072**
Balance on December 31, 2024	$	**11,852**	**11,608**	**23,460**

TATUNG SYSTEM TECHNOLOGIES INC.
Notes to Non-consolidated Financial Statements

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

	Office equipment
Cost or deemed cost:	
Balance on January 1, 2025	$ 86,449
Other changes	20,514
Balance on December 31, 2025	**$ 106,963**
Balance on January 1, 2024	$ 102,074
Disposal	(29,639)
Other changes	14,014
Balance on December 31, 2024	**$ 86,449**
Depreciation and impairment losses:	
Balance on January 1, 2025	$ 52,240
Depreciation	25,498
Balance on December 31, 2025	**$ 77,738**
Balance on January 1, 2024	$ 57,039
Depreciation	24,840
Disposal	(29,639)
Balance on December 31, 2024	**$ 52,240**
Carrying amounts:	
Balance on December 31, 2025	**$ 29,225**
Balance on January 1, 2024	**$ 45,035**
Balance on December 31, 2024	**$ 34,209**

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

(j) Right-of-use assets

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

	Building	Transportation equipment	Office equipment	Other equipment	Total
Cost:					
Balance on January 1, 2025	$ 130,385	10,697	2,412	43,180	186,674
Additions	353	2,607	-	-	2,960
Write-off	(1,741)	(1,920)	(122)	(37,355)	(41,138)
Balance on December 31, 2025	**$ 128,997**	**11,384**	**2,290**	**5,825**	**148,496**

(Continued)

TATUNG SYSTEM TECHNOLOGIES INC.
Notes to Non-consolidated Financial Statements

	Building	Transportation equipment	Office equipment	Other equipment	Total
Balance on January 1, 2024	$ 26,568	10,583	1,281	158,864	197,296
Additions	115,165	3,955	2,062	-	121,182
Write-off	(11,348)	(3,841)	(931)	(115,684)	(131,804)
Balance on December 31, 2024	**$ 130,385**	**10,697**	**2,412**	**43,180**	**186,674**
Accumulated depreciation and impairment losses:					
Balance on January 1, 2025	$ 31,303	5,172	276	38,178	74,929
Depreciation	25,452	2,804	462	4,941	33,659
Write-off	(1,741)	(1,920)	(122)	(37,355)	(41,138)
Balance on December 31, 2025	**$ 55,014**	**6,056**	**616**	**5,764**	**67,450**
Balance on January 1, 2024	$ 11,366	6,344	994	123,838	142,542
Depreciation	27,929	2,669	213	30,024	60,835
Write-off	(7,992)	(3,841)	(931)	(115,684)	(128,448)
Balance on December 31, 2024	**$ 31,303**	**5,172**	**276**	**38,178**	**74,929**
Carrying amount:					
Balance on December 31, 2025	**$ 73,983**	**5,328**	**1,674**	**61**	**81,046**
Balance on December 31, 2024	**$ 99,082**	**5,525**	**2,136**	**5,002**	**111,745**
Balance on January 1, 2024	**$ 15,202**	**4,239**	**287**	**35,026**	**54,754**

As of December 31, 2025 and 2024, the right-of-use assets for the Company were not pledged as collateral.

(k) Intangible assets

The costs, amortization, and impairment loss of the Company's intangible assets for the years ended December 31, 2025 and 2024 were as follows:

	Computer software	Copyright	Total
Cost or deemed cost:			
Balance on January 1, 2025	$ 5,537	5,000	10,537
Additions-acquired separately	3,052	-	3,052
Disposal	(3,723)	(2,000)	(5,723)
Balance on December 31, 2025	**$ 4,866**	**3,000**	**7,866**
Balance on January 1, 2024	$ 6,428	5,000	11,428
Additions-acquired separately	4,097	-	4,097
Disposal	(4,988)	-	(4,988)
Balance on December 31, 2024	**$ 5,537**	**5,000**	**10,537**

TATUNG SYSTEM TECHNOLOGIES INC.
Notes to Non-consolidated Financial Statements

	Computer software	Copyright	Total
Amortization and impairment losses:			
Balance on January 1, 2025	$ 2,574	3,500	6,074
Amortization	3,358	900	4,258
Disposal	(3,723)	(2,000)	(5,723)
Balance on December 31, 2025	**$ 2,209**	**2,400**	**4,609**
Balance on January 1, 2024	$ 2,983	2,500	5,483
Amortization	4,579	1,000	5,579
Disposal	(4,988)	-	(4,988)
Balance on December 31, 2024	**$ 2,574**	**3,500**	**6,074**
Carrying amounts:			
Balance on December 31, 2025	**$ 2,657**	**600**	**3,257**
Balance on January 1, 2024	**$ 3,445**	**2,500**	**5,945**
Balance on December 31, 2024	**$ 2,963**	**1,500**	**4,463**

(i) Amortization expense

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

	For the years ended December 31	
	2025	2024
Operating expenses	**$ 4,258**	**5,579**

(ii) Collateral

As of December 31, 2025 and 2024, the intangible assets of the Company were not pledged as collateral.

(l) Accounts Payable

Accounts payable were summarized as follows:

	December 31, 2025	December 31, 2024
Accounts payable to suppliers	**$ 1,090,589**	**530,077**

(m) Short-term loans

	December 31, 2025	December 31, 2024
Unsecured bank loans	**$ -**	**50,000**
Unused short-term credit lines	**$ 825,261**	**487,180**
Range of interest rates		**1.95%**

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

(n) Lease liabilities

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

	December 31, 2025	December 31, 2024
Current	$ 29,845	34,473
Non-current	54,230	81,443
Total	**$ 84,075**	**115,916**

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

The amounts recognized in profit or loss were as follows:

	For the years ended December 31	
	2025	2024
Interests on lease liabilities	**$ 1,667**	**2,069**
Income from sub-leasing right-of-use assets	**$ 1,988**	**18,908**
Expenses relating to short-term leases	**$ 353**	**302**

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

	For the years ended December 31	
	2025	2024
Total cash outflow for leases	**$ 36,821**	**64,936**

(i) Real estate leases.

