Stock Code:8099

TATUNG SYSTEM TECHNOLOGIES INC.

Parent Company Only Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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 the 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.

2. Inventory

Please refer to Note 4(g) for the accounting principles on inventory and Note 6(g) for the inventory details and description on inventory.

(a) Description of the key audit matter:

The inventory of the Company is an important asset for its operation. As of December 31, 2023, the net carrying value of inventory was $659,919 thousand, accounting for 22% of the total assets. Since inventory is a key component of the Company's assets and the amount is considered material. Therefore, the existence of inventory 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 over the buying cycle.

· Selecting samples for taking inventory.

· For the inventory that has been delivered to the customer at the end of the period and has not yet been completed for acceptance, we tested whether the inventory received the delivery order signed by the customer, selected orders or contracts to examine the trading conditions.

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)
February 27, 2024

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 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 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, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollar)

		December 31, 2023			December 31, 2022	
	Assets		Amount	%	Amount	%
	Current assets:					
1100	Cash and cash equivalents (Note 6(a))	$	578,625	19	458,776	14
1136	Financial assets measured at amortized cost, current (Notes 6(c) and 8)		54,062	2	21,009	1
1140	Contract assets, current (Notes 6(s), (v) and 7)		202,382	7	233,020	7
1150	Notes receivable, net (Note 6(d))		10,690	-	14,809	1
1170	Accounts receivable, net (Note 6(d))		541,639	18	710,966	22
1180	Accounts receivable－related parties, net (Notes 6(d) and 7)		95,750	3	66,401	2
1196	Operating lease receivable, net (Notes 6(e) and (v))		7,762	-	9,266	-
1197	Finance lease receivable, net (Notes 6(f), (v) and 7)		4,802	-	10,361	-
1200	Other receivables (Notes 6(v)and 7)		2,063	-	926	-
130X	Inventories (Note 6(g))		659,919	22	754,939	23
1410	Prepayments		18,552	1	13,988	-
	Total current assets		2,176,246	72	2,294,461	70
	Non-current assets:					
1510	Financial assets at fair value through profit or loss, non-current (Note 6(b))		48,899	2	18,200	1
1535	Financial assets measured at amortized cost, non-current (Notes 6(c) and 8)		42,543	1	57,094	2
1550	Investments accounted for using equity method (Note 6(h))		234,024	8	233,304	7
1560	Contract assets, non-current (Notes 6(s), (v) and 7)		30,030	1	96,732	3
1600	Property, plant and equipment (Note 6(i))		73,107	2	79,839	2
1755	Right-of-use assets (Notes 6(j) and 7)		54,754	2	132,217	4
1780	Intangible assets (Note 6(k))		5,945	-	6,132	-
1840	Deferred tax assets (Note 6(p))		27,395	1	28,918	1
1920	Refundable deposits (Note 7)		90,777	3	98,417	3
1932	Long-term receivables, net (Notes 6(d) and 7)		235,959	8	219,301	7
194D	Long-term finance lease receivable, net (Notes 6(f), (v) and 7)		4,115	-	8,315	-
	Total non-current assets		847,548	28	978,469	30
	Total assets	$	**3,023,794**	**100**	**3,272,930**	**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, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollar)

		December 31, 2023		December 31, 2022	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term loans (Note 6(l))	$ 80,000	3	240,000	7
2110	Short-term notes and bills payable (Note 6(m))	49,990	2	59,978	2
2130	Contract liabilities, current (Notes 6(s) and 7)	143,495	5	132,065	4
2150	Notes payable	2,871	-	2,871	-
2170	Accounts payable	770,073	25	854,274	26
2180	Accounts payable－related parties (Note 7)	52,519	2	21,484	1
2200	Other payables (Note 7)	189,630	6	218,975	7
2230	Current tax liabilities (Note 6(p))	38,519	1	25,202	1
2250	Provisions, current	613	-	241	-
2280	Lease liabilities, current (Notes 6(n) and 7)	40,486	1	98,670	3
2300	Other current liabilities	20,825	1	6,475	-
	Total current liabilities	1,389,021	46	1,660,235	51
	Non-Current liabilities:				
2527	Contract liabilities, non-current(Note 6(s))	36,679	1	-	-
2570	Deferred tax liabilities (Note 6(p))	114	-	715	-
2580	Lease liabilities, non-current (Notes 6(n) and 7)	20,239	1	59,772	2
2610	Long-term payables	-	-	30,000	1
2620	Long-term payables－related parties (Note 7)	67,806	2	35,949	1
2640	Net defined benefit liabilities, non-current (Note 6(o))	41,516	1	53,240	1
2645	Guarantee deposits received (Note 7)	180	-	231	-
2650	Credit balance of investments accounted for using the equity method(note 6(h))	2,291	-	-	-
	Total non-current liabilities	168,825	5	179,907	5
	Total liabilities	1,557,846	51	1,840,142	56
	Equity attributable to owners of parent (Note 6(q)):				
3110	Common stock	885,600	29	885,600	27
3200	Capital surplus	80,788	3	80,092	2
	Retained earnings:				
3310	Legal reserve	301,376	10	283,678	9
3320	Special reserve	3,908	-	3,978	-
3350	Unappropriated earnings	198,158	7	183,348	6
	Total retained earnings	503,442	17	471,004	15
3400	Other equity	(3,882)	-	(3,908)	-
	Total equity	1,465,948	49	1,432,788	44
	Total liabilities and equity	**$ 3,023,794**	**100**	**3,272,930**	**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, 2023 and 2022

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

		2023		2022	
		Amount	%	Amount	%
4000	**Operating revenues (Notes 6(s) and 7)**	$ 3,642,838	100	3,662,358	100
5000	**Operating costs (Notes 6(g) and 7)**	2,818,233	77	2,873,950	78
5950	**Gross profit**	824,605	23	788,408	22
6000	**Operating expenses (Notes 6(d), (o), (t) and 7):**				
6100	Selling expenses	420,203	12	399,562	11
6200	Administrative expenses	139,779	4	134,161	4
6300	Research and development expenses	71,718	2	84,327	2
6450	Expected credit losses	530	-	137	-
	Total operating expenses	632,230	18	618,187	17
6900	**Net operating income**	192,375	5	170,221	5
7000	**Non-operating income and expenses (Notes 6(h), (u) and 7):**				
7100	Interest income	8,188	-	6,327	-
7010	Other income	3,906	-	14,613	-
7020	Other gains and losses	8,955	-	6,185	-
7050	Finance costs	(5,113)	-	(2,588)	-
7070	Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method	18,044	-	19,736	1
	Total non-operating income and expenses	33,980	-	44,273	1
7900	**Profit before tax**	226,355	5	214,494	6
7950	**Less: Income tax expenses (Note 6(p))**	38,219	1	36,031	1
	Net income	188,136	4	178,463	5
8300	**Other comprehensive (loss) income:**				
8310	**Items that may not be reclassified subsequently to profit or loss**				
8311	Losses on remeasurements of defined benefit plans	(912)	-	(1,581)	-
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	12	-	(216)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	182	-	316	-
	Total items that may not be reclassified subsequently to profit or loss	(718)	-	(1,481)	-
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	26	-	70	-
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	26	-	70	-
8300	**Other comprehensive loss**	(692)	-	(1,411)	-
8500	**Total comprehensive income**	**$ 187,444**	**4**	**177,052**	**5**
	Earnings per share (NT dollars) (Note 6(r))				
9750	Basic earnings per share	**$ 2.12**		**2.02**	
9850	Diluted earnings per share	**$ 2.11**		**2.00**	

