

**TATUNG SYSTEM TECHNOLOGIES INC. AND
SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 2024 and 2023**

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

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

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Review Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flows	7
8. Notes to the Consolidated Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the consolidated financial statements	8
(3) New standards, amendments and interpretations adopted	8~10
(4) Summary of material accounting policies	10~11
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	12
(6) Explanation of significant accounts	12~41
(7) Related-party transactions	41~46
(8) Assets Pledged as security	46
(9) Commitments and contingencies	46
(10) Losses due to major disasters	47
(11) Subsequent events	47
(12) Other	47
(13) Other disclosures	
(a) Information on significant transactions	48~49
(b) Information on investees	49
(c) Information on investment in Mainland China	50
(d) Major shareholders	51
(14) Segment information	51



安侯建業聯合會計師事務所
KPMG

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

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

Independent Auditors' Review Report

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

Introduction

We have reviewed the accompanying consolidated balance sheets of TATUNG SYSTEM TECHNOLOGIES INC. and its subsidiaries ("the Group") as of March 31, 2024 and 2023, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2024 and 2023, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect the total assets amounting to \$385,373 thousand and \$450,545 thousand, both constituting 13% of consolidated the total assets as of March 31, 2024 and 2023, respectively, total liabilities amounting to \$143,367 thousand and \$160,077 thousand, constituting 10% and 9% of the consolidated total liabilities as of March 31, 2024 and 2023, respectively, and total comprehensive income amounting to \$3,072 thousand and \$2,552 thousand, constituting 6% and 8% of the consolidated total comprehensive income for the three months ended March 31, 2024 and 2023, respectively.

Furthermore, as stated in Note 6(h), the other equity accounted investments of the Group in its investee companies of \$5,481 thousand and \$4,515 thousand as of March 31, 2024 and 2023, respectively, and its equity in net earnings (losses) on these investee companies of \$79 thousand and \$(67) thousand for the three months ended March 31, 2024 and 2023, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2024 and 2023, and of its consolidated financial performance and its consolidated cash flows for the three months then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Taipei, Taiwan (Republic of China)

May 8, 2024

Notes to Readers

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

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

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

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

Assets		March 31, 2024		December 31, 2023		March 31, 2023	
		Amount	%	Amount	%	Amount	%
Current assets:							
1100	Cash and cash equivalents (Note 6(a))	\$ 665,029	22	738,910	23	538,513	16
1136	Financial assets measured at amortized cost, current (Notes 6(c) and 8)	82,997	3	82,260	3	56,433	2
1140	Contract assets, current (Notes 6(s), (v) and 7)	176,989	6	215,129	7	233,067	7
1150	Notes receivable, net (Note 6(d))	4,869	-	16,428	-	13,759	-
1170	Accounts receivable, net (Note 6(d))	602,873	20	624,725	20	845,904	25
1180	Accounts receivable—related parties, net (Notes 6(d), 7 and 8)	105,652	4	100,905	3	103,448	3
1196	Operating lease receivable, net (Notes 6(e), (v) and 7)	7,785	-	8,130	-	10,123	-
1197	Finance lease receivable, net (Notes 6(f), (v) and 7)	5,666	-	5,647	-	10,448	-
1200	Other receivables (Note 6(v))	309	-	2,086	-	175	-
130X	Inventories (Note 6(g))	615,347	21	716,280	23	786,172	24
1410	Prepayments	19,764	1	28,047	1	13,466	-
	Total current assets	2,287,280	77	2,538,547	80	2,611,508	77
Non-current assets:							
1510	Financial assets at fair value through profit or loss, non-current (Note 6(b))	70,111	2	48,899	2	18,200	1
1535	Financial assets measured at amortized cost, non-current (Notes 6(c) and 8)	41,300	1	45,250	1	54,810	2
1550	Investments accounted for using equity method (Note 6(h))	5,481	-	5,402	-	4,515	-
1560	Contract assets, non-current (Notes 6(s), (v) and 7)	15,015	1	30,030	1	85,928	3
1600	Property, plant and equipment (Notes 6(i) and 7)	78,580	3	81,686	3	96,106	3
1755	Right-of-use assets (Notes 6(j) and 7)	167,685	6	55,278	2	119,419	4
1780	Intangible assets (Note 6(k))	7,612	-	6,306	-	5,803	-
1840	Deferred tax assets (Note 6(p))	26,782	1	28,593	1	27,878	1
1920	Refundable deposits (Note 7)	85,414	3	85,745	3	102,304	3
1932	Long-term receivables, net (Notes 6(d) and 7)	190,747	6	239,830	7	210,666	6
194D	Long-term finance lease receivable, net (Notes 6(f), (v) and 7)	3,305	-	4,821	-	7,628	-
	Total non-current assets	692,032	23	631,840	20	733,257	23
	Total assets	\$ 2,979,312	100	3,170,387	100	3,344,765	100

See accompanying notes to consolidated financial statements.