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

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.

(ii) Other leases

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

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.

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

(o) Employee benefits

(i) Defined benefit plans

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

	December 31, 2025	December 31, 2024
Present value of the defined benefit obligations	$ 82,201	79,090
Fair value of plan assets	(69,816)	(50,323)
Net defined benefit liability(asset)	**$ 12,385**	**28,767**

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

1) Composition of plan assets

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

The Company' s Bank of Taiwan labor pension reserve account balance amounted to $69,816 thousand as of December 31, 2025. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

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2) Movements in present value of the defined benefit obligations

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

	For the years ended December 31	
	2025	**2024**
Defined benefit obligations at January 1	$ 79,090	81,429
Current service costs and interest	1,242	1,111
Remeasurements loss (gain)		
－Actuarial gain arising from financial assumptions	428	(499)
－Experience adjustment	6,005	1,896
Benefit paid	(4,564)	(4,847)
Company paid	-	-
Defined benefit obligations at December 31	**$ 82,201**	**79,090**

3) Movements of defined benefit plan assets

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

	For the years ended December 31	
	2025	**2024**
Fair value of plan assets at January 1	$ (50,323)	(39,913)
Interest income	(704)	(479)
Contributions paid by the employer	(19,820)	(10,832)
Benefits paid	4,564	4,847
Remeasurement of the net defined benefit liability (asset)	(3,533)	(3,946)
Fair value of plan assets at December 31	**$ (69,816)**	**(50,323)**

4) Expenses recognized in profit or loss

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

	For the years ended December 31	
	2025	**2024**
Current service costs	$ 135	134
Net interest of net liabilities for defined benefit obligations	403	498
Past service cost and settlement	-	-
	$ 538	**632**

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5) Actuarial assumptions

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

	2025	2024
Discount rate	1.13%	1.40%
Future salary increase rate	1.00%	1.00%

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date for 2025 is $545 thousand.

The weighted-average lifetime of the defined benefits plans is 2 years.

6) Sensitivity analysis

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

	Impact on the defined benefit obligations	
	Increased 0.50%	Decreased 0.50%
December 31, 2025		
Discount rate(changes in 0.5%)	$ (599)	953
Future salary increasing rate(change in 0.5%)	941	(603)
December 31, 2024		
Discount rate(changes in 0.5%)	$ (1,173)	1,283
Future salary increasing rate(change in 0.5%)	1,282	(1,183)

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

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2025 and 2024.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

The cost of the pension contributions to the Labor Insurance Bureau for the years ended December 31, 2025 and 2024 amounted to $19,205 thousand and $19,359 thousand, respectively.

(Continued)

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(p) Income taxes

(i) Income tax expenses

The components of income tax in the years 2025 and 2024 were as follows:

	For the years ended December 31	
	2025	2024
Current tax expenses		
Current period	$ 70,611	42,592
Adjustment for prior periods	(2,728)	(2,722)
	67,883	39,870
Deferred tax expenses		
Origination and reversal of temporary differences	(13,529)	1,932
Income tax expense	$ 54,354	41,802

The amount of income tax recognized in other comprehensive income for the years ended December 31, 2025 and 2024, were as follows:

	For the years ended December 31	
	2025	2024
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit plans	$ (580)	510

Reconciliation of income tax and profit before tax for 2025 and 2024 is as follows

	For the years ended December 31	
	2025	2024
Profit excluding income tax	$ 307,157	246,170
Income tax using the Company's domestic tax rate	61,431	49,234
Adjustments for change in value of financial assets	2,409	(1,143)
Adjustments for prior periods	(2,728)	(2,722)
Others	(6,758)	(3,567)
Income tax expenses	$ 54,354	41,802

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(ii) Deferred tax assets and liabilities

1) Recognized deferred tax assets and liabilities

Change in the amount of deferred tax assets and liabilities for 2025 and 2024 were as follows:

Deferred Tax Assets:

	Investments accounted for using equity method	Inventory valuation and obsolescence loss	Defined benefit plans	Warranty Provision	Others	Total
January 1, 2025	$ 14,073	4,040	5,753	722	1,434	26,022
Recognized in profit or loss	512	-	(3,857)	16,675	16	13,346
Recognized in other comprehensive income	-	-	580	-	-	580
December 31, 2025	**$ 14,585**	**4,040**	**2,476**	**17,397**	**1,450**	**39,948**
January 1, 2024	$ 13,460	4,040	8,303	123	1,469	27,395
Recognized in profit or loss	613	-	(2,040)	599	(35)	(863)
Recognized in other comprehensive income	-	-	(510)	-	-	(510)
December 31, 2024	**$ 14,073**	**4,040**	**5,753**	**722**	**1,434**	**26,022**

Deferred Tax Liabilities:

	Exchange gains
January 1, 2025	$ 1,183
Recognized in profit or loss	(183)
Recognized in other comprehensive income	-
December 31, 2025	**$ 1,000**
January 1, 2024	$ 114
Recognized in profit or loss	1,069
Recognized in other comprehensive income	-
December 31, 2024	**$ 1,183**

(iii) Assessment of tax

The Company's tax returns for the year through 2023 were assessed by the Taipei National Tax Administration.

(Continued)

(q) Capital and other equity

(i) Common stock

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

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

(ii) Capital surplus

The components of capital surplus were as follows:

		December 31, 2025	December 31, 2024
Common stock premium	$	75,600	75,600
Employee share options		4,492	4,492
Gain from exercising the right of disgorgement		696	696
Total	**$**	**80,788**	**80,788**

According to the Company Act, the capital surplus shall not be used except to offset deficit. 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.

