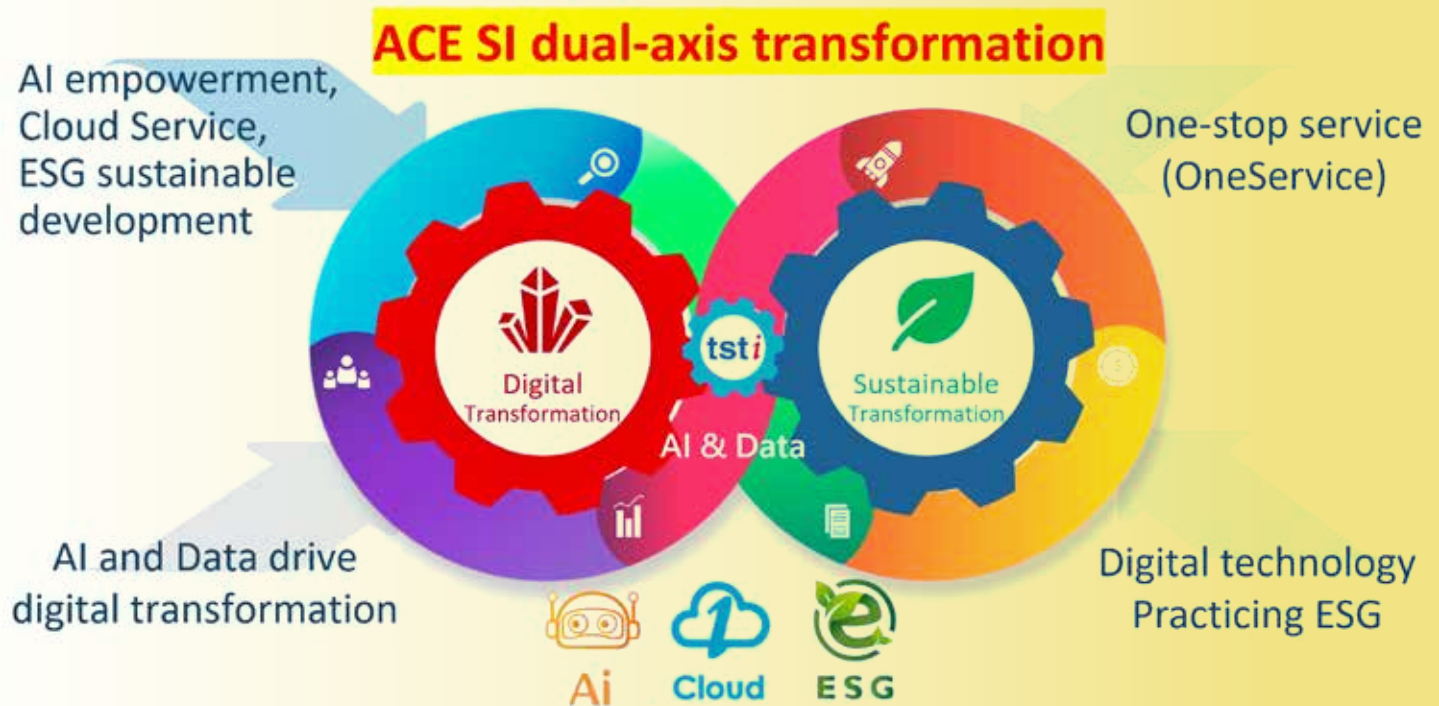


Shareholders Meeting will be held by means of : Physical Shareholders Meeting

MEETING TIME: 9:30 AM, May 28, 2024

PLACE: No.22, Sec. 3, Zhongshan N. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)



Taiwan Stock Exchange Market Observation Post System: <https://mops.twse.com.tw>

Tatung System Technologies Inc. Annual Report is available at: <https://www.etatung.com>

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# **Tatung System Technologies Inc. (TSTI)**

## **Procedure for the 2024 Annual Meeting of Shareholders**

- I. Report the Number of Shares In Attendance
- II. Call the Meeting to Order
- III. Chairperson Remarks
- IV. Report Items
- V. Ratification Items
- VI. Discussion Items
- VII. Election Items
- VIII. Other Motions
- IX. Extemporaneous Motions
- X. Adjournment

# **Tatung System Technologies Inc. (TSTI)**

## **Agenda of 2024 Annual Meeting of Shareholders**

Time: Tuesday, May 28, 2024 at 9:30 a.m.

Venue: No. 22, Sec. 3, Zhongshan N. Rd., Taipei City

Chairperson: Chairman Bo-Yen Shen

- I. Report the Number of Shares In Attendance
- II. Call the Meeting to Order
- III. Chairperson Remarks
- IV. Report Items
  - (I) The 2023 Business Report and Financial Statements.
  - (II) The Audit Committee's Review Report on the 2023 Financial Statements.
  - (III) The Report on the 2023 Compensation Distribution of Employees and Directors.
- V. Ratification Items
  - (I) The 2023 Business Report and Financial Statements.
  - (II) The Proposal for Distribution of 2023 Earnings.
- VI. Discussion Items
  - (I) Amendment of the "Articles of Incorporation."
- VII. Election Items
  - (I) The Election of the Ninth Board of Directors (Including Independent Directors).
- VIII. Other Motions
  - (I) Proposal to Release the Prohibition on Newly Appointed Directors from Participating in Competitive Business (Including Independent Directors).
- IX. Extemporaneous Motions
- X. Adjournment

## **[Report Items]**

### **Proposal 1**

The 2023 Business Report and Financial Statements.

Description: Please refer to Attachments 1 and 2 on pages 7–40 of this Handbook for the 2023 business report and financial statements.

### **Proposal 2**

The Audit Committee's Review Report on the 2023 Financial Statements.

Description: For the Audit Committee's 2023 review report, please refer to Attachment 3 on page 41 of this Handbook.

### **Proposal 3**

The Report on the 2023 Compensation Distribution of Employees and Directors.

Description: I. In accordance with the Company's Articles of Incorporation, a compensation distribution of NTD 19,500,000 for employees and a compensation distribution of NTD 4,420,000 for directors were provided for 2023. The amounts were recorded as company expenses and deducted from net profit before tax in 2023.

II. Remuneration to employees is distributed in cash and only payable to permanent employees.

## **[Ratification Items]**

### **Proposal 1**

Proposed by the Board

The 2023 Business Report and Financial Statements.

Description: I. The Company's 2023 business report and financial statements (including parent company only and consolidated financial statements) have been reviewed and approved by the Board of Directors and reviewed by the Audit Committee.

II. Please refer to Attachment 1 on pages 7–20 of this Handbook for the 2023 business report and to Attachment 2 on pages 21–40 of this Handbook for the financial statements (including parent company only and consolidated financial statements) for 2023.

III. Your ratification will be appreciated.

Resolution:

### **Proposal 2**

Proposed by the Board

The Proposal for Distribution of 2023 Earnings.

Description: I. For the Company's 2023 earnings distribution proposal, it is proposed to distribute cash dividends of NTD163,836,000, or NTD1.85 per share, to shareholders, except for the appropriation of legal reserve as required by law and the Articles of Incorporation.

II. Fractional cash dividends less than NTD 1 are unconditionally rounded off, and the sum of these fractional amounts less than NTD 1 is transferred to other income of the Company.

III. The Board of Directors is authorized to set the ex-dividend date after the cash dividends proposal is approved by the annual meeting of shareholders.

IV. Please refer to Attachment 4 on page 42 of this Handbook for the earnings distribution table for 2023.

V. Your ratification will be appreciated.

Resolution:

## **[Discussion Items]**

Proposal 1

Proposed by the Board

Amendment of the “Articles of Incorporation” are hereby presented for your discussion.

Description: I. In order to emphasize sustainable development issues and strengthen corporate governance, the Company plans to amend the “Articles of Incorporation.” For the comparison table of the amended articles, please refer to Appendix 5 on pages 43 of this Handbook.

II. Please discuss and resolve.

Resolution:

## **[Election Items]**

Proposal 1

Proposed by the Board

The proposal for the election of the Ninth Board of Directors (including Independent Directors) is hereby presented.

Description: I. The terms of the incumbent directors (including independent directors) of the Company is from August 19, 2021 to August 18, 2024. In accordance with the Articles of Incorporation, a general election shall be held at the annual shareholders’ meeting this year.

II. It was resolved by the Company’s Board of Directors to re-elect nine directors (including three independent directors) at this shareholders’ meeting. The re-elected directors will take office after the annual shareholders’ meeting for a term of three years, from May 28, 2024 to May 27, 2027.

III. The Company adopts a candidate nomination system for directors (including independent directors). Shareholders shall elect directors from the list of candidates for directors (including independent directors). For their education, experience and other relevant information, please refer to Appendix 6 on pages 44-47 of this handbook.

IV. Please conduct the election.

Election results:

## **[Other Motions]**

### **Proposal 1**

Proposed by the Board

Proposal to release the prohibition on newly appointed directors from participating in competitive business (including independent directors) is hereby presented for your discussion.

Description: I. According to Article 209 of the Company Act, any director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.

II. Our company's newly appointed directors (including independent directors) may have investments in or engage in businesses related to or similar to the scope of our company's operations. Therefore, in accordance with the law, we seek approval from the shareholders' meeting to lift the non-competition restrictions for such directors (including independent directors) and their representatives if they have the aforementioned circumstances. For the detailed list of the newly elected directors (including independent directors) and their representative candidates applicable to the lifting of non-compete restrictions, please refer to Appendix 7 on pages 48, but those applicable to the lifting shall only be the directors (including independent directors) and their representatives actually elected.

III. Please discuss.

Resolution:

## **[Extemporaneous Motions]**

## **[Adjournment]**



## **Tatung System Technologies Inc. (TSTI) 2023 Business Report**

In recent years, TSTI has used advanced digital technology to assist the government and enterprises in the dual transformation of sustainability and digitalization, and used innovative digital solutions to assist enterprises to achieve the ESG (Environmental, Social, and Governance) goals. Since 2023, the Company has been positioned as an ACE SI (AI, Cloud, ESG) entity to assist enterprises in digital transformation to innovative business models, improve operational efficiency and decision analysis, and aim to become the best dual-axis transformation partner.

In 2023, our management team will continue to focus on business areas such as ESG, smart healthcare, intelligent customer service innovation, AI platforms, container platforms, big data platforms, hybrid cloud solutions, network infrastructure and ICT security, and uninterrupted enterprise operation services. We will continue to increase the sales proportion of hybrid cloud solutions, software services, system integration professional services, and network security services. Our own brand software product development will focus on industry applications, aiming to become an Industry Domain SI. Currently, we have many successful customers in digital finance, smart manufacturing, smart healthcare, intelligent customer service, ESG, and energy management solutions. In the future, we will introduce advanced international software products and cloud technologies, integrate our own brand software products and services, and enhance product service competitiveness. We will expand our sales revenue and gross profit in the Software as a Service (SaaS) subscription and maintenance and management service.

With the support of our shareholders and directors, and the efforts of all our colleagues, we hope to continue to grow and create greater value for all shareholders.

### **I. 2023 Business Report**

#### **(I) Results of the business plan**

The Company's consolidated net operating revenue for 2023 was NTD 4,179,561 thousand with a decline of 3.84% from 2022; the parent company only operating revenue was NTD 3,642,838 thousand with a decline of 0.53% from 2022. The net consolidated operating profit was NTD 212,773 thousand with an increase of 9.20% compared to 2022; the parent company only net operating income was NTD 192,375 thousand with an increase of 13.01% compared to 2022. The net consolidated profit before tax in 2023 was NTD 231,840 thousand with an EPS before tax of NTD 2.62, and the net profit after tax was NTD 188,136 thousand with an EPS after tax of NTD 2.12.

Unit: NTD thousands

Item	Consolidated			Parent company only (TSTI)		
	2023	2022	Change %	2023	2022	Change %
Net operating revenue	4,179,561	4,346,640	(3.84%)	3,642,838	3,662,358	(0.53%)
Operating cost	3,252,121	3,454,793	(5.87%)	2,818,233	2,873,950	(1.94%)
Gross profit	927,440	891,847	3.99%	824,605	788,408	4.59%
Operating expense	714,667	696,996	2.54%	632,230	618,187	2.27%
Operating benefit	212,773	194,851	9.20%	192,375	170,221	13.01%
Net profit before tax	231,840	220,007	5.38%	226,355	214,494	5.53%
Net profit after tax	188,136	178,463	5.42%	188,136	178,463	5.42%

Overview of significant business performance:

# 1. Business

## (1) Awards and sales qualifications for the brands in 2023:

- Awarded the Avaya FY23 Best Partner
- Awarded the SMB FY23 as a sales star of the year
- Awarded the HPE FY23 Outstanding Distribution Partner Award, the GreenLake Growth Excellence Award, and the Aruba Networking Growth Excellence Award
- Awarded the HP FY23 Best Contribution Award for Business Channel Computer Systems
- Awarded the DELL Technologies FY23 Titanium Partner Award
- Awarded the Check Point FY22 Best New Customer Development Partner Award
- Awarded the Dell FY22 Growth Partner of the Year and the Best HCI Distribution Partner
- Awarded the Avaya FY22 Best Partner
- Awarded the Fortinet FY22 Outstanding Performance Award
- Awarded the HPE FY22 Best Solution Partner, Best Licensed Service Provider Award and Best Service Quality Award

(2) Quality and service

- Awarded the FY22 Fubon, Taishin, Yuanta, and other customers as a supplier with excellent performance in sustainability evaluation.
- Awarded the TCCDA FY23 Customer Service Excellence Awards – Best Intelligence System Supplier ibo.ai, the intelligent conversational service robot, won the first place of the 9th Young Award in the category of forward-looking technology. Awarded the FY23 Smart City Innovation Application Award in the category of intelligent transportation; Awarded the FY22 ASOCIO ICT Award – ESG Award.
- Awarded the CIO Taiwan Magazine as an FY23 Elite Vendor Brand Survey – Outstanding Service Provider. Received the FY23 Global IoT and Smart Service Paragon Award from Taiwan Internet Of Thing Alliance granted. Awarded the GCCA (Greater China Customer Center Alliance) FY23 Customer Service Excellence Awards in the category of Best Supplier Quality Award.
- We continue to maintain the professional quality certification and the Information Service Organization Capability Registration Certificate from the government. The professional quality certifications include ISO 20000, ISO 27001, and CMMI-L3. Administration for Digital Development, MODA, “Information Service Organization Capability Registration Certificate” – Digital Service Organization Capability Registration: Registration certification of information technology services, software product services – smart customer service system; information security services and AI service organizations.