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, 2023 and 2022

(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, 2022	$ 885,600	80,092	265,401	3,896	184,133	453,430	(3,978)	1,415,144
Net income for the year ended December 31, 2022	-	-	-	-	178,463	178,463	-	178,463
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	(1,481)	(1,481)	70	(1,411)
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	176,982	176,982	70	177,052
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	18,277	-	(18,277)	-	-	-
Special reserve	-	-	-	82	(82)	-	-	-
Cash dividends	-	-	-	-	(159,408)	(159,408)	-	(159,408)
Balance on December 31, 2022	885,600	80,092	283,678	3,978	183,348	471,004	(3,908)	1,432,788
Net income for the year ended December 31, 2023	-	-	-	-	188,136	188,136	-	188,136
Other comprehensive income for the year ended December 31, 2023	-	-	-	-	(718)	(718)	26	(692)
Total comprehensive income for the year ended December 31, 2023	-	-	-	-	187,418	187,418	26	187,444
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	17,698	-	(17,698)	-	-	-
Reversal of special reserve	-	-	-	(70)	70	-	-	-
Cash dividends	-	-	-	-	(154,980)	(154,980)	-	(154,980)
Gains after disgorgement exercised	-	696	-	-	-	-	-	696
Balance on December 31, 2023	**$ 885,600**	**80,788**	**301,376**	**3,908**	**198,158**	**503,442**	**(3,882)**	**1,465,948**

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, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollar)

		2023	2022
Cash flows from (used in) operating activities:			
Profit before tax	$	226,355	214,494
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation expense		130,132	130,654
Amortization expense		4,214	3,732
Expected credit loss		530	137
Net gain on financial assets or liabilities at fair value through profit or loss		(10,095)	-
Interest expense		5,113	2,588
Interest income		(8,188)	(6,327)
Dividend income		(1,400)	(840)
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method		(18,044)	(19,736)
Gain on disposal of property, plan and equipment		-	(1,777)
Gain on disposal of other assets		-	(219)
Total adjustments to reconcile profit (loss)		102,262	108,212
Changes in operating assets and liabilities:			
Contract assets		97,340	222,857
Notes receivable		4,119	(10,669)
Accounts receivable		168,797	(236,328)
Accounts receivable–related parties		(29,349)	24,250
Operating lease receivable		1,504	9,792
Finance lease receivable		5,559	10,305
Other receivables		(841)	(688)
Inventories		70,519	(223,251)
Prepayments		(4,564)	13,918
Long-term receivables		(16,658)	(143,612)
Long-term finance lease receivable		4,200	3,640
Contract liabilities		48,109	58,599
Notes payable		-	679
Accounts payable		(84,201)	3,577
Accounts payable–related parties		31,035	12,428
Other payables		(28,248)	(4,985)
Other current liabilities		14,722	(19,228)
Net defined benefit liabilities		(12,636)	(1,460)
Other operating liabilities		1,857	(21,802)
Total adjustments		373,526	(193,766)
Cash generated from operations		599,881	20,728
Income taxes paid		(23,798)	(34,283)
Net cash flows from (used in) operating activities		576,083	(13,555)

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, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollar)

	2023	2022
Cash flows from (used in) investing activities:		
Acquisition of financial assets measured at amortized cost	(29,299)	(82,632)
Disposal of financial assets measured at amortized cost	10,797	107,356
Acquisition of financial assets at fair value through profit or loss	(20,604)	(18,200)
Acquisition of property, plant and equipment	(18,174)	(10,715)
Disposal of property, plant and equipment	-	10,634
Increase in refundable deposits	-	(16,140)
Decrease in refundable deposits	7,640	-
Acquisition of intangible assets	(4,027)	(2,669)
Interest received	7,892	6,259
Dividends received	21,053	20,185
Net cash flows from (used in) investing activities	(24,722)	14,078
Cash flows from (used in) financing activities:		
Increase in short-term loans	1,640,000	190,000
Decrease in short-term loans	(1,800,000)	-
Increase in short-term notes and bills payable	-	59,978
Decrease in short-term notes and bills payable	(9,988)	-
Decrease in guarantee deposits received	(51)	(243)
Payment of lease liabilities	(101,848)	(121,062)
Cash dividends paid	(154,980)	(159,408)
Interest paid	(5,341)	(2,322)
Disgorgement exercised	696	-
Net cash flows from (used in) financing activities	(431,512)	(33,057)
Net increase (decrease) in cash and cash equivalents	119,849	(32,534)
Cash and cash equivalents at beginning of period	458,776	491,310
Cash and cash equivalents at end of period	$ **578,625**	**458,776**

See accompanying notes to parent company only financial statements.

TATUNG SYSTEM TECHNOLOGIES INC.

Notes to Non-consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollar, unless otherwise specified)

(1) Company history

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

The Company's common shares were publicly listed on the Taiwan Stock Exchange (TWSE) on March 29, 2002. 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 February 27, 2024.

(3) New standards, amendments and interpretations adopted

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2023:

- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The Company has initially adopted the new amendment, which do not have a significant impact on its financial statements, from May 23, 2023:

- Amendments to IAS 12 "International Tax Reform—Pillar Two Model Rules"

(b) The impact of IFRS issued 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, 2024, would not have a significant impact on its financial statements:

- Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"
- Amendments to IAS 1 "Non-current Liabilities with Covenants"

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

- Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"
- Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"

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

The Company does not expect the following 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 17 " Insurance Contracts" and amendments to IFRS 17 " Insurance Contracts"
- Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 – Comparative Information"
- Amendments to IAS21 "Lack of Exchangeability"

(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, 2023 and 2022 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.

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(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.

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

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

(Continued)

TATUNG SYSTEM TECHNOLOGIES INC.
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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

An asset is classified as current when:

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

(ii) The Company holds the asset primarily for the purpose of trading

(iii) The Company expects to realize the asset within twelve months after the reporting period

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

All other assets are classified as non-current.

A liability is classified as current when:

(i) The Company expects to settle the liability in its normal operating cycle

(ii) The Company holds the liability primarily for the purpose of trading

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

(iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

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TATUNG SYSTEM TECHNOLOGIES INC.
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(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.

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.

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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.

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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

<u>Classification between liabilities or equity</u>

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.

<u>Equity instruments</u>

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.

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Financial liabilities

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

(v) Offsetting of financial instruments

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

(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.

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TATUNG SYSTEM TECHNOLOGIES INC.
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(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.

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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.

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.

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

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

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

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

(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.

Company as a lessee

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

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

(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.

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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.

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

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

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

(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.

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(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.

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.

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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.

<u>Current income tax</u>

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.

<u>Deferred tax</u>

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, 2023 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, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

(Continued)

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

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

(a) Measurement of defined benefit obligations

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

(b) Recognition of deferred tax assets

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

The 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.