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

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

		March 31, 2024		December 31, 2023		March 31, 2023	
		Amount	%	Amount	%	Amount	%
Liabilities and Equity							
Current liabilities:							
2100	Short-term loans (Note 6(l))	\$ -	-	80,000	3	200,000	6
2110	Short-term notes and bills payable (Note 6(m))	-	-	49,990	2	59,817	2
2130	Contract liabilities, current (Notes 6(s) and 7)	153,995	5	157,929	5	163,436	5
2150	Notes payable	2,353	-	2,871	-	2,619	-
2170	Accounts payable	726,190	24	860,713	27	865,751	26
2180	Accounts payable—related parties (Note 7)	67,116	2	56,265	2	92,656	3
2200	Other payables (Note 7)	166,174	6	218,506	7	204,258	6
2230	Current tax liabilities (Note 6(p))	50,453	2	43,913	1	35,913	1
2250	Provisions, current	579	-	613	-	207	-
2280	Lease liabilities, current(Notes 6(n) and 7)	55,223	2	40,896	1	94,553	3
2300	Other current liabilities	12,439	-	21,680	1	7,817	-
	Total Current liabilities	1,234,522	41	1,533,376	49	1,727,027	52
Non-Current liabilities:							
2527	Contract liabilities, non-current (Note 6(s))	30,565	1	36,679	1	-	-
2570	Deferred tax liabilities (Note 6(p))	1,126	-	114	-	603	-
2580	Lease liabilities, non-current (Notes 6(n) and 7)	116,316	4	20,313	1	45,786	1
2610	Long-term payable	-	-	-	-	21,000	1
2620	Long-term payable—related parties(Note 7)	45,260	2	67,806	2	41,835	1
2640	Net defined benefit liabilities, non-current (Note 6(o))	35,782	1	45,971	1	45,038	1
2645	Guarantee deposits received (Note 7)	130	-	180	-	303	-
	Total non-current liabilities	229,179	8	171,063	5	154,565	4
	Total liabilities	1,463,701	49	1,704,439	54	1,881,592	56
Equity attributable to owners of parent (Note 6(q)):							
3110	Common stock	885,600	30	885,600	28	885,600	27
3200	Capital surplus	80,788	3	80,788	3	80,092	2
Retained earnings:							
3310	Legal reserve	301,376	10	301,376	10	283,678	9
3320	Special reserve	3,908	-	3,908	-	3,978	-
3350	Unappropriated earnings	247,952	8	198,158	5	213,722	6
	Total retained earnings	553,236	18	503,442	15	501,378	15
3400	Other equity	(4,013)	-	(3,882)	-	(3,897)	-
	Total equity	1,515,611	51	1,465,948	46	1,463,173	44
	Total liabilities and equity	\$ 2,979,312	100	3,170,387	100	3,344,765	100

See accompanying notes to consolidated financial statements.

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

TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES**Consolidated Statements of Comprehensive Income****For the three months ended March 31, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollar , except for Earnings Per Share)**

		For the three months ended March 31			
		2024		2023	
		Amount	%	Amount	%
4000	Operating revenues (Notes 6(s) and 7)	\$ 906,212	100	1,056,141	100
5000	Operating costs (Notes 6(g) and 7)	696,717	77	842,133	80
5950	Gross profit	209,495	23	214,008	20
6000	Operating expenses (Notes 6(d), (o), (t) and 7):				
6100	Selling expenses	121,068	13	120,336	11
6200	Administrative expenses	38,467	4	35,646	3
6300	Research and development expenses	14,626	2	18,745	2
6450	Expected credit gains	(9)	-	(110)	-
	Total operating expenses	174,152	19	174,617	16
6900	Net operating income	35,343	4	39,391	4
7000	Non-operating income and expenses (Notes 6(e), (h), (u) and 7):				
7100	Interest income	719	-	326	-
7010	Other income	8,921	1	1,131	-
7020	Other gains and losses	15,655	2	(508)	-
7050	Finance costs	(1,501)	-	(2,289)	-
7060	Shares of profit (loss) of associates accounted for using equity method	79	-	(67)	-
	Total non-operating income and expenses	23,873	3	(1,407)	-
7900	Profit before tax	59,216	7	37,984	4
7950	Less: Income tax expenses (Note 6(p))	9,422	1	7,610	1
8200	Net income	49,794	6	30,374	3
8300	Other comprehensive (loss) income:				
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign operations	(131)	-	11	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Total items that may be reclassified subsequently to profit or loss	(131)	-	11	-
8300	Other comprehensive (loss) income	(131)	-	11	-
8500	Total comprehensive income	\$ 49,663	6	30,385	3
	Earnings per share (NT dollars) (Note 6(r))				
9750	Basic earnings per share	\$ 0.56		0.34	
9850	Diluted earnings per share	\$ 0.56		0.34	

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 three months ended March 31, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollar)**

	Equity attributable to owners of parent						Other Equity	
	Retained earnings						Exchange Differences on Translation of Foreign Operations Financial Statements	Total Equity
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total Retained Earnings		
Balance at January 1, 2023	\$ 885,600	80,092	283,678	3,978	183,348	471,004	(3,908)	1,432,788
Net income for the three months ended March 31, 2023	-	-	-	-	30,374	30,374	-	30,374
Other comprehensive income for the three months ended March 31, 2023	-	-	-	-	-	-	11	11
Total comprehensive income for the three months ended March 31, 2023	-	-	-	-	30,374	30,374	11	30,385
Balance at March 31, 2023	<u>\$ 885,600</u>	<u>80,092</u>	<u>283,678</u>	<u>3,978</u>	<u>213,722</u>	<u>501,378</u>	<u>(3,897)</u>	<u>1,463,173</u>
Balance at January 1, 2024	\$ 885,600	80,788	301,376	3,908	198,158	503,442	(3,882)	1,465,948
Net income for the three months ended March 31, 2024	-	-	-	-	49,794	49,794	-	49,794
Other comprehensive income for the three months ended March 31, 2024	-	-	-	-	-	-	(131)	(131)
Total comprehensive income for the three months ended March 31, 2024	-	-	-	-	49,794	49,794	(131)	49,663
Balance at March 31, 2024	<u>\$ 885,600</u>	<u>80,788</u>	<u>301,376</u>	<u>3,908</u>	<u>247,952</u>	<u>553,236</u>	<u>(4,013)</u>	<u>1,515,611</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****For the three months ended March 31, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollar)**