With these certificates and awards, the Company continues optimizing the management and service systems to establish a more complete information service system and build an information environment of high competitive strength together with the customers.

(3) Internal operating procedures and information security protection

We continue to conduct digital optimization of existing core business operations and are dedicated to business orders, revenue, and sales forecast management, marketing management, business opportunity management, project management, service management, performance review,

collection reminder, A/R follow-up and other information transparency projects. We have established a data center with the four core capabilities of data aggregation and integration, refining and processing, service visualization, and value realization to assist various departments in reusing data quickly, meeting multiple processing needs, reducing management costs, supporting front-end innovation, and accelerating the development process to achieve business value. We also introduce business intelligence platform tools and use big data technology to collect external competitor and environmental data for analysis, so that operational strategies will be established more efficiently. In addition, we collect internal data on finance, manpower, assets, marketing, and service hours to enhance performance management. RPA is introduced to improve the efficiency through automation of the process. In addition to AI technology, we introduce the enterprise AI assistant – “One-stop Office” to enhance employee experience and improve the efficiency of administrative services.

In response to the new normal of hybrid office, Microsoft M365 cloud service is introduced to improve the productivity and output value of the employees. Mobile office integrated communication software, such as Cisco Webex and Avaya Workplace, are also used to give employees the flexibility to improve collaboration efficiency and work speed, whether they are working in the office, from home, or on the go.

We are aware that efficient remote access strategies must be adjusted as new risks arise. While improving productivity, organizations shall strengthen cloud application security. In terms of cloud security protection, we use the Microsoft Entra ID control mechanism to control the identity life cycle, control the access life cycle, and protect the special access permissions for system management for employees, business partners, and suppliers to ensure that the appropriate personnel can correctly access the correct data, and gradually implement the zero trust architecture.

In an age where threats are constantly changing, organizations are exposed to a higher attack risk as long as there are remote users connecting to corporate applications from anywhere. In 2023, Check Point Harmony was introduced to protect devices from complex attacks when they are connected to the Internet, and to ensure that the applications of the Company can only be used via zero-trust access connections. This is the first integration of user devices and access permissions in the

industry security protection solutions. Employees' devices, privacy rights, and organizational data are all protected by impeccable security, and there is no need to worry about any network threats.

At the same time, as underground cybercriminals become more diverse and professional, they not only continue to update malware and hacking tools, but also provide malware and intrusion techniques as services to other cybercriminals. Cybercriminal syndicates have become a trend. In the face of the unavoidable risks of cyber attacks, it is very important to establish a new era of cyber defense mindset. There is no 100% in information security, and more attention must be paid to the response and forensics of information security incidents. TSTI continues to use E-Tech's CyCraft AI technology, along with the endpoint security system Xensor and smart intelligence center CyCarrier, to conduct 24/7 information security monitoring and malicious activity analysis for corporate endpoints. The system is highly flexible in deployment, with accurate alarms and low false positives, real-time threat hunting and other detection features, and produces an excellent effect in the processing "during the attack" and "after the attack," and can help TSTI strengthen information security resilience and prevent hacker intrusions 24/7.

#### (4) Learning and growth of the employees

In 2023, we continued to be committed to the all-round growth and development of employees, with particular emphasis on the promotion of "Focus on Value and Excellent Customer Experience" and the pursuit of win-win growth for both Company and employees. We realize that in the rapidly changing digital economy, employees' professional skills and personal growth are the cornerstones of the Company's success. Therefore, we not only continue to invest in advanced learning and development platforms, but also actively expand the scope of training to the dual-axis transformation fields involving digital transformation and sustainable development.

Our training programs are not limited to the improvement of technical skills, but also include the strengthening of service soft skills such as leadership, innovative thinking, and teamwork. In addition, in response to the government's corporate human resources improvement plan, we have further increased investment and the government subsidies received has increased by 70% compared to 2022. At the same time, we have also created more professional application courses that meet the

needs of the industry.

In order to continue attracting and retaining outstanding talents in the highly competitive talent market, the Company will introduce an innovative employee experience management platform and use advanced data analysis tools to gain a deeper understanding of employees' needs and opinions, and thereby formulate more effective action plans to improve employees' overall work experience and performance. Through this two-way communication, we ensure the continuous optimization of the organizational culture and hope to cultivate a positive culture for growth and learning. This helps us create a more attractive, inclusive and supportive work environment that promotes the long-term growth of the employees and the Company.

(5) Employee health and happy workplace

In 2023, we further developed the Company to become a role model of ESG happiness enterprise, and strove to create a diverse, inclusive and high-performance working environment. For this, we introduced innovative technologies, including AI-powered corporate assistants, to improve employees' work efficiency and satisfaction, while continuing to optimize the office environment and deepen employee training and development.

Through our self-developed app, we empower employees with the ability to instantly improve their office environment, and are committed to continuous optimization of the office environment for employees. In addition, AI robots have been introduced into administrative staff, customer service, and sales processes to empower employees in the improvement of work efficiency and to deepen employees' understanding and acceptance of AI in their work.

And, to promote employees' career development, we have implemented a structured management and professional training mechanism and systematically evaluated the development of competencies to ensure the continuous growth and development of employees. At the same time, the Company provides a competitive performance evaluation system that links the compensation system to enhance the employees' sense of economic security and accomplishment. The salary of non-managerial full-time employees has been on the rise for four consecutive years. With the incentives of the new reward plan, employees are encouraged to challenge themselves and

make breakthroughs.

The Company actively strengthens the interaction with customers to ensure excellent customer experience. We continuously improve service quality by launching an electronic service management platform and adopting a collaborative office cloud solution to create a more professional, instant and satisfying customer experience. This not only helps improve the Company's profitability, but also allows employees to obtain greater achievements and satisfaction while providing services.

2. Subsidiary – Chyun Huei Commercial Technologies Inc.

Chyun Huei Commercial Technologies Inc. specializes in the provisions of workstations, barcoders, and wide format printers with a full range of solutions and consulting services in related product areas. Chyun Huei is in a complementary relation with the mother company in terms of the business. It is positioned to perform an operational strategy focusing on the channel products, software, and professional output solutions that must be closed in a short period. Its sales are growing continuously.

3. Subsidiary – TSTI Technologies (Shanghai) Co., Ltd.

In addition to working with the mother company to strive for the information system integration business under the ICT projects for Taiwanese companies in both Taiwan and China, TSTI Technologies (Shanghai) Co., Ltd. is looking for new product agency and business models proactively to meet the demands of the IT industry in China for its expansion or transformation, with a view to starting afresh, seeking business opportunities and turning losses into profits.

4. Subsidiary – TISNet Technology Inc.

TISNet Technology Inc. continues to leverage software resales to drive the provision of information security products, professional services, cloud services and other related software licenses and professional services, which actually drives overall revenue growth. In addition, the subsidiary has obtained the "Information Security Service Organization Energy Registration" from the Industrial Development Bureau, Ministry of Economic Affairs, and is actively negotiating for information security product resale businesses. The subsidiary continues to focus on six major information security services, namely (1) information security testing service, (2) account security protection, (3) file security protection, (4) data security protection, (5) ransomware prevention, and (6) information security personnel training, to provide professional services and pursue business opportunities.

(II) Implementation status of budget: This is not applicable because the

Company did not make the financial forecast public in 2023.

### (III) Analysis of revenue and profitability

Item	Consolidated		Unconsolidated	
	2023	2022	2023	2022
Current ratio	165.55%	147.33%	156.67%	138.20%
Debt to assets ratio	53.76%	57.98%	51.52%	56.22%
Return on equity	12.98%	12.53%	12.98%	12.53%
Gross profit margin	22.19%	20.52%	22.64%	21.53%
Net Profit margin	4.50%	4.11%	5.16%	4.87%
EPS after tax	2.12	2.02	2.12	2.02

### (IV) Research and development

This year, the two main focuses of innovation and R&D are the development of our own products and platform value-added services, to continue the foundation of our previous Mastercard product family and Smart Internet of Things platform. The relevant R&D results are as follows:

- Tele-clinic system: Built on top of the Mastercard product family and in line with the demand for telemedicine in the post-COVID era, TSTI developed a tele-clinic system that can be installed in the cloud as a stand-alone system or integrated with existing HIS systems of hospitals through APIs. In addition to the basic functions required for remote outpatient clinic services, the virtual health insurance card and online payment functions are also integrated, allowing medical treatment to transcend the limits of distance through the power of technology.
- Medical big data and BI applications: Based on the FHIR protocol and in line with the TW Core IG standard set by Ministry of Health and Welfare, we apply the data lake and BI technology to create a common operation dashboard application for hospitals.
- Enterprise microservice operating platform: Combine the open source software of ecosystem, provide log management (ELK/EFK), performance monitoring (Prometheus), container management (Kubernetes/Rancher), agile development (Jenkins/Gitlab) and other functions to help enterprises build microservice operating platform.
- ESG AIoT, the enterprise information management system: Applying the smart IoT platform, combining smart meters, energy management systems, and carbon emission calculations to provide visualization of corporate energy consumption and carbon emission data and build a digital platform for enterprises to promote ESG.

## II. External Competitive Environment, Regulatory Environment, and Macroeconomic Business Environment



In 2023, the global economy was affected by factors, such as high interest rates, high inflation, and China's weaker post-pandemic economic performance than expected, resulting in weak global demand for end products and slowdown of manufacturing activities in various countries. Furthermore, the US–China chip ban was extended, the war between Russia and Ukraine and the conflict between Israel and Hamas were still ongoing, and the global geopolitics tended to bloc confrontation. These and the aforementioned factors caused global economic growth to slow down. Looking forward to 2024, although global inflation is slowing down and the interest rate hike cycle of central banks around the world is gradually coming to an end, major international forecast institutions believe that the global economic growth rate in 2024 will be slightly lower than that in 2023. However, it is still expected that the global merchandise trade will show a recovery, which will help Taiwan's foreign trade performance to gradually stabilize. Through the recovery of the demand for electronics-related products, driven by the demand for emerging technologies such as high-speed computing and artificial intelligence, the growth momentum of Taiwan's overseas demand and investment will be recovered. In 2024, some institutions forecast that the GDP growth rate in Taiwan will grow by 3.02%–3.2% compared to 2023.

In terms of the ICT industry, IDC's Worldwide Black Book survey report released in November this year predicted that the overall ICT expenditure of the industries in Taiwan is expected to achieve a positive growth of 3.7% in 2024, compared to the growth rate of 1.1% in the previous year, especially in IT expenditure at a growth rate jumped to 5%, much higher than the 0.1% growth this year. In terms of product types, software services had the highest growth rate of 7.2%, followed by hardware at a growth rate of 4.8%. the commercial and telecommunications services grew by 2.7% and 1.4%, respectively. The Market Intelligence & Consulting (MIC) of the Institute for Information Industry also proposed that generative AI will continue to be the mainstay for the development of the ICT and software industries in the next year. IDC also pointed out that the ubiquity of AI has become a turning point in the development of the industries, and proposed five major trends in Taiwan's ICT market : I. Generative AI is fully industrialized; II. AI is moving toward personal devices and AI PC momentum is incubating; III. Generative AI is introduced into information security maintenance and operation to achieve autonomous network security; IV. The era of cloud maintenance and operation cost control (FinOps) is coming; V. Carbon management in the supply chain is shifted to cross-platform integration.

### III. Overview of 2024 Business Plan

Subject to the impact of the aforementioned tendencies, the Company has established the strategic policies and operating plans for 2024 with the

major points described below:

(I) Formation of a synergistic teamwork structure with the subsidiaries:

1. Organizational deployment and adjustment. In 2024, the organization will be divided into System Integration Business Group, OneService Business Group, ICT Integration Business Group, Cloud and Consulting Service Business Group, and Digital Sustainability Business Group. Each business group is operated as an independent profit center. In addition to focusing on their core business, they also promote inter-segment integrated sales to leverage the overall value of the Company to help customers receive complete digital infrastructure integration services and digital application solution services, and to create higher customer value and customer sales for the Company.
2. In addition to continuing to provide professional workstation services, extending the product resales in their width and depth, Chyun Huei Commercial Technologies will establish good relationship with the manufacturers, enhance the deployment and management of the distributors, build a sound collaboration mechanism, provide enhanced smart system services, and upgrade the e-commerce service platform ([www.bingle.com.tw](http://www.bingle.com.tw)) to provide the best services. It will combine the products and solutions with the domestic virtual shopping platforms for joint marketing to improve business performance.
3. Based on the existing ISP/IDC operation and maintenance services, Tisnet Technology will extend to the development of systems and websites and provision of value-added cloud resource services. It will focus on the compliance of the corporate intranet with the information security regulations and the six information security services (information security inspection service, account security protection, documentation security protection, data security protection, defense against ransomware, and training courses of information security) to attract more corporate customers.
4. TSTI Technologies (Shanghai) Co., Ltd. continues to establish business cooperative relations with information security software manufacturers, and acts as the agent for the sales and services of their products in China. Through the introduction of new products, it can increase the Company's revenue and gross profit growth, open up new markets, and increase customer sources.