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

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand and revolving funds	$ 315	405
Bank drafts	511,422	458,371
Time deposits	66,888	-
Total	**$ 578,625**	**458,776**

(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, 2023	December 31, 2022
Financial assets designated at fair value through profit or loss:		
Publicly listed stocks	$ 21,420	-
Non publicly listed stocks	27,479	18,200
Total	**$ 48,899**	**18,200**

(i) None of the aforementioned financial assets at FVTPL was 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, 2023	December 31, 2022
Time deposit - General	$ 43,320	20,206
Time deposit - Restricted (Performance Guarantee)	53,285	57,897
Less: Loss allowance	-	-
Total	**$ 96,605**	**78,103**
Current	$ 54,062	21,009
Non-current	42,543	57,094
Total	**$ 96,605**	**78,103**

(Continued)

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

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

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

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

	December 31, 2023	December 31, 2022
Notes receivable arose from operation	$ 10,690	14,809
Less: Loss allowance	-	-
Subtotal	10,690	14,809
Accounts receivable	462,668	678,222
Installment accounts receivable	226,002	122,335
Less: Unrealized interest income-installment accounts receivable	(1,697)	(2,318)
Subtotal	686,973	798,239
Less: Loss allowance	(1,434)	(1,063)
Subtotal	685,539	797,176
Accounts receivable-related parties	$ 22,866	18,558
Installment accounts receivable-related parties	167,780	186,900
Less: Unrealized interest income-installment accounts receivable-related parties	(2,837)	(5,966)
Subtotal	187,809	199,492
Less: Loss allowance	-	-
Subtotal	187,809	199,492
Total	**$ 884,038**	**1,011,477**
Current	$ 648,079	792,176
Non-current	235,959	219,301
Total	**$ 884,038**	**1,011,477**

(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, note receivables and accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision were determined as follows:

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

December 31, 2023

Group 1

	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 840,161	0%~0.009%	79
0 to 180 days past due	38,757	0%~0.046%	18
181 to 365 days past due	6,417	0%~18.7%	1,200
More than 366 days past due	-	0%	-
Total	**$ 885,335**		**1,297**

Group 2

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

December 31, 2022

Group 1

	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 995,279	0%	-
0 to 180 days past due	10,805	0%~59.24%	699
181 to 365 days past due	6,160	0.74%~100%	68
More than 366 days past due	-	0%	-
Total	**$ 1,012,244**		**767**

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

Group 2

	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ -	0%	-
0 to 180 days past due	-	0%	-
181 to 365 days past due	137	100%	137
More than 366 days past due	159	100%	159
Total	$ **296**		**296**

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

	2023	2022
Balance at January 1	$ 1,063	926
Impairment losses recognized	530	137
Amounts written off	(159)	-
Balance at December 31	$ **1,434**	**1,063**

The expected recovery of installment accounts receivable is as follows:

	December 31, 2023	December 31, 2022
Less than one year	$ 153,289	81,650
One to two year	95,959	73,762
More than two year	140,000	145,539
Total	$ **389,248**	**300,951**

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

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

(e) Operating lease receivable (including related parties)

	December 31, 2023	December 31, 2022
Operating lease receivable	$ 7,762	9,266
Less: Loss allowance	-	-
Total	$ **7,762**	**9,266**

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, 2023	December 31, 2022
Less than one year	$ 6,480	6,593
One to two years	5,775	6,296
Two to three years	4,990	5,642
Three to four years	2,200	4,957
Four to five years	448	2,200
More than five years	-	448
Present value of lease payments receivable	**$ 19,893**	**26,136**

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

(f) Finance lease receivable (including related parties)

	December 31, 2023	December 31, 2022
Finance lease receivable	$ 6,120	15,223
Less: Unearned finance income on finance lease	(63)	(187)
Subtotal (total carrying amount)	6,057	15,036
Less: Loss allowance	-	-
Subtotal	6,057	15,036
Finance lease receivable-related parties	$ 2,860	3,640
Less: Unearned finance income on finance lease-related parties	-	-
Subtotal (total carrying amount)	2,860	3,640
Less: Loss allowance	-	-
Subtotal	2,860	3,640
Total	**$ 8,917**	**18,676**
Current	$ 4,802	10,361
Non-current	4,115	8,315
Total	**$ 8,917**	**18,676**

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, 2023	December 31, 2022
Less than one year	$ 4,865	10,548
One to two years	2,229	4,615
Two to three years	1,366	2,009
Three to four years	520	1,171
Four to five years	-	520
More than five years	-	-
Total lease payments receivable	8,980	18,863
Less: Unearned finance income on finance lease	(63)	(187)
Less: Loss allowance	-	-
Present value of lease payments receivable	**$ 8,917**	**18,676**

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

(g) Inventories

The details of inventories are as follows:

	December 31, 2023	December 31, 2022
Merchandise	**$ 659,919**	**754,939**

(i) The Company's inventory costs recognized as operating costs and expenses in 2023 and 2022were $2,818,233 thousand and $2,873,950 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 2023 and 2022.

(iii) As of December 31, 2023 and 2022, 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, 2023	December 31, 2022
Investments in subsidiaries	$ 226,331	228,721
Investments in associates	5,402	4,583
Subtotal	231,733	233,304
Transfer to credit balance of investments accounted for using equity method	2,291	-
Total	**$ 234,024**	**233,304**

(i) Investments in subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2023.

(ii) Associates

	December 31, 2023		December 31, 2022	
Name of investee	**Amount**	**Percentage of ownership**	**Amount**	**Percentage of ownership**
Investments in associates				
I-Torch Technology Corp	**$ 5,402**	20 %	**4,583**	20 %

	2023	2022
Attributable to the Company		
Profit from continuing operations	$ 819	247
Other comprehensive income	-	-
Comprehensive income	**$ 819**	**247**

(iii) As of December 31, 2023 and 2022, the investments accounted for using equity method of the Company were not pledged as collateral.

(i) Property, plant and equipment

	December 31, 2023	December 31, 2022
Owner occupied property, plant and equipment	$ 28,072	19,132
Property, plant and equipment leased out under operating leases	45,035	60,707
Total	**$ 73,107**	**79,839**

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

(i) The cost, depreciation, and impairment of the property, plant and equipment for the Company for the years ended December 31, 2023 and 2022 were as follows:

	Transportation equipment	Office equipment	Leasehold improvements	Total
Cost or deemed cost:				
Balance on January 1, 2023	$ -	64,194	10,226	74,420
Additions	-	4,024	13,281	17,305
Disposal	-	(4,553)	(359)	(4,912)
Other changes	-	375	-	375
Balance on December 31, 2023	**$ -**	**64,040**	**23,148**	**87,188**
Balance on January 1, 2022	$ 38	74,022	8,947	83,007
Additions	-	6,935	4,677	11,612
Disposal	(38)	(17,645)	(3,398)	(21,081)
Other changes	-	882	-	882
Balance on December 31, 2022	**$ -**	**64,194**	**10,226**	**74,420**
Depreciation and impairment losses:				
Balance on January 1, 2023	$ -	50,293	4,995	55,288
Depreciation	-	6,040	2,700	8,740
Disposal	-	(4,553)	(359)	(4,912)
Balance on December 31, 2023	**$ -**	**51,780**	**7,336**	**59,116**
Balance on January 1, 2022	$ 38	51,143	7,524	58,705
Depreciation	-	7,938	869	8,807
Disposal	(38)	(8,788)	(3,398)	(12,224)
Balance on December 31, 2022	**$ -**	**50,293**	**4,995**	**55,288**
Carrying amounts:				
Balance on December 31, 2023	**$ -**	**12,260**	**15,812**	**28,072**
Balance on January 1, 2022	**$ -**	**22,879**	**1,423**	**24,302**
Balance on December 31, 2022	**$ -**	**13,901**	**5,231**	**19,132**

(Continued)

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, 2023	$ 148,216
Disposal	(70,268)
Other changes	24,126
Balance on December 31, 2023	**$ 102,074**
Balance on January 1, 2022	$ 188,180
Disposal	(71,873)
Other changes	31,909
Balance on December 31, 2022	**$ 148,216**
Depreciation and impairment losses:	
Balance on January 1, 2023	$ 87,509
Depreciation	39,798
Disposal	(70,268)
Balance on December 31, 2023	**$ 57,039**
Balance on January 1, 2022	$ 113,241
Depreciation	46,141
Disposal	(71,873)
Balance on December 31, 2022	**$ 87,509**
Carrying amounts:	
Balance on December 31, 2023	**$ 45,035**
Balance on January 1, 2022	**$ 74,939**
Balance on December 31, 2022	**$ 60,707**

For the years ended December 31, 2023 and 2022, none of the Company’s property, plant and equipment were capitalized with borrowing costs or pledged as collateral.