(iii) Retained earnings

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

(Continued)

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

1) Legal reserve

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

2) Special reserve

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

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

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

3) Earning distribution

Earning distribution for 2024 and 2023 was decided by the resolution adopted, at the general meeting of shareholders held on June 16, 2025 and May 28, 2024, respectively. The relevant dividend distributions to shareholders were as follows:

	For the years ended December 31			
	2024		2023	
	Amount per share	**Total amount**	**Amount per share**	**Total amount**
Dividends distributed to shareholders:				
Cash	$ 0.8	70,848	1.85	163,836
Share	1.3	115,128	-	-
Total		$ **185,976**		**163,836**

(Continued)

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On March 4, 2026, the Company's Board of Directors resolved to appropriate the 2025 earnings. These earnings were appropriated as follows:

	For the year ended December 31, 2025	
	Amount per share	Total amount
Dividends distributed to shareholders:		
Cash	$ 2.10	210,153

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

	Exchange differences on translation of foreign operations financial statements
Balance at January 1, 2025	$ (3,930)
Exchange differences on foreign operations	(125)
Balance at December 31, 2025	$ (4,055)
Balance at January 1, 2024	$ (3,882)
Exchange differences on foreign operations	(48)
Balance at December 31, 2024	$ (3,930)

(r) Earnings per share

	For the years ended December 31	
	2025	2024
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	$ 252,803	204,368
Weighted average number of ordinary shares outstanding	100,073	100,073
Basic earnings per share (dollar)	$ 2.53	2.04
Diluted earnings per share		
Profit attributable to ordinary shareholders of the Company	$ 252,803	204,368
Weighted average number of ordinary shares outstanding	100,073	100,073
Effect of potentially dilutive ordinary shares		
Effect of employee shares bonus	409	293
Weighted average number of ordinary shares outstanding (after adjusting the effect of potentially dilutive ordinary shares)	100,482	100,366
Diluted earnings per share (dollar)	$ 2.52	2.04

Note: For the year ended December 31, 2025, the Company increased its capital from retained earnings by issuing 11,513 thousand shares, resulting in the number of shares outstanding to be 100,073 thousand shares after having been retrospectively adjusted for the year ended December 31, 2024.

(Continued)

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(s) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the years ended December 31 2025	2024
Sale of goods	$ 3,307,302	2,437,854
Rendering of services	929,213	742,937
Leasing revenue	56,929	84,704
Total	**$ 4,293,444**	**3,265,495**
Timing of revenue recognition:		
At a point in time	$ 3,307,302	2,437,854
Over time	986,142	827,641
Total	**$ 4,293,444**	**3,265,495**

(ii) Contract balances

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

	December 31, 2025	December 31, 2024	January 1, 2024
Sales of goods	$ 686,566	169,181	218,265
Rendering of services	19,303	19,150	14,147
Total	**$ 705,869**	**188,331**	**232,412**
Current	$ 705,869	188,331	202,382
Non-current	-	-	30,030
Total	**$ 705,869**	**188,331**	**232,412**

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

The significant changes in the Company's balances of contract assets for the years ended December 31, 2025 and 2024, are as follows:

	For the years ended December 31 2025	2024
The opening balance transferred to accounts receivable	$ (172,645)	(216,566)
Change in the measure of progress	690,183	172,485
Net movements for the period	**$ 517,538**	**(44,081)**

(Continued)

2) Contract liabilities

	December 31, 2025	December 31, 2024	January 1, 2024
Sale of goods	$ 67,076	105,558	104,029
Rendering of services	56,429	112,000	76,145
Total	**$ 123,505**	**217,558**	**180,174**
Current	$ 123,505	190,057	143,495
Non-current	-	27,501	36,679
Total	**$ 123,505**	**217,558**	**180,174**

The significant changes in the Company's balances of contract liabilities for the years ended December 31, 2025 and 2024, are as follows:

	For the years ended December 31	
	2025	2024
The opening balance transferred to revenue	$ (173,170)	(133,352)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue in the period)	79,117	170,736
Net movements for the period	**$ (94,053)**	**37,384**

(t) Employees' compensation and directors' remuneration

On June 16, 2025, the Company resolved at its shareholders' meeting to amend its Articles of Incorporation. Pursuant to the amendment, the Company's Articles of Incorporation stipulate that if there is a profit for the year, the Company should set aside 5% to 15% of its net income before tax , prior to deducting employee compensation and director's remuneration, as employee compensation, with at least 20% allocated to those entry-level employees, and not more than 5% allocated to directors. However, if the Company has an accumulated deficit (including the amount of adjustment to undistributed earnings), the Company should retain the amount in advance to cover the deficit. The employee compensation should be paid out by shares or cash and should be resolved by the Board of Directors with at least two-thirds of the directors present and with the approval of a majority of the directors present, and should be reported to the shareholders' meeting. The recipients of shares or cash may include the employees of the Company's affiliated companies who meet certain conditions. Prior to the amendment, the Company's Articles of Incorporation stipulate that, if there is a profit for the year, the Company should set aside 5% to 15% of its net income before tax , prior to deducting employee compensation and director's remuneration, and not more than 5% of the directors' remuneration, provided that, if the Company has an accumulated deficit (including the amount of adjustment to undistributed earnings), the Company should retain the amount in advance to cover the deficit. The employee compensation should be paid out by shares or cash and should be resolved by the Board of Directors with at least two-thirds of the directors present and with the approval of a majority of the directors present, and should be reported to the shareholders' meeting. The recipients of shares or cash may include the employees of the Company's affiliated companies who meet certain conditions.