The synergistic teamwork structure formed by TSTI and our subsidiaries aims to occupy greater market share collaboratively and separately in the fields of integration of IC systems, value-added applications in digital transformation, professional services, distribution

and operation, cloud services, and overseas business.

(II) Focus on strategies to enhance the foundation and growth:

1. Focus on power accounts and deployment for large projects: The Company will set up full-time positions for account managers and technology and service personnel to assist customers in digital transformation, meet their IC application and integration demands, and increase the revenue and gross profit with the support of a cross-department marketing mechanism.
2. Strengthen the development of industry Domain SI: We will provide core solutions for each industry, and continue to provide the best solutions and satisfactory services to customers.
  - Digital finance: We will provide ESG solutions, micro-service container platform, big data platform and analysis, data governance, intelligent communication customer services and AI applications, information communication security protection, to help companies build a flexible application platform of financial technology. Based on the concept of sustainable green digital finance, TSTI combines with customers, and third-party application developers to form an industry ecosystem value, and leverage the power of the ecosystem to provide innovative solutions and services.
  - Smart manufacturing: We will assist companies in collecting the data of production lines using the AIoT and big data platform technology, and combine the ERP, MES and other back-end systems to perform real-time monitoring of the production status online using the AI/ML data analysis technology. Besides this, we will build a foundation for the long-term data analysis and assist customers with improvement of production efficiency and yield rate. We also provide AI+RPA solution, integrating AI and iRPA (industry RPA) to create high output value and reduce error rate.
  - Smart medical care: Provide ten smart medical care solutions, including BI big data, next-generation HIS container platform, telemedicine, e-commerce procurement network, energy management, and smart toilets, and continue to develop FHIR as a data center application service framework for data exchange and integration to establish a platform for medical application service integration, cross-branch and cross-hospital data exchange.
  - Smart customer service: We will integrate applications by combining the speech recognition, semantic analysis, smart search, and other advanced AI technologies with social media to meet the customers' needs for building an AI-based omni-channel service center of the next generation. The contact center system of the

new generation will be structured on the cloud. It will have omni-channel (phone, social media, email, etc.) integration, make use of the AI technology, and integrate big data applications to achieve better customer experience and provide innovative customer service models for higher service quality and efficiency and increased average contribution of a single customer to the revenue.

3. Each business division of the Digital Sustainability Business Group has a corresponding R&D department to continue to develop AI-based innovative industrial applications and integrate ESG ecosystem partner solutions, in order to grasp the opportunities of the digital and sustainable dual-axis transformation, and become the industry's best partner of the industries in this field. We will accelerate the productization of our own software, replicate successful industrial applications to expand market shares, and effectively increase the gross profit margin and the operating revenue from the transformation business
4. Innovative application adoption: Continue to create solutions and services based on advanced hybrid cloud technologies, and build Cloud SI and MSP business models of IaaS, PaaS, SaaS. Expand the businesses of software resales and private brand software, provide AI information security, ESG AIoT enterprise information management, smart customer service industry applications, and smart medical solutions.

(III)Continue to strengthen internal management digitalization:

The operations of the Company will be digitized by integrating all the information systems within the Company, such as CRM (Customer Relationship Management), ERP (Enterprise Resource Planning), BPM (Electronic Sign-off System), KM (Knowledge Management), EIP (Enterprise Information Portal), ibo.ai (NLP/NLU conversational service robot) corporate assistants integrated with generative AI, and tiCC (Omni-Channel Contact Center). This way, all the information flows of the Company will be smoother and smarter to hopefully ensure provision of more effective operational information and improvement of overall operation efficiency and quality. The Company will connect the performance, competency, and knowledge management with the education and training of talents and conduct this connection effectively, in order to implement and follow up the talent identification, implementation of KPI, internal job rotation, performance coaching, and technology inheritance mechanisms.

(IV)Future direction of software development:

The focus of this year's innovation and development is to enhance

the application in different industries. Advanced digital technologies (including artificial intelligence, big data analysis, micro-service architecture, and ESG digital platform) will be applied in physical fields. Especially, the productization of AI expert services, intelligent customer service innovations, ESG carbon inventory and energy management (smart management of energy saving, energy creation and energy storage) and smart health care will be the development focuses of innovative R&D this year.

The digital transformation of medical care systems is accelerating in the post-COVID era, and as related regulations are gradually relaxed, medical information systems will face significant changes. This includes telemedicine, cloud-based electronic medical records, FHIR becoming an electronic medical record standard, and the promotion of next-generation medical systems. These changes represent in the foreseeable future, the medical information ecosystem will undergo significant changes. The technology at the heart of these changes is FHIR. The following describes the direction of the Company's investment and our expectations:

1. The FHIR standard is used for data exchange in remote outpatient system, so that the related systems can be connected to the rest of the world.
2. We will train our FHIR professional talents by reselling products and open source software. Technology development will include IG (Implementation Guide) development, FHIR application development, and FHIR data transfer. Achieve a leading position in the industry in accordance with national policies.
3. Build a big data platform and next-generation medical system with FHIR at the core. Since FHIR will become the standard for medical data model, the related system applications will be applicable to all hospitals without the need to start from scratch for each hospital system as in the past.
4. Develop FHIR ecosystem related applications, as technology continues to develop, new products and applications will be created, including wearable devices, and video. The development of related applications based on FHIR will become the focus of future digital medical care.

#### IV. Future Development Strategies of the Company

Our company's development direction still adheres to the core values of innovation, service, team, and integrity in treating employees, suppliers, customers, and shareholders. We pursue long-term growth in company revenue and profit through a stable and balanced operating model every year.

In response to the impact of rapid changes in industry demand and technology, our company continues to strengthen our advanced technology capabilities and invest in developing marketable proprietary software. We are also rapidly developing hybrid cloud solution services, actively developing ecosystem partnerships in the ACE industry, and evaluating investment targets that complement our business. We aim to strengthen external industry chain ecosystem integration in a more flexible and fast operating manner to enhance infrastructure solutions, customer service, and software application integration sales. Our goal is to become a leading provider of ICT integration services and the most competitive digital and sustainable digital dual-axis transformation system integration service company in Taiwan.

Chairman: Bo-Yen Shen

President: Wen-Hung Huang

Accounting Manager: Chiu-Chan Hsu



安侯建業聯合會計師事務所  
KPMG

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## Independent Auditors' Report

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

### Opinion

We have audited the financial statements of TATUNG SYSTEM TECHNOLOGIES INC. ("the Company"), which comprise the balance sheet as of December 31, 2023 and 2022, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

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

### Key Audit Matters

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

#### 1. Revenue Recognition

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

##### (a) Description of the key audit matter:

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

(b) Audit procedures performed:

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

- Understanding and testing the design and implementation of internal controls for the sale cycle.
- Sampling the original order or contract and shipment receipt, reviewing the transaction terms in order to evaluate whether the revenue recognition complies with the relevant standards.
- Performing a reconciliation of various vouchers before and after the balance sheet date in order to determine the appropriate period for sales revenue recognizing in the financial statements.

2. Inventory

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

(a) Description of the key audit matter:

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

(b) Audit procedures performed:

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

- Understanding and testing the design and implementation of internal controls over the buying cycle.
- Selecting samples for taking inventory.
- For the inventory that has been delivered to the customer at the end of the period and has not yet been completed for acceptance, we tested whether the inventory received the delivery order signed by the customer, selected orders or contracts to examine the trading conditions.

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

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

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

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



## **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)  
February 27, 2024

#### **Notes to Readers**

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

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

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

**TATUNG SYSTEM TECHNOLOGIES INC.**

**Non-Consolidated Balance Sheets**

**December 31, 2023 and 2022**

**(Expressed in Thousands of New Taiwan Dollar)**

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

See accompanying notes to parent company only financial statements.

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

**TATUNG SYSTEM TECHNOLOGIES INC.****Non-Consolidated Balance Sheets (CONT'D)****December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollar)**

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

See accompanying notes to parent company only financial statements.

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

**TATUNG SYSTEM TECHNOLOGIES INC.****Non-Consolidated Statements of Comprehensive Income****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollar , except for Earnings Per Share)**

		<b>2023</b>		<b>2022</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4000	<b>Operating revenues (Notes 6(s) and 7)</b>	\$ 3,642,838	100	3,662,358	100
5000	<b>Operating costs (Notes 6(g) and 7)</b>	<u>2,818,233</u>	<u>77</u>	<u>2,873,950</u>	<u>78</u>
5950	<b>Gross profit</b>	<u>824,605</u>	<u>23</u>	<u>788,408</u>	<u>22</u>
6000	<b>Operating expenses (Notes 6(d), (o), (t) and 7):</b>				
6100	Selling expenses	420,203	12	399,562	11
6200	Administrative expenses	139,779	4	134,161	4
6300	Research and development expenses	71,718	2	84,327	2
6450	Expected credit losses	<u>530</u>	<u>-</u>	<u>137</u>	<u>-</u>
	<b>Total operating expenses</b>	<u>632,230</u>	<u>18</u>	<u>618,187</u>	<u>17</u>
6900	<b>Net operating income</b>	<u>192,375</u>	<u>5</u>	<u>170,221</u>	<u>5</u>
7000	<b>Non-operating income and expenses (Notes 6(h), (u) and 7):</b>				
7100	Interest income	8,188	-	6,327	-
7010	Other income	3,906	-	14,613	-
7020	Other gains and losses	8,955	-	6,185	-
7050	Finance costs	(5,113)	-	(2,588)	-
7070	Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method	<u>18,044</u>	<u>-</u>	<u>19,736</u>	<u>1</u>
	<b>Total non-operating income and expenses</b>	<u>33,980</u>	<u>-</u>	<u>44,273</u>	<u>1</u>
7900	<b>Profit before tax</b>	226,355	5	214,494	6
7950	<b>Less: Income tax expenses (Note 6(p))</b>	<u>38,219</u>	<u>1</u>	<u>36,031</u>	<u>1</u>
	<b>Net income</b>	<u>188,136</u>	<u>4</u>	<u>178,463</u>	<u>5</u>
8300	<b>Other comprehensive (loss) income:</b>				
8310	<b>Items that may not be reclassified subsequently to profit or loss</b>				
8311	Losses on remeasurements of defined benefit plans	(912)	-	(1,581)	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified	12	-	(216)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>182</u>	<u>-</u>	<u>316</u>	<u>-</u>
	<b>Total items that may not be reclassified subsequently to profit or loss</b>	<u>(718)</u>	<u>-</u>	<u>(1,481)</u>	<u>-</u>
8360	<b>Items that may be reclassified subsequently to profit or loss</b>				
8380	Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	26	-	70	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>Total items that may be reclassified subsequently to profit or loss</b>	<u>26</u>	<u>-</u>	<u>70</u>	<u>-</u>
8300	<b>Other comprehensive loss</b>	<u>(692)</u>	<u>-</u>	<u>(1,411)</u>	<u>-</u>
8500	<b>Total comprehensive income</b>	<u>\$ 187,444</u>	<u>4</u>	<u>177,052</u>	<u>5</u>
	<b>Earnings per share (NT dollars) (Note 6(r))</b>				
9750	Basic earnings per share	<u>\$ 2.12</u>		<u>2.02</u>	
9850	Diluted earnings per share	<u>\$ 2.11</u>		<u>2.00</u>	

See accompanying notes to parent company only financial statements.

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

**TATUNG SYSTEM TECHNOLOGIES INC.**

**Non-Consolidated Statements of Changes in Equity**

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

**(Expressed in Thousands of New Taiwan Dollar)**

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

See accompanying notes to parent company only financial statements.

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

**TATUNG SYSTEM TECHNOLOGIES INC.**

**Statements of Non-Consolidated Cash Flows**

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

**(Expressed in Thousands of New Taiwan Dollar)**

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

See accompanying notes to parent company only financial statements.

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

**TATUNG SYSTEM TECHNOLOGIES INC.****Statements of Non-Consolidated Cash Flows (CONT'D)****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollar)**

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

See accompanying notes to parent company only financial statements.





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## Independent Auditors' Report

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

### Opinion

We have audited the consolidated financial statements of TATUNG SYSTEM TECHNOLOGIES INC. and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as of December 31, 2023 and 2022, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

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

### Key Audit Matters

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

## 1. Revenue Recognition

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

### (a) Description of key audit matter:

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

### (b) Audit procedures performed:

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

- Understanding and testing the design and implementation of internal controls for the sales cycle.
- Sampling the original order or contract and shipment receipt, reviewing the transaction terms in order to evaluate whether the revenue recognition complies with the relevant standards.
- Performing a reconciliation of various vouchers before and after the balance sheet date in order to determine the appropriate period for sales revenue recognition in the financial statements.

## 2. Inventory

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

### (a) Description of key audit matter:

The inventory of The Group is an important asset for operations. As of December 31, 2023, the net carrying value of inventory was NT\$716,280 thousand, accounting for 23% of the total assets. Since inventory is the key component of the Group's assets and the amount is considered material. Therefore, the existence of the inventory is one of the key audit matters.