(Continued)

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

(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, 2023	$ 85,460	13,352	1,281	159,349	259,442
Additions	3,164	1,917	-	-	5,081
Write-off	(62,056)	(4,686)	-	(485)	(67,227)
Balance on December 31, 2023	**$ 26,568**	**10,583**	**1,281**	**158,864**	**197,296**
Balance on January 1, 2022	$ 68,225	13,043	1,053	181,939	264,260
Additions	25,344	2,905	228	26,775	55,252
Write-off	(8,109)	(2,596)	-	(49,365)	(60,070)
Balance on December 31, 2022	**$ 85,460**	**13,352**	**1,281**	**159,349**	**259,442**
Accumulated depreciation and impairment losses:					
Balance on January 1, 2023	$ 44,748	6,641	738	75,098	127,225
Depreciation	28,674	3,439	256	49,225	81,594
Write-off	(62,056)	(3,736)	-	(485)	(66,277)
Balance on December 31, 2023	**$ 11,366**	**6,344**	**994**	**123,838**	**142,542**
Balance on January 1, 2022	$ 24,128	5,681	495	77,789	108,093
Depreciation	25,233	3,556	243	46,674	75,706
Write-off	(4,613)	(2,596)	-	(49,365)	(56,574)
Balance on December 31, 2022	**$ 44,748**	**6,641**	**738**	**75,098**	**127,225**
Carrying amount:					
Balance on December 31, 2023	**$ 15,202**	**4,239**	**287**	**35,026**	**54,754**
Balance on December 31, 2022	**$ 40,712**	**6,711**	**543**	**84,251**	**132,217**
Balance on January 1, 2022	**$ 44,097**	**7,362**	**558**	**104,150**	**156,167**

For the years ended December 31, 2023 and 2022, the right-of-use assets for the Company were not pledged as collateral.

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

(k) Intangible assets

The costs, amortization, and impairment loss of the Company's intangible assets for the years ended December 31, 2023 and 2022 were as follows:

	Computer software	Copyright	Total
Cost or deemed cost:			
Balance on January 1, 2023	$ 4,787	5,000	9,787
Additions-acquired separately	4,027	-	4,027
Disposal	(2,386)	-	(2,386)
Balance on December 31, 2023	**$ 6,428**	**5,000**	**11,428**
Balance on January 1, 2022	$ 3,775	5,000	8,775
Additions-acquired separately	2,669	-	2,669
Disposal	(1,657)	-	(1,657)
Balance on December 31, 2022	**$ 4,787**	**5,000**	**9,787**
Amortization and impairment losses:			
Balance on January 1, 2023	$ 2,155	1,500	3,655
Amortization	3,214	1,000	4,214
Disposal	(2,386)	-	(2,386)
Balance on December 31, 2023	**$ 2,983**	**2,500**	**5,483**
Balance on January 1, 2022	$ 1,080	500	1,580
Amortization	2,732	1,000	3,732
Disposal	(1,657)	-	(1,657)
Balance on December 31, 2022	**$ 2,155**	**1,500**	**3,655**
Carrying value:			
Balance on December 31, 2023	**$ 3,445**	**2,500**	**5,945**
Balance on January 1, 2022	**$ 2,695**	**4,500**	**7,195**
Balance on December 31, 2022	**$ 2,632**	**3,500**	**6,132**

(i) Amortization expense of intangible assets under the statement of comprehensive income:

	2023	2022
Operating expenses	**$ 4,214**	**3,732**

(ii) Collateral

As of December 31, 2023 and 2022, the intangible assets of the Company were not pledged as collateral.

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

(l) Short-term loans

	December 31, 2023	December 31, 2022
Unsecured bank loans	$ 80,000	240,000
Unused short-term credit lines	$ 721,015	60,000
Range of interest rates	1.79%	1.76%~2.16%

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

(m) Short-term notes and bills payable

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

	December 31, 2022		
	Guarantee or acceptance institution	Range of interest rates (%)	Amount
Commercial papers payable	IBFC, MEGA BILLS	2.19%	$ 60,000
Less: Discount on short-term notes and bills payable			(22)
Total			$ 59,978
Unused short-term credit lines			$ 50,000

The short-term notes and bills payable for the Company were not pledged as collateral.

(n) Lease liabilities

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

	December 31, 2023	December 31, 2022
Current	$ 40,486	98,670
Non-current	20,239	59,772
Total	$ 60,725	158,442

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

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

The amounts recognized in profit or loss were as follows:

	2023	2022
Interests on lease liabilities	$ 425	555
Income from sub-leasing right-of-use assets	$ 22,188	21,055
Expenses relating to short-term leases	$ 200	230

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

	2023	2022
Total cash outflow for leases	$ 102,473	121,847

(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.

(Continued)

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

(o) Employee benefits

(i) Defined benefit plans

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

	December 31, 2023	December 31, 2022
Present value of the defined benefit obligations	$ 81,429	96,183
Fair value of plan assets	(39,913)	(42,943)
Net defined benefit liability(asset)	**$ 41,516**	**53,240**

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 $39,913 thousand as of December 31, 2023. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

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

	2023	2022
Defined benefit obligations at January 1	$ 96,183	110,120
Current service costs and interest	1,301	936
Remeasurements loss (gain)		
－Actuarial loss (gain) arising from demographic assumptions	-	1,020
－Actuarial gain arising from financial assumptions	(478)	(2,993)
－Experience adjustment	1,748	7,847
Benefit paid	(17,325)	(20,747)
Company paid	-	-
Defined benefit obligations at December 31	**$ 81,429**	**96,183**

(Continued)

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

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：

		2023	2022
Fair value of plan assets at January 1	$	(42,943)	(57,002)
Interest income		(463)	(297)
Contributions paid by the employer		(13,474)	(2,098)
Benefits paid		17,325	20,747
Remeasurement of the net defined benefit liability (asset)		(358)	(4,293)
Fair value of plan assets at December 31	**$**	**(39,913)**	**(42,943)**

4) Expenses recognized in profit or loss

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

		2023	2022
Current service costs	$	263	363
Net interest of net liabilities for defined benefit obligations		575	276
Past service cost and settlement		-	-
	$	**838**	**639**

5) Actuarial assumptions

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

	2023	2022
Discount rate	1.20%	1.08%
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 2023 is $633 thousand.

The weighted-average lifetime of the defined benefits plans is 5 years.

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

6) Sensitivity analysis

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

	Impact on the defined benefit obligations	
	Increased 0.50%	**Decreased 0.50%**
December 31, 2023		
Discount rate(changes in 0.5%)	$ (1,884)	2,066
Future salary increasing rate(change in 0.5%)	2,060	(1,896)
December 31, 2022		
Discount rate(changes in 0.5%)	$ (2,390)	2,769
Future salary increasing rate(change in 0.5%)	2,747	(2,403)

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 2023 and 2022.

(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, 2023 and 2022 amounted to $20,246 thousand and $20,055 thousand, respectively.