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For the years ended December 31, 2025 and 2024, the amount of employees' compensation provided by the Company was $25,000 thousand (including a minimum amount of $5,000 thousand to those entry-level employees) and $20,000 thousand respectively, and the amount of directors' remuneration was $6,891 thousand and $5,570 thousand respectively. The amounts were estimated on the distribution percentages of employees' compensation and directors' remuneration as stipulated in the Company's Articles of Incorporation, and were reported as operating expenses. If there is a difference between the actual distribution amount and the estimated amount in the next year, it will be treated based on the change in accounting estimates, and be recognized as the profit/loss of the next year. If the Board of Directors decides to use stock to pay employees' compensation, the number of shares will be calculated based on the closing price of ordinary shares on the day before the Board of Directors' resolution. The information is available on the Market Observation Post System website.

There was no difference between the amounts approved in the Board of Director's meeting and the amounts estimated in the 2025 and 2024 parent-company-only financial statements.

(u) Non-operating income and expenses

(i) Interest income

	For the years ended December 31	
	2025	**2024**
Interest income from bank deposits	$ 6,780	3,740
Interest income from financial assets measured at amortized cost	1,834	894
Others	1,700	3,062
Total interest income	**$ 10,314**	**7,696**

(ii) Other income

	For the years ended December 31	
	2025	**2024**
Government grant income	$ 3,550	9,028
Dividend income	3,851	1,400
Others	3,055	4,665
Total other income	**$ 10,456**	**15,093**

(iii) Other gains and losses

	For the years ended December 31	
	2025	**2024**
Gains on disposal of property, plant and equipment	$ 36	-
Gains on disposals of investments	-	657
Foreign exchange (losses) gains	(2,854)	4,676
Losses (gains) on financial assets at fair value through profit or loss	(12,043)	5,717
Others	-	21
Net value on other gains and losses	**$ (14,861)**	**11,071**

(Continued)

TATUNG SYSTEM TECHNOLOGIES INC.
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(iv) Finance costs

	For the years ended December 31	
	2025	2024
Interest expense	$ 311	1,085
Interest expense of lease liabilities	1,667	2,069
Others	277	139
Total finance costs	$ 2,255	3,293

(v) Financial instruments

(i) Credit risk

1) Credit risk exposure

As of December 31, 2025 and 2024, the Company's exposure to credit risk and the maximum exposure were mainly from the carrying amount of financial assets and contract assets recognized in the balance sheet.

2) Concentration of credit risk

As of December 31, 2025 and 2024, contract assets and accounts receivable from top ten customers represent 59% and 44% of the total contract assets and accounts receivable of the Company, respectively. The concentration of credit risk of the remaining contract assets and accounts receivables is relatively insignificant.

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

3) Receivables and debt securities

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

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

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

	December 31, 2025	December 31, 2024	January 1, 2024
Total carrying amount (including current and non-current)	$ 705,869	188,331	232,412
Expected credit loss rates	0 %	0 %	0 %
Loss allowance	-	-	-
Total	$ 705,869	188,331	232,412

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

	December 31, 2025	December 31, 2024	January 1, 2024
Operating lease receivable	$ 1,910	3,082	7,762
Finance lease receivable	1,884	3,780	8,917
Total carrying amount (including current and non-current)	3,794	6,862	16,679
Expected credit loss rate	0 %	0 %	0 %
Loss allowance	-	-	-
Total	$ 3,794	6,862	16,679

The movement in the provision for impairment of contract assets, lease receivables, and other receivables during the years ended December 31, 2025 and 2024 is as follows:

	Contract assets	Lease receivables	Other receivables
Balance at December 31, 2025 (as beginning balane)	$ -	-	-
Balance at December 31, 2024 (as beginning balane)	$ -	-	-

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flow	Within 1 year	2-3 years	4-5 years	Over 5 years
December 31, 2025						
Non-derivative financial liabilities						
Accounts Payable (including related parties)	$ 1,432,967	1,432,967	1,406,672	26,295	-	-
Guarantee deposits received	680	680	-	680	-	-
Lease liabilities	84,075	86,382	31,026	54,511	845	-
	$ **1,517,722**	**1,520,029**	**1,437,698**	**81,486**	**845**	**-**
December 31, 2024						
Non-derivative financial liabilities						
Short-term loans	$ 50,000	50,083	50,083	-	-	-
Accounts Payable (including related parties)	834,148	834,148	783,479	50,669	-	-
Guarantee deposits received	130	130	-	130	-	-
Lease liabilities	115,916	119,772	36,016	58,340	25,416	-
	$ **1,000,194**	**1,004,133**	**869,578**	**109,139**	**25,416**	**-**

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

(iii) Market risk

1) Currency risk

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

Unit: thousands (foreign currency)

	December 31, 2025		
	Foreign currency	**Exchange rate**	**TWD**
Financial assets			
Monetary items			
USD	$ 945	31.430	29,701
CNY	5,059	4.472	22,624
Financial liabilities			
Monetary items			
USD	63	31.430	1,980

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	December 31, 2024		
	Foreign currency	Exchange rate	TWD
Financial assets			
Monetary items			
USD	$ 669	32.785	21,933
CNY	8,095	4.561	36,921
Financial liabilities			
Monetary items			
USD	302	32.785	9,901

2) Sensitivity analysis

The Company' s exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, contract assets, deposits, accounts and other payables that are denominated in foreign currency. As of December 31, 2025 and 2024, a strengthening (weakening) of 1% of the exchange rate of the functional currency of the Company and the Company against the main foreign currencies would increase (decrease) profit before tax by $503 thousand and $490 thousand, respectively. The analysis of the two periods was conducted using the same basis, assuming all other variables held constant.