	For the three months ended March 31	
	2024	2023
Cash flows from (used in) operating activities:		
Profit before tax	\$ 59,216	37,984
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	29,705	34,300
Amortization expense	1,952	1,096
Expected credit gain	(9)	(110)
Net gain on financial assets or liabilities at fair value through profit or loss	(11,918)	-
Interest expense	1,501	2,289
Interest income	(719)	(326)
Share of profit of associates accounted for using equity method	(79)	67
Total adjustments to reconcile profit (loss)	<u>20,433</u>	<u>37,316</u>
Changes in operating assets and liabilities:		
Contract assets	53,155	16,242
Notes receivable	11,559	19,034
Accounts receivable	21,861	(40,996)
Accounts receivable-related parties	(4,747)	(29,367)
Operating lease receivable	345	(537)
Finance lease receivable	(19)	906
Other receivables	1,551	725
Inventories	94,871	13,065
Prepayments	8,283	4,753
Long-term notes receivable	-	770
Long-term receivables	49,083	14,542
Long-term finance lease receivable	1,516	2,100
Contract liabilities	(10,047)	26,863
Notes payable	(518)	(252)
Accounts payable	(134,523)	(82,789)
Accounts payable-related parties	10,851	74,336
Other payables	(52,229)	(40,979)
Other current liabilities	(9,275)	387
Net defined benefit liabilities	(10,189)	(12,625)
Other operating liabilities	<u>(22,547)</u>	<u>(3,114)</u>
Total adjustments	<u>29,414</u>	<u>380</u>
Cash generated from operations	88,630	38,364
Income taxes paid	<u>(59)</u>	<u>(40)</u>
Net cash flows from (used in) operating activities	<u>88,571</u>	<u>38,324</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 three months ended March 31, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollar)**

	For the three months ended March 31	
	2024	2023
Cash flows from (used in) investing activities:		
Acquisition of financial assets at amortized cost	(3,517)	(9,250)
Disposal of financial assets at amortized cost	6,730	6,495
Acquisition of financial assets at fair value through profit or loss	(9,294)	-
Acquisition of property, plant and equipment	(1,296)	(3,911)
Increase in refundable deposits	-	(9,172)
Decrease in refundable deposits	331	-
Acquisition of intangible assets	(3,258)	(724)
Interest received	945	397
Net cash flows from (used in) investing activities	(9,359)	(16,165)
Cash flows from (used in) financing activities:		
Increase in short-term loans	195,000	-
Decrease in short-term loans	(275,000)	(40,000)
Decrease in short-term notes and bills payable	(49,990)	(161)
Decrease in guarantee deposits received	(50)	(9)
Payment of lease liabilities	(21,339)	(26,483)
Interest paid	(1,567)	(2,499)
Net cash flows from (used in) financing activities	(152,946)	(69,152)
Effect of exchange rate changes on cash and cash equivalents	(147)	7
Net decrease in cash and cash equivalents	(73,881)	(46,986)
Cash and cash equivalents at beginning of period	738,910	585,499
Cash and cash equivalents at end of period	\$ 665,029	538,513

See accompanying notes to consolidated financial statements.

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

TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2024 and 2023

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

(1) Company history

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

The Company’s common shares were publicly listed on the Taiwan Stock Exchange (TWSE) on March 29, 2002. The Company’s registered office and the main business location is located at No. 22, Zhongshan North Road, Section 3, Taipei, Republic of China (R.O.C.).

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

(2) Approval date and procedures of the consolidated financial statements:

The consolidated financial statements for the three months ended March 31, 2024 and 2023 were authorized for issuance by the board of directors on May 8, 2024.

(3) New standards, amendments and interpretations adopted:

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

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

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

(Continued)

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

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

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

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

(Continued)

TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS21 “Lack of Exchangeability”

(4) Summary of material accounting policies:

(a) Statement of compliance

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

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

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

List of the subsidiaries included in the consolidated financial statements:

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

Note :The aforesaid companies are immaterial subsidiaries whose financial statements have not been reviewed.

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

(Continued)

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

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

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

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

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

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

(d) Employee benefits

The pension cost in the interim period was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year.