(p) Income taxes

(i) Income tax expenses

The components of income tax in the years 2023 and 2022 were as follows:

	2023	**2022**
Current tax expenses		
Current period	$ 37,450	24,102
Adjustment for prior periods	(335)	(2,408)
	37,115	21,694
Deferred tax expense (income)		
Origination and reversal of temporary differences	1,104	14,337
Income tax expense	**$ 38,219**	**36,031**

(Continued)

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

The amount of income tax recognized in other comprehensive income for the years ended December 31, 2023 and 2022, were as follows:

	2023	2022
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit plans	$ (182)	(316)

Reconciliation of income tax and profit before tax for 2023 and 2022 is as follows

	2023	2022
Profit excluding income tax	$ 226,355	214,494
Income tax using the Company's domestic tax rate	45,271	42,899
Adjustments for change in value of financial assets	(2,019)	-
Adjustments for prior periods	(335)	(2,408)
Others	(4,698)	(4,460)
Income tax expenses	$ 38,219	36,031

(ii) Deferred tax assets and liabilities

1) Recognized deferred tax assets and liabilities

Change in the amount of deferred tax assets and liabilities for 2023 and 2022 were as follows:

Deferred Tax Assets:

	Investments accounted for using equity method	Inventory valuation and obsolescence loss	Defined benefit plans	Others	Total
January 1, 2023	$ 12,650	4,040	10,648	1,580	28,918
Recognized in profit or loss	810	-	(2,527)	12	(1,705)
Recognized in other comprehensive income	-	-	182	-	182
December 31, 2023	**$ 13,460**	**4,040**	**8,303**	**1,592**	**27,395**
January 1, 2022	$ 25,869	4,040	10,624	1,691	42,224
Recognized in profit or loss	(13,219)	-	(292)	(111)	(13,622)
Recognized in other comprehensive income	-	-	316	-	316
December 31, 2022	**$ 12,650**	**4,040**	**10,648**	**1,580**	**28,918**

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

Deferred Tax Liabilities:

	Exchange gains
January 1, 2023	$ 715
Recognized in profit or loss	(601)
Recognized in other comprehensive income	-
December 31, 2023	**$ 114**
January 1, 2022	$ -
Recognized in profit or loss	715
Recognized in other comprehensive income	-
December 31, 2022	**$ 715**

(iii) Assessment of tax

The Company's tax returns for the year through 2021 were assessed by the Taipei National Tax Administration.

(q) Capital and other equity

(i) Common stock

As of December 31, 2023 and 2022, the Company's authorized capital were both $2,000,000 thousand, and issued capital were both $885,600 thousand, with a par value of $10, both of which were 88,560 thousand shares. Each share is entitled to one voting right to receive dividends. All issued shares were paid up upon issuance.

(ii) Capital surplus

The components of capital surplus were as follows:

	December 31, 2023	December 31, 2022
Common stock premium	$ 75,600	75,600
Employee share options	4,492	4,492
Gain from exercising the right of disgorgement	696	-
Total	**$ 80,788**	**80,092**

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. On June 15, 2022, the regular shareholders’ meeting resolved that if the amount set aside for "the cumulative net increase in fair value of investment property from the preceding period" and "the cumulative decrease in equity of the prior period" are insufficient, the equal amount of special reserve should be set aside based on the undistributed earnings before distributing earnings. If there remains any deficiency, the remaining amount required should be set aside from the amount of the after-tax net profit for the period, plus items other than the after-tax net profit for the period. The remaining net profits and the retained earnings from previous years (including adjustments to the amount of undistributed surplus), if any, the Board of Directors will prepare a distribution proposal and submit the same to the shareholders’ meeting for review and approval by a resolution.

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

1) Legal reserve

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

2) Special reserve

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

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

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

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3) Earning distribution

Earning distribution for 2022 and 2021 was decided by the resolution adopted, at the general meeting of shareholders held on June 15, 2023 and June 15, 2022, respectively.The relevant dividend distributions to shareholders were as follows:

	2022	2021
Legal reserve	$ 17,698	18,277
Special reserve	(70)	82
Cash dividends	154,980	159,408
Dividend per share (NT$)	1.75	1.80

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

	Exchange differences on translation of foreign operations financial statements
Balance at January 1, 2023	$ (3,908)
Exchange differences on foreign operations	26
Balance at December 31, 2023	**$ (3,882)**
Balance at January 1, 2022	$ (3,978)
Exchange differences on foreign operations	70
Balance at December 31, 2022	**$ (3,908)**

(r) Earnings per share

	2023	2022
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	**$ 188,136**	**178,463**
Weighted average number of ordinary shares outstanding	**88,560**	**88,560**
Basic earnings per share (dollar)	**$ 2.12**	**2.02**

	2023	2022
Diluted earnings per share		
Profit attributable to ordinary shareholders of the Company	**$ 188,136**	**178,463**
Weighted average number of ordinary shares outstanding	88,560	88,560
Effect of potentially dilutive ordinary shares		
Effect of employee shares bonus	479	551
Weighted average number of ordinary shares outstanding (after adjusting the effect of potentially dilutive ordinary shares)	**89,039**	**89,111**
Diluted earnings per share (dollar)	**$ 2.11**	**2.00**

(Continued)

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

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

		2023	2022
Sale of goods	$	2,903,662	2,938,332
Rendering of services		621,041	590,028
Leasing revenue		118,135	133,998
Total	$	**3,642,838**	**3,662,358**
Timing of revenue recognition:			
At a point in time	$	3,021,797	3,072,330
Over time		621,041	590,028
Total	$	**3,642,838**	**3,662,358**

(ii) Contract balances

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

		December 31, 2023	December 31, 2022	January 1, 2022
Sales of goods	$	218,265	316,093	543,497
Rendering of services		14,147	13,659	9,112
Total	$	**232,412**	**329,752**	**552,609**
Current	$	202,382	233,020	367,302
Non-current		30,030	96,732	185,307
Total	$	**232,412**	**329,752**	**552,609**

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 during the years ended December 31, 2023 and 2022, are as follows:

		2023	2022
The opening balance transferred to accounts receivable	$	(244,716)	(382,473)
Change in the measure of progress		147,376	159,616
Net movements for the period	$	**(97,340)**	**(222,857)**

2) Contract liabilities

	December 31, 2023	December 31, 2022	January 1, 2022
Sale of goods	$ 104,029	116,477	65,624
Rendering of services	76,145	15,588	7,842
Total	**$ 180,174**	**132,065**	**73,466**
Current	$ 143,495	132,065	73,466
Non-current	36,679	-	-
Total	**$ 180,174**	**132,065**	**73,466**

The significant changes in the Company's balances of contract liabilities during the years ended December 31, 2023 and 2022, are as follows:

	2023	2022
The opening balance transferred to revenue	$ (131,424)	(71,941)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue in the period)	179,533	130,540
Net movements for the period	**$ 48,109**	**58,599**

(t) Employees' compensation and directors' remuneration

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

For the years ended December 31, 2023 and 2022, the amount of employees' compensation provided by the Company was $19,500 thousand and $18,500 thousand respectively, and the amount of directors' remuneration was $4,420 thousand and $3,937 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 2023 and 2022 parent-company-only financial statements.

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TATUNG SYSTEM TECHNOLOGIES INC.
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(u) Non-operating income and expenses

(i) Interest income

	2023	2022
Interest income from bank deposits	$ 2,870	317
Interest income from financial assets measured at amortized cost	791	651
Others	4,527	5,359
Total interest income	**$ 8,188**	**6,327**

(ii) Other income

	2023	2022
Government grant income	$ 478	10,003
Dividend income	1,400	840
Others	2,028	3,770
Total other income	**$ 3,906**	**14,613**

(iii) Other gains and losses

	2023	2022
Gains on disposal of property, plant and equipment	$ -	1,777
Income from sub-leasing right of use assets	-	219
Foreign exchange gains (losses)	(1,146)	4,189
Gains on financial assets at fair value through profit or loss	10,095	-
Others	6	-
Net value on other gains and losses	**$ 8,955**	**6,185**

(iv) Finance costs

	2023	2022
Interest expense	$ 4,688	2,033
Interest on lease liabilities	425	555
Total finance costs	**$ 5,113**	**2,588**

(v) Financial instruments

(i) Credit risk

1) Credit risk exposure

As of December 31, 2023 and 2022, 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, 2023 and 2022, contract assets and accounts receivable from top ten customers represent 40% and 54% of the total contract assets and accounts receivable of the Company. 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).