### (b) Audit procedures performed:

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

- Understanding and testing the design and implementation of internal controls over the buying cycle.
- Selecting samples for taking inventory.
- For the inventory that has been delivered to the customer at the end of the period and has not yet been completed for acceptance, we tested whether the inventory received the delivery order signed by the customer, selected orders or contracts to examine the trading conditions.

## Other Matter

TATUNG SYSTEM TECHNOLOGIES INC. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2023 and 2022, on which we have issued an unmodified opinion.

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

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 with the IFRSs, IASs, IFRIC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)  
February 27, 2024

#### **Notes to Readers**

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**December 31, 2023 and 2022**

**(Expressed in Thousands of New Taiwan Dollar)**

		<b>December 31, 2023</b>		<b>December 31, 2022</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Assets</b>					
<b>Current assets:</b>					
1100	Cash and cash equivalents (Note 6(a))	\$ 738,910	23	585,499	17
1136	Financial assets measured at amortized cost, current (Notes 6(c) and 8)	82,260	3	51,394	2
1140	Contract assets, current (Notes 6(s), (v) and 7)	215,129	7	238,505	7
1150	Notes receivable, net (Note 6(d))	16,428	-	32,793	1
1170	Accounts receivable, net	624,725	20	804,797	24
1180	Accounts receivable—related parties, net (Notes 6(d), 7 and 8)	100,905	3	74,081	2
1196	Operating lease receivable, net (Notes 6(e), (v) and 7)	8,130	-	9,586	-
1197	Finance lease receivable, net (Notes 6(f), (v) and 7)	5,647	-	11,354	-
1200	Other receivables (Note 6(v))	2,086	-	970	-
130X	Inventories (Note 6(g))	716,280	23	813,313	24
1410	Prepayments	28,047	1	18,218	-
	<b>Total current assets</b>	<b>2,538,547</b>	<b>80</b>	<b>2,640,510</b>	<b>77</b>
<b>Non-current assets:</b>					
1510	Financial assets at fair value through profit or loss, non-current (Note 6(b))	48,899	2	18,200	-
1535	Financial assets measured at amortized cost, non-current (Notes 6(c) and 8)	45,250	1	57,094	2
1550	Investments accounted for using equity method (Note 6(h))	5,402	-	4,583	-
1560	Contract assets, non-current (Notes 6(s), (v) and 7)	30,030	1	96,732	3
1600	Property, plant and equipment (Notes 6(i) and 7)	81,686	3	91,423	3
1755	Right-of-use assets (Notes 6(j) and 7)	55,278	2	135,757	4
1780	Intangible assets (Note 6(k))	6,306	-	6,177	-
1840	Deferred tax assets (Note 6(p))	28,593	1	30,160	1
1920	Refundable deposits (Note 7)	85,745	3	93,132	3
1931	Long-term notes receivable, net (Note 6(d))	-	-	770	-
1932	Long-term receivables, net (Notes 6(d) and 7)	239,830	7	225,208	7
194D	Long-term finance lease receivable, net (Notes 6(f), (v) and 7)	4,821	-	9,728	-
	<b>Total non-current assets</b>	<b>631,840</b>	<b>20</b>	<b>768,964</b>	<b>23</b>
	<b>Total assets</b>	<b>\$ 3,170,387</b>	<b>100</b>	<b>3,409,474</b>	<b>100</b>

See accompanying notes to consolidated financial statements.

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

**TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES****Consolidated Balance Sheets (CONT'D)****December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

		<b>December 31, 2023</b>		<b>December 31, 2022</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Liabilities and Equity</b>					
<b>Current liabilities:</b>					
2100	Short-term loans (Note 6(l))	\$ 80,000	3	240,000	7
2110	Short-term notes and bills payable (Note 6(m))	49,990	2	59,978	2
2130	Contract liabilities, current (Notes 6(s) and 7)	157,929	5	136,573	4
2150	Notes payable	2,871	-	2,871	-
2170	Accounts payable	860,713	27	948,540	27
2180	Accounts payable—related parties (Note 7)	56,265	2	18,320	1
2200	Other payables (Note 7)	218,506	7	245,757	7
2230	Current tax liabilities (Note 6(p))	43,913	1	30,512	1
2250	Provisions, current	613	-	241	-
2280	Lease liabilities, current(Notes 6(n) and 7)	40,896	1	102,088	3
2300	Other current liabilities	21,680	1	7,395	-
	<b>Total Current liabilities</b>	<b>1,533,376</b>	<b>49</b>	<b>1,792,275</b>	<b>52</b>
<b>Non-Current liabilities:</b>					
2527	Contract liabilities, non-current (Note 6(s))	36,679	1	-	-
2570	Deferred tax liabilities (Note 6(p))	114	-	715	-
2580	Lease liabilities, non-current (Notes 6(n) and 7)	20,313	1	59,772	2
2610	Long-term payable	-	-	30,000	1
2620	Long-term payable—related parties(Note 7)	67,806	2	35,949	1
2640	Net defined benefit liabilities, non-current (Note 6(o))	45,971	1	57,663	2
2645	Guarantee deposits received(Note 7)	180	-	312	-
	<b>Total non-current liabilities</b>	<b>171,063</b>	<b>5</b>	<b>184,411</b>	<b>6</b>
	<b>Total liabilities</b>	<b>1,704,439</b>	<b>54</b>	<b>1,976,686</b>	<b>58</b>
<b>Equity attributable to owners of parent (Note 6(q)):</b>					
3110	Common stock	885,600	28	885,600	26
3200	Capital surplus	80,788	3	80,092	2
<b>Retained earnings:</b>					
3310	Legal reserve	301,376	10	283,678	9
3320	Special reserve	3,908	-	3,978	-
3350	Unappropriated earnings	198,158	5	183,348	5
	<b>Total retained earnings</b>	<b>503,442</b>	<b>15</b>	<b>471,004</b>	<b>14</b>
3400	Other equity	(3,882)	-	(3,908)	-
	<b>Total equity</b>	<b>1,465,948</b>	<b>46</b>	<b>1,432,788</b>	<b>42</b>
	<b>Total liabilities and equity</b>	<b>\$ 3,170,387</b>	<b>100</b>	<b>3,409,474</b>	<b>100</b>

See accompanying notes to consolidated financial statements.

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

**TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES****Consolidated Statements of Comprehensive Income****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollar , except for Earnings Per Share)**

		<b>2023</b>		<b>2022</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4000	<b>Operating revenues (Notes 6(s) and 7)</b>	\$ 4,179,561	100	4,346,640	100
5000	<b>Operating costs (Notes 6(g) and 7)</b>	<u>3,252,121</u>	<u>78</u>	<u>3,454,793</u>	<u>79</u>
5950	<b>Gross profit</b>	<u>927,440</u>	<u>22</u>	<u>891,847</u>	<u>21</u>
6000	<b>Operating expenses (Notes 6(d), (o), (t) and 7):</b>				
6100	Selling expenses	492,302	12	469,796	11
6200	Administrative expenses	151,507	4	144,134	3
6300	Research and development expenses	71,328	2	83,512	2
6450	Expected credit gains	<u>(470)</u>	<u>-</u>	<u>(446)</u>	<u>-</u>
	<b>Total operating expenses</b>	<u>714,667</u>	<u>18</u>	<u>696,996</u>	<u>16</u>
6900	<b>Net operating income</b>	<u>212,773</u>	<u>4</u>	<u>194,851</u>	<u>5</u>
7000	<b>Non-operating income and expenses (Notes 6(e), (h), (u) and 7):</b>				
7100	Interest income	9,618	-	6,934	-
7010	Other income	6,186	-	14,754	-
7020	Other gains and losses	8,364	-	6,002	-
7050	Finance costs	<u>(5,920)</u>	<u>-</u>	<u>(2,781)</u>	<u>-</u>
7060	Shares of profit (loss) of associates accounted for using equity method	<u>819</u>	<u>-</u>	<u>247</u>	<u>-</u>
	<b>Total non-operating income and expenses</b>	<u>19,067</u>	<u>-</u>	<u>25,156</u>	<u>-</u>
7900	<b>Profit before tax</b>	<u>231,840</u>	<u>4</u>	<u>220,007</u>	<u>5</u>
7950	<b>Less: Income tax expenses (Note 6(p))</b>	<u>43,704</u>	<u>1</u>	<u>41,544</u>	<u>1</u>
8200	<b>Net income</b>	<u>188,136</u>	<u>3</u>	<u>178,463</u>	<u>4</u>
8300	<b>Other comprehensive (income) loss:</b>				
8310	<b>Items that may not be reclassified subsequently to profit or loss</b>				
8311	Gains (losses) on remeasurements of defined benefit plans	(897)	-	(1,852)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>179</u>	<u>-</u>	<u>371</u>	<u>-</u>
	<b>Total items that may not be reclassified subsequently to profit or loss</b>	<u>(718)</u>	<u>-</u>	<u>(1,481)</u>	<u>-</u>
8360	<b>Items that may be reclassified subsequently to profit or loss</b>				
8361	Exchange differences on translation of foreign operations	26	-	70	-
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>
	<b>Total items that may be reclassified subsequently to profit or loss</b>	<u>26</u>	<u>-</u>	<u>70</u>	<u>-</u>
8300	<b>Other comprehensive loss</b>	<u>(692)</u>	<u>-</u>	<u>(1,411)</u>	<u>-</u>
8500	<b>Total comprehensive income</b>	<u>\$ 187,444</u>	<u>3</u>	<u>177,052</u>	<u>4</u>
	<b>Earnings per share (NT dollars) (Note 6(r))</b>				
9750	Basic earnings per share	<u>\$ 2.12</u>		<u>2.02</u>	
9850	Diluted earnings per share	<u>\$ 2.11</u>		<u>2.00</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 years ended December 31, 2023 and 2022**

**(Expressed in Thousands of New Taiwan Dollar)**

	Equity attributable to owners of parent							Other Equity	
	Retained earnings							Exchange Differences on Translation of	
								Financial Statements	
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total Retained Earnings	Total Equity		
<b>Balance on January 1, 2022</b>	\$ 885,600	80,092	265,401	3,896	184,133	453,430	1,415,144	(3,978)	1,415,144
Net income for the year ended December 31, 2022	-	-	-	-	178,463	178,463	178,463	-	178,463
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	(1,481)	(1,481)	(1,481)	70	(1,411)
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	176,982	176,982	176,982	70	177,052
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	18,277	-	(18,277)	-	-	-	-
Special reserve	-	-	-	82	(82)	-	-	-	-
Cash dividends	-	-	-	-	(159,408)	(159,408)	(159,408)	-	(159,408)
<b>Balance on December 31, 2022</b>	885,600	80,092	283,678	3,978	183,348	471,004	1,432,788	(3,908)	1,432,788
Net income for the year ended December 31, 2023	-	-	-	-	188,136	188,136	188,136	-	188,136
Other comprehensive income for the year ended December 31, 2023	-	-	-	-	(718)	(718)	(718)	26	(692)
Total comprehensive income for the year ended December 31, 2023	-	-	-	-	187,418	187,418	187,418	26	187,444
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	17,698	-	(17,698)	-	-	-	-
Reversal of special reserve	-	-	-	(70)	70	-	-	-	-
Cash dividends	-	-	-	-	(154,980)	(154,980)	(154,980)	-	(154,980)
Gains after disgorgement exercised	-	696	-	-	-	-	696	-	696
<b>Balance on December 31, 2023</b>	\$ 885,600	80,788	301,376	3,908	198,158	503,442	1,465,948	(3,882)	1,465,948



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

**TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES****Consolidated Statements of Cash Flows****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollar)**

	<u>2023</u>	<u>2022</u>
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ 231,840	220,007
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expense	138,368	144,106
Amortization expense	4,482	4,260
Expected credit gain	(470)	(446)
Net gain on financial assets or liabilities at fair value through profit or loss	(10,095)	-
Interest expense	5,920	2,781
Interest income	(9,618)	(6,934)
Dividend income	(1,400)	(840)
Share of profit of associates accounted for using equity method	(819)	(247)
Loss (gain) on disposal of property, plant and equipment	41	(1,777)
Gain on disposal of other assets	-	(219)
<b>Total adjustments to reconcile profit (loss)</b>	<u>126,409</u>	<u>140,684</u>
<b>Changes in operating assets and liabilities:</b>		
Contract assets	90,077	225,491
Notes receivable	16,365	3,812
Accounts receivable	180,542	(241,341)
Accounts receivable-related parties	(26,824)	(28,869)
Operating lease receivable	1,456	9,706
Finance lease receivable	5,707	10,641
Other receivables	(828)	(724)
Inventories	72,119	(201,860)
Prepayments	(9,829)	32,931
Long-term notes receivable	770	813
Long-term receivables	(14,622)	(141,759)
Long-term finance lease receivable	4,907	4,543
Contract liabilities	58,035	57,634
Notes payable	-	(2,904)
Accounts payable	(87,827)	5,709
Accounts payable-related parties	37,945	15,116
Other payables	(26,095)	(8,637)
Other current liabilities	14,657	(19,229)
Net defined benefit liabilities	(12,589)	(1,437)
Other operating liabilities	<u>1,857</u>	<u>(21,802)</u>
<b>Total adjustments</b>	<u>432,232</u>	<u>(161,482)</u>
Cash generated from operations	664,072	58,525
Income taxes paid	<u>(29,158)</u>	<u>(42,946)</u>
<b>Net cash flows from (used in) operating activities</b>	<u>634,914</u>	<u>15,579</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 Cash Flows (CONT'D)****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollar)**

	<u>2023</u>	<u>2022</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at amortized cost	(36,119)	(127,595)
Disposal of financial assets at amortized cost	17,097	129,569
Acquisition of financial assets at fair value through profit or loss	(20,604)	(18,200)
Acquisition of property, plant and equipment	(19,506)	(11,992)
Disposal of property, plant and equipment	-	10,634
Increase in refundable deposits	-	(7,446)
Decrease in refundable deposits	7,387	-
Acquisition of intangible assets	(4,611)	(2,842)
Interest received	9,330	6,869
Dividends received	1,400	840
<b>Net cash flows from (used in) investing activities</b>	<u>(45,626)</u>	<u>(20,163)</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term loans	1,680,000	190,000
Decrease in short-term loans	(1,840,000)	-
(Decrease) increase in short-term notes and bills payable	(9,988)	59,978
Decrease in guarantee deposits received	(132)	(216)
Payment of lease liabilities	(105,360)	(124,704)
Cash dividends paid	(154,980)	(159,408)
Interest paid	(6,149)	(2,515)
Disgorgement exercised	696	-
<b>Net cash flows from (used in) financing activities</b>	<u>(435,913)</u>	<u>(36,865)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	36	54
<b>Net increase (decrease) in cash and cash equivalents</b>	153,411	(41,395)
<b>Cash and cash equivalents at beginning of period</b>	585,499	626,894
<b>Cash and cash equivalents at end of period</b>	<u><u>\$ 738,910</u></u>	<u><u>585,499</u></u>

## **Tatung System Technologies Inc. (TSTI)**

### **Audit Committee's Review Report**


The Board of Directors of the Company has prepared the business report, financial statements (including parent company only and consolidated) and earnings distribution table for the year ended December 31, 2023. The financial statements have been audited by CPAs Hsin-Ting Huang and Li-Chen Lai, from KPMG, the CPA firm engaged by the Board of Directors to complete the audit. The above business report, financial statements and earnings distribution table and have been reviewed and determined to be accurate by the Audit Committee. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report for your review.