(e) Income taxes

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

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

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

(Continued)

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

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

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

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

(6) Explanation of significant accounts:

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

(a) Cash and cash equivalents

	March 31, 2024	December 31, 2023	March 31, 2023
Cash on hand and revolving funds	\$ 468	436	328
Bank drafts	546,561	631,586	518,185
Time deposits	<u>118,000</u>	<u>106,888</u>	<u>20,000</u>
Total	<u>\$ 665,029</u>	<u>738,910</u>	<u>538,513</u>

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

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

	March 31, 2024	December 31, 2023	March 31, 2023
Financial assets designated at fair value through profit or loss:			
Publicly listed stocks	\$ 41,584	21,420	-
Non-publicly listed stocks	<u>28,527</u>	<u>27,479</u>	<u>18,200</u>
Total	<u>\$ 70,111</u>	<u>48,899</u>	<u>18,200</u>

(Continued)

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

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

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

(c) Financial assets measured at amortized cost

	March 31, 2024	December 31, 2023	March 31, 2023
Time deposit - General	\$ 65,714	68,272	50,317
Time deposit - Restricted (Performance Guarantee)	58,583	59,238	60,926
Less: Loss allowance	-	-	-
Total	<u><u>\$ 124,297</u></u>	<u><u>127,510</u></u>	<u><u>111,243</u></u>
Current	\$ 82,997	82,260	56,433
Non-current	41,300	45,250	54,810
Total	<u><u>\$ 124,297</u></u>	<u><u>127,510</u></u>	<u><u>111,243</u></u>

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

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

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

	March 31, 2024	December 31, 2023	March 31, 2023
Notes receivable arose from operation	\$ 4,869	16,428	13,759
Less: Loss allowance	-	-	-
Subtotal	4,869	16,428	13,759
Accounts receivable	\$ 506,724	518,401	728,399
Installment accounts receivable	232,267	285,246	248,646
Less: Unrealized interest revenue, installment accounts receivable	(2,799)	(3,315)	(4,490)
Subtotal	736,192	800,332	972,555
Less: Loss allowance	(1,537)	(1,546)	(2,165)
Subtotal	734,655	798,786	970,390
Accounts receivable-related parties	\$ 68,749	40,617	19,502
Installment accounts receivable-related parties	98,169	128,358	175,025
Less: Unrealized interest revenue, installment accounts receivable-related parties	(2,301)	(2,301)	(4,899)
Subtotal	164,617	166,674	189,628
Less: Loss allowance	-	-	-
Subtotal	164,617	166,674	189,628
Total	<u><u>\$ 904,141</u></u>	<u><u>981,888</u></u>	<u><u>1,173,777</u></u>

(Continued)

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

	March 31, 2024	December 31, 2023	March 31, 2023
Current	\$ 713,394	742,058	963,111
Non-current	190,747	239,830	210,666
Total	<u>\$ 904,141</u>	<u>981,888</u>	<u>1,173,777</u>

(i) Credit loss

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, note receivables and trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision in Taiwan were determined as follows:

March 31, 2024

Group 1

	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 834,166	0%	-
0 to 180 days past due	27,142	0%~0.38%	103
181 to 365 days past due	2,975	0%~6.55%	195
More than 366 days past due	2,458	44.84%~100%	1,102
Total	<u>\$ 866,741</u>		<u>1,400</u>

Group 2

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

(Continued)

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

Group 3

	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 33,619	0%	-
0 to 180 days past due	5,166	0%	-
181 to 365 days past due	15	0%	-
More than 366 days past due	-	0%	-
Total	<u><u>\$ 38,800</u></u>		<u><u>-</u></u>

December 31, 2023

Group 1

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

Group 2

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

(Continued)

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

Group 3

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

March 31, 2023

Group 1

	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 874,120	0%~0.11%	1,001
0 to 180 days past due	195,566	0%~0.39%	768
181 to 365 days past due	-	0%	-
More than 366 days past due	-	0%	-
Total	<u><u>\$ 1,069,686</u></u>		<u><u>1,769</u></u>

Group 2

	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ -	0%	-
0 to 180 days past due	-	0%	-
181 to 365 days past due	137	100%	137
More than 366 days past due	259	100%	259
Total	<u><u>\$ 396</u></u>		<u><u>396</u></u>

(Continued)

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

Group 3

	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 105,729	0%	-
0 to 180 days past due	131	0%	-
181 to 365 days past due	-	0%	-
More than 366 days past due	-	0%	-
Total	<u><u>\$ 105,860</u></u>		<u><u>-</u></u>

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

	For the three months ended March 31	
	2024	2023
Balance at January 1	\$ 1,546	2,275
Impairment losses reversed	(9)	(110)
Balance at March 31	<u><u>\$ 1,537</u></u>	<u><u>2,165</u></u>

The expected recovery of installment accounts receivable is as follows

	March 31, 2024	December 31, 2023	March 31, 2023
Less than one year	\$ 134,589	168,157	203,616
One to two years	100,337	97,895	85,317
More than two years	90,410	141,936	125,349
Total	<u><u>\$ 325,336</u></u>	<u><u>407,988</u></u>	<u><u>414,282</u></u>

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

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

(e) Operating lease receivable (including related parties)

	March 31, 2024	December 31, 2023	March 31, 2023
Operating lease receivable	\$ 7,699	8,073	10,052
Less: Loss allowance	-	-	-
Subtotal	<u>7,699</u>	<u>8,073</u>	<u>10,052</u>
Operating lease receivable-related parties	86	57	71
Less: Loss allowance	-	-	-
Subtotal	<u>86</u>	<u>57</u>	<u>71</u>
Total	<u><u>\$ 7,785</u></u>	<u><u>8,130</u></u>	<u><u>10,123</u></u>

(Continued)

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

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

	March 31, 2024	December 31, 2023	March 31, 2023
Less than one year	\$ 8,040	8,728	8,678
One to two years	6,490	7,346	8,118
Two to three years	4,984	5,431	6,385
Three to four years	1,818	2,538	4,712
Four to five years	452	656	1,545
More than five years	-	-	280
Present value of lease payments receivable \$	<u>21,784</u>	<u>24,699</u>	<u>29,718</u>

