

**TATUNG SYSTEM TECHNOLOGIES INC. AND
SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Nine Months Ended September 30, 2024 and 2023**

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

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

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安侯建業聯合會計師事務所
KPMG

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

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

Independent Auditors' Review Report

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

Introduction

We have reviewed the accompanying consolidated balance sheets of TATUNG SYSTEM TECHNOLOGIES INC. and its subsidiaries ("the Group") as of September 30, 2024 and 2023, the related consolidated statements of comprehensive income for the three months and nine months then ended, and the changes in equity and cash flows for the nine months then ended, as well as the notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect the total assets amounting to \$324,108 thousand and \$427,147 thousand, constituting 11% and 14% of the consolidated total assets; and the total liabilities amounting to \$140,439 thousand and \$152,027 thousand, constituting 10% and 9% of the consolidated total liabilities as of September 30, 2024 and 2023, respectively; as well as the total comprehensive income amounting to \$7,213 thousand, \$7,944 thousand, \$10,263 thousand and \$8,095 thousand, constituting 18%, 19%, 8% and 7% of the consolidated total comprehensive income for the three months and nine months then ended respectively.

Furthermore, as stated in Note 6(h), the other equity accounted investments of the Group in its investee companies of \$0 and \$5,114 thousand as of September 30, 2024 and 2023, respectively; and its equity in net earnings on these investee companies of \$121 thousand, \$555 thousand, \$441 thousand and \$531 thousand for the three months and nine months ended September 30, 2024 and 2023, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2024 and 2023, and of its consolidated financial performance for the three months and nine months then ended, as well as its consolidated cash flows for the nine months then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Taipei, Taiwan (Republic of China)
October 30, 2024

Notes to Readers

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

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

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

TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES**Consolidated Balance Sheets****September 30, 2024, December 31, 2023, and September 30, 2023****(Expressed in Thousands of New Taiwan Dollar)**

Assets		September 30, 2024		December 31, 2023		September 30, 2023	
		Amount	%	Amount	%	Amount	%
Current assets:							
1100	Cash and cash equivalents (Note 6(a))	\$ 591,396	20	738,910	23	554,172	18
1136	Financial assets measured at amortized cost, current (Notes 6(c) and 8)	83,919	3	82,260	3	92,395	3
1140	Contract assets, current (Notes 6(s), (v) and 7)	220,941	8	215,129	7	212,145	7
1150	Notes receivable, net (Note 6(d))	18,282	1	16,428	-	14,134	-
1170	Accounts receivable, net (Note 6(d))	530,715	18	624,725	20	600,377	19
1180	Accounts receivable—related parties, net (Notes 6(d), 7 and 8)	70,596	2	100,905	3	235,627	8
1196	Operating lease receivable, net (Notes 6(e), (v) and 7)	6,099	-	8,130	-	9,162	-
1197	Finance lease receivable, net (Notes 6(f), (v) and 7)	5,175	-	5,647	-	10,210	-
1200	Other receivables (Note 6(v))	1,281	-	2,086	-	2,569	-
1220	Current tax assets	663	-	-	-	-	-
130X	Inventories (Note 6(g))	725,756	25	716,280	23	696,568	23
1410	Prepayments	17,164	1	28,047	1	26,535	1
	Total current assets	2,271,987	78	2,538,547	80	2,453,894	79
Non-current assets:							
1510	Financial assets at fair value through profit or loss, non-current (Note 6(b))	65,124	2	48,899	2	18,200	1
1535	Financial assets measured at amortized cost, non-current (Notes 6(c) and 8)	40,819	1	45,250	1	34,287	1
1550	Investments accounted for using equity method (Note 6(h))	-	-	5,402	-	5,114	-
1560	Contract assets, non-current (Notes 6(s), (v) and 7)	15,015	1	30,030	1	38,669	1
1600	Property, plant and equipment (Notes 6(i) and 7)	70,818	3	81,686	3	90,617	3
1755	Right-of-use assets (Notes 6(j) and 7)	137,713	5	55,278	2	76,932	3
1780	Intangible assets (Note 6(k))	5,893	-	6,306	-	4,932	-
1840	Deferred tax assets (Note 6(p))	27,466	1	28,593	1	28,405	1
1920	Refundable deposits (Note 7)	84,342	3	85,745	3	79,780	3
1932	Long-term receivables, net (Notes 6(d) and 7)	173,151	6	239,830	7	251,195	8
194D	Long-term finance lease receivable, net (Notes 6(f), (v) and 7)	2,081	-	4,821	-	5,129	-
	Total non-current assets	622,422	22	631,840	20	633,260	21
	Total assets	\$ 2,894,409	100	3,170,387	100	3,087,154	100

See accompanying notes to consolidated financial statements.

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

TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES**Consolidated Balance Sheets (CONT'D)****September 30, 2024, December 31, 2023, and September 30, 2023****(Expressed in Thousands of New Taiwan Dollar)**

		September 30, 2024		December 31, 2023		September 30, 2023	
		Amount	%	Amount	%	Amount	%
Liabilities and Equity							
Current liabilities:							
2100	Short-term loans (Note 6(l))	\$ 100,000	3	80,000	3	200,000	6
2110	Short-term notes and bills payable (Note 6(m))	-	-	49,990	2	-	-
2130	Contract liabilities, current (Notes 6(s) and 7)	186,802	7	157,929	5	148,272	5
2150	Notes payable	1,307	-	2,871	-	2,619	-
2170	Accounts payable	659,194	23	860,713	27	803,882	26
2180	Accounts payable—related parties (Note 7)	25,279	1	56,265	2	68,366	2
2200	Other payables (Note 7)	189,601	7	218,506	7	190,008	6
2230	Current tax liabilities (Note 6(p))	8,776	-	43,913	1	26,554	1
2250	Provisions, current	3,609	-	613	-	138	-
2280	Lease liabilities, current(Notes 6(n) and 7)	41,709	1	40,896	1	61,009	2
2300	Other current liabilities	13,315	-	21,680	1	12,130	-
	Total Current liabilities	1,229,592	42	1,533,376	49	1,512,978	48
Non-Current liabilities:							
2527	Contract liabilities, non-current (Note 6(s))	41,252	2	36,679	1	42,792	1
2570	Deferred tax liabilities (Note 6(p))	1,017	-	114	-	1,238	-
2580	Lease liabilities, non-current (Notes 6(n) and 7)	100,130	3	20,313	1	26,045	1
2610	Long-term payable	-	-	-	-	3,000	-
2620	Long-term payable—related parties(Note 7)	50,669	2	67,806	2	66,344	2
2640	Net defined benefit liabilities, non-current (Note 6(o))	35,804	1	45,971	1	45,062	2
2645	Guarantee deposits received (Note 7)	130	-	180	-	302	-
	Total non-current liabilities	229,002	8	171,063	5	184,783	6
	Total liabilities	1,458,594	50	1,704,439	54	1,697,761	54
Equity attributable to owners of parent (Note 6(q)):							
3110	Common stock	885,600	31	885,600	28	885,600	29
3200	Capital surplus	80,788	3	80,788	3	80,503	3
Retained earnings:							
3310	Legal reserve	320,118	11	301,376	10	301,376	10
3320	Special reserve	3,881	-	3,908	-	3,908	-
3350	Unappropriated earnings	149,433	5	198,158	5	121,972	4
	Total retained earnings	473,432	16	503,442	15	427,256	14
3400	Other equity	(4,005)	-	(3,882)	-	(3,966)	-
	Total equity	1,435,815	50	1,465,948	46	1,389,393	46
	Total liabilities and equity	\$ 2,894,409	100	3,170,387	100	3,087,154	100

See accompanying notes to consolidated financial statements.