To

2024 Regular Shareholders' Meeting of the Company

Tatung System Technologies Inc. (TSTI)

Convener of the Audit Committee: Huang-Chi Yeh

A handwritten signature in black ink, reading "Huang-Chi, Yeh". The signature is written in a cursive, flowing style.

February 27, 2024

**Tatung System Technologies Inc.**  
**Earnings Distribution Table**  
**2023**

Unit: NTD	
Item	Amount
Undistributed retained earnings at the beginning of the period	10,739,132
Add (Less): Other comprehensive income (remeasurement of defined benefit plans – parent company and subsidiaries)	(717,829)
Add: Difference between the actual acquisition price of subsidiary equity and its book value	0
Add: Net profit after tax for 2023	188,136,193
Subtotal	198,157,496
Less: Provision for legal reserve (10%)	18,741,836
Less (Add): Provision (reversal) of special reserve (exchange differences on translation of financial statements of foreign operations)	(26,559)
Earnings available for distribution for the year	179,442,219
Distribution of earnings	
Dividends to shareholders	163,836,000
Cash dividends (\$1.85 per share)	163,836,000
Undistributed retained earnings at the end of the period	15,606,219

Chairman: Bo-Yen Shen      General Manager: Wen-Hung Huang      Accounting Manager: Chiu-Chan Hsu

## Attachment 5

**Tatung System Technologies Inc. (TSTI)**  
**Comparison table for the “Articles of Incorporation” before and after**  
**amendments**

Amended provisions	Current provisions	Description
<p>Article 25-2</p> <p><u>The company has established a Sustainable Development Committee. Matters such as the number of members, term of office, authority, rules of procedure, and resources to be provided by the company when exercising its powers shall be governed by the regulations of the Sustainable Development Committee.</u></p>	<p>(Addition)</p>	<p>In order to emphasize the importance of sustainable development issues and strengthen corporate governance, the company has established a Sustainable Development Committee to regulate the organizational procedures, membership, term of office, authority, rules of procedure, and exercise of powers.</p>
<p>Article 36</p> <p>(Content not revised. Omitted)</p> <p>The 17th amendments were made on June 15, 2023. <u>The 18th amendments were made on X XX, XXXX.</u></p>	<p>Article 36</p> <p>(Content not revised. Omitted)</p> <p>The 17th amendments were made on June 15, 2023.</p>	<p>The amendment history was added above.</p>

**Tatung System Technologies Inc. (TSTI)**  
**List of candidates for directors (including independent directors)**

Categori es of Candida tes	Names of Candidates	Eeducation Background	Experience	Current position	2024/3/30 Number of Shares Held on Book Closure Date
Director	Tatung Company Representative: Bo-Yen Shen	Doctor (DBA) of Graduate Institute of Technology, Innovation & Intellectual Property Management, National Chengchi University Master of Science in Technology and Innovation Management, College of Commerce, National Chengchi University	President, Tatung System Technologies Inc. Vice President, Tatung System Technologies Inc. Deputy Director, Information and Communication Sales Division, Tatung Company	President, Tatung Company Chairman & Chief Strategy Officer, Tatung System Technologies Inc. Chairman, Information Service Industry Association of R.O.C. Chairman, Asian-Oceanian computing industry organization (ASOCIO) Executive Director, Institute for Information Industry Chairman & President, Tsti Technologies (Shanghai) Co., Ltd. Chairman & President, Tatung Integrated Services Co., Ltd. Director, Tatung Forever Energy Co., Ltd. Chairman, Cinzhi Power Co., Ltd. Chairman, Chyun Huei Commercial Technologies Inc. Director, Tisnet Technology Inc.	38,386,499/ 799,623
Director	Tatung Company Representative: Wen-Hung Huang	Ming Chi University of Technology, department of electrical engineering	President, Ausenior Information Co., Ltd. Chairman, Ho Than Technology Inc. President, Azion corporation President, Genesis Technology Inc.	Director & President, Tatung System Technologies Inc. Director, Chyun Huei Commercial Technologies Inc. Director, Tisnet Technology Inc. Director, Tsti Technologies (Shanghai) Co., Ltd. Director, Ausenior Information Co., Ltd.	38,386,499/ 0
Director	Tatung Company Representative: Kuan-Ling Lai	Doctor of Mechanical and Energy Engineering, Department of Mechanical Engineering, Kun Shan University Master of Green and Cultural Industries, Department of Mechanical Engineering, Kun Shan University	Chief Operating Officer, Tatung Company President, Jun Investment International Co., Ltd	Special Assistant to the Vice Chairman, Tatung Company Special Assistant to the Chairman and Chief Investment Officer, Shan-Chih Asset Development Co. Ltd.	38,386,499/ 0
Director	Tatung Company	Doctor of	Chairman, Taiwan	Vice Chief Executive Officer, Institute for	38,386,499/

**Tatung System Technologies Inc. (TSTI)**  
**List of candidates for directors (including independent directors)**

Categori es of Candida tes	Names of Candidates	Eeducation Background	Experience	Current position	2024/3/30 Number of Shares Held on Book Closure Date
	Representative: Po-Jen Hsiao	Jurisprudence from China University of Political Science and Law	CyberSecurity Foundry Company	Information Industry Chairman, Trinity Investment Corporation Director, MetaEnergy Technology Company Ltd.	0
Director	Tatung Company Representative: Yuan-Chung Hsin	Graduate Institute of Finance at Ming Chuan University Department of Industrial Engineering, Feng Chia University	Deputy Director of China Affairs Department, Deutsche Börse AG Group Chief Representative, Deutsche Börse Group Beijing Representative Office Head of Greater China Region, European Futures Exchange	Director, Taiwan Carbon & Digitalization Development Association	38,386,499/ 0
Director	Twinbot Fintech Consultants Limited Representative: Kuan-Chih Tseng	Department of Psychology, Soochow University	Chairman, Amoledcorp	Director, Tatung System Technologies Inc. CEO, Mobii Green Energy Co., Ltd.	5,889,000/ 0
Indepen dent Director	Huang-Chi Yeh	Bachelor of Bank department, Tamkang University	Chairman, Sinopac Futures Corporation Director & President, SinoPac Securities Corporation Director, SinoPac Securities (Asia) Limited. Executive Director, Chinese National Futures Association Executive Supervisor, Taiwan Securities Association Director, Sunmax Biotechnology Co., Ltd.	Independent Director, Tatung System Technologies Inc. Independent Director, Forward Electronics Co., Ltd. Executive Director, MetaNano Inc. Consultant, Sinopac Futures Corporation	0

**Tatung System Technologies Inc. (TSTI)**  
**List of candidates for directors (including independent directors)**

Categories of Candidates	Names of Candidates	Education Background	Experience	Current position	2024/3/30 Number of Shares Held on Book Closure Date
Independent Director	Yi-Cheng Shih	Ph.D. in Finance from National Taiwan University	Assistant Professor, Finance and Cooperative Business Management Department at National Taipei University	Associate Professor, Finance and Cooperative Business Management Department at National Taipei University Director, Taiwan Carbon & Digitalization Development Association Director, Banking Education Association of Taiwan Director, Professional Go Association of the Republic of China	0
Independent Director	Ying-Hwang Yang	EMBA, Management, National Taipei University of Technology	Director, Formosa Plastics Marine Corporation Director, Formosa Plastics Maritime Corporation Supervisor, Formosa Chemicals And Fibre Corporation Supervisor, Formosa Petrochemical Corporation Director, Formosa Petrochemical Corporation President, Formosa Plastics Marine Corporation Senior Vice President, Formosa Petrochemical Corporation Senior Vice President, General Management Office, Formosa Plastics Group	Independent Director, Tatung System Technologies Inc. Independent Director, Topkey Corporation	0
Director	Chia-Chuan Wu	Graduated from the Department of Chemical Engineering, Chung Yuan Christian University	Chairman, Shin Tai Industry Co., Ltd.	Chairman, Shin Tai Industry Co., Ltd.	2,028,000
Director	Hui-Ju Chin	Graduated from the Banking and	Chairman of Anda Investment Co., Ltd.	Chairman of Anda Investment Co., Ltd.	1,652,000



**Tatung System Technologies Inc. (TSTI)**  
**List of candidates for directors (including independent directors)**

Categori es of Candida tes	Names of Candidates	Eeducation Background	Experience	Current position	2024/3/30 Number of Shares Held on Book Closure Date
		Insurance Department, Taipei Commercial College (now National Taipei University of Business)			
Director	Tai Sheng Ocean Development co., Ltd.	None			15,000
Indepen dent Director	Tzu-Ling Yeh	Graduated from the Department of Accounting, National Changhua University of Education	Aquaculture Division Chief, Shin Tai Industry Co., Ltd.	Assistant Manager, Administration Department, Shin Tai Industry Co., Ltd.	0
Indepen dent Director	Jung-Ying Tai	Graduated from the Department of Accounting and Information, Asia University.	Accountant, Sunbeam United Accounting Firm.	Finance Department Section Chief, Shin Tai Industry Co., Ltd.	0

## Tatung System Technologies Inc. (TSTI)

## List of Directors (Independent Directors) and Representative Released from the Non-Competition Restrictions

Names of Directors (Independent Directors)	The current concurrent positions in other companies
Tatung Company	Director of Forward Electronics Co., Ltd. Director of Tatung Fine Chemicals Co. Director of Tatung Consumer Products (Taiwan) Co., Ltd. Director of Tatung Integrated Services Co., Ltd. Director of Tatung (Thailand) Co., Ltd. Director of Chih Sheng Investment Co., Ltd. Director of Tatung Information (Singapore) Pte. Ltd. Director of Elitegroup Computer Systems Co., Ltd. Director of Shan Chih Asset Development Co., Ltd. Director of Tatung Medical & Healthcare Technologies Co., Ltd. Director of Kuender & Co., Ltd. Director of Tatung Company of Japan, Inc. Director of Chunghwa Electronics Development Co., Ltd. Director of Tatung Electric (Singapore) Pte. Ltd. Director of San Chih Semiconductor Co., Ltd. Director of Tatung Forever Energy Co., Ltd. Director of Toes Opto-Mechatronics Co., Ltd. Director of Otis Elevator Company (Taiwan) Ltd. Director of Tatung Electric Co. of America, Inc. Director of Shan Chih Investment Co., Ltd. Director of Tatung Die Casting Co., Ltd. Director of Tatung Okuma Co., Ltd. Director of Tatung SM-Cyclo Co., Ltd. Director of VOLTAMP POWER SAOC
Tatung Company Representative: Bo-Yen Shen	President, Tatung Company Chairman, Information Service Industry Association of R.O.C. Chairman, Asian-Oceanian computing industry organization (ASOCIO) Executive Director, Institute for Information Industry Chairman, Cinzhi Power Co., Ltd. Chairman, Chyun Huei Commercial Technologies Inc. Chairman & President, Tatung Integrated Services Co., Ltd. Chairman & President, Tsti Technologies (Shanghai) Co., Ltd. Representative of corporate director, Tatung Forever Energy Co., Ltd. Representative of corporate director, Tisnet Technology Inc.
Tatung Company Representative: Wen-Hung Huang	Representative of corporate director, Chyun Huei Commercial Technologies Inc. Representative of corporate director, Tisnet Technology Inc. Representative of corporate director, Tsti Technologies (Shanghai) Co., Ltd. Representative of corporate director, Ausenior Information Co., Ltd.
Tatung Company Representative: Kuan-Ling Lai	Representative of corporate director, Elitegroup Computer Systems Co., Ltd. Representative of corporate director, Shan-Chih Asset Development Co. Ltd Director, Jun Investment International Co., Ltd. Representative of corporate director, Junbao Construction Co., Ltd. Representative of corporate supervisor, Ma Shen Kai Ruei Co., Ltd. Representative of corporate director, Edora Park Co., Ltd. Director, Re-Wei Foundation Director, Wo and Grass Charity Foundation Representative of corporate director, Tatung Industry Company Representative of corporate director, Chih Sheng Realty Co., Ltd.
Tatung Company Representative: Po-Jen Hsiao	Representative of corporate director, MetaEnergy Technology Company Ltd.
Twinbot Fintech Consultants Limited Representative: Kuan-Chih Tseng	CEO, Mobii Green Energy Co., Ltd.
Huang-Chi Yeh	Independent Director, Forward Electronics Co., Ltd. Executive Director, MetaNano Inc. Consultant, Sinopac Futures Corporation
Chia-Chuan Wu	Chairman, Tai Yu Network & Communication Inc. Chairman, Shin Tai Industry Co., Ltd.