3) Foreign exchange gains or losses on monetary items

Since the Company has many kinds of functional currencies, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2025 and 2024, net foreign exchange gain (loss) amounted to $(2,854) thousand, and $4,676 thousand, respectively.

4) Interest rate analysis

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

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

If the interest rate had increased/decreased by 10 basis points, the Company's net income would have increased/decreased by $0 thousand and $50 thousand for the years ended December 31, 2025 and 2024, respectively, with all other variable factors remaining constant. This is mainly due to the Company's borrowing at variable rates.

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5) Other market price risk

For the years ended December 31, 2025 and 2024, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for profit or loss as illustrated below:

	For the years ended December 31	
	2025	2024
Prices of securities at the reporting date	Net income	Net income
Increasing 1%	$ 578	639
Decreasing 1%	$ (578)	(639)

(iv) Fair value of financial instruments

1) Fair value hierarchy

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

	December 31, 2025				
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss, non-current					
Publicly listed stocks	$ 22,060	22,060	-	-	22,060
Non-publicly listed stocks	35,786	-	-	35,786	35,786
Total	$ 57,846	22,060	-	35,786	57,846

	December 31, 2024				
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss, non-current					
Publicly listed stocks	$ 35,254	35,254	-	-	35,254
Non-publicly listed stocks	28,656	-	-	28,656	28,656
Total	$ 63,910	35,254	-	28,656	63,910

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

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

a) Financial assets and financial liabilities measured at amortized cost

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

3) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

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

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

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

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

4) Transfers between Level 1 and Level 2

The valuation techniques of the Company remained unchanged. No transfers were made between the fair value levels in the hierarchy for the years ended December 31, 2025 and 2024.

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

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

TATUNG SYSTEM TECHNOLOGIES INC.
Notes to Non-consolidated Financial Statements

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

Quantified information of significant unobservable inputs was as follows:

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

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

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

	Inputs	Upward or downward Movements	Current profit (loss) arising from changes in fair value		Other comprehensive income arising from changes in fair value	
			Favorable	Unfavorable	Favorable	Unfavorable
December 31, 2025						
Financial assets at fair value through profit or loss						
Equity investments without an active market—market approach	Market liquidity discount	1%	447	(447)	-	-
December 31, 2024						
Financial assets at fair value through profit or loss						
Equity investments without an active market—market approach	Market liquidity discount	1%	358	(358)	-	-

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

(w) Financial risk management

(i) Overview

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

1) credit risk

2) liquidity risk

3) market risk

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

(ii) Structure of risk management

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

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

(iii) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The 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 and insurance.

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

The 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.

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

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

(v) Market risk

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

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

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.

(x) Capital management

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

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

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2025	Cash flows	Others	December 31, 2025
Short-term loans	$ 50,000	(50,000)	-	-
Lease liabilities	115,916	(34,801)	2,960	84,075
Guarantee deposits received	130	550	-	680
Total liabilities from financing activities	**$ 166,046**	**(84,251)**	**2,960**	**84,755**

	January 1, 2024	Cash flows	Others	December 31, 2024
Short-term loans	$ 80,000	(30,000)	-	50,000
Short-term notes and bills payables	49,990	(49,990)	-	-
Lease liabilities	60,725	(62,565)	117,756	115,916
Guarantee deposits received	180	(50)	-	130
Total liabilities from financing activities	**$ 190,895**	**(142,605)**	**117,756**	**166,046**

TATUNG SYSTEM TECHNOLOGIES INC.
Notes to Non-consolidated Financial Statements

(7) Related-party transactions

(a) Parent company and ultimate controlling party

Tatung Co. is both the parent company and the ultimate controlling party of the Company. It owns 43.34% percent of all shares outstanding of the Company, and has issued the Consolidated Financial Statements available for Public Use.

(b) Names and relationship with related parties

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

Name of related party	Relationship with the Company
Tatung Co.	Parent company
Chyun Huei Commercial Technologies Inc.	Subsidiaries
TISNet Technology Inc.	Subsidiaries
TSTI Technologies (Shanghai) Co., Ltd.	Subsidiaries
I-Torch Technology Corp.（Note 1）	Associates
Tatung Asset Development Co.（Note 2）	Other related party
Tatung SM-Cycle Co., Ltd.	Other related party
Tatung Consumer Products (Taiwan) Co., Ltd.	Other related party
Tatung Medical & Healthcare Technologies Co., Ltd.	Other related party
Forward Electronics Co., Ltd.	Other related party
Elitegroup Computer System Co., Ltd.	Other related party
Tatung Forever Energy Co., Ltd.	Other related party
The Employee Welfare Committee of Tatung System Technologies Inc.	Other related party
The Joint Welfare Committee of Tatung	Other related party
Cinzhi Power Co., Ltd.	Other related party
Tatung (Thailand) Co., Ltd.	Other related party
Gintung Energy Co., Ltd.	Other related party
Chyun Yao Digitalization Technology Inc.	Other related party
Kuo-Kuang Motor Transportation Co., Ltd.	Other related party

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

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

(Continued)

TATUNG SYSTEM TECHNOLOGIES INC.
Notes to Non-consolidated Financial Statements

(c) Significant transactions with related parties

(i) Sales

	For the years ended December 31 2025	2024
Parent company	$ 43,344	146,855
Subsidiaries	31,660	72,173
Other related parties	23,864	33,719
	$ 98,868	252,747

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			
2025		2024	
Related party	Arm's length customer	Related party	Arm's length customer
O/A 30-90 days	O/A 30-150 days	O/A 30-90 days	O/A 30-150 days

(ii) Purchases

	For the years ended December 31 2025	2024
Parent company	$ 3,547	4,832
Subsidiaries	7,011	17,290
Associates	-	200
Chyun Yao Digitalization Technology Inc.	9,376	-
Other related parties	1,517	530
	$ 21,451	22,852