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

TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES**Consolidated Statements of Comprehensive Income****For the three months and nine months ended September 30, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollar , except for Earnings Per Share)**

		For the three months ended September 30				For the nine months ended September 30			
		2024		2023		2024		2023	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenues (Notes 6(s) and 7)	\$ 968,779	100	1,017,803	100	2,814,607	100	3,059,294	100
5000	Operating costs (Notes 6(g) and 7)	<u>734,923</u>	<u>76</u>	<u>798,459</u>	<u>78</u>	<u>2,147,576</u>	<u>76</u>	<u>2,397,962</u>	<u>78</u>
5950	Gross profit	<u>233,856</u>	<u>24</u>	<u>219,344</u>	<u>22</u>	<u>667,031</u>	<u>24</u>	<u>661,332</u>	<u>22</u>
6000	Operating expenses (Notes 6(d), (o), (t) and 7):								
6100	Selling expenses	128,649	13	121,777	12	370,883	13	363,982	12
6200	Administrative expenses	37,370	4	36,554	4	117,485	4	109,354	4
6300	Research and development expenses	13,472	1	17,576	2	42,318	2	54,309	2
6450	Expected credit (gains) losses	<u>(7)</u>	<u>-</u>	<u>17</u>	<u>-</u>	<u>(516)</u>	<u>-</u>	<u>(78)</u>	<u>-</u>
	Total operating expenses	<u>179,484</u>	<u>18</u>	<u>175,924</u>	<u>18</u>	<u>530,170</u>	<u>19</u>	<u>527,567</u>	<u>18</u>
6900	Net operating income	<u>54,372</u>	<u>6</u>	<u>43,420</u>	<u>4</u>	<u>136,861</u>	<u>5</u>	<u>133,765</u>	<u>4</u>
7000	Non-operating income and expenses (Notes 6(e), (h), (u) and 7):								
7100	Interest income	609	-	732	-	4,013	-	2,659	-
7010	Other income	2,047	-	1,594	-	12,325	-	2,920	-
7020	Other gains and losses	(6,087)	(1)	6,013	1	11,374	-	3,396	-
7050	Finance costs	(1,122)	-	(1,126)	-	(3,319)	-	(4,744)	-
7060	Shares of profit (loss) of associates accounted for using equity method	<u>121</u>	<u>-</u>	<u>555</u>	<u>-</u>	<u>441</u>	<u>-</u>	<u>531</u>	<u>-</u>
	Total non-operating income and expenses	<u>(4,432)</u>	<u>(1)</u>	<u>7,768</u>	<u>1</u>	<u>24,834</u>	<u>-</u>	<u>4,762</u>	<u>-</u>
7900	Profit before tax	49,940	5	51,188	5	161,695	5	138,527	4
7950	Less: Income tax expenses (Note 6(p))	<u>9,628</u>	<u>1</u>	<u>10,007</u>	<u>1</u>	<u>27,869</u>	<u>1</u>	<u>27,295</u>	<u>1</u>
8200	Net income	<u>40,312</u>	<u>4</u>	<u>41,181</u>	<u>4</u>	<u>133,826</u>	<u>4</u>	<u>111,232</u>	<u>3</u>
8300	Other comprehensive (loss) income:								
8360	Items that may be reclassified subsequently to profit or loss								
8361	Exchange differences on translation of foreign operations	20	-	(81)	-	(123)	-	(58)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total items that may be reclassified subsequently to profit or loss	<u>20</u>	<u>-</u>	<u>(81)</u>	<u>-</u>	<u>(123)</u>	<u>-</u>	<u>(58)</u>	<u>-</u>
8300	Other comprehensive (loss) income	<u>20</u>	<u>-</u>	<u>(81)</u>	<u>-</u>	<u>(123)</u>	<u>-</u>	<u>(58)</u>	<u>-</u>
8500	Total comprehensive income	<u>\$ 40,332</u>	<u>4</u>	<u>41,100</u>	<u>4</u>	<u>133,703</u>	<u>4</u>	<u>111,174</u>	<u>3</u>
	Earnings per share (NT dollars) (Note 6(r))								
9750	Basic earnings per share	<u>\$ 0.46</u>		<u>0.47</u>		<u>1.51</u>		<u>1.26</u>	
9850	Diluted earnings per share	<u>\$ 0.45</u>		<u>0.46</u>		<u>1.51</u>		<u>1.25</u>	

See accompanying notes to consolidated financial statements.

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

TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES**Consolidated Statements of Changes in Equity****For the nine months ended September 30, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollar)**

	Equity attributable to owners of parent						Other Equity	
	Retained earnings						Exchange Differences on Translation of Foreign Operations Financial Statements	Total Equity
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total Retained Earnings		
Balance on January 1, 2023	\$ 885,600	80,092	283,678	3,978	183,348	471,004	(3,908)	1,432,788
Net income for the nine months ended September 30, 2023	-	-	-	-	111,232	111,232	-	111,232
Other comprehensive income for the nine months ended September 30, 2023	-	-	-	-	-	-	(58)	(58)
Total comprehensive income for the nine months ended September 30, 2023	-	-	-	-	111,232	111,232	(58)	111,174
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	-	411	-	-	-	-	-	411
Balance on September 30, 2023	\$ 885,600	80,503	301,376	3,908	121,972	427,256	(3,966)	1,389,393
Balance on January 1, 2024	\$ 885,600	80,788	301,376	3,908	198,158	503,442	(3,882)	1,465,948
Net income for the nine months ended September 30, 2024	-	-	-	-	133,826	133,826	-	133,826
Other comprehensive income for the nine months ended September 30, 2024	-	-	-	-	-	-	(123)	(123)
Total comprehensive income for the nine months ended September 30, 2024	-	-	-	-	133,826	133,826	(123)	133,703
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	18,742	-	(18,742)	-	-	-
Reversal of special reserve	-	-	-	(27)	27	-	-	-
Cash dividends	-	-	-	-	(163,836)	(163,836)	-	(163,836)
Balance on September 30, 2024	\$ 885,600	80,788	320,118	3,881	149,433	473,432	(4,005)	1,435,815

See accompanying notes to consolidated financial statements.

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

TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the nine months ended September 30, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollar)**

	For the nine months ended September 30	
	2024	2023
Cash flows from (used in) operating activities:		
Profit before tax	\$ 161,695	138,527
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	81,570	105,017
Amortization expense	5,519	3,263
Expected credit gain	(516)	(78)
Net gain on financial assets or liabilities at fair value through profit or loss	(6,931)	-
Interest expense	3,319	4,744
Interest income	(4,013)	(2,659)
Dividend income	(1,400)	(1,400)
Share of profit of associates accounted for using equity method	(441)	(531)
Gain on disposal of property, plant and equipment	(3)	-
Gain on disposal of other assets	(21)	-
Gain on disposal of investments	(657)	-
Total adjustments to reconcile profit (loss)	76,426	108,356
Changes in operating assets and liabilities:		
Contract assets	9,203	84,423
Notes receivable	(1,854)	18,659
Accounts receivable	94,526	204,498
Accounts receivable-related parties	30,309	(161,546)
Operating lease receivable	2,031	424
Finance lease receivable	472	1,144
Other receivables	515	(1,413)
Inventories	(23,424)	93,835
Prepayments	10,883	(8,317)
Long-term notes receivable	-	770
Long-term receivables	66,679	(25,987)
Long-term finance lease receivable	2,740	4,599
Contract liabilities	33,447	54,491
Notes payable	(1,564)	(252)
Accounts payable	(201,519)	(144,658)
Accounts payable-related parties	(30,986)	50,046
Other payables	(28,707)	(57,260)
Other current liabilities	(5,369)	4,632
Net defined benefit liabilities	(10,167)	(12,601)
Other operating liabilities	(17,137)	3,395
Total adjustments	6,504	217,238
Cash generated from operations	168,199	355,765
Income taxes paid	(61,639)	(28,975)
Net cash flows from (used in) operating activities	106,560	326,790

See accompanying notes to consolidated financial statements.

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

TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES**Consolidated Statements of Cash Flows (CONT'D)****For the nine months ended September 30, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollar)**

	For the nine months ended September 30	
	2024	2023
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through profit or loss	(9,294)	-
Acquisition of financial assets at amortized cost	(27,524)	(35,047)
Disposal of financial assets at amortized cost	30,296	16,853
Proceeds from disposal of investments accounted for using equity method	6,500	-
Acquisition of property, plant and equipment	(4,693)	(15,822)
Disposal of property, plant and equipment	3	-
Decrease in refundable deposits	1,403	13,352
Acquisition of intangible assets	(5,106)	(2,018)
Interest received	4,303	2,473
Dividends received	1,400	1,400
Net cash flows from (used in) investing activities	(2,712)	(18,809)
Cash flows from (used in) financing activities:		
Increase in short-term loans	645,000	1,310,000
Decrease in short-term loans	(625,000)	(1,350,000)
Decrease in short-term notes and bills payable	(49,990)	(59,978)
Decrease in guarantee deposits received	(50)	(10)
Payment of lease liabilities	(54,031)	(79,887)
Cash dividends paid	(163,836)	(154,980)
Interest paid	(3,317)	(4,803)
Disgorgement exercised	-	411
Net cash flows from (used in) financing activities	(251,224)	(339,247)
Effect of exchange rate changes on cash and cash equivalents	(138)	(61)
Net decrease in cash and cash equivalents	(147,514)	(31,327)
Cash and cash equivalents at beginning of period	738,910	585,499
Cash and cash equivalents at end of period	\$ 591,396	554,172

See accompanying notes to consolidated financial statements.