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, 2023	December 31, 2022	January 1, 2022
Total carrying amount (including current and non-current)	$ 232,412	329,752	552,609
Expected credit loss rates	0 %	0 %	0 %
Loss allowance	-	-	-
Total	**$ 232,412**	**329,752**	**552,609**

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

	December 31, 2023	December 31, 2022	January 1, 2022
Operating lease receivable	$ 7,762	9,266	19,058
Finance lease receivable	8,917	18,676	28,906
Total carrying amount (including current and non-current)	16,679	27,942	47,964
Expected credit loss rate	0 %	0 %	0 %
Loss allowance	-	-	-
Total	$ 16,679	27,942	47,964

The movement in the provision for impairment of contract assets, lease receivables, and other receivables during the years ended December 31, 2023 and 2022 is as follows:

	Contract assets	Lease receivables	Other receivables
December 31, 2023	$ -	-	-
December 31, 2022	$ -	-	-

(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, 2023						
Non-derivative financial liabilities						
Short-term loans	$ 80,000	80,122	80,122	-	-	-
Short-term notes and bills payable	49,990	50,000	50,000	-	-	-
Accounts Payable (including related parties)	1,082,899	1,082,899	1,015,093	63,144	4,662	-
Guarantee deposits received	180	180	-	180	-	-
Lease liabilities	60,725	61,473	40,832	17,628	3,013	-
	$ 1,273,794	1,274,674	1,186,047	80,952	7,675	-
December 31, 2022						
Non derivative financial liabilities						
Short-term loans	$ 240,000	240,786	240,786	-	-	-
Trade payables, current	59,978	60,000	60,000	-	-	-
Accounts Payable (including related parties)	1,163,553	1,163,553	1,097,604	50,249	15,700	-
Guarantee deposits received	231	231	231	-	-	-
Lease liabilities	158,442	163,024	102,434	51,985	8,605	-
	$ 1,622,204	1,627,594	1,501,055	102,234	24,305	-

(Continued)

TATUNG SYSTEM TECHNOLOGIES INC.
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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, 2023		
	Foreign currency	**Exchange rate**	**TWD**
Financial assets			
Monetary items			
USD	$ 2,072	30.7050	63,621
CNY	17,957	4.3350	77,844
Financial liabilities			
Monetary items			
USD	351	30.7050	10,777
CNY	-	4.3350	-

	December 31, 2022		
	Foreign currency	**Exchange rate**	**TWD**
Financial assets			
Monetary items			
USD	$ 1,745	30.710	53,573
CNY	15,548	4.409	68,549
Financial liabilities			
Monetary items			
USD	231	30.710	7,090
CNY	296	4.409	1,303

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, refundable deposits, accounts and other payables that are denominated in foreign currency. As of December 31, 2023 and 2022, 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 $1,307 thousand and $1,137 thousand, respectively. The analysis of the two periods was conducted using the same basis, assuming all other variables held constant.

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Notes to Non-consolidated Financial Statements

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 2023 and 2022, net foreign exchange gain (loss) amounted to $(1,146) thousand, and $4,189 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 $80 thousand and $240 thousand for the years ended December 31, 2023 and 2022, respectively, with all other variable factors remaining constant. This is mainly due to the Company's borrowing at variable rates.

5) Other market price risk

For the years ended December 31, 2023 and 2022, 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:

	2023	2022
Prices of securities at the reporting date	**Net income**	**Net income**
Increasing 1%	$ **489**	**182**
Decreasing 1%	$ **(489)**	**(182)**

(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:

TATUNG SYSTEM TECHNOLOGIES INC.
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	December 31, 2023				
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss, non-current					
Publicly listed stocks	$ 21,420	21,420	-	-	21,420
Non publicly listed stocks	27,479	-	-	27,479	27,479
Total	$ 48,899	21,420	-	27,479	48,899

	December 31, 2022				
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss, non-current					
Non publicly listed stocks	$ 18,200	-	-	18,200	18,200

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, 2023 and 2022.

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.

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, 2023 and 2022)	·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:

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	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, 2023						
Financial assets at fair value through profit or loss						
Equity investments without an active market—market approach	Market liquidity discount	1%	343	(343)	-	-
December 31, 2022						
Financial assets at fair value through profit or loss						
Equity investments without an active market—market approach	Market liquidity discount	1%	322	(322)	-	-

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.

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(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

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

(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.

1) 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.

1) 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, 2023	Cash flows	Others	December 31, 2023
Short-term loans	$ 240,000	(160,000)	-	80,000
Short-term notes and bills payables	59,978	(9,988)	-	49,990
Lease liabilities	158,442	(101,848)	4,131	60,725
Guarantee deposits received	231	(51)	-	180
Total liabilities from financing activities	**$ 458,651**	**(271,887)**	**4,131**	**190,895**

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	January 1, 2022	Cash flows	Others	December 31, 2022
Short-term loans	$ 50,000	190,000	-	240,000
Short-term notes and bills payables	-	59,978	-	59,978
Lease liabilities	224,251	(121,062)	55,253	158,442
Guarantee deposits received	474	(243)	-	231
Total liabilities from financing activities	**$ 274,725**	**128,673**	**55,253**	**458,651**

(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.	Associates
Shan Chin Investment Co., Ltd.	Other related party
Shan-Chin Asset Development Co.	Other related party
Tatung Company of Japan Inc.	Other related party
Tatung SM-Cycle Co., Ltd.	Other related party
Tatung Consumer Products (Taiwan) Co., Ltd.	Other related party
Tatung Medical & Healthcare Technologies Co., Ltd.	Other related party
TOES Opto-Mechatronics Co., Ltd.	Other related party
Nature Worldwide Technology Corp.	Other related party
Forward Electronics Co., Ltd.	Other related party
Elitegroup Computer System Co., Ltd.	Other related party
Tatung Okuma Co., Ltd.	Other related party
Hsieh-Chih Industrial Library Publishing Co.	Other related party

(Continued)

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Name of related party	Relationship with the Company
Tatung Forever Energy Co., Ltd.	Other related party
The Joint Welfare Committee of Tatung	Other related party
Tatung (Shanghai) Co., Ltd.	Other related party
Affiliate Union of Tatung Company	Other related party
The Employee Welfare Committee of Tatung Co.	Other related party
The Employee Welfare Committee of Tatung System Technologies Inc.	Other related party

(c) Significant transactions with related parties

(i) Sales

	2023	2022
Parent company	$ 156,355	137,180
Subsidiaries	25,275	40,564
Associates	-	7
Other related parties	65,283	7,661
	$ 246,913	**185,412**

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

2023		2022	
Related party	**Arm's length customer**	**Related party**	**Arm's length customer**
O/A 30-90 day	O/A30-150 day	O/A30-90 day	O/A30-150 day

(ii) Purchases

	2023	2022
Parent company	$ 74,521	56,120
Subsidiaries	30,436	15,556
Associates	-	-
Other related parties	6,297	4,745
	$ 111,254	**76,421**

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

	2023		2022	
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

(Continued)

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Notes to Non-consolidated Financial Statements

(iii) Operating expenses

	2023	2022
Parent company	$ 10,243	10,046
Subsidiaries	2,586	2,829
Other related parties	22,760	19,637
	$ 35,589	32,512

(iv) Property transaction

	2023	2022
Acquisition of assets		
Other related parties	$ 288	60

(v) Contract Assets

Account	Relationship	December 31, 2023	December 31, 2022
Contract assets, current	Parent company	$ 44,227	57,985
Contract assets, non-current	Parent company	-	55,923
		$ 44,227	113,908