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			
	2025		2024	
Location	Related party	Arm's length customer	Related party	Arm's length customer
Domestic	O/A 60-90 days	O/A 60-90 days	O/A 60-90 days	O/A 60-90 days
Oversea	30-90 days after QC	30-60 days after QC	30-90 days after QC	30-60 days after QC

TATUNG SYSTEM TECHNOLOGIES INC.
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(iii) Operating expenses

	For the year ended December 31	
	2025	2024
Parent company	$ 10,304	10,079
Subsidiaries	2,209	2,580
Other related parties	118	342
	$ 12,631	**13,001**

(iv) Property transaction

1) Acquisition of assets

	For the years ended December 31	
	2025	2024
Subsidiaries	$ 568	801
Other related parties	-	257
	$ 568	**1,058**

2) Disposal of assets

	For the years ended December 31			
	2025		2024	
Relationship	**Disposal price**	**Gain (loss) on disposal**	**Disposal price**	**Gain (loss) on disposal**
Other related parties	**$ 63**	**36**	**-**	**-**

(v) Contract Assets

Account	**Relationship**	**December 31, 2025**	**December 31, 2024**
Contract assets, current	Parent company	$ -	34,148
〃	Other related parties	-	9,765
		$ -	**43,913**

TATUNG SYSTEM TECHNOLOGIES INC.
Notes to Non-consolidated Financial Statements

(vi) Receivables from related parties

Account	Relationship	December 31, 2025	December 31, 2024
Accounts receivable - related parties	Parent company	$ 33,255	43,435
〃	Subsidiary-TSTI Technologies (Shanghai) Co., Ltd.	13,751	13,921
〃	Subsidiary-TISNet Technology Inc.	1,553	3,022
〃	Subsidiary-Chyun Huei Commercial Technologies Inc.	264	254
〃	Other related parties	4,690	585
Finance lease receivable	Parent company	780	780
		$ 54,293	**61,997**
Long-term receivables	Parent company	27,027	58,420
〃	Subsidiary-TSTI Technologies (Shanghai) Co., Ltd.	-	13,830
〃	Subsidiary-TISNet Technology Inc.	768	1,538
Long-term finance lease receivable	Parent company	520	1,300
		$ 28,315	**75,088**
Other receivables	Subsidiary-TSTI Technologies (Shanghai) Co.,Ltd.	$ 3	-
〃	Other related parties	66	53
Total		**$ 69**	**53**

TATUNG SYSTEM TECHNOLOGIES INC.
Notes to Non-consolidated Financial Statements

(vii) Refundable deposits

	December 31, 2025	December 31, 2024
Subsidiaries	$ 8,814	8,990
Other related parties	3,938	3,751
	$ 12,752	12,741

(viii) Guarantee deposits received

	December 31, 2025	December 31, 2024
Parent company	$ 130	130

(ix) Payables to related parties

Account	Relationship	December 31, 2025	December 31, 2024
Accounts payable - related parties	Parent company	$ 25,340	25,578
〃	Subsidiary-TISNet Technology Inc.	599	9,392
〃	Subsidiary-Chyun Huei Commercial Technologies Inc.	13	1,943
〃	Other related parties	265	20
		$ 26,217	36,933
Long-term payables－related parties	Parent company	$ 26,295	50,669
Other payables	Parent company	$ 1,296	1,466
〃	Subsidiaries	473	515
	Other related parties	454	591
		$ 2,223	2,572

(x) Contract liabilities

Account	Relationship	December 31, 2025	December 31, 2024
Contract liabilities, current	Parent company	$ -	420
〃	Subsidiaries	392	784
〃	Other related parties	1,853	1,055
		$ 2,245	2,259

(Continued)

TATUNG SYSTEM TECHNOLOGIES INC.
Notes to Non-consolidated Financial Statements

(xi) Leases to related parties

	Right-of-use assets	
	December 31, 2025	December 31, 2024
Other related parties-Tatung Asset Development Co.	$ 64,615	86,153

	Lease liabilities (including current and non-current)	
	December 31, 2025	December 31, 2024
Other related parties-Tatung Asset Development Co.	$ 65,774	86,921

The Company renewed its lease agreement with its related party, Tatung Asset Development Co., at an amount of $107,692 thousand, for its office use while acquiring the right-of-use asset, with commencement dates set on January, 2024, and the rent was payable monthly according to the agreement.

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

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

	Finance costs	
	For the years ended December 31	
	2025	2024
Other related parties-Tatung Asset Development Co.	$ 1,357	1,734

(xii) Interest income

	For the years ended December 31	
	2025	2024
Other related parties-Tatung Asset Development Co.	$ 68	60

(xiii) Other income

	For the years ended December 31	
	2025	2024
Other related parties	$ 3	50

(xiv) Guarantees and endorsements

Guarantees and endorsements provided by the Company to relating parties for bank financing are summarized as follows:

	December 31, 2025	December 31, 2024
Subsidiary-TISNet Technology Inc.	$ 70,000	54,000
Subsidiary-Chyun Huei Commercial Technologies Inc	50,000	50,000
	$ 120,000	104,000

(d) Key management personnel compensation

	For the years ended December 31	
	2025	2024
Short-term employee benefits	$ 16,989	20,075

(8) Assets Pledged as security:

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2025	December 31, 2024
Financial assets measured at amortized cost, current	Performance guarantee	$ 18,116	9,665
Financial assets measured at amortized cost, non-current	Performance guarantee	26,111	38,800
Total		$ 44,227	48,465

(9) Commitments and contingencies:

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

Item	Target	December 31, 2025	December 31, 2024
Guarantee notes submitted	Business collaboration, application for financing facilities	$ 1,083,467	1,162,519
Deposit bank guarantee	Business collaboration	$ 53,391	42,972

TATUNG SYSTEM TECHNOLOGIES INC.
Notes to Non-consolidated Financial Statements

(10) Losses Due to Major Disasters:None

(11) Subsequent Events:

On March 4, 2026, the Company's board resolved to issue total of 3,000 thousand common shares, with vesting period of 5 years, as employee stock options. The subscription price is determined based on the closing price at the grant date.