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

TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

September 30, 2024 and 2023

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

(1) Company history

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

The Company’s common shares were publicly listed on the Taiwan Stock Exchange (TWSE) on March 29, 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 consolidated financial statements:

The consolidated financial statements for the nine Months ended September 30, 2024 and 2023 were authorized for issuance by the board of directors on October 30, 2024.

(3) New standards, amendments and interpretations adopted:

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2024:

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

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

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

- Amendments to IAS21 “Lack of Exchangeability”

(Continued)

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

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

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

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

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures”
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”
- Annual Improvements to IFRS Accounting Standards—Volume 11

(4) Summary of material accounting policies:

(a) Statement of compliance

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

Except the following accounting policies mentioned below, the material accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2023. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2023

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

List of the subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Principal activity	Holding percentage			Note
			September 30, 2024	December 31, 2023	September 30, 2023	
The Company	Chyun Huei Commercial Technologies Inc.	Computer and business equipment wholesale or retail and information software service	100 %	100 %	100 %	Note 1
The Company	TISNet Technology Inc.	Telecommunications business, cloud information services and information security services	100 %	100 %	100 %	Note 1
The Company	TSTI Technologies (Shanghai) Co., Ltd.	System integration service	100 %	100 %	100 %	Note 2

(Continued)

TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
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Note 1: The aforementioned companies are immaterial subsidiaries whose financial statements for the nine months ended September 30, 2024 and 2023, have not been reviewed.

Note 2: The aforementioned company is an immaterial subsidiary whose financial statements for the nine months ended September 30, 2023 has not been reviewed.

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

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

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

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

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

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

(d) Employee benefits

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

(e) Income taxes

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

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

(Continued)

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

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

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

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

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2023. For related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2023.

(6) Explanation of significant accounts:

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the interim consolidated financial statements for the current period and the 2023 consolidated financial statements. Please refer to note 6 to the 2023 annual consolidated financial statements.

(a) Cash and cash equivalents

	September 30, 2024	December 31, 2023	September 30, 2023
Cash on hand and revolving funds	\$ 432	436	339
Bank drafts	583,051	631,586	444,471
Time deposits	7,913	106,888	109,362
Total	<u><u>\$ 591,396</u></u>	<u><u>738,910</u></u>	<u><u>554,172</u></u>

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

(Continued)

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

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

	September 30, 2024	December 31, 2023	September 30, 2023
Financial assets designated at fair value through profit or loss:			
Publicly listed stocks	\$ 36,174	21,420	-
Non-publicly listed stocks	<u>28,950</u>	<u>27,479</u>	<u>18,200</u>
Total	<u>\$ 65,124</u>	<u>48,899</u>	<u>18,200</u>

(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

	September 30, 2024	December 31, 2023	September 30, 2023
Time deposit - General	\$ 66,783	68,272	67,999
Time deposit - Restricted (Performance Guarantee)	57,955	59,238	58,683
Less: Loss allowance	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 124,738</u>	<u>127,510</u>	<u>126,682</u>
Current	\$ 83,919	82,260	92,395
Non-current	<u>40,819</u>	<u>45,250</u>	<u>34,287</u>
Total	<u>\$ 124,738</u>	<u>127,510</u>	<u>126,682</u>

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

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

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

	September 30, 2024	December 31, 2023	September 30, 2023
Notes receivable arose from operation	\$ 18,282	16,428	14,134
Less: Loss allowance	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>18,282</u>	<u>16,428</u>	<u>14,134</u>
Accounts receivable	\$ 452,669	518,401	482,808
Installment accounts receivable	210,149	285,246	303,807
Less: Unrealized interest revenue, installment accounts receivable	<u>(3,280)</u>	<u>(3,315)</u>	<u>(5,678)</u>
Subtotal	659,538	800,332	780,937
Less: Loss allowance	<u>(1,030)</u>	<u>(1,546)</u>	<u>(1,938)</u>
Subtotal	<u>658,508</u>	<u>798,786</u>	<u>778,999</u>

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

	September 30, 2024	December 31, 2023	September 30, 2023
Accounts receivable-related parties	\$ 37,043	40,617	163,258
Installment accounts receivable-related parties	81,212	128,358	149,841
Less: Unrealized interest revenue, installment accounts receivable-related parties	(2,301)	(2,301)	(4,899)
Subtotal	115,954	166,674	308,200
Less: Loss allowance	-	-	-
Subtotal	115,954	166,674	308,200
Total	<u><u>\$ 792,744</u></u>	<u><u>981,888</u></u>	<u><u>1,101,333</u></u>
Current	\$ 619,593	742,058	850,138
Non-current	173,151	239,830	251,195
Total	<u><u>\$ 792,744</u></u>	<u><u>981,888</u></u>	<u><u>1,101,333</u></u>

(i) Credit loss

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

September 30, 2024

Group 1

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

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the 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	-	0%	-
More than 366 days past due	137	100%	137
Total	<u><u>\$ 137</u></u>		<u><u>137</u></u>

Group 3

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

December 31, 2023

Group 1

	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 882,289	0%~0.01%	80
0 to 180 days past due	34,617	0%~0.36%	129
181 to 365 days past due	6,417	0%~18.7%	1,200
More than 366 days past due	-	0%	-
Total	<u><u>\$ 923,323</u></u>		<u><u>1,409</u></u>

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the 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	-	0%	-
More than 366 days past due	137	100%	137
Total	<u><u>\$ 137</u></u>		<u><u>137</u></u>

Group 3

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

September 30, 2023

Group 1

	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 975,818	0%~0.02%	194
0 to 180 days past due	32,436	0%~2.61%	840
181 to 365 days past due	2,477	0%~30.96%	767
More than 366 days past due	-	0%	-
Total	<u><u>\$ 1,010,731</u></u>		<u><u>1,801</u></u>

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the 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	-	0%	-
More than 366 days past due	<u>137</u>	100%	<u>137</u>
Total	<u><u>\$ 137</u></u>		<u><u>137</u></u>

Group 3

	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 48,213	0%	-
0 to 180 days past due	44,190	0%	-
181 to 365 days past due	-	0%	-
More than 366 days past due	<u>-</u>	0%	<u>-</u>
Total	<u><u>\$ 92,403</u></u>		<u><u>-</u></u>

The movement in the allowance for notes and accounts receivables were as follows:

	For the nine months ended September 30	
	2024	2023
Balance at January 1	\$ 1,546	2,275
Amounts written off	-	(259)
Impairment losses reversed	<u>(516)</u>	<u>(78)</u>
Balance at September 30	<u><u>\$ 1,030</u></u>	<u><u>1,938</u></u>

The expected recovery of installment accounts receivable is as follows:

	September 30, 2024	December 31, 2023	September 30, 2023
Less than one year	\$ 112,629	168,158	191,876
One to two years	100,537	97,894	99,086
More than two years	<u>72,614</u>	<u>141,936</u>	<u>152,109</u>
Total	<u><u>\$ 285,780</u></u>	<u><u>407,988</u></u>	<u><u>443,071</u></u>

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

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

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

(e) Operating lease receivable (including related parties)

	September 30, 2024	December 31, 2023	September 30, 2023
Operating lease receivable	\$ 6,052	8,073	9,095
Less: Loss allowance	-	-	-
Subtotal	6,052	8,073	9,095
Operating lease receivable-related parties	47	57	67
Less: Loss allowance	-	-	-
Subtotal	47	57	67
Total	<u>\$ 6,099</u>	<u>8,130</u>	<u>9,162</u>

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

	September 30, 2024	December 31, 2023	September 30, 2023
Less than one year	\$ 7,639	8,728	8,722
One to two years	5,986	7,346	7,783
Two to three years	3,555	5,431	5,611
Three to four years	1,091	2,538	3,214
Four to five years	163	656	750
More than five years	-	-	-
Present value of lease payments receivable	<u>\$ 18,434</u>	<u>24,699</u>	<u>26,080</u>