(vi) Receivables from related parties

Account	Relationship	December 31, 2023	December 31, 2022
Accounts receivable - related parties	Parent company	$ 40,035	39,618
〃	Subsidiary-TSTI Technologies (Shanghai) Co., Ltd.	18,794	25,338
〃	Subsidiary-TISNet Technology Inc.	1,370	-
〃	Subsidiary-Chyun Huei Commercial Technologies Inc.	116	393
〃	Other related parties -Tatung (Shanghai) Co., Ltd.	23,678	-
〃	Other related parties	11,757	1,052
Finance lease receivable	Parent company	780	780
		$ 96,530	67,181

(Continued)

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Account	Relationship		December 31, 2023	December 31, 2022
Long-term receivables	Parent company		65,769	92,984
〃	Subsidiary-TSTI Technologies (Shanghai) Co., Ltd.		26,290	40,107
Long-term finance lease receivable	Parent company		2,080	2,860
		$	**94,139**	**135,951**

(vii) Other receivables

		December 31, 2023	December 31, 2022
Subsidiary-TISNet Technology Inc.	**$**	**-**	**5**

(viii) Refundable deposits

		December 31, 2023	December 31, 2022
Subsidiaries	$	8,544	8,690
Other related parties		3,814	3,303
	$	**12,359**	**11,993**

(ix) Guarantee deposits received

		December 31, 2023	December 31, 2022
Parent company	**$**	**130**	**130**

(x) Payables to related parties

Account	Relationship		December 31, 2023	December 31, 2022
Accounts payable - related parties	Parent company	$	34,309	13,817
〃	Subsidiary-TISNet Technology Inc.		11,376	867
〃	Subsidiary-Chyun Huei Commercial Technologies Inc.		2,006	996
〃	Subsidiary-Others		-	1,303
〃	Associates		-	-
〃	Other related parties		4,828	4,501
		$	**52,519**	**21,484**

(Continued)

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Notes to Non-consolidated Financial Statements

Account	Relationship	December 31, 2023	December 31, 2022
Long-term payables－related parties	Parent company	**$ 67,806**	**35,949**
Other payables	Parent company	$ 1,259	1,324
〃	Subsidiaries	1,739	935
	Other related parties	281	387
		$ 3,279	**2,646**

(xi) Leases to related parties

	Right-of-use assets	
	December 31, 2023	December 31, 2022
Shan-Chin Asset Development Co.	**$ -**	**19,639**

	Lease liabilities (including current and non-current)	
	December 31, 2023	December 31, 2022
Shan-Chin Asset Development Co.	**$ -**	**19,865**

The Company renewed its lease agreement with its related party, Shan-Chin 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 1 and 16, 2024, based on the resolutions approved during the board meetings held on December 6 and 20, 2023 and January 16, 2024, respectively.

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, the rental expenses were paid on a monthly basis.

	Finance costs	
	2023	2022
Shan-Chin Asset Development Co.	**$ 126**	**329**

(xii) Interest income

	2023	2022
Shan-Chin Asset Development Co.	**$ 56**	**27**

(xiii) Guarantees and endorsements

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

	December 31, 2023	December 31, 2022
Subsidiary-TISNet Technology Inc.	$ 84,000	114,000
Subsidiary-Chyun Huei Commercial Technologies Inc	50,000	50,000
	$ **134,000**	**164,000**

(xiv) Others matters

In August 2022, the Company partially subleased the leased Taichung office to the parent company under a financial lease, and the related right-of-use assets totaling $3,495 thousand was derecognized. In 2022, the income from subleasing the right-of-use assets was $219 thousand.

The above lease transactions were based on market price. The leasing decision and collection method of the leases are similar to the general leasing transactions.

(d) Key management personnel compensation

	2023	2022
Short-term employee benefits	$ **21,620**	**21,139**

(8) Assets pledged as security:

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2023	December 31, 2022
Financial assets measured at amortized cost, current	Performance guarantee	$ 10,742	2,465
Financial assets measured at amortized cost, non-current	Performance guarantee	42,543	55,432
Total		$ **53,285**	**57,897**

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(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, 2023	December 31, 2022
Guarantee notes submitted	Business collaboration, application for financing facilities	$ 1,108,636	659,753
Deposit bank guarantee	Business collaboration	$ 29,914	1,927

(10) Losses Due to Major Disasters:None

(11) Subsequent Events:None

(12) Other:

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

	For the years ended December 31					
	2023			2022		
By function / By item	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits						
Salary	-	438,212	438,212	-	433,036	433,036
Labor and health insurance	-	42,189	42,189	-	40,537	40,537
Pension	-	21,084	21,084	-	20,694	20,694
Remuneration of directors	-	4,725	4,725	-	4,177	4,177
Others	-	22,239	22,239	-	22,149	22,149
Depreciation	89,137	40,995	130,132	92,813	37,841	130,654
Amortization	-	4,214	4,214	-	3,732	3,732

For the years ended December 31, 2023 and 2022, the information on the number of employees and employee benefit expense of the Company is as follows：

	2023	2022
Number of employees	544	562
Number of directors (non-employee)	6	6
Average employee benefit expense	$ 973	929
Average employee salary expense	$ 815	779
Adjustment to average employee salary expense	4.6 %	
Remuneration for supervisors	$ -	-

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

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(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)

		Counter-party of guarantee and endorsement											
No.	Name of guarantor	Name	Relationship	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
0	Tatung System Technologies Inc.	Chyun Huei Commercial Technologies Inc.	2	293,189	50,000	50,000	-	-	3.41 %	732,974	Y	N	N
0	Tatung System Technologies Inc.	TISNet Technology Inc.	2	293,189	114,000	84,000	-	-	5.73 %	732,974	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.

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(iii) Securities held as of December 31, 2023 (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: Shares/Units	Ending balance: Carrying value	Ending balance: Percentage of ownership (%)	Ending balance: Fair value	Note
The Company	Stock-Ausenior Information Co., Ltd.	-	Financial assets at fair value through profit or loss, non-current	1,400,000	27,479	9.33 %	27,479	
The Company	Stock-Tatung Co.	Investment companies evaluated by the equity method of the company	〃	510,000	21,420	0.02 %	21,420	

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock:None

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock:None

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock:None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Purchaser (seller)	Related party	Relationship	Transaction details: Purchase/Sale	Transaction details: Amount	Transaction details: Percentage of total purchases/sales	Transaction details: Payment terms	Transactions with terms different from others: Unit price	Transactions with terms different from others: Payment terms	Notes/Accounts receivable (payable): Ending balance	Notes/Accounts receivable (payable): Percentage of total notes/accounts receivable (payable)	Note
Tatung System Technologies Inc.	Tatung Co.	Investment companies evaluated by the equity method of the company	Sales	(156,355)	(4.29)%	O/A 30-90 days	No significant difference	O/A 30-150 days	108,664	12.04%	Note 1

Note 1: The Company has a contract assets amounted to $44,227 thousand to Tatung Co.

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

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Relationship	Ending balance	Turnover rate	Overdue: Amount	Overdue: Action taken	Amounts received in subsequent period	Allowance for bad debts
Tatung System Technologies Inc.	Tatung Co.	Investment companies evaluated by the equity method of the company	108,664	1.30	-		7,155	-

(ix) Trading in derivative instruments:None

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2023 (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: December 31, 2023	Original investment amount: December 31, 2022	Balance as of December 31, 2023: Shares	Balance as of December 31, 2023: Percentage of ownership	Balance as of December 31, 2023: Carrying value	Net income (losses) of investee company	Investment income (losses) recognized	Note
Tatung System Technologies Inc.	Chyun Huei Commercial Technologies Inc.	Taipei City, Taiwan	Computer and business equipment wholesale or retail and information software service	42,740	42,740	11,000,000	100.00 %	144,318	9,625	9,025	Note 1
Tatung System Technologies Inc.	TISNet Technology Inc.	Taipei City, Taiwan	Type II telecommunications business, cloud information services and information security services	62,590	62,590	6,750,000	100.00 %	84,304	12,249	12,249	
Tatung System Technologies Inc.	I-Torch Technology Corp.	Taichung City, Taiwan	Software wholesale, equipment management and consulting service	5,000	5,000	500,000	20.00 %	5,402	4,085	819	

Note: Unrealized gains and losses on transactions between affiliates have been eliminated.