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

(f) Finance lease receivable (including related parties)

	March 31, 2024	December 31, 2023	March 31, 2023
Finance lease receivable	\$ 5,111	6,260	12,953
Less: Unearned finance income on finance lease	(69)	(69)	(246)
Subtotal (total carrying amount)	5,042	6,191	12,707
Less: Loss allowance	-	-	-
Subtotal	5,042	6,191	12,707
Finance lease receivable-related parties	\$ 3,948	4,296	5,443
Less: Unearned finance income on finance lease-related parties	(19)	(19)	(74)
Subtotal (total carrying amount)	3,929	4,277	5,369
Less: Loss allowance	-	-	-
Subtotal	3,929	4,277	5,369
Total	<u>\$ 8,971</u>	<u>10,468</u>	<u>18,076</u>
Current	\$ 5,666	5,647	10,448
Non-current	3,305	4,821	7,628
Total	<u>\$ 8,971</u>	<u>10,468</u>	<u>18,076</u>

(Continued)

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

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

	March 31, 2024	December 31, 2023	March 31, 2023
Less than one year	\$ 5,754	5,735	10,768
One to two years	1,810	2,692	4,323
Two to three years	1,170	1,609	1,810
Three to four years	325	520	1,170
Four to five years	-	-	325
More than five years	-	-	-
Total lease payments receivable	9,059	10,556	18,396
Less: Unearned finance income	(88)	(88)	(320)
Less: Loss allowance	-	-	-
Present value of lease payments receivable	<u>\$ 8,971</u>	<u>10,468</u>	<u>18,076</u>

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

(g) Inventories

The details of inventories are as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Merchandise	<u>\$ 615,347</u>	<u>716,280</u>	<u>786,172</u>

(i) The Group's inventory costs recognized as operating costs and expenses for the three months ended March 31, 2024 and 2023 were \$696,630 thousand and \$842,155 thousand, respectively.

(ii) The inventory valuation losses (gain from reversal) recognized for the three months ended March 31, 2024 and 2023 were \$87 thousand and \$(22) thousand, respectively. The inventory valuation losses resulted from obsolete inventories, which were written down as an allowance for inventory. The gain from reversal arose from the sale of inventory and reversed the allowance for inventory.

(iii) The inventory of the Group were not pledged as collateral.

(h) Investments accounted for using equity method

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

	March 31, 2024		December 31, 2023		March 31, 2023	
	Percentage of ownership		Percentage of ownership		Percentage of ownership	
<u>Name of investee</u>	<u>Amount</u>		<u>Amount</u>		<u>Amount</u>	
<u>Investments in associates</u>						
I-Torch Technology Corp.	\$ <u>5,481</u>	20 %	<u>5,402</u>	20 %	<u>4,515</u>	20 %

(Continued)

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

	For the three months ended March 31	
	2024	2023
Attributable to the Group:		
Profit (loss) from continuing operations	\$ <u>79</u>	<u>(67)</u>
Comprehensive income	\$ <u>79</u>	<u>(67)</u>
(ii) The investments accounted for using equity method of the Group were not pledged as collateral.		
(iii) The unreviewed financial statements of investments accounted for using equity method		

Investments were accounted for by using the equity method, and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have not been reviewed.

(i) Property, plant and equipment

	March 31, 2024	December 31, 2023	March 31, 2023
Owner occupied property, plant and equipment	\$ 31,716	33,585	27,675
Property, plant and equipment leased out under operating leases	<u>46,864</u>	<u>48,101</u>	<u>68,431</u>
Total	\$ <u>78,580</u>	<u>81,686</u>	<u>96,106</u>

- (i) The cost, depreciation, and impairment of the property, plant and equipment for the Group for the three months ended March 31, 2024 and 2023 were as follows:

	Office equipment	Leasehold improvements	Total
Cost or deemed cost:			
Balance on January 1, 2024	\$ 144,871	27,616	172,487
Additions	819	440	1,259
Disposal	(1,698)	-	(1,698)
Other changes	104	-	104
Effect of movements in exchange rates	<u>35</u>	<u>1</u>	<u>36</u>
Balance on March 31, 2024	\$ <u>144,131</u>	<u>28,057</u>	<u>172,188</u>
Balance on January 1, 2023	\$ 145,265	14,471	159,736
Additions	505	3,096	3,601
Disposal	(495)	-	(495)
Effect of movements in exchange rates	9	1	10
Other changes	<u>76</u>	<u>-</u>	<u>76</u>
Balance on March 31, 2023	\$ <u>145,360</u>	<u>17,568</u>	<u>162,928</u>

(Continued)

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

	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
Depreciation and impairment losses:			
Balance on January 1, 2024	\$ 127,652	11,250	138,902
Depreciation	2,140	1,095	3,235
Disposal	(1,698)	-	(1,698)
Effect of movements in exchange rates	<u>32</u>	<u>1</u>	<u>33</u>
Balance on March 31, 2024	<u>\$ 128,126</u>	<u>12,346</u>	<u>140,472</u>
Balance on January 1, 2023	\$ 124,875	8,084	132,959
Depreciation	2,191	590	2,781
Disposal	(495)	-	(495)
Effect of movements in exchange rates	<u>8</u>	<u>-</u>	<u>8</u>
Balance on March 31, 2023	<u>\$ 126,579</u>	<u>8,674</u>	<u>135,253</u>
Carring amounts:			
Balance on January 1, 2024	<u>\$ 17,219</u>	<u>16,366</u>	<u>33,585</u>
Balance on March 31, 2024	<u>\$ 16,005</u>	<u>15,711</u>	<u>31,716</u>
Balance on January 1, 2023	<u>\$ 20,390</u>	<u>6,387</u>	<u>26,777</u>
Balance on March 31, 2023	<u>\$ 18,781</u>	<u>8,894</u>	<u>27,675</u>