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

(f) Finance lease receivable (including related parties)

	September 30, 2024	December 31, 2023	September 30, 2023
Finance lease receivable	\$ 4,195	6,260	11,149
Less: Unearned finance income on finance lease	(69)	(69)	(413)
Subtotal (total carrying amount)	4,126	6,191	10,736
Less: Loss allowance	-	-	-
Subtotal	<u>4,126</u>	<u>6,191</u>	<u>10,736</u>

(Continued)

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

	September 30, 2024	December 31, 2023	September 30, 2023
Finance lease receivable-related parties	\$ 3,149	4,296	4,677
Less: Unearned finance income on finance lease-related parties	(19)	(19)	(74)
Subtotal (total carrying amount)	3,130	4,277	4,603
Less: Loss allowance	-	-	-
Subtotal	3,130	4,277	4,603
Total	<u>\$ 7,256</u>	<u>10,468</u>	<u>15,339</u>
Current	\$ 5,175	5,647	10,210
Non-current	2,081	4,821	5,129
Total	<u>\$ 7,256</u>	<u>10,468</u>	<u>15,339</u>

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

	September 30, 2024	December 31, 2023	September 30, 2023
Less than one year	\$ 5,263	5,735	10,698
One to two years	1,366	2,692	2,853
Two to three years	715	1,609	1,561
Three to four years	-	520	715
Four to five years	-	-	-
More than five years	-	-	-
Total lease payments receivable	7,344	10,556	15,827
Less: Unearned finance income	(88)	(88)	(488)
Less: Loss allowance	-	-	-
Present value of lease payments receivable	<u>\$ 7,256</u>	<u>10,468</u>	<u>15,339</u>

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

(g) Inventories

The details of inventories are as follows:

	September 30, 2024	December 31, 2023	September 30, 2023
Merchandise	<u>\$ 725,756</u>	<u>716,280</u>	<u>696,568</u>

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

(i) Property, plant and equipment

	September 30, 2024	December 31, 2023	September 30, 2023
Owner occupied property, plant and equipment	\$ 28,793	33,585	35,571
Property, plant and equipment leased out under operating leases	42,025	48,101	55,046
Total	\$ 70,818	81,686	90,617

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

	Office equipment	Leasehold improvements	Total
Cost or deemed cost:			
Balance on January 1, 2024	\$ 144,871	27,616	172,487
Additions	4,014	479	4,493
Disposal	(5,358)	(20)	(5,378)
Effect of movements in exchange rates	36	1	37
Other changes	631	-	631
Balance on September 30, 2024	\$ 144,194	28,076	172,270
Balance on January 1, 2023	\$ 145,265	14,471	159,736
Additions	4,438	12,954	17,392
Disposal	(4,259)	(359)	(4,618)
Effect of movements in exchange rates	39	-	39
Other changes	384	-	384
Balance on September 30, 2023	\$ 145,867	27,066	172,933
Depreciation and impairment losses:			
Balance on January 1, 2024	\$ 127,652	11,250	138,902
Depreciation	6,163	3,755	9,918
Disposal	(5,358)	(20)	(5,378)
Effect of movements in exchange rates	34	1	35
Balance on September 30, 2024	\$ 128,491	14,986	143,477
Balance on January 1, 2023	\$ 124,875	8,084	132,959
Depreciation	6,598	2,386	8,984
Disposal	(4,259)	(359)	(4,618)
Effect of movements in exchange rates	37	-	37
Balance on September 30, 2023	\$ 127,251	10,111	137,362

(Continued)

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

	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
Carrying amounts:			
Balance on January 1, 2024	\$ <u>17,219</u>	<u>16,366</u>	<u>33,585</u>
Balance on September 30, 2024	\$ <u>15,703</u>	<u>13,090</u>	<u>28,793</u>
Balance on January 1, 2023	\$ <u>20,390</u>	<u>6,387</u>	<u>26,777</u>
Balance on September 30, 2023	\$ <u>18,616</u>	<u>16,955</u>	<u>35,571</u>

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

	<u>Office equipment</u>
Cost or deemed cost:	
Balance on January 1, 2024	\$ 111,008
Disposal	(31,825)
Other changes	<u>13,317</u>
Balance on September 30, 2024	\$ <u>92,500</u>
Balance on January 1, 2023	\$ 157,385
Disposal	(33,525)
Other changes	<u>22,526</u>
Balance on September 30, 2023	\$ <u>146,386</u>
Depreciation and impairment losses:	
Balance on January 1, 2024	\$ 62,907
Depreciation	19,393
Disposal	<u>(31,825)</u>
Balance on September 30, 2024	\$ <u>50,475</u>
Balance on January 1, 2023	\$ 92,739
Depreciation	32,126
Disposal	<u>(33,525)</u>
Balance on September 30, 2023	\$ <u>91,340</u>
Carrying amounts:	
Balance on January 1, 2024	\$ <u>48,101</u>
Balance on September 30, 2024	\$ <u>42,025</u>
Balance on January 1, 2023	\$ <u>64,646</u>
Balance on September 30, 2023	\$ <u>55,046</u>

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

As of September 30, 2024, December 31 and September 30, 2023, none of the Group's property, plant and equipment were capitalized with borrowing costs or pledged as collateral.

(j) Right-of-use assets

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

	<u>Building</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Total</u>
Cost:					
Balance on January 1, 2024	\$ 27,035	10,584	1,385	158,864	197,868
Additions	131,905	3,955	-	-	135,860
Write-off	(6,682)	(3,841)	(931)	(80,631)	(92,085)
Effect of movements in exchange rates	20	-	-	-	20
Balance on September 30, 2024	<u>\$ 152,278</u>	<u>10,698</u>	<u>454</u>	<u>78,233</u>	<u>241,663</u>
Balance on January 1, 2023	\$ 99,489	13,352	1,281	159,349	273,471
Additions	3,164	1,916	-	-	5,080
Write-off	(120)	(1,901)	-	-	(2,021)
Effect of movements in exchange rates	20	-	-	-	20
Balance on September 30, 2023	<u>\$ 102,553</u>	<u>13,367</u>	<u>1,281</u>	<u>159,349</u>	<u>276,550</u>
Accumulated depreciation and impairment losses:					
Balance on January 1, 2024	\$ 11,405	6,345	1,003	123,837	142,590
Depreciation	23,854	2,000	176	26,229	52,259
Write-off	(5,504)	(3,841)	(931)	(80,631)	(90,907)
Effect of movements in exchange rates	8	-	-	-	8
Balance on September 30, 2024	<u>\$ 29,763</u>	<u>4,504</u>	<u>248</u>	<u>69,435</u>	<u>103,950</u>
Balance on January 1, 2023	\$ 55,237	6,642	738	75,097	137,714
Depreciation	24,111	2,673	192	36,931	63,907
Write-off	(120)	(1,901)	-	-	(2,021)
Effect of movements in exchange rates	18	-	-	-	18
Balance on September 30, 2023	<u>\$ 79,246</u>	<u>7,414</u>	<u>930</u>	<u>112,028</u>	<u>199,618</u>
Carrying amounts:					
Balance on September 30, 2024	<u>\$ 122,515</u>	<u>6,194</u>	<u>206</u>	<u>8,798</u>	<u>137,713</u>
Balance on September 30, 2023	<u>\$ 23,307</u>	<u>5,953</u>	<u>351</u>	<u>47,321</u>	<u>76,932</u>

As of September 30, 2024, December 31 and September 30, 2023, the right-of-use assets of the Group were not pledged as collateral.

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

(k) Intangible assets

	Computer software	Copyright	Total
Carrying amounts:			
Balance on January 1, 2024	\$ <u>3,806</u>	<u>2,500</u>	<u>6,306</u>
Balance on September 30, 2024	\$ <u>4,143</u>	<u>1,750</u>	<u>5,893</u>
Balance on January 1, 2023	\$ <u>2,677</u>	<u>3,500</u>	<u>6,177</u>
Balance on September 30, 2023	\$ <u>2,182</u>	<u>2,750</u>	<u>4,932</u>

There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the nine months ended September 30, 2024 and 2023. Information on amortization for the period is discussed in note 12. Please refer to note 6(k) to the 2023 annual consolidated financial statements for other related information.