## Appendix 1

### The Articles of Incorporation of Tatung System Technologies Inc. (TSTI)

Amended at 2022 Annual Meeting of Shareholders

#### Chapter 1 General Provisions

- Article 1 The Company is organized under the provisions of the Company Act on companies limited by shares and shall be named as Tatung System Technologies Inc.
- Article 2 The Company shall engage in the following businesses:
1. CC01110 Computer and Peripheral Equipment Manufacturing
  2. F113050 Wholesale of Computers and Clerical Machinery Equipment
  3. F113070 Wholesale of Telecommunication Apparatus
  4. F118010 Wholesale of Computer Software
  5. F213030 Retail Sale of Computers and Clerical Machinery Equipment
  6. F213060 Retail Sale of Telecommunication Apparatus
  7. F601010 Intellectual Property Rights
  8. I103060 Management Consulting
  9. I301010 Information Software Services
  10. I301020 Data Processing Services
  11. I301030 Electronic Information Supply Services
  12. JE01010 Rental and Leasing
  13. IZ13010 Internet Certificates Service
  14. F401021 Restrained Telecom Radio Frequency Equipment and Materials Import
  15. E701010 Telecommunications Engineering
  16. E701020 Satellite Television KU Channels and Channel C Equipment Installation
  17. E701030 Controlled Telecommunications Radio-Frequency Devices Installation Engineering
  18. E605010 Computer Equipment Installation
  19. E701040 Simple Telecommunications Equipment Installation
  20. F108031 Wholesale of Medical Devices
  21. F208031 Retail Sale of Medical Apparatus
  22. J601010 Arts and Literature Service
  23. JB01010 Conference and Exhibition Services
  24. IG03010 Energy Technical Services
  25. E603010 Cable Installation Engineering
  26. E603050 Automatic Control Equipment Engineering
  27. EZ05010 Instrument and Meters Installation Engineering
  28. ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval.
- Article 3 The Company has its head office in Taipei City and may establish domestic and foreign branches, if necessary, by resolution of the Board of Directors in accordance with the law.
- Article 4 The Company shall make public announcements by means of a prominent section of

county or provincial daily newspapers and circulars published in the county or city where the Company is located.

## **Chapter 2     Shares**

Article 5     The capital of the Company shall be set at NT\$2 billion divided into 200 million shares of common stock of NT\$10 each, of which unissued shares shall be authorized to be issued by the Board of Directors in installments.

Within the foregoing total number of shares, 3,000,000 shares are reserved for issuance of employee stock options.

When the Company issues new shares, the employees who can subscribe the shares include those of subordinate companies who meet certain criteria.

Article 6     The shares of the Company shall be in registered form, signed or sealed by the directors representing the Company, and issued after being certified by the competent authorities or by the issuance and registration agencies authorized by such authorities. The shares issued by the Company may be exempted from printing stocks, but the shares should be registered with the centralized securities depository institution.

Article 7     Shareholders shall report their true names and residences to the Company, and fill in the seal card and submit it to the Company for recordation; if the seal is lost, it must be registered in writing to the Company before a new seal can be use as the replacement.

Article 8     Registered shares of the Company shall be transferred only by the holder by way of endorsement, and the name or title of the transferee shall be indicated on the shares. Transfer of shares shall not be set up as a defense against the issuing company, unless the name or title and residence of the transferee have been recorded in the shareholders' roster.

Article 9     If any share certificates have been lost or damaged, the shareholder shall report the reason in writing to the Company and make a public announcement in the daily newspaper of the Company's location. If there is no objection from a third party within one month from the last day of the announcement, the Company may issue new shares only after the Company has verified that the loss of the share certificates have been properly guaranteed and a letter of guarantee has been issued.

Article 10     In the event of loss or other reasons, the Company may charge a handling fee and a stamp duty for the replacement or exchange of share certificates.

Article 11     The transfer of shares shall be suspended within 60 days prior to a regular shareholders' meeting, within 30 days prior to an extraordinary meeting, or within five days prior to the base date on which the Company decides to distribute dividends and bonuses or other benefits.

## **Chapter 3     Shareholders' Meeting**

Article 12     There are two types of shareholders' meetings: regular meetings and extraordinary meetings. The regular meetings shall be held at least once a year, within six months after the end of each fiscal year, by the board of directors with 30 days' notice to each shareholder. If necessary, the extraordinary meetings can be convened by giving 15 days' notice to each shareholder in accordance with the law.

The shareholders' meetings of the Company may be held by video conference or other means announced by the central competent authorities.

The conditions, procedures and other requirements for shareholders' meetings by

video conference shall be in accordance with the regulations of the competent securities authorities, if any.

Article 13 If a shareholder is unable to attend a shareholders' meeting for any reason, he/she may issue a proxy form and appoint a proxy to attend the meeting in accordance with Article 177 of the Regulations Governing the Use of Proxies for Attendance at Shareholders' Meetings of Public Companies.

Article 14 If the shareholders' meeting is convened by the board of directors, the chairperson of the board of directors shall be the meeting chair. In the absence of the chairperson of the board of directors, the chairperson of the board of directors shall designate a director to act as proxy, or if no such designation is made, the directors shall elect a person to act as proxy. If a shareholders' meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.

Article 15 A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179, paragraph 2 of the Company Act.

Article 16 Unless otherwise provided for in the Company Act, a resolution of a shareholders' meeting shall be adopted with a consent of the shareholders representing a majority of the voting rights at the meeting attended by shareholders holding a majority of the total issued shares.

Article 17 Resolutions of shareholders' meetings shall be recorded in the minutes and shall be handled in accordance with Article 183 of the Company Act. The minutes shall record the year, month, day, venue, name of the chair and method of resolution of the meeting, and shall also record the main points of the proceedings and the results thereof, and shall be retained permanently during the continuance of the Company. The signature book of the shareholders attending the meeting and the proxy forms for proxy attendance shall be kept for one year.

#### **Chapter 4 Board of Directors and Audit Committee**

Article 18 The Company shall have seven to nine directors, all of whom shall be elected for a term of three years and shall be eligible for re-election. The total shareholding of the entire bodies of the directors shall be in accordance with the regulations of the securities regulatory authority.

Among the foregoing number of directors, the number of independent directors shall not be less than three and not less than one-fifth of the total number of directors, and independent directors shall be elected by the shareholders' meeting from the list of candidates through a candidate nomination system. The professional qualifications, shareholdings, restrictions on concurrent positions, nomination and election of independent directors and other matters to be followed shall be in accordance with the relevant regulations of the competent securities authorities.

Except for the independent directors under the second paragraph of this Article, the other directors shall be elected by the shareholders from the list of candidates through a candidate nomination system starting from the seventh term.

Article 19 If the vacancies of directors reach one-third, an extraordinary shareholders' meeting shall be held within 60 days to re-elect new directors, whose term of office shall be limited to the period of time of the original term to be filled.

- Article 20 If directors' term of office expires before re-election, their duties shall be extended until the re-elected directors assumes office.
- Article 21 The directors shall organize the board of directors and elect a chairperson from among themselves with the consent of a majority of at least two-thirds of the directors to execute all affairs of the Company in accordance with the law, the Articles of Incorporation, and the resolutions of the shareholders' meeting and the board of directors.
- Article 22 The Company's management policy and other important matters shall be resolved by the Board of Directors. Except for the first meeting of the Board of Directors in each term, which is convened in accordance with Article 203 of the Company Act, the other meetings shall be convened by the chairperson of the Board of Directors, who shall be the meeting chair. If the chairperson of the board of directors is unable to perform his or her duties, the chairperson of the board of directors shall designate a director to act on his or her behalf, or if no such designation is made, the directors shall elect one among themselves to act on the behalf of the chairperson.
- Article 23 Unless otherwise provided in the Company Act, a majority of the directors shall be present at a meeting of the Board of Directors and the consent of a majority of the directors present shall be required. If any director is unable to attend a meeting for any reason, he/she may appoint another director to act as his/her proxy to attend the meeting of the Board of Directors by issuing a proxy form listing the scope of authorization for the convening of the meeting, provided that a proxy can only be appointed by one person.
- Article 23 The convening of a meeting of the Board of Directors of the Company shall be notified to the directors seven days in advance, which may be done in writing, by e-mail or by facsimile. The Company may convene a meeting of the Board of Directors at any time in the event of an emergency.
- Article 24 The minutes of the Board of Directors' meetings shall be prepared, signed or sealed by the chairperson, and distributed to the directors within 20 days after the meeting, and the minutes shall record the main points of the proceedings and the results thereof. The minutes shall be kept at the Company together with the signature book of the directors attending the meeting and the proxy form for proxy attendance.
- Article 25 The Company shall establish an audit committee in accordance with Article 14-4 of the Securities and Exchange Act, and the audit committee shall consist of all independent directors. The authority, rules of procedure for their meetings and other matters to be followed by the Audit Committee shall be in accordance with the provisions of the Company Act, the Securities and Exchange Act and other relevant laws and regulations and the Company's Articles of Incorporation.
- Article 25 The number of members of the Remuneration Committee, their term of office, authorities, the rules of procedure for their meetings, and the resources to be provided by the Company in exercising the powers and functions of the Remuneration Committee shall be in accordance with the provisions of the Remuneration Committee's Charter.
- Article 26 The compensation and travel expenses of directors are authorized to be determined by the Board of Directors, regardless of the operating profit or loss, based on the value of the directors' contributions to the Company's operations with the domestic and foreign industry standards taken into account.
- Article 26 The Company may purchase liability insurance for the directors during their term of

office in respect of their liability under the law for the execution of their business.

## **Chapter 5     Managerial officers and employees**

Article 27     The Company shall have a number of managerial officers, whose appointment, dismissal and remuneration shall be in accordance with Article 29 of the Company Act.

Article 28     The Company may employ consultants and key employees by resolution of the Board of Directors in accordance with Article 23 of the Articles of Incorporation.

Article 29     Other employees of the Company shall be appointed and dismissed by the CEO and shall be reported to the Board of Directors for approval.

## **Chapter 6     Accounting**

Article 30     At the end of each business year, the Board of Directors shall prepare and submit to the Audit Committee for adoption at the annual regular shareholders' meeting 30 days prior to the annual regular shareholders' meeting the following reports: (1) business report. (2) financial statements (3) earnings distribution or losses make-up proposal

Article 31     The total amount of the earnings to be distributed shall not be less than 50% of the distributable earnings in the current year. The ration of the cash dividend to stock dividend shall be determined in consideration of the earnings in the current year, the arrangement of the funds, and the rights of the shareholders. The amount of the cash dividend shall not be less than 10% of the total dividends. Where the cash dividend per share is less than \$0.1, it will not be distributed and shall be replaced with the stock dividend.

5% to 15% of the current pre-tax net profit prior to deduction of the remuneration to the employees and directors shall be appropriated as the remuneration to the employees, and not more than 5% shall be appropriated as the remuneration to the directors. However, an amount of the earnings shall be reserved to make up cumulative losses (including adjustment of undistributed earnings), if any.

The net profit after tax of the Company in the current period, if any, in the final account at the end of any fiscal year shall be used to make up the losses (including adjustment of undistributed earnings) of the previous years. The Company shall then set aside 10% of the said earnings as a legal reserve, unless such legal reserve amounts to the paid-in capital of the Company. The Company shall provide or reverse a special reserve pursuant to laws or the regulations of the competent authority. The Company shall, prior to the distribution of earnings, set aside the same amount of special reserve from prior period's undistributed earnings if the special reserve is not sufficient to cover the net increase in fair value of investment properties accumulated in prior periods and the net decrease in other equity accumulated in prior periods. If the amount is not sufficient, the amount of special reserve shall be provided from the current period's net profit after tax plus items other than after-tax net profit for the period as the current period's undistributed earnings. If there are any residual earnings, they shall be, together with the undistributed earnings at the beginning of the period (including adjustment of undistributed earnings), used as accumulated dividends for shareholders. The Board of Directors shall draft an earnings distribution proposal and submit it to the shareholders' meeting for approval.

Whether profit-sharing remuneration for employees should be distributed in stock or cash shall be resolved with a consent of a majority of the directors present at a

meeting attended by more than two thirds of the total directors and reported to the shareholder's meeting by the Board.

The profit-sharing remuneration for employees in the form of stock or cash includes employees of subordinate companies who meet certain criteria.

## **Chapter 7 Supplementary Provisions**

- Article 32 The Company may invest more than 40% of the paid-in capital in other enterprises and authorize the Board of Directors to execute the investments.
- Article 33 The Company may provide guarantees for other companies.
- Article 34 The company's organizational regulations and working rules shall be separately formulated by the Board of Directors.
- Article 35 Matters not provided for in these Articles of Incorporation shall be governed by the Company Act and related laws and regulations.