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

	<u>Office equipment</u>
Cost or deemed cost:	
Balance on January 1, 2024	\$ 111,008
Disposal	(16,100)
Other changes	<u>5,957</u>
Balance on March 31, 2024	<u>\$ 100,865</u>
Balance on January 1, 2023	\$ 157,385
Disposal	(8,255)
Other changes	<u>13,999</u>
Balance on March 31, 2023	<u>\$ 163,129</u>
Depreciation and impairment losses:	
Balance on January 1, 2024	\$ 62,907
Depreciation	7,194
Disposal	<u>(16,100)</u>
Balance on March 31, 2024	<u>\$ 54,001</u>

(Continued)

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

	Office equipment
Balance on January 1, 2023	\$ 92,739
Depreciation	10,214
Disposal	(8,255)
Balance on March 31, 2023	<u><u>\$ 94,698</u></u>
Carrying amounts:	
Balance on January 1, 2024	<u><u>\$ 48,101</u></u>
Balance on March 31, 2024	<u><u>\$ 46,864</u></u>
Balance on January 1, 2023	<u><u>\$ 64,646</u></u>
Balance on March 31, 2023	<u><u>\$ 68,431</u></u>

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

(j) Right-of-use assets

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

	Building	Transportation equipment	Office equipment	Other equipment	Total
Cost:					
Balance on January 1, 2024	\$ 27,035	10,584	1,385	158,864	197,868
Additions	131,669	-	-	-	131,669
Write-off	(4,353)	-	-	(34,213)	(38,566)
Effect of movements in exchange rates	19	-	-	-	19
Balance on March 31, 2024	<u><u>\$ 154,370</u></u>	<u><u>10,584</u></u>	<u><u>1,385</u></u>	<u><u>124,651</u></u>	<u><u>290,990</u></u>
Balance on January 1, 2023	\$ 99,489	13,352	1,281	159,349	273,471
Additions	3,045	1,916	-	-	4,961
Write-off	-	(1,901)	-	-	(1,901)
Effect of movements in exchange rates	6	-	-	-	6
Balance on March 31, 2023	<u><u>\$ 102,540</u></u>	<u><u>13,367</u></u>	<u><u>1,281</u></u>	<u><u>159,349</u></u>	<u><u>276,537</u></u>
Accumulated depreciation and impairment losses:					
Balance on January 1, 2024	\$ 11,405	6,345	1,003	123,837	142,590
Depreciation	8,011	674	69	10,522	19,276
Write-off	(4,353)	-	-	(34,213)	(38,566)
Effect of movements in exchange rates	5	-	-	-	5
Balance on March 31, 2024	<u><u>\$ 15,068</u></u>	<u><u>7,019</u></u>	<u><u>1,072</u></u>	<u><u>100,146</u></u>	<u><u>123,305</u></u>

(Continued)

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

	<u>Building</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Total</u>
Balance on January 1, 2023	\$ 55,237	6,642	738	75,097	137,714
Depreciation	8,040	891	64	12,310	21,305
Write-off	-	(1,901)	-	-	(1,901)
Balance on March 31, 2023	<u>\$ 63,277</u>	<u>5,632</u>	<u>802</u>	<u>87,407</u>	<u>157,118</u>
Carrying amounts:					
Balance on March 31, 2024	<u>\$ 139,302</u>	<u>3,565</u>	<u>313</u>	<u>24,505</u>	<u>167,685</u>
Balance on March 31, 2023	<u>\$ 39,263</u>	<u>7,735</u>	<u>479</u>	<u>71,942</u>	<u>119,419</u>

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

(k) Intangible assets

	<u>Computer software</u>	<u>Copyright</u>	<u>Total</u>
Carrying amounts:			
Balance on January 1, 2024	\$ <u>3,806</u>	<u>2,500</u>	<u>6,306</u>
Balance on March 31, 2024	\$ <u>5,362</u>	<u>2,250</u>	<u>7,612</u>
Balance on January 1, 2023	\$ <u>2,677</u>	<u>3,500</u>	<u>6,177</u>
Balance on March 31, 2023	\$ <u>2,553</u>	<u>3,250</u>	<u>5,803</u>

There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the three months ended March 31, 2024 and 2023. Information on amortization for the period is discussed in note 12. Please refer to note 6(k) to the 2023 annual consolidated financial statements for other related information.

(l) Short-term loans

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Unsecured bank loans	\$ <u>-</u>	<u>80,000</u>	<u>200,000</u>
Unused short-term credit lines	\$ <u>801,485</u>	<u>821,015</u>	<u>280,000</u>
Range of interest rates	<u>-</u>	<u>1.79%</u>	<u>1.80%~1.88%</u>

(i) Issuance and repayment of loans

For the three months ended March 31, 2024 and 2023, the borrowings increased by \$195,000 thousand and \$150,000 thousand, respectively; the amounts repaid were \$275,000 thousand and \$190,000 thousand, respectively. Please refer to Note 6 (u) for details on interest expenses.