(l) Short-term loans

	September 30, 2024	December 31, 2023	September 30, 2023
Unsecured bank loans	\$ <u>100,000</u>	<u>80,000</u>	<u>200,000</u>
Unused short-term credit lines	\$ <u>655,090</u>	<u>821,015</u>	<u>607,102</u>
Range of interest rates	<u>1.9%</u>	<u>1.79%</u>	<u>1.85%</u>

(i) Issuance and repayment of loans

For the nine months ended September 30, 2024 and 2023, the borrowings increased by \$645,000 thousand and \$1,310,000 thousand, respectively; the amounts repaid were \$625,000 thousand and \$1,350,000 thousand, respectively. Please refer to Note 6 (u) for details on interest expenses.

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

(iii) Collateral of bank loans

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

(m) Short-term notes and bills payable

	September 30, 2024	December 31, 2023	September 30, 2023
Commercial papers payable	\$ -	50,000	-
Less: Unamortized discount	-	(10)	-
Total	\$ <u>-</u>	<u>49,990</u>	<u>-</u>
Range of interest rates	<u>-</u>	<u>1.838%</u>	<u>-</u>

(Continued)

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

- (i) For the nine months ended September 30, 2024 and 2023, the borrowing increased by \$0 and \$119,727 thousand, respectively, maturing in July 2023; the amounts repaid were \$49,990 thousand and \$179,705 thousand, respectively.
- (ii) None of the assets for the Group were pledged as collateral.
- (n) Lease liabilities

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

	September 30, 2024	December 31, 2023	September 30, 2023
Current	\$ 41,709	40,896	61,009
Non-current	100,130	20,313	26,045
Total	<u>\$ 141,839</u>	<u>61,209</u>	<u>87,054</u>

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

The amounts recognized in profit or loss were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2024	2023	2024	2023
Interests on lease liabilities	<u>\$ 579</u>	<u>100</u>	<u>1,802</u>	<u>384</u>
Income from sub-leasing right-of-use assets	<u>\$ 3,498</u>	<u>12,623</u>	<u>16,988</u>	<u>38,540</u>
Expenses relating to short-term leases	<u>\$ 82</u>	<u>50</u>	<u>223</u>	<u>158</u>

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

	For the nine months ended September 30	
	2024	2023
Total cash outflow for leases	<u>\$ 56,056</u>	<u>80,429</u>

- (i) Real estate leases

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

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

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

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

(ii) Other leases

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

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

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

(o) Employee benefits

(i) Defined benefit plans

Management believes that there was no material volatility of market, no material reimbursement and settlement or other material one-time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2023 and 2022.

The expenses recognized in loss for the Group were \$169 thousand, \$221 thousand, \$507 thousand and \$663 thousand for the three months ended September 30, 2024 and 2023 and the nine months ended September 30, 2024 and 2023, respectively.

(ii) Defined contribution plans

The Group's expenses for the pension plan contributions to the Bureau of Labor Insurance, for the three months ended September 30, 2024 and 2023 and the nine months ended September 30, 2024 and 2023 were \$5,428 thousand, \$5,653 thousand, \$16,625 thousand and \$17,259 thousand, respectively.

(Continued)

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

(p) Income tax

(i) Income tax expense

	For the three months ended September 30		For the nine months ended September 30	
	2024	2023	2024	2023
Current tax expenses				
Current period	\$ 11,803	9,294	28,603	25,339
Adjustment for prior periods	(1,419)	-	(2,764)	(321)
Deferred tax expense				
Origination and reversal of temporary differences	(756)	713	2,030	2,277
Income tax expense	<u>\$ 9,628</u>	<u>10,007</u>	<u>27,869</u>	<u>27,295</u>

(ii) Assessment of tax

As of September 30, 2024, the assessment of the Group's income tax returns is as follows.

Company name	Year of Assessment
The Company	2022
Chyun Huei Commercial Technologies Inc.	2022
TISNet Technology Inc.	2022

(q) Capital and other equity

Except for the following disclosure, there was no significant change in capital and other equity for the nine months ended September 30, 2024 and 2023. For the related information, please refer to note 6(q) to the consolidated financial statements for the year ended December 31, 2023.

(i) Common stock

As of September 30, 2024, December 31 and September 30, 2023, the Company's authorized capital were all \$2,000,000 thousand, and issued capital were all \$885,600 thousand, with a par value of \$10, comprising 88,560 thousand shares. Each share is entitled to one voting right to receive dividends. All issued shares were paid up upon issuance.

(Continued)

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

(ii) Capital surplus

The components of capital surplus were as follows:

	September 30, 2024	December 31, 2023	September 30, 2023
Common stock premium	\$ 75,600	75,600	75,600
Employee share options	4,492	4,492	4,492
Gains from exercising the right of disgorgement	696	696	411
Total	<u>\$ 80,788</u>	<u>80,788</u>	<u>80,503</u>

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

(iii) Retained earnings

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

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

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

1) Legal reserve

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

2) Special reserve

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

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

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

3) Earning distribution

On May 28, 2024 and June 15, 2023, the shareholders resolved to distribute the 2023 and 2022 earnings. The relevant dividend distributions to shareholders were as follows:

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

(Continued)

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

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

	Exchange differences on translation of foreign operations financial statements
Balance at January 1, 2024	\$ (3,882)
Exchange differences on foreign operations	(123)
Balance at September 30, 2024	<u><u>\$ (4,005)</u></u>
Balance at January 1, 2023	\$ (3,908)
Exchange differences on foreign operations	(58)
Balance at September 30, 2023	<u><u>\$ (3,966)</u></u>

(r) Earnings per share

	For the three months ended September 30		For the nine months ended September 30	
	2024	2023	2024	2023
Basic earnings per share				
Profit attributable to ordinary shareholders of the Company	\$ <u>40,312</u>	<u>41,181</u>	<u>133,826</u>	<u>111,232</u>
Weighted average number of ordinary shares outstanding	<u>88,560</u>	<u>88,560</u>	<u>88,560</u>	<u>88,560</u>
Basic earnings per share (dollar)	<u><u>\$ 0.46</u></u>	<u><u>0.47</u></u>	<u><u>1.51</u></u>	<u><u>1.26</u></u>
Diluted earnings per share				
Profit attributable to ordinary shareholders of the Company	\$ <u>40,312</u>	<u>41,181</u>	<u>133,826</u>	<u>111,232</u>
Weighted average number of ordinary shares outstanding	88,560	88,560	88,560	88,560
Effect of potentially dilutive ordinary shares				
Effect of employee shares bonus	170	211	239	324
Weighted average number of ordinary shares outstanding (after adjusting the effect of potentially dilutive ordinary shares)	<u>88,730</u>	<u>88,771</u>	<u>88,799</u>	<u>88,884</u>
Diluted earnings per share (dollar)	<u><u>\$ 0.45</u></u>	<u><u>0.46</u></u>	<u><u>1.51</u></u>	<u><u>1.25</u></u>

(Continued)

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

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended September 30		For the nine months ended September 30	
	2024	2023	2024	2023
Sale of goods	\$ 743,075	824,171	2,152,062	2,468,265
Rendering of services	204,587	163,979	591,991	496,647
Leasing revenue	21,117	29,653	70,554	94,382
Total	<u>\$ 968,779</u>	<u>1,017,803</u>	<u>2,814,607</u>	<u>3,059,294</u>
Timing of revenue recognition:				
At a point in time	\$ 764,192	853,824	2,222,616	2,562,647
Over time	204,587	163,979	591,991	496,647
Total	<u>\$ 968,779</u>	<u>1,017,803</u>	<u>2,814,607</u>	<u>3,059,294</u>

(ii) Contract balances

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

	September 30, 2024	December 31, 2023	September 30, 2023
Sales of goods	\$ 206,273	231,012	238,146
Rendering of services	29,683	14,147	12,668
Total	<u>\$ 235,956</u>	<u>245,159</u>	<u>250,814</u>
Current	\$ 220,941	215,129	212,145
Non-current	15,015	30,030	38,669
Total	<u>\$ 235,956</u>	<u>245,159</u>	<u>250,814</u>

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

The significant changes in the Group's balances of contract assets for the nine months ended September 30, 2024 and 2023, are as follows:

	For the nine months ended September 30	
	2024	2023
The opening balance transferred to accounts receivable	\$ (198,283)	(217,241)
Change in the measure of progress	189,080	132,818
Net movements for the period	<u>\$ (9,203)</u>	<u>(84,423)</u>