Article 36 These Articles of Incorporation were established on April 26, 2000. The 1st amendments were made on May 30, 2001. The 2nd amendments were made on May 31, 2002. The 3rd amendments were made on June 18, 2004. The 4th amendments were made on May 25, 2005. The 5th amendments were made on June 16, 2006. The 6th amendments were made on June 21, 2007. The 7th amendments were made on June 22, 2009. The 8th amendments were made on June 29, 2010. The 9th amendments were made on June 27, 2011. The 10th amendments were made on June 19, 2012. The 11th amendments were made on June 24, 2013. The 12th amendments were made on June 24, 2014. The 13th amendments were made on June 12, 2015. The 14th amendments were made on June 24, 2016. The 15th amendments were made on August 19, 2021. The 16th amendments were made on June 15, 2022. The 17th amendments were made on June 15, 2023.



**Tatung System Technologies Inc. (TSTI)**  
**Rules and Procedures of Shareholders' Meeting**

Amended at the 2004, 2012, 2013, 2015, 2020, 2021, 2022, and 2023 meeting of shareholders.

- Article 1 To establish a strong governance system and sound supervisory capabilities for the Company's meeting of shareholders, and to strengthen management capabilities, these Rules are adopted pursuant to the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.
- Article 2 The rules of procedures for the shareholders meetings, except of Tatung System Technologies Inc., unless otherwise provided by law, regulation, or the articles of incorporation, shall be as provided in these Rules.
- Article 3 Unless otherwise provided by law or regulation, the Company's meeting of shareholders shall be convened by the board of directors.

Except for otherwise stated in the Regulations Governing the Administration of Shareholder Services of Public Companies, when the Company convenes a shareholder meeting by way of a video conference, it shall be stated in the Articles of Incorporation and resolved by the Board; a shareholder meeting by way of a video conference is subject to the resolution receiving the consent of more than half of the attending Directors at a Board meeting attended by more than two-thirds of the Directors.

Changes to how the Company convenes its shareholders' meeting shall be resolved by the board of directors, and shall be made no later than mailing of the shareholders' meeting notice.

The Company shall prepare electronic versions of the shareholders' meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors, and upload them to the Market Observation Post System (MOPS) before 30 days before the date of a regular shareholders' meeting or before 15 days before the date of an extraordinary shareholders' meeting. The Company shall prepare electronic versions of the shareholders' meeting agenda and supplemental meeting materials and upload them to the MOPS before 21 days before the date of the regular shareholders' meeting or before 15 days before the date of the extraordinary shareholders' meeting. If, however, the Company has the paid-in capital of NT\$10 billion or more as of the last day of the most current fiscal year, or total shareholding of foreign shareholders and PRC shareholders reaches 30% or more as recorded in the register of shareholders of the shareholders' meeting held in the immediately preceding year, transmission of these electronic files shall be made by 30 days before the regular shareholders' meeting. In addition, before 15 days before the date of the shareholders' meeting, the Company shall also have prepared the shareholders' meeting agenda and supplemental meeting materials and made them available for review by shareholders at any time. The meeting agenda and supplemental materials shall also be displayed at the Company and the professional shareholder services agent designated thereby.

This Corporate shall make the meeting agenda and supplemental meeting materials in the preceding paragraph available to shareholders for review in the following manner on the date of the shareholders' meeting:

1. For physical meeting of shareholders, to be distributed on-site at the meeting.
2. For hybrid meeting of shareholders, to be distributed on-site at the meeting and shared on the virtual meeting platform.
3. For virtual-only meeting of shareholders, electronic files shall be shared on the virtual meeting platform.

The reasons for convening a shareholders' meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form.

Election or dismissal of directors, amendments to the articles of incorporation, reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, the dissolution, merger, or demerger of the corporation, or any matter under Article 185, paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities Exchange Act, Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be set out and the essential contents explained in the notice of the reasons for convening the shareholders' meeting. None of the above matters may be raised by an extraordinary motion.

Where re-election of all directors as well as their inauguration date is stated in the notice of the reasons for convening the shareholders' meeting, after the completion of the re-election in said meeting such inauguration date may not be altered by any extraordinary motion or otherwise in the same meeting.

A shareholder holding one percent or more of the total number of issued shares may submit to the Company a proposal for discussion at a regular shareholders' meeting. The number of items so proposed is limited to one only, and no proposal containing more than one item will be included in the meeting agenda. When the circumstances of any subparagraph of Article 172-1, paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the board of directors may exclude it from the agenda. A shareholder may propose a recommendation for urging the corporation to promote public interests or fulfill its social responsibilities, provided procedurally the number of items so proposed is limited only to one in accordance with Article 172-1 of the Company Act, and no proposal containing more than one item will be included in the meeting agenda.

Prior to the book closure date before a regular shareholders' meeting is held, the Company shall publicly announce its acceptance of shareholder proposals in writing or electronically, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.

A proposal submitted by shareholders must not exceed 300 Chinese characters. Any proposal containing more than 300 Chinese characters will not be included in the agenda. A shareholder who has submitted a proposal must attend the regular shareholders' meeting in person or by proxy and participate in the discussion of his or her proposal.

The Company shall notify the shareholder submitting the proposal of the status of his or her proposal before the date when the notice of the shareholders' meeting is sent, and include the proposals that have met the requirements in this article in the meeting notice. The Board shall provide reasons for not including a shareholder's proposal in the agenda at the shareholders' meeting.

#### Article 4

For each shareholders' meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by the Company and stating the scope of the proxy's authorization.

A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders' meeting, and shall deliver the proxy form to the Company before five days before the date of the shareholders' meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to cancel the previous proxy appointment.

If, after the Company has received a proxy form, a shareholder sending the proxy

form decides to attend the shareholders' meeting in person or intends to exercise his or her voting rights in writing or electronically, he or she shall issue a written notice to revoke the authorization to the Company two days before the shareholders' meeting. If the revocation is not provided within the specified time limit, exercise of the voting rights by the proxy attending the meeting shall prevail.

If, after a proxy form is delivered to the Company, a shareholder wishes to attend the shareholders' meeting online, a written notice of proxy cancellation shall be submitted to the Company two business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

Article 5 A shareholders' meeting shall be held in the county or city where the head office is located or in a place convenient for the shareholders to attend and suitable for the shareholders' meeting. The meeting shall commence no earlier than 9:00 a.m. or later than 3:00 p.m., and the place and time of the meeting shall be determined with due regard to the opinions of the independent directors.

The restrictions on the place of the meeting shall not apply when the Company convenes a virtual-only shareholders' meeting.

Article 6 The Company shall specify in its shareholders' meeting notices the time during which attendance registrations for shareholders, solicitors and proxies (collectively "shareholders") will be accepted, the place to register for attendance, and other matters for attention.

The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations. For virtual shareholders' meetings, shareholders may begin to register on the virtual meeting platform 30 minutes before the meeting starts. Shareholders completing registration will be deemed as attend the shareholders' meeting in person.

Shareholders shall attend meeting of shareholders based on attendance cards, sign-in cards, or other certificates of attendance. The Company may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification.

The Company shall furnish the attending shareholders with a signature book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in.

The Company shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors, pre-printed ballots shall also be furnished.

When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders' meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

In the event of a virtual shareholders' meeting, shareholders wishing to attend the meeting online shall register with the Company two days before the meeting date.

In the event of a virtual shareholders' meeting, the Company shall upload the meeting agenda book, annual report and other meeting materials to the virtual meeting platform at least 30 minutes before the meeting starts, and keep this information disclosed until the end of the meeting.

Article 6-1 To convene a virtual shareholders' meeting, the Company shall include the follow

particulars in the shareholders' meeting notice:

1. How shareholders attend the virtual meeting and exercise their rights.
2. Actions to be taken if the virtual meeting platform or participation in the virtual meeting is obstructed due to natural disasters, accidents or other *force majeure* events, at least covering the following particulars:
  - A. To what time the meeting is postponed or from what time the meeting will resume if the above obstruction continues and cannot be removed, and the date to which the meeting is postponed or on which the meeting will resume.
  - B. Shareholders not having registered to attend the affected virtual shareholders' meeting shall not attend the postponed or resumed session.
  - C. In case of a hybrid shareholders' meeting, when the virtual meeting cannot be continued, if the total number of shares represented at the meeting, after deducting those represented by shareholders attending the virtual shareholders' meeting online, meets the minimum legal requirement for a shareholders' meeting, then the shareholders' meeting shall continue. The shares represented by shareholders attending the virtual meeting online shall be counted towards the total number of shares represented by shareholders present at the meeting, and the shareholders attending the virtual meeting online shall be deemed abstaining from voting on all proposals on meeting agenda of that shareholders' meeting.
  - D. Actions to be taken if the outcome of all proposals have been announced and extraordinary motion has not been carried out.
3. To convene a virtual-only shareholders' meeting, appropriate alternative measures available to shareholders with difficulties in attending a virtual shareholders' meeting online shall be specified. Apart from circumstances stated in paragraph 6, Article 44-9 of the Regulations Governing the Administration of Shareholder Services of Public Companies, the Company shall at least provide connection equipment and necessary assistance to shareholders and stipulate the period for shareholders to apply with the Company and other relevant matters of notice.

#### Article 7

If a shareholders' meeting is convened by the board of directors, the meeting shall be chaired by the chairperson of the board. When the chairperson of the board is on leave or for any reason unable to exercise the powers of the chairperson, the vice chairperson shall act in place of the chairperson; if there is no vice chairperson or the vice chairperson also is on leave or for any reason unable to exercise the powers of the vice chairperson, the chairperson shall appoint one of the managing directors to act as chair, or if there are no managing directors, one of the directors shall be appointed to act as chair. Where the chairperson does not make such a designation, the managing directors or the directors shall select from among themselves one person to serve as chair.

When a managing director or a director serves as chair, as referred to in the preceding paragraph, the managing director or director shall be one who has held that position for six months or more and who understands the financial and business conditions of the company. The same shall be true for a representative of a juristic person director that serves as chair.

It is advisable that meeting of shareholders convened by the board of directors be chaired by the chairperson of the board in person and attended by a majority of the directors, at least one independent director in person, and at least one member of each functional committee on behalf of the committee. The attendance shall be recorded in the meeting minutes.

If a shareholders' meeting is convened by a party with the power to convene but other than the board of directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.

The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders' meeting in a non-voting capacity.

Article 8

The Company, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the shareholders' meeting, and the voting and vote counting procedures.

The recorded materials of the preceding paragraph shall be retained for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

Where a shareholders' meeting is held online, the Company shall keep records of shareholder registration, sign-in, check-in, questions raised, votes cast and results of votes counted by the Company, and continuously audio and video record, without interruption, the proceedings of the virtual meeting from beginning to end.

The information and audio and video recording in the preceding paragraph shall be properly kept by the Company during the entirety of its existence, and copies of the audio and video recording shall be provided to and kept by the party appointed to handle matters of the virtual meeting.

In case of a virtual shareholders' meeting, the Company is advised to audio and video record the back-end operation interface of the virtual meeting platform.

Article 9

Attendance at meeting of shareholders shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the signature book and sign-in cards handed in, and the shares checked in on the virtual meeting platform, plus the number of shares whose voting rights are exercised by correspondence or electronically.

The chair shall call the meeting to order at the appointed meeting time and disclose information concerning the number of nonvoting shares and number of shares represented by shareholders attending the meeting, among others.

However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned.

In the event of a virtual shareholders' meeting, the Company shall also declare the meeting adjourned at the virtual meeting platform. If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders' meeting shall be convened within one month. In the event of a virtual shareholders' meeting, shareholders intending to attend the meeting online shall re-register to the Company in accordance with Article 6.

When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders' meeting pursuant to Article 174 of the Company Act.

Article 10

If a shareholders' meeting is convened by the board of directors, the meeting agenda

shall be set by the board of directors. Votes shall be cast on each separate proposal on the agenda (including extraordinary motions and amendments to the original proposals set out in the agenda). The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders' meeting.

The provisions of the preceding paragraph apply mutatis mutandis to a shareholders' meeting convened by a party with the power to convene that is not the board of directors.

The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders' meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the board of directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.

The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed, call for a vote, and schedule sufficient time for voting.

Article 11 Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.

When a juristic person shareholder appoints two or more representatives to attend a shareholders' meeting, only one of the representatives so appointed may speak on the same proposal.

After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.

Where a virtual shareholders' meeting is convened, shareholders attending the virtual meeting online may raise questions in writing at the virtual meeting platform from the chair declaring the meeting open until the chair declaring the meeting adjourned. No more than two questions for the same proposal may be raised. Each question shall contain no more than 200 words. The regulations in paragraphs 1 to 5 do not apply.

As long as questions so raised in accordance with the preceding paragraph are not in violation of the regulations or beyond the scope of a proposal, it is advisable the questions be disclosed to the public at the virtual meeting platform.

Article 12 Voting at a shareholders' meeting shall be calculated based the number of shares.

With respect to resolutions of meeting of shareholders, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.

When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of the Company, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.

The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.

With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed three percent of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.

#### Article 13

A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179, paragraph 2 of the Company Act.

When the Company holds a shareholders' meeting, it shall adopt exercise of voting rights by electronic means and may adopt exercise of voting rights by correspondence. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders' meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting; it is therefore advisable that the Company avoid the submission of extraordinary motions and amendments to original proposals.

A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to the Company before two days before the date of the shareholders' meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except for a declaration to revoke a prior expression of intent.

After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders' meeting in person or online, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, before two business days before the date of the shareholders' meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders' meeting, the voting rights exercised by the proxy in the meeting shall prevail.

Except as otherwise provided in the Company Act and in the Company's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.

When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide

the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company.