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

(iii) Collateral of bank loans

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

(Continued)

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

(m) Short-term notes and bills payable

	March 31, 2024	December 31, 2023	March 31, 2023
Commercial papers payable	\$ -	50,000	60,000
Less: Unamortized discount	-	(10)	(183)
Total	<u>\$ -</u>	<u>49,990</u>	<u>59,817</u>
Range of interest rates	<u>-</u>	<u>1.838%</u>	<u>1.89%</u>

(i) For the three months ended March 31, 2024 and 2023 the borrowing increased by \$0 and \$59,817 thousand, respectively, maturing in April 2023; the amounts repaid were \$49,990 thousand and \$59,978 thousand, respectively.

(ii) None of the assets for the Group were pledged as collateral.

(n) Lease liabilities

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

	March 31, 2024	December 31, 2023	March 31, 2023
Current	\$ 55,223	40,896	94,553
Non-current	116,316	20,313	45,786
Total	<u>\$ 171,539</u>	<u>61,209</u>	<u>140,339</u>

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

The amounts recognized in profit or loss were as follows:

	For the three months ended March 31	
	2024	2023
Interests on lease liabilities	<u>\$ 612</u>	<u>157</u>
Income from sub-leasing right-of-use assets	<u>\$ 8,293</u>	<u>12,959</u>
Expenses relating to short-term leases	<u>\$ 67</u>	<u>51</u>

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

	For the three months ended March 31	
	2024	2023
Total cash outflow for leases	<u>\$ 22,018</u>	<u>26,691</u>

(i) Real estate leases

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

(Continued)

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

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

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

(ii) Other leases

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

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

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

(o) Employee benefits

(i) Defined benefit plans

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

The expenses recognized in loss for the Group were \$169 thousand and \$221 thousand for the three months ended March 31, 2024 and 2023, respectively.

(ii) Defined contribution plans

The Group's expenses for the pension plan contributions to the Bureau of Labor Insurance for the three months ended March 31, 2024 and 2023 were \$5,730 thousand and \$5,888 thousand, respectively.

(Continued)

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

(p) Income tax

(i) Income tax expense

	For the three months ended March 31	
	2024	2023
Current tax expenses		
Current period	\$ 6,599	5,440
Deferred tax expense		
Origination and reversal of temporary differences	2,823	2,170
Income tax expense	<u>\$ 9,422</u>	<u>7,610</u>

(ii) Assessment of tax

As of March 31, 2024, the assessment of the Group's income tax returns is as follows.

Company name	Year of Assessment
The Company	2021
Chyun Huei Commercial Technologies Inc.	2022
TISNet Technology Inc.	2022

(q) Capital and other equity

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

(i) Common stock

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

(ii) Capital surplus

The components of capital surplus were as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Common stock premium	\$ 75,600	75,600	75,600
Employee share options	4,492	4,492	4,492
Gains from exercising the right of disgorgement	696	696	-
Total	<u>\$ 80,788</u>	<u>80,788</u>	<u>80,092</u>

(Continued)

TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(iii) Retained earnings

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

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

1) Legal reserve

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

2) Special reserve

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

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

(Continued)

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

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

3) Earning distribution

On February 27, 2024, the Company's board of directors resolved to appropriate 2023 earnings; while on June 15, 2023, the shareholders resolved to distribute the 2022 earnings. The relevant dividend distributions to shareholders were as follows:

	<u>2023</u>	<u>2022</u>
Legal reserve	\$ 18,742	17,698
Special reserve	(27)	(70)
Cash dividends	163,836	154,980
Dividend per share (NT\$)	1.85	1.75

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

	Exchange differences on translation of foreign operations financial statements
Balance at January 1, 2024	\$ (3,882)
Exchange differences on foreign operations	(131)
Balance at March 31, 2024	<u>\$ (4,013)</u>
Balance at January 1, 2023	\$ (3,908)
Exchange differences on foreign operations	11
Balance at March 31, 2023	<u>\$ (3,897)</u>

(r) Earnings per share

	For the three months ended March 31	
	<u>2024</u>	<u>2023</u>
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	\$ <u>49,794</u>	<u>30,374</u>
Weighted average number of ordinary shares outstanding	<u>88,560</u>	<u>88,560</u>
Basic earnings per share (dollar)	<u>\$ 0.56</u>	<u>0.34</u>

(Continued)

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

	For the three months ended March 31	
	2024	2023
Diluted earnings per share		
Profit attributable to ordinary shareholders of the Company	\$ 49,794	30,374
Weighted average number of ordinary shares outstanding	88,560	88,560
Effect of potentially dilutive ordinary shares		
Effect of employee shares bonus	277	421
Weighted average number of ordinary shares outstanding (after adjusting the effect of potentially dilutive ordinary shares)	88,837	88,981
Diluted earnings per share (dollar)	\$ 0.56	0.34

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended March 31	
	2024	2023
Sale of goods	\$ 684,302	861,309
Rendering of services	194,785	164,745
Leasing revenue	27,125	30,087
Total	\$ 906,212	1,056,141
Timing of revenue recognition:		
At a point in time	\$ 711,427	891,396
Over time	194,785	164,745
Total	\$ 906,212	1,056,141