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

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

	September 30, 2024	December 31, 2023	September 30, 2023
Sale of good	\$ 98,070	115,289	106,326
Rendering of services	129,984	79,319	84,738
Total	<u>\$ 228,054</u>	<u>194,608</u>	<u>191,064</u>
Current	\$ 186,802	157,929	148,272
Non-current	41,252	36,679	42,792
Total	<u>\$ 228,054</u>	<u>194,608</u>	<u>191,064</u>

The significant changes in the Group's balances of contract liabilities for the nine months ended September 30, 2024 and 2023, are as follows:

	For the nine months ended September 30	
	2024	2023
The opening balance transferred to revenue	\$ (140,333)	(134,240)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue in the period)	173,779	188,731
Net movements for the period	<u>\$ 33,446</u>	<u>54,491</u>

(t) Employee compensation and directors' remuneration

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

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

For the three months ended September 30, 2024 and 2023 and the nine months ended September 30, 2024 and 2023, the amount of employees' compensation provided by the Company was \$4,151 thousand, \$4,088 thousand, \$13,563 thousand and \$11,308 thousand, respectively, and the amount of directors' remuneration was \$1,840 thousand, \$1,015 thousand, \$3,954 thousand and \$2,954 thousand, respectively. The amounts were estimated on the distribution percentages of employees' compensation and directors' remuneration as stipulated in the Company's Articles of Incorporation, and were reported as operating expenses. If there is a difference between the actual distribution amount and the estimated amount in the next year, it will be treated based on the change in accounting estimates, and be recognized as the profit/loss 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.

For the years ended December 31, 2023 and 2022, respectively, the remunerations to employees amounted to \$19,500 thousand and \$18,500 thousand, and the amounts of remuneration to directors were \$4,420 thousand and \$3,937 thousand, respectively, with no difference from the actual distribution. The information is available on the Market Observation Post System website.

(u) Non-operating income and expenses

(i) Interest income

	For the three months ended September 30		For the nine months ended September 30	
	2024	2023	2024	2023
Interest income from bank deposits	\$ 267	378	2,972	1,790
Interest income from financial assets measured at amortized cost	324	330	979	799
Others	18	24	62	70
Total interest income	<u>\$ 609</u>	<u>732</u>	<u>4,013</u>	<u>2,659</u>

(ii) Other income

	For the three months ended September 30		For the nine months ended September 30	
	2024	2023	2024	2023
Government grant income	\$ -	-	9,028	-
Dividend income	1,400	1,400	1,400	1,400
Others	647	194	1,897	1,520
Total other income	<u>\$ 2,047</u>	<u>1,594</u>	<u>12,325</u>	<u>2,920</u>

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

(iii) Other gains and losses

	For the three months ended September 30		For the nine months ended September 30	
	2024	2023	2024	2023
Gains on disposals of property, plant and equipment	\$ 3	-	3	-
Gains on disposals of investments	657	-	657	-
Foreign exchange gains (losses)	(1,224)	6,013	3,762	3,404
Gains (losses) on financial assets at fair value through profit or loss	(5,523)	-	6,931	-
Other expenses	-	-	-	(8)
Others	-	-	21	-
Net value on other gains and losses	<u>\$ (6,087)</u>	<u>6,013</u>	<u>11,374</u>	<u>3,396</u>

(iv) Finance costs

	For the three months ended September 30		For the nine months ended September 30	
	2024	2023	2024	2023
Interest expense	\$ 539	1,028	974	3,649
Other finance expenses				
Interest on lease liabilities	579	100	1,802	384
Others	4	(2)	543	711
Subtotal of other finance expenses	583	98	2,345	1,095
Total finance costs	<u>\$ 1,122</u>	<u>1,126</u>	<u>3,319</u>	<u>4,744</u>

(v) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk liquidity risk and market risk arising from financial instruments. For related information, please refer to note 6(v) to the consolidated financial statements for the year ended December 31, 2023.

(i) Credit risk

1) Credit risk exposure

As of September 30, 2024, December 31 and September 30, 2023, the Group's exposure to credit risk and the maximum exposure mainly arose from the carrying amount of financial assets and contract assets recognized in the consolidated balance sheet.

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

2) Concentration of credit risk

As of September 30, 2024, December 31 and September 30, 2023, contract assets and accounts receivable from top ten customers represent 37%, 38% and 50% of the total contract assets and accounts receivable of the Group, respectively. The concentration of credit risk of the remaining contract assets and accounts receivable is relatively insignificant.

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

3) Credit risk of receivables

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

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected credit losses. Regarding how the financial instruments are considered to have low credit risk, please refer to Note 4(h) to the consolidated financial statements for the year ended December 31, 2023.

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:

	September 30, 2024	December 31, 2023	September 30, 2023
Total carrying amount (including current and non-current)	\$ 235,956	245,159	250,814
Expected credit loss rates	0 %	0 %	0 %
Loss allowance	-	-	-
Total	<u><u>\$ 235,956</u></u>	<u><u>245,159</u></u>	<u><u>250,814</u></u>

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

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

	September 30, 2024	December 31, 2023	September 30, 2023
Operating lease receivable	\$ 6,099	8,130	9,162
Finance lease receivable	7,256	10,468	15,339
Total carrying amount (including current and non-current)	13,355	18,598	24,501
Expected credit loss rates	0 %	0 %	0 %
Loss allowance	-	-	-
Total	<u>\$ 13,355</u>	<u>18,598</u>	<u>24,501</u>

The movement in the provision for impairment of contract assets, lease receivables, other receivables, and long-term receivables for the nine months ended September 30, 2024 and 2023, are as follows:

	Contract assets	Lease receivables	Other receivables	long-term receivables
Balance at September 30, 2024 (as beginning balance)	\$ -	-	-	-
Balance at September 30, 2023 (as beginning balance)	\$ -	-	-	913

(ii) Liquidity risk

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

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

	Carrying amount	Contractual cash flow	Within 1 year	2-3 years	4-5 years	Over 5 years
September 30, 2024						
Non-derivative financial liabilities						
Short-term Loans	\$ 100,000	100,156	100,156	-	-	-
Accounts payable (including related parties)	926,050	926,050	875,381	49,472	1,197	-
Guarantee deposits received	130	130	-	130	-	-
Lease liabilities	141,839	146,684	43,603	67,739	35,342	-
	<u>\$ 1,168,019</u>	<u>1,173,020</u>	<u>1,019,140</u>	<u>117,341</u>	<u>36,539</u>	<u>-</u>

(Continued)

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

	<u>Carrying amount</u>	<u>Contractual cash flow</u>	<u>Within 1 year</u>	<u>2-3 years</u>	<u>4-5 years</u>	<u>Over 5 years</u>
December 31, 2023						
Non-derivative financial liabilities						
Short-term Loans	\$ 80,000	80,122	80,122	-	-	-
Short-term notes and bills payable	49,990	50,000	50,000	-	-	-
Accounts payable (including related parties)	1,206,161	1,206,161	1,138,355	63,144	4,662	-
Guarantee deposits received	180	180	-	180	-	-
Lease liabilities	61,209	61,969	41,251	17,671	3,047	-
	<u>\$ 1,397,540</u>	<u>1,398,432</u>	<u>1,309,728</u>	<u>80,995</u>	<u>7,709</u>	<u>-</u>
September 30, 2023						
Non-derivative financial liabilities						
Short-term notes and bills payable	\$ 200,000	200,765	200,765	-	-	-
Accounts payable (including related parties)	1,134,219	1,134,219	1,064,875	47,350	21,994	-
Guarantee deposits received	302	302	-	302	-	-
Lease liabilities	87,054	87,727	61,178	22,096	4,453	-
	<u>\$ 1,421,575</u>	<u>1,423,013</u>	<u>1,326,818</u>	<u>69,748</u>	<u>26,447</u>	<u>-</u>

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

(iii) Market risk

1) Currency risk

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

Unit: thousands (foreign currency)

	September 30, 2024		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$	1,146	31.650
CNY		8,037	4.517
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	\$	721	31.650
CNY		-	4.517

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
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December 31, 2023			
	Foreign currency	Exchange rate	TWD
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$	2,254	30.705
CNY		17,957	4.335
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	\$	724	30.705
CNY		-	4.335
September 30, 2023			
	Foreign currency	Exchange rate	TWD
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$	1,675	32.270
CNY		21,874	4.495
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	\$	305	32.270
CNY		3	4.495

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts and other receivables, accounts and other payables that are denominated in foreign currency. As of September 30, 2024, December 31 and September 30, 2023, a strengthening (weakening) of 1% of the exchange rate of the functional currency of the Group and the Company against the main foreign currencies would increase (decrease) profit before tax by \$498 thousand and \$1,425 thousand, respectively. The analysis of the two periods was conducted using the same basis, assuming all other variables held constant.