(12) Other:

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

	For the years ended December 31					
	2025			2024		
By function / By item	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits						
Salary	1,241	463,772	465,013	-	447,113	447,113
Labor and health insurance	-	40,808	40,808	-	41,102	41,102
Pension	-	19,743	19,743	-	19,991	19,991
Remuneration of directors	-	7,656	7,656	-	5,843	5,843
Others	-	21,323	21,323	-	21,851	21,851
Depreciation	30,439	38,270	68,709	54,864	40,699	95,563
Amortization	-	4,258	4,258	-	5,579	5,579

For the years ended December 31, 2025 and 2024, the information on the number of employees and employee benefit expense of the Company is as follows：

	For the years ended December 31	
	2025	2024
Number of employees	499	518
Number of directors (non-employee)	7	6
Average employee benefit expense	$ 1,112	1,035
Average employee salary expense	$ 945	873
Adjustment to average employee salary expense	8.2 %	7.1 %
Remuneration for supervisors	$ -	-

TATUNG SYSTEM TECHNOLOGIES INC.
Notes to Non-consolidated Financial Statements

The Company’s remuneration policy (including directors, supervisors, managers and employees) information is as follows:

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.

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. Please refer to Note 6(t) for details on employee and director remuneration regulations

TATUNG SYSTEM TECHNOLOGIES INC.
Notes to Non-consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties:None

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limit of guarantee/ endorsement amount for receiving party	Maximum balance for the period	Ending balance	Actual amount provided	Amount of collateral guarantee/ endorsement	Percentage of accumulated guarantee amount to net assets value from the latest financial statement	Limit of total guarantee/ endorsement amount	Guarantee provided by parent company	Guarantee provided by a subsidiary	Guarantee provided to subsidiaries in Mainland China
		Name	Relationship										
0	Tatung System Technologies Inc.	Chyun Huei Commercial Technologies Inc.	2	337,079	50,000	50,000	-	-	2.97 %	842,697	Y	N	N
0	Tatung System Technologies Inc.	TISNet Technology Inc.	2	337,079	74,000	70,000	-	-	4.15 %	842,697	Y	N	N

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

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

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

1. An investee that has a business relationship with the Company.
2. A subsidiary in which the Company holds directly over 50% of equity interest.
3. An investee in which the Company and its subsidiaries hold over 50% of equity interest.
4. An investee in which the Company holds directly or indirectly over 90% of equity interest.
5. A company which needs mutual insurance basing on the construction agreement.
6. A company in which the Company endorses or guarantees basing on the holding proportion of mutual investments.
7. The performance guarantee of the preconstruction real estate 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.

TATUNG SYSTEM TECHNOLOGIES INC.
Notes to Non-consolidated Financial Statements

(iii) Securities held as of December 31, 2025 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Stock-Ausenior Information Co., Ltd.	-	Financial assets at fair value through profit or loss, non-current	1,796,670	35,786	8.17 %	35,786	
The Company	Stock-Tatung Co.	Investment companies evaluated by the equity method of the company	〃	699,200	22,060	0.03 %	22,060	

(iv) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:None

(v) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:None

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2025 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Investor company	Investee company	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2025			Net income (losses) of investee company	Investment income (losses) recognized	Note
				December 31, 2025	December 31, 2024	Shares	Percentage of ownership	Carrying value			
Tatung System Technologies Inc.	Chyun Huei Commercial Technologies Inc.	Taipei City, Taiwan	Computer and business equipment wholesale or retail and information software service	7,740	7,740	7,500,000	100.00 %	113,956	15,122	15,122	
Tatung System Technologies Inc.	TISNet Technology Inc.	Taipei City, Taiwan	Telecommunications business, cloud information services and information security services	62,590	62,590	6,750,000	100.00 %	89,679	14,815	14,815	

(c) Information on investment in Mainland China:

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

(In Thousands of New Taiwan Dollars)

Investee company	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2025	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2025	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) recognized	Carrying value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
TSTI Technologies (Shanghai) Co., Ltd.	System integration service	80,053 (CNY16,700)	(1)	137,404 (USD4,606)	-	-	137,404 (USD4,606)	(2,558) (CNY590)	100.00%	(2,558)	(481)	-

Note : As the Company continued to recognize the losses of its subsidiary, TSTI Technologies (Shanghai) Co., Ltd., based on its shareholding ratio as of December 31, 2025, the carrying amount of the equity method investment became a credit balance. Accordingly, the balance was presented under “Credit balance of investments accounted for using the equity method.”

(Continued)

TATUNG SYSTEM TECHNOLOGIES INC.
Notes to Non-consolidated Financial Statements

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2025	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
137,404 (USD 4,606)	145,013 (USD 4,846)	1,011,236

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

(1) Direct investment in Mainland China.

(2) Indirectly investment in Mainland China through companies registered in a third region. (Please specify the name of the company in third region).

(3) Other methods

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

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

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

Note 5: The above amounts were translated into New Taiwan Dollars at the exchange rate 31.430 as of December 31, 2025.

(iii) Significant transactions:

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

(14) Segment information:

Please refer to the consolidated financial statements for the year ended December 31, 2025.

TATUNG SYSTEM TECHNOLOGIES INC.