(Continued)

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Notes to Non-consolidated Financial Statements

(c) Information on investment in Mainland China:

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

(In Thousands of New Taiwan Dollars)

Investee company	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2023	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	72,444 (RMB15,000)	(1)	137,404 (USD4,606)	-	-	137,404 (USD4,606)	(4,049) (RMB921)	100.00%	(4,049)	(2,291)	-

Note 1: On June 22, 2022, TSTI Technologies (Shanghai) Co., Ltd. was approved by the Board of Directors to reduce its capital to cover its losses by 50%, and on December 19, 2022, TSTI Technologies (Shanghai) Co., Ltd. was notarized by Straits Exchange Foundation. As of December 31, 2022, the registration of legal changes has been completed.

Note 2: As of December 31, 2023, the Company continued to recognize the loss of its subsidiary, TSTI Technology (Shanghai) Co., Ltd, according to the shareholding ratio, resulting in the credit balance of the carrying amount of the long term equity investment, recognized as "credit balance of investments accounted for using equity method".

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
137,404 (USD 4,606)	137,404 (USD 4,606)	879,568

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 30.705 as of December 31, 2023.

(iii) Significant transactions:

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

(d) Major shareholders:None

Shareholding / **Shareholder's Name**	**Shares**	**Percentage**
Tatung Co.	38,386,499	43.34 %
Hsu, I-Yin	8,548,000	9.65 %
Genesis Technology Inc.	7,200,000	8.13 %
Twinbot International Consultants Limited	5,952,000	6.72 %

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

Note 2: If shares are entrusted, the above information regarding such shares will be revealed by each trustors of individual trust account. The shareholders holding more than 10% of the total shares of the company should declare insider's equity according to Securities and Exchange Act. The numbers of the shares declared by the insider include the shares of the trust assets which the insider has discretion over use. For details of the insider's announcement please refer to the Market Observation Post System website.

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

(14) Segment information:

Please refer to the consolidated financial statements for the year ended December 31, 2023.

TATUNG SYSTEM TECHNOLOGIES INC.

Statement of cash and cash equivalents

December 31, 2023

(Expressed in thousands of New Taiwan Dollar)

Item	Description	Amount	Note
Cash on hand and revolving funds		$ 315	
Cash in banks			
Demand deposits		499,185	
Check deposits		2,268	
Foreign currency deposits	USD310,696.59 dollars (rate30.705)	9,969	
Time deposits		50,000	
Foreign time deposits	USD550,000.00 dollars (rate30.705)	16,888	
		$ 578,625	

Statement of Contract assets－current

Client name	Description	Amount	Note
Company A		$ 44,227	
Company B		36,924	
Company C		21,810	
Company D		12,785	
Others (Note)		86,636	
Total		**$ 202,382**	

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

TATUNG SYSTEM TECHNOLOGIES INC.

Statement of accounts receivable

December 31, 2023

(Expressed in thousands of New Taiwan Dollar)

Client name	Description	Amount	Note
Current			
Company E		$ 27,758	
Others (Note)		515,315	
Total		543,073	
Less: Loss allowance		(1,434)	
Net amount		**$ 541,639**	

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

Statement of long-term receivables

Client name	Description	Amount	Note
Non-current			
Company A		$ 65,769	
Company F		26,290	
Company G		21,638	
Company H		19,132	
Others (Note)		103,130	
Total		235,959	
Less: Loss allowance		-	
Net amount		**$ 235,959**	

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

TATUNG SYSTEM TECHNOLOGIES INC.

Statement of inventories

December 31, 2023

(Expressed in thousands of New Taiwan Dollar)

Item	Description	Amount: Cost	Amount: Net realized value	Note
Goods		$ 680,120	680,402	
Less: Allowance for inventory valuation losses		(20,201)		
Net amount		$ 659,919		

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, 2023

(Expressed in thousands of New Taiwan Dollar)

	Beginning Balance		Addition		Decreased		Ending Balance			Ending Balance		Guarantee	
Name	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Percentage of ownership	Amount	Unit price	Amount	or collateral	Note
Chyun Huei Commercial Technologies Inc.	11,000	$ 143,633	-	9,637	-	8,952	11,000	100 %	144,318	13.12	144,318	None	
TISNet Technology Inc.	6,750	83,356	-	12,249	-	11,301	6,750	100 %	84,304	12.49	84,304	〃	
TSTI Technologies (Shanghai) Co., Ltd.	-	1,732	-	26	-	4,049	-	100 %	(2,291)	-	-	〃	
I Torch Technology Corp	500	4,583	-	819	-	-	500	20 %	5,402	10.80	5,402	〃	
		$ 233,304		22,731		24,302			231,733		234,024		
									2,291				
									234,024				

Note 1: The increase in this period was due to the recognition of $22,693 thousand in the shares of profits of subsidiaries and associates accounted for using equity method thousand, $26 thousand in the exchange differences on the translation of foreign operations financial statements, and $12 thousand in the actuarial gains of subsidiaries.

Note 2: The decrease in this period was due to the recognition of $4,049 thousand in share of losses of subsidiaries and associates accounted for using equity method, $19,653 thousand in cash dividends received from investees and $600 thousand in actuarial losses recognized in subsidiaries.

Note 3: At the year-end, the balance was recorded under credit balance of investments accounted for using equity method.

TATUNG SYSTEM TECHNOLOGIES INC.

Statement of accounts payable

December 31, 2023

(Expressed in thousands of New Taiwan Dollar)

Client name	Description	Amount	Note
Company I		$ 168,974	
Company J		95,137	
Company K		75,049	
Company L		60,364	
Company M		42,527	
Others (Note)		328,022	
Total		**$ 770,073**	

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		$ 90,154
Employees' compensation and directors' remuneration payable		21,400
Sales tax payble		16,895
Others (Note)		61,181
Total		**$ 189,630**

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, 2023

(Expressed in thousands of New Taiwan Dollar)

Item	Amount	Note
Sales of goods	$ 2,903,662	
Rendering of services	621,041	
Leasing revenue	118,135	
Net amount	**$ 3,642,838**	

Note: The quantity is not shown because it includes computers and peripherals, servers, storage devices, software, network and information security, which cannot be counted in the same unit.

Statement of operating costs

Item	Description	Amount	Note
Inventories, January 1		$ 775,140	
Add: Purchase		2,601,026	
Less: Inventories, December 31		(680,120)	
Transfer into leased assets		(24,126)	
Transfer into office equipment		(375)	
Transfer into expense		(1,281)	
Cost of goods sold		2,670,264	
Other business costs			
Add: Rental costs-deprecation		39,798	
Other costs-deprecation		49,339	
Other costs		58,832	
Total		**$ 2,818,233**	

TATUNG SYSTEM TECHNOLOGIES INC.

Statement of operating expenses

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollar)

Item	Selling expenses	Administrative expenses	Research and development expenses	Total
Salary and wages expenses	$ 307,364	83,900	51,673	442,937
Technical consulting expenses	-	10,000	1,000	11,000
Insurance expenses	30,212	8,316	5,430	43,958
Depreciation	25,741	10,675	4,579	40,995
Others	56,886	26,888	9,036	92,810
Total	**$ 420,203**	**139,779**	**71,718**	**631,700**

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