3) Foreign exchange gains or losses on monetary items

Since the Group has many kinds of functional currencies, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the three months ended September 30, 2024 and 2023 and the nine months ended September 30, 2024 and 2023, net foreign exchange gains (losses) are amounted to \$(1,224) thousand, \$6,013 thousand, \$3,762 thousand, and \$3,404 thousand, respectively.

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

4) Interest rate analysis

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

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

If the interest rate had increased/decreased by 10 basis points, the Group's net income would have increased/decreased \$75 thousand and \$150 thousand for the nine months ended September 30, 2024 and 2023, respectively, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at variable rates were \$0.

5) Other market price risk

For the nine months ended September 30, 2024 and 2023, the sensitivity analysis for the changes in the securities price at the reporting date were performed using the same basis for profit or loss as illustrated below:

	For the nine months ended September 30	
	2024	2023
Prices of securities at the reporting date	Net income	Net income
Increasing 1%	\$ <u><u>651</u></u>	<u><u>182</u></u>
Decreasing 1%	\$ <u><u>(651)</u></u>	<u><u>(182)</u></u>

(iv) Fair value of financial instruments

1) Fair value hierarchy

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

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
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September 30, 2024					
	<u>carrying value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through profit or loss, non-current					
Publicly listed stock	\$ 36,174	36,174	-	-	36,174
Non-publicly listed stock	28,950	-	-	28,950	28,950
Total	<u>\$ 65,124</u>	<u>36,174</u>	<u>-</u>	<u>28,950</u>	<u>65,124</u>
December 31, 2023					
	<u>carrying value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through profit or loss, non-current					
Publicly listed stock	\$ 21,420	21,420	-	-	21,420
Non-publicly listed stock	27,479	-	-	27,479	27,479
Total	<u>\$ 48,899</u>	<u>21,420</u>	<u>-</u>	<u>27,479</u>	<u>48,899</u>
September 30, 2023					
	<u>carrying value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through profit or loss, non-current					
Non-publicly listed stocks	<u>\$ 18,200</u>	<u>-</u>	<u>-</u>	<u>18,200</u>	<u>18,200</u>

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

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

a) Financial assets and financial liabilities measured at amortized cost

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

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
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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 Group remained unchanged. No transfers were made between the fair value levels in the hierarchy for the nine months ended September 30, 2024 and 2023.

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

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

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

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
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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 September 30, 2024, December 31, 2023 and September 30, 2023)	None

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

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

		Upward or downward Movements	Current profit (loss) arising from changes in fair value		Other comprehensive income arising from changes in fair value	
	Inputs		Favorable	Unfavorable	Favorable	Unfavorable
September 30, 2024						
Financial assets at fair value through profit or loss						
Equity investments without an active market—market approach	Market liquidity discount	1%	362	(362)	-	-
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)	-	-
September 30, 2023						
Financial assets at fair value through profit or loss						
Equity investments without an active market—market approach	Market liquidity discount	1%	268	(268)	-	-

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

(w) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in note 6 (w) to the consolidated financial statements for the year ended December 31, 2023.

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
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(x) Capital management

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

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

Reconciliation of liabilities arising from financing activities were as follows:

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

	January 1, 2023	Cash flows	Others	September 30, 2023
Short-term loans	\$ 240,000	(40,000)	-	200,000
Short-term notes and bills payable	59,978	(59,978)	-	-
Lease liabilities	161,860	(79,887)	5,081	87,054
Guarantee deposits received	312	(10)	-	302
Total liabilities from financing activities	<u>\$ 462,150</u>	<u>(179,875)</u>	<u>5,081</u>	<u>287,356</u>

(7) Related-party transactions

(a) Names and relationship with related parties

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

Name of related party	Relationship with the Group
Tatung Co.	Parent company
I-Torch Technology Corp.(Note 1)	Associates
Shan-Chin Investment Co., Ltd.	Other related party
Tatung Asset Development Co.(Note 2)	Other related party
Tatung Company of Japan Inc.	Other related party
Tatung SM-Cycle Co., Ltd.	Other related party
Tatung Consumer Products (Taiwan) Co., Ltd.	Other related party

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
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
Forward Intelligent Energy Co., Ltd.	Other related party
Elitegroup Computer System Co., Ltd.	Other related party
Tatung Forever Energy Co., Ltd.	Other related party
The Joint Welfare Committee of Tatung	Other related party
Tatung (Shanghai) Co., Ltd.	Other related party
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
Cinzhi Power Co., Ltd.	Other related party
Tatung (Thailand) Co., Ltd.	Other related party
Tatung Semiconductor Co.	Other related party

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

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

(b) Significant transactions with related parties

(i) Sales

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Parent company	\$ 21,405	157,348	113,518	183,731
Associates	-	-	49	39
Other related parties	7,280	2,326	45,295	9,889
	<u>\$ 28,685</u>	<u>159,674</u>	<u>158,862</u>	<u>193,659</u>

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

For the three months ended September 30			
2024		2023	
Related party	Arm's length customer	Related party	Arm's length customer
O/A 30-90 days	O/A 30-150 days	O/A 30-90 days	O/A 30-150 days

For the nine months ended September 30			
2024		2023	
Related party	Arm's length customer	Related party	Arm's length customer
O/A 30-90 days	O/A 30-150 days	O/A 30-90 days	O/A 30-150 days

(ii) Purchases

	For the three months ended September 30		For the nine months ended September 30	
	2024	2023	2024	2023
Parent company	\$ 792	8,056	7,830	60,920
Associates	-	-	200	-
Other related parties	348	2,177	459	2,588
	\$ 1,140	10,233	8,489	63,508

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

For the three months ended September 30				
Location	2024		2023	
	Related party	Arm's length supplier	Related party	Arm's length supplier
Domestic	O/A 60-90 days	O/A 30-90 days	O/A 60-90 days	O/A 30-90 days
Oversea	30-90 days after QC	30-60 days after QC	30-90 days after QC	30-60 days after QC

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

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

(iii) Operating expenses

	For the three months ended September 30		For the nine months ended September 30	
	2024	2023	2024	2023
Parent company	\$ 2,577	2,500	8,042	7,743
Other related parties	6,272	6,303	18,907	19,067
	<u>\$ 8,849</u>	<u>8,803</u>	<u>26,949</u>	<u>26,810</u>

(iv) Property transaction

	For the three months ended September 30		For the nine months ended September 30	
	2024	2023	2024	2023
Acquisition of assets				
Other related parties	\$ -	290	-	506

(v) Contract Assets

Account	Relationship	September 30, 2024	December 31, 2023	September 30, 2023
Contract assets, current	Parent company	\$ 1,043	44,227	47,284
"	Other related parties	85	85	85
Contract assets, non-current	Parent company	-	-	8,639
		<u>\$ 1,128</u>	<u>44,312</u>	<u>56,008</u>

(vi) Receivables from related parties

Account	Relationship	September 30, 2024	December 31, 2023	September 30, 2023
Accounts receivable - related parties	Parent company	\$ 54,115	64,873	197,572
"	Tatung Medical & Healthcare Technologies Co., Ltd.	548	5,126	723
"	Tatung (Shanghai) Co., Ltd.	-	23,678	36,828
"	Other related parties	15,933	7,228	504
Operating lease receivable	Parent company	26	41	53
"	Other related parties	21	16	14
Finance lease receivable	Parent company	1,635	1,511	2,328
		<u>\$ 72,278</u>	<u>102,473</u>	<u>238,022</u>

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES
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<u>Account</u>	<u>Relationship</u>	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Long-term receivables	Parent company	\$ 45,358	65,769	72,573
"	Nature Worldwide Technology Corp.	-	-	913
Long-term finance lease receivable	Parent company	1,495	2,766	2,275
Total		46,853	68,535	75,761
Less: loss allowance		-	-	(913)
Net amount		<u>\$ 46,853</u>	<u>68,535</u>	<u>74,848</u>

(vii) Refundable deposits

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Tatung Asset Development Co.	<u>\$ 3,978</u>	<u>4,036</u>	<u>4,036</u>