Statement of cash and cash equivalents

December 31, 2025

(Expressed in thousands of New Taiwan Dollar)

Item	Description	Interest rate	Amount
Cash on hand and revolving funds			$ 345
Cash in banks			
Foreign currency deposits			
USD($29,422.61)			923
CNY($12,600.36)			57
			980
Demand deposits			222,958
Check deposits			568
			224,506
Cash equivalents			
Time deposits			
NTD	114/12/9~115/1/23	1.58%	110,000
Repurchase agreement			
NTD	114/12/11~115/1/13	1.43%~1.45%	269,254
			$ 604,105

TATUNG SYSTEM TECHNOLOGIES INC.

Statement of financial assets measured at amortized cost - current

December 31, 2025

(Expressed in thousands of New Taiwan Dollars)

Please refer to Note 6(c), for the regarding information.

Statement of Contract assets－current

Client name	Description	Amount	Note
Company A		$ 460,397	
Company B		90,840	
Others (Note)		154,632	
Total		**$ 705,869**	

Note: The balance of each Client does not exceed 5% of the account balance.

TATUNG SYSTEM TECHNOLOGIES INC.

Statement of accounts receivable

December 31, 2025

(Expressed in thousands of New Taiwan Dollar)

Client name	Description	Amount	Note
Current			
Company C		$ 46,807	
Company D		42,919	
Company E		38,530	
Company F		36,095	
Others (Note)		464,390	
Total		628,741	
Less: Loss allowance		(767)	
Net amount		**$ 627,974**	

Note: The balance of each Client does not exceed 5% of the account balance.

Statement of inventories

Item	Description	Amount: Cost	Amount: Net realized value	Note
Goods		$ 680,218	**803,883**	
Less: Allowance for inventory valuation losses		(20,201)		
Net amount		**$ 660,017**		

Note: 1.For the determination of the market price, please refer to Note 4.

2.The comparison between inventory cost and net realizable value is carried out by item-by-item comparison method.

3.Allowance for inventory valuation losses is sufficient for inventories.

TATUNG SYSTEM TECHNOLOGIES INC.

Statement of changes in investments accounted for using equity method

For the year ended December 31, 2025

(Expressed in thousands of New Taiwan Dollar)

	Beginning Balance		Addition		Decreased		Ending Balance			Market value or Net Assets value		Guarantee or collateral	Note
Name	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Percentage of ownership	Amount	Unit price	Amount		
Chyun Huei Commercial Technologies Inc.	7,500	$ 101,482	-	15,122	-	2,648	7,500	100 %	113,956	15.19	113,956	None	
TISNet Technology Inc.	6,750	89,123	-	14,815	-	14,259	6,750	100 %	89,679	13.29	89,679	〃	
TSTI Technologies (Shanghai) Co., Ltd.	-	2,202	-	-	-	2,683	-	100 %	(481)	-	-	〃	
		$ 192,807		29,937		19,590			203,154		203,635		
Less: credit balance of investments accounted for using equity method		-							481				
		$ 192,807							203,635				

Note 1: The increase in this period was due to the recognition of $29,937 thousand in the shares of profits of subsidiaries and associates accounted for using equity method thousand.

Note 2: The decrease in this period was due to the recognition of $2,558 thousand in share of losses of subsidiaries and associates accounted for using equity method, $14,472 thousand in cash dividends received from investees, $125 thousand in the exchange differences on the translation of foreign operations financial statements, and $2,435 thousand in actuarial losses recognized in subsidiaries.

TATUNG SYSTEM TECHNOLOGIES INC.

Statement of accounts payable

December 31, 2025

(Expressed in thousands of New Taiwan Dollar)

Client name	Description	Amount	Note
Company G		$ 324,043	
Company H		135,195	
Company I		102,338	
Company J		71,392	
Company K		57,471	
Others (Note)		400,150	
Total		**$ 1,090,589**	

Note: The balance of each vendor do not exceed 5% of the account balance.

Statement of other payables

Item	Description	Amount
Salaries and bonuses payable		$ 114,475
Employees' compensation and directors' remuneration payable		26,500
Sales tax payble		33,209
Others (Note)		115,176
Total		**$ 289,360**

Note: The balance of each vender do not exceed 5% of the account balance.

TATUNG SYSTEM TECHNOLOGIES INC.

Statement of operating revenue

For the year ended December 31, 2025

(Expressed in thousands of New Taiwan Dollar)

Item	Amount	Note
Sales of goods	$ 3,307,302	
Rendering of services	929,213	
Leasing revenue	56,929	
Net amount	**$ 4,293,444**	

Note: The quantity is not shown because it includes modern data centers and smart terminal peripherals, communication collaboration, software, network, and information security, which cannot be counted in the same unit.

Statement of operating costs

Item	Description	Amount	Note
Inventories, January 1		$ 578,911	
Add: Purchase		3,275,235	
others		36	
Less: Inventories, December 31		(680,218)	
Transfer into leased assets		(20,514)	
Transfer into expense		(17)	
Cost of goods sold		3,153,433	
Other business costs			
Add: Rental costs-deprecation		25,498	
Other costs-deprecation		4,941	
Warranty costs		83,142	
Other costs		90,929	
Total		**$ 3,357,943**	

TATUNG SYSTEM TECHNOLOGIES INC.

Statement of operating expenses

For the year ended December 31, 2025

(Expressed in thousands of New Taiwan Dollar)

Item	Selling expenses	Administrative expenses	Research and development expenses	Total
Salary and wages expenses	$ 341,258	94,460	35,110	470,828
Technical consulting expenses	-	10,000	-	10,000
Insurance expenses	30,160	8,626	3,639	42,425
Depreciation	23,731	11,510	3,029	38,270
Others (Note)	56,723	36,139	4,992	97,854
Total	**$ 451,872**	**160,735**	**46,770**	**659,377**

Note: The balance of each vendor do not exceed 5% of the account balance.