Vote counting for shareholders' meeting proposals or elections shall be conducted in public at the place of the shareholders' meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.

When the Company convenes a virtual shareholders' meeting, after the chair declares the meeting open, shareholders attending the meeting online shall cast votes on proposals and elections on the virtual meeting platform before the chair announces the voting session ends or will be deemed to have abstained from voting.

In the event of a virtual shareholders' meeting, votes shall be counted at once after the chair announces the voting session ends, and results of votes and elections shall be announced immediately.

When the Company convenes a hybrid shareholders' meeting, if shareholders who have registered to attend the meeting online in accordance with Article 6 decide to attend the physical shareholders' meeting in person, they shall revoke their registration two days before the shareholders' meeting in the same manner as they registered. If their registration is not revoked within the time limit, they may only attend the shareholders' meeting online.

When shareholders exercise voting rights by correspondence or electronic means, unless they have withdrawn the declaration of intent and attended the shareholders' meeting online, except for extraordinary motions, they will not exercise voting rights on the original proposals or make any amendments to the original proposals or exercise voting rights on amendments to the original proposal.

Article 14 The election of directors at a shareholders' meeting shall be held in accordance with the Procedure for Election of Directors and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately, including the names of those elected as directors and the numbers of votes with which they were elected, and the names of directors not elected and number of votes they received.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

Article 15 Matters relating to the resolutions of a shareholders' meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The meeting minutes may be produced and distributed in electronic form.

The Company may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the MOPS.

The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their voting results (including the number of voting rights), and disclose the number of voting rights won by each candidate in the event of an election of directors. The minutes shall be retained for the duration of the



existence of the Company.

Where a virtual shareholders' meeting is convened, in addition to the particulars to be included in the meeting minutes as described in the preceding paragraph, the start time and end time of the shareholders' meeting, how the meeting is convened, the chair's and secretary's name, and actions to be taken in the event of disruption to the virtual meeting platform or participation in the meeting online due to natural disasters, accidents or other *force majeure* events, and how issues are dealt with shall also be included in the minutes.

When convening a virtual-only shareholders' meeting, other than compliance with the requirements in the preceding paragraph, the Company shall specify in the meeting minutes alternative measures available to shareholders with difficulties in attending a virtual-only shareholders' meeting online

- Article 16 On the day of a shareholders' meeting, the Company shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation, the number of shares represented by proxies and the number of shares represented by shareholders attending the meeting by correspondence or electronic means, and shall make an express disclosure of the same at the place of the shareholders' meeting. In the event a virtual shareholders' meeting, the Company shall upload the above meeting materials to the virtual meeting platform at least 30 minutes before the meeting starts, and keep this information disclosed until the end of the meeting.

During the Company's virtual shareholders' meeting, when the meeting is called to order, the total number of shares represented at the meeting shall be disclosed on the virtual meeting platform. The same shall apply whenever the total number of shares represented at the meeting and a new tally of votes is released during the meeting.

If matters put to a resolution at a shareholders' meeting constitute material information under applicable laws or regulations or under or Taipei Exchange regulations, the Company shall upload the content of such resolution to the MOPS within the prescribed time period.

- Article 17 Staff handling administrative affairs of a shareholders' meeting shall wear identification cards or arm bands.

The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."

At the place of a shareholders' meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by the Company, the chair may prevent the shareholder from so doing.

When a shareholder violates the rules of procedure and defies the chair's correction, obstructing the proceedings and refusing to heed calls to stop, the chair may direct the proctors or security personnel to escort the shareholder from the meeting.

- Article 18 When a meeting is in progress, the chair may announce a break based on time considerations. If a *force majeure* event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.

If the meeting venue is no longer available for continued use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the shareholders' meeting may adopt a resolution to resume the meeting at another venue.

A resolution may be adopted at a shareholders' meeting to defer or resume the

meeting within five days in accordance with Article 182 of the Company Act.

- Article 19 In the event of a virtual shareholders' meeting, the Company shall disclose real-time results of votes and election immediately after the end of the voting session on the virtual meeting platform according to the regulations, and this disclosure shall continue at least 15 minutes after the chair has announced the meeting adjourned.
- Article 20 When the Company convenes a virtual-only shareholders' meeting, both the chair and secretary shall be in the same location, and the chair shall declare the address of their location when the meeting is called to order.
- Article 21 In the event of a virtual shareholders' meeting, the Company may offer a simple connection test to shareholders prior to the meeting, and provide relevant real-time services before and during the meeting to help resolve technical communication issues.

In the event of a virtual shareholders' meeting, when declaring the meeting open, the chair shall also declare, unless under a circumstance where a meeting is not required to be postponed to or resumed at another time under Article 44-20, paragraph 4 of the Regulations Governing the Administration of Shareholder Services of Public Companies, if the virtual meeting platform or participation in the virtual meeting is obstructed due to natural disasters, accidents or other *force majeure* events before the chair has announced the meeting adjourned, and the obstruction continues for more than 30 minutes, the meeting shall be postponed to or resumed on another date within five days, in which case Article 182 of the Company Act shall not apply.

For a meeting to be postponed or resumed as described in the preceding paragraph, shareholders who have not registered to participate in the affected shareholders' meeting online shall not attend the postponed or resumed session.

For a meeting to be postponed or resumed under the second paragraph, the number of shares represented by, and voting rights and election rights exercised by the shareholders who have registered to participate in the affected shareholders' meeting and have successfully signed in the meeting, but do not attend the postpone or resumed session, at the affected shareholders' meeting, shall be counted towards the total number of shares, number of voting rights and number of election rights represented at the postponed or resumed session.

During a postponed or resumed session of a shareholders' meeting held under the second paragraph, no further discussion or resolution is required for proposals for which votes have been cast and counted and results have been announced, or list of elected directors.

When the Company convenes a hybrid shareholders' meeting, and the virtual meeting cannot continue as described in second paragraph, if the total number of shares represented at the meeting, after deducting those represented by shareholders attending the virtual shareholders' meeting online, still meets the minimum legal requirement for a shareholders' meeting, then the shareholders' meeting shall continue, and no postponement or resumption thereof under the second paragraph is required.

Under the circumstances where a meeting should continue as in the preceding paragraph, the shares represented by shareholders attending the virtual meeting online shall be counted towards the total number of shares represented by shareholders present at the meeting, provided these shareholders shall be deemed abstaining from voting on all proposals on meeting agenda of that shareholders' meeting.

When postponing or resuming a meeting according to the second paragraph, the Company shall handle the preparatory work based on the date of the original shareholders' meeting in accordance with the requirements listed under Article 44-20,

paragraph 7 of the Regulations Governing the Administration of Shareholder Services of Public Companies.

For dates or period set forth under Article 12, second half, and Article 13, paragraph 3 of Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies, and Article 44-5, paragraph 2, Article 44-15, and Article 44-17, paragraph 1 of the Regulations Governing the Administration of Shareholder Services of Public Companies, the Company shall handle the matter based on the date of the shareholders' meeting that is postponed or resumed under the second paragraph.

Article 22 When convening a virtual-only shareholders' meeting, the Company shall provide appropriate alternative measures available to shareholders with difficulties in attending a virtual shareholders' meeting online. Apart from circumstances stated in paragraph 6, Article 44-9 of the Regulations Governing the Administration of Shareholder Services of Public Companies, the Company shall at least provide connection equipment and necessary assistance to shareholders and stipulate the period for shareholders to apply with the Company and other relevant matters of notice.

Article 23 These Rules shall take effect after having been submitted to and approved by a shareholders' meeting. Subsequent amendments thereto shall be effected in the same manner.

## **Tatung System Technologies Inc. (TSTI)**

### **Director Election Regulations**

Amended at 2021 Regular Shareholders' Meeting

- Article 1 To ensure a just, fair, and open election of directors, these Procedures are adopted pursuant to Articles 21 and 41 of the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies".
- Article 2 Except as otherwise specified by the Company Act, the Company's Articles of Incorporation, and other applicable laws and regulations, elections of directors shall be conducted in accordance with these Regulations.
- Article 3 The overall composition of the board of directors shall be taken into account for election of directors in accordance with Article 20 of the "TSTI System Technologies Inc. Corporate Governance Best-Practice." Consideration shall be given to the diversity of the composition of the board of directors, and an appropriate diversity policy shall be formulated with respect to its operation, operational model and development needs. More than half of the directors shall be persons who have neither a spousal relationship nor a relationship within the second degree of kinship with any other director.
- The board of directors of the Company shall consider adjusting its composition based on the results of performance evaluation.
- Article 4 The qualifications and election of the independent directors of the Company shall comply with the provisions of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" and Article 24 of the "TSTI System Technologies Inc. Corporate Governance Best-Practice."
- Article 5 Election of directors of the Company shall be conducted in accordance with the candidate nomination system and procedure provided for in Article 192-1 of the Company Act.
- If the number of directors is less than five after termination of the appointment, the Company shall perform a by-election at the most recent shareholders' meeting. However, if the vacancy in the board of directors reaches one-third of the number specified in the Articles of Incorporation, the Company shall convene an extraordinary shareholders' meeting for a by-election within 60 days from the date of occurrence of the fact.
- When the number of independent directors falls below that required under the proviso of Article 14-2, paragraph 1 of the Securities and Exchange Act, a by-election shall be held at the next shareholders meeting to fill the vacancy. When the independent directors are dismissed en masse, a special shareholders meeting shall be called within 60 days from the date of occurrence to hold a by-election to fill the vacancies.
- Article 6 The cumulative voting method shall be used for election of the directors at the Company. Each share will have voting rights in number equal to the directors to be elected, and may be cast for a single candidate or split among multiple candidates.
- Article 7 The board of directors shall prepare separate ballots for directors in numbers corresponding to the directors or supervisors to be elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the shareholders meeting. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders.
- Article 8 The Company's directors are elected in accordance with the number and method

specified in the Articles of Incorporation. The voting rights of independent directors and non-independent directors are calculated separately. The candidates receiving ballots representing the highest number of voting rights will be elected in sequence according to their respective numbers of votes. If two or more candidates receive the ballots representing the same number of voting right and thus the number of the elected directors exceeds the specified limit, the winners concerned shall draw lots to determine the result. In case of absence, the chair shall draw the lots instead.

Article 9 Before the election begins, the chair shall appoint a number of vote monitoring and counting persons. The vote monitoring persons shall have the status of shareholders. Both vote monitoring and counting persons perform their respective duties. The ballot box shall be prepared by the board of directors and checked by the vote monitoring persons openly before the voting commences.

Article 10 A ballot is invalid in any of the following circumstances:

1. The ballot was not prepared by a person with the right to convene.
2. A blank ballot is placed in the ballot box.
3. The writing is unclear and indecipherable or has been altered.
4. The candidate whose name is entered in the ballot does not conform to the director candidate list.
5. Other words or marks are entered in addition to the number of voting rights allotted.

Article 11 The voting rights shall be calculated on site immediately after the end of the poll, and the results of the calculation, including the list of persons elected as directors and the numbers of votes with which they were elected, shall be announced by the chair on the site.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

Article 12 The Company shall notify the elected directors separately.

Article 13 These Regulations, and any amendments hereto, shall take effect upon the approval at the shareholders' meeting.

## Tatung System Technologies Inc.

### Shareholdings of All Directors

Title	Name	Record Date: 2024.3.30	
		Number of shares	Shareholding percentage (%)
Corporation Chairman /Director	Tatung Company	38,386,499	43.34
Chairman	Tatung Company Corporate Representative: Bo-Yen Shen	799,623	0.90
Director	Tatung Company Corporate Representative: Wen-Hung Huang	-	-
Director	Tatung Company Corporate Representative: Chiu-Chan Hsu	92,801	0.10
Director	Tatung Company Corporate Representative: Pei-Chun Lu	-	-
Director	Tatung Company Corporate Representative: Tzu-Hao Chao	-	-
Corporate director	Twinbot Fintech Consultants Limited	5,889,000	6.64
Director	Twinbot Fintech Consultants Limited Corporate Representative: Kuan-Chih Tseng	-	-
Independent Director	Huang-Chi Yeh	-	-
Independent Director	Ying-Hwang Yang	-	-
Independent Director	Maw-In Tsai	-	-
The number of shares held by the entire bodies of directors		45,167,923	50.98

In accordance with Article 26-2 of the Securities and Exchange Act and the “Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies,” the number of shares legally required to be held by the incumbent directors was reduced to 80% due to the election of two or more independent directors, as follows:

Number of issued shares of the Company’s common stock	88,560,000 shares
The shareholding percentage legally required to be held by the entire bodies of directors	10% * 80%
The number of shares legally required to be held by the entire bodies of directors	7,084,800 shares
The number of shares held by the entire bodies of directors (excluding independent directors)	45,167,923 shares

In accordance with Article 26 of the Securities and Exchange Act, the Company has established an audit committee, so the shareholding legally required for supervisors is not applicable.



### 創新應用獎 - 2023智慧城市

2023 SCSE Innovative Application Award

### 資通訊科技應用獎 - ESG永續獎

ESG Award - ASOCIO 2022 ICT Award

Outstanding ICT Company Award / ASOCIO



### 數位氣候行動獎 鈦金級殊榮

Digital Climate Action Titanium Award

### 中堅企業遴選 潛力中堅企業 / 經濟部

Potential Taiwan Mittelstand Award / Economic Affairs, R.O.C

### 數位轉型楷模企業

Digital Transformation Model Enterprise

### 績優永續供應商

Excellent Sustainable Supplier

**tsti** Tatung System Technologies Inc.

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Reg. ID: 70771557

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Official Website

<https://www.etatung.com>

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