(viii) Guarantee deposits received

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Parent company	<u>\$ 130</u>	<u>130</u>	<u>130</u>

(ix) Payables to related parties

<u>Account</u>	<u>Relationship</u>	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Accounts payable - related parties	Parent company	\$ 25,109	37,924	24,982
"	Tatung (Shanghai) Co., Ltd.	-	13,513	42,036
"	Tatung Medical & Healthcare Technologies Co., Ltd.	-	4,453	1,348
"	Other related parties	170	375	-
		<u>\$ 25,279</u>	<u>56,265</u>	<u>68,366</u>
Long-term payables-related parties	Parent company	<u>\$ 50,669</u>	<u>67,806</u>	<u>66,344</u>
Other payables	Parent company	\$ 1,778	1,477	1,690
"	Other related parties	364	282	448
		<u>\$ 2,142</u>	<u>1,759</u>	<u>2,138</u>

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

(x) Contract liabilities

<u>Account</u>	<u>Relationship</u>	September 30, 2024	December 31, 2023	September 30, 2023
Contract liabilities, current	Parent company	\$ 674	658	1,741
"	Other related parties	451	336	1,268
		<u>\$ 1,125</u>	<u>994</u>	<u>3,009</u>

(xi) Leases to related parties

<u>Right-of-use assets</u>			
	September 30, 2024	December 31, 2023	September 30, 2023
Tatung Asset Development Co.	<u>\$ 105,767</u>	<u>-</u>	<u>6,433</u>

<u>Lease liabilities (including current and non-current)</u>			
	September 30, 2024	December 31, 2023	September 30, 2023
Tatung Asset Development Co.	<u>\$ 106,473</u>	<u>-</u>	<u>6,530</u>

<u>Finance costs</u>				
		For the three months ended September 30		
		2024	2023	
		<u>\$ 487</u>	<u>25</u>	
		For the nine months ended September 30		
		2024	2023	
Tatung Asset Development Co.	\$	<u>1,543</u>	<u>131</u>	

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

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

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

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

(xii) Interest income

		For the three months ended September 30			For the nine months ended September 30
		2024	2023		2024
Tatung Asset Development Co.	\$	<u>18</u>	<u>15</u>	52	<u>46</u>

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(c) Key management personnel compensation

	For the three months ended September 30		For the nine months ended September 30	
	2024	2023	2024	2023
Short-term employee benefits	\$ <u>4,700</u>	<u>4,137</u>	<u>13,290</u>	<u>13,461</u>

(8) Assets Pledged as security:

The carrying values of pledged assets were as follows:

Pledged assets	Object	September 30, 2024	December 31, 2023	September 30, 2023
Financial assets measured at amortized cost, current	Performance guarantee	\$ 18,840	13,988	24,396
Financial assets measured at amortized cost, non-current	Performance guarantee	39,115	45,250	34,287
Accounts receivable—related parties	Sale with recourse	1,433	1,126	1,126
		<u>\$ 59,388</u>	<u>60,364</u>	<u>59,809</u>

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

Contracting Party	Status	September 30, 2024	December 31, 2023	September 30, 2023
Taishin International Bank	Amount transferred	\$ <u>1,433</u>	<u>1,126</u>	<u>1,126</u>
"	Advance amount	<u>\$ -</u>	<u>-</u>	<u>-</u>

(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	September 30, 2024	December 31, 2023	September 30, 2023
Guarantee notes submitted	Business collaboration, project agency and application for bank financing	\$ <u>1,053,316</u>	<u>1,119,099</u>	<u>957,613</u>
Deposit bank guarantee	business collaboration	<u>\$ 25,063</u>	<u>29,914</u>	<u>3,827</u>

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(10) Losses due to major disasters:None

(11) Subsequent events:None

(12) Other:

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

	For the three months ended September 30						
By item	By funtion	2024			2023		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		311	125,735	126,046	307	121,732	122,039
Labor and health insurance		41	11,719	11,760	41	11,598	11,639
Pension		19	5,578	5,597	18	5,856	5,874
Others		-	5,832	5,832	-	5,921	5,921
Depreciation		13,344	11,759	25,103	23,078	12,288	35,366
Amortization		314	1,364	1,678	-	1,087	1,087

	For the nine months ended September 30						
By item	By function	2024			2023		
		Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits							
Salary		727	370,481	371,208	512	370,773	371,285
Labor and health insurance		96	35,553	35,649	69	36,445	36,514
Pension		43	17,089	17,132	31	17,891	17,922
Others		-	18,879	18,879	-	18,372	18,372
Depreciation		45,713	35,857	81,570	69,171	35,846	105,017
Amortization		943	4,576	5,519	-	3,263	3,263

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties:None

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limit of guarantee/ endorsement amount for receiving party	Maximum balance for the period	Ending balance	Actual amount provided	Amount of collateral guarantee/ endorsement	Percentage of accumulated guarantee amount to net assets value from the latest financial statement	Limit of total guarantee/ endorsement amount	Guarantee provided by parent company	Guarantee provided by a subsidiary	Guarantee provided to subsidiaries in Mainland China
		Name	Relationship										
0	Tatung System Technologies Inc.	Chyun Huei Commercial Technologies Inc.	2	287,163	50,000	50,000	-	-	3.48 %	717,907	Y	N	N
0	Tatung System Technologies Inc.	TISNet Technology Inc.	2	287,163	84,000	84,000	-	-	5.85 %	717,907	Y	N	N

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

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

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

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

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

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

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

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

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

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

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

(iii) Securities held as of September 30, 2024 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Stock-Ausenior Information Co., Ltd.	-	Financial assets at fair value through profit or loss, non-current	1,400,000	28,950	8.48 %	28,950	
The Company	Stock-Tatung Co.	Investment compaines evaluated by the equity method of the company	"	736,000	36,174	0.03 %	36,174	

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TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:None
- (ix) Trading in derivative instruments:None
- (x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	Tatung System Technologies Inc.	TSTI Technologies (Shanghai) Co., Ltd.	1	Accounts receivable - related parties	22,074	According to the conditions in the contract	0.76%
0	Tatung System Technologies Inc.	TSTI Technologies (Shanghai) Co., Ltd.	1	Long term receivable - related parties	13,697	"	0.47%
1	TSTI Technologies (Shanghai) Co., Ltd.	Tatung System Technologies Inc.	2	Accounts payable - related parties	36,307	"	1.25%

Note 1: Company numbering as follows:

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

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

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

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

(b) Information on investees:

The following is the information on investees for the nine months ended September 30, 2024 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Investor company	Investee company	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2024			Net income (losses) of investee company	Investment income (loss) recognized	Note
				September 30, 2024	December 31, 2023	Shares	Percentage of ownership	Carrying value			
Tatung System Technologies Inc.	Chyun Huei Commercial Technologies Inc.	Taipei City, Taiwan	Computer and business equipment wholesale or retail and information software service	7,740	42,740	7,500,000	100.00 %	103,452	2,207	2,807	Note 2
Tatung System Technologies Inc.	TISNet Technology Inc.	Taipei City, Taiwan	Telecommunications business, cloud information services and information security services	62,590	62,590	6,750,000	100.00 %	79,817	6,537	6,537	
Tatung System Technologies Inc.	I-Torch Technology Corp.	Taichung City, Taiwan	Software wholesale, equipment management and consulting service	-	5,000	-	- %	-	2,206	441	Note 3

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

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

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

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

(c) Information on investment in Mainland China:

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

(In Thousands of New Taiwan Dollars)

Investee company	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2024	Investment flows		Accumulated outflow of investment from Taiwan as of September 30, 2024	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)	(1,571) (RMB354)	100.00%	(1,571)	(3,985)	-

Note 1: As of September 30, 2024, 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"; hence, was eliminated in the preparation of the consolidated financial statements.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of September 30, 2024	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
137,404 (USD 4,606)	137,404 (USD 4,606)	861,489

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

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

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

Note 3: The financial statements of TSTI Technologies (shanghai) Co., Ltd. has been reviewed.

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

Note 5: The above amounts were translated into New Taiwan Dollars at the exchange rate 31.65 as of September 30, 2024.

(iii) Significant transactions:

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

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

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Tatung Co.		38,386,499	43.34 %
Genesis Technology Inc.		7,200,000	8.13 %
Twinbot International Consultants Limited		5,889,000	6.64 %
Hsu, I-Yin		5,132,000	5.79 %

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

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

(14) Segment information:

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