(ii) Contract balances

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

	March 31, 2024	December 31, 2023	March 31, 2023
Sales of goods	\$ 181,617	231,012	297,222
Rendering of services	10,387	14,147	21,773
Total	\$ 192,004	245,159	318,995
Current	\$ 176,989	215,129	233,067
Non-current	15,015	30,030	85,928
Total	\$ 192,004	245,159	318,995

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

(Continued)

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

The significant changes in the Group's balances of contract assets for the three months ended March 31, 2024 and 2023 are as follows:

	For the three months ended March 31	
	2024	2023
The opening balance transferred to accounts receivable	\$ (133,293)	(160,797)
Change in the measure of progress	80,138	144,555
Net movements for the period	\$ (53,155)	(16,242)

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

	March 31, 2024	December 31, 2023	March 31, 2023
Sale of good	\$ 102,853	115,289	141,025
Rendering of services	81,707	79,319	22,411
Total	\$ 184,560	194,608	163,436
Current	\$ 153,995	157,929	163,436
Non-current	30,565	36,679	-
Total	\$ 184,560	194,608	163,436

The significant changes in the Group's balances of contract liabilities for the three months ended March 31, 2024 and 2023 are as follows:

	For the three months ended March 31	
	2024	2023
The opening balance transferred to revenue	\$ (100,288)	(73,164)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue in the period)	90,240	100,027
Net movements for the period	\$ (10,048)	26,863

(t) Employee compensation and directors' remuneration

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

(Continued)

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

For the three months ended March 31, 2024 and 2023, the amount of employees' compensation provided by the Company was \$4,718 thousand and \$3,139 thousand, respectively, and the amount of directors' remuneration was \$1,102 thousand and \$925 thousand, respectively. The amounts were estimated on the distribution percentages of employees' compensation and directors' remuneration as stipulated in the Company's Articles of Incorporation, and were reported as operating expenses. If there is a difference between the actual distribution amount and the estimated amount in the next year, it will be treated based on the change in accounting estimates, and be recognized as the profit/loss of the next year. If the Board of Directors decides to use stock to pay employees' compensation, the number of shares will be calculated based on the closing price of ordinary shares on the day before the Board of Directors' resolution. The information is available on the Market Observation Post System website.

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

(u) Non-operating income and expenses

(i) Interest income

For the three months ended March 31		
	2024	2023
Interest income from bank deposits	\$ 442	75
Interest income from financial assets measured at amortized cost	261	221
Others	16	30
Total interest income	<u><u>\$ 719</u></u>	<u><u>326</u></u>

(ii) Other income

For the three months ended March 31		
	2024	2023
Government grant income	\$ 7,818	-
Others	1,103	1,131
Total other income	<u><u>\$ 8,921</u></u>	<u><u>1,131</u></u>

(iii) Other gains and losses

For the three months ended March 31		
	2024	2023
Foreign exchange gains (losses)	\$ 3,737	(508)
Gains on financial assets at fair value through profit or loss	11,918	-
Net value on other gains and losses	<u><u>\$ 15,655</u></u>	<u><u>(508)</u></u>

(Continued)

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

(iv) Finance costs

	For the three months ended March 31	
	2024	2023
Interest expense	\$ 356	1,414
Other finance expenses		
Interest on lease liabilities	612	157
Others	533	718
Subtotal of other finance expenses	1,145	875
Total finance costs	\$ 1,501	2,289

(v) Financial instruments

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

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

As of March 31, 2024, December 31 and March 31, 2023, contract assets and accounts receivable from top ten customers represent 44%, 38% and 49% of the total contract assets and accounts receivable of the Group, respectively. The concentration of credit risk of the remaining contract assets and accounts receivable is relatively insignificant.

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

3) Credit risk of receivables

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

(Continued)

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

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

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

	March 31, 2024	December 31, 2023	March 31, 2023
Total carrying amount (including current and non-current)	\$ 192,004	245,159	318,995
Expected credit loss rates	0 %	0 %	0 %
Loss allowance	-	-	-
Total	<u><u>\$ 192,004</u></u>	<u><u>245,159</u></u>	<u><u>318,995</u></u>

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

	March 31, 2024	December 31, 2023	March 31, 2023
Operating lease receivable	\$ 7,785	8,130	10,123
Finance lease receivable	8,971	10,468	18,076
Total carrying amount (including current and non-current)	16,756	18,598	28,199
Expected credit loss rates	0 %	0 %	0 %
Loss allowance	-	-	-
Total	<u><u>\$ 16,756</u></u>	<u><u>18,598</u></u>	<u><u>28,199</u></u>

The movement in the provision for impairment of contract assets, lease receivables, other receivables, and long-term receivables for the three months ended March 31, 2024 and 2023, are as follows:

	Contract assets	Lease receivables	Other receivables	long-term receivables
Balance at March 31, 2024 (as beginning balance)	<u><u>\$ -</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Balance at March 31, 2023 (as beginning balance)	<u><u>\$ -</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>913</u></u>

(Continued)

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

(ii) Liquidity risk

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

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

	Carrying amount	Contractual cash flow	Within 1 year	2-3 years	4-5 years	Over 5 years
March 31, 2024						
Non-derivative financial liabilities						
Accounts payable (including related parties)	\$ 1,007,093	1,007,093	961,833	35,017	10,243	-
Guarantee deposits received	130	130	-	130	-	-
Lease liabilities	171,539	177,315	57,202	69,847	50,266	-
	<u>\$ 1,178,762</u>	<u>1,184,538</u>	<u>1,019,035</u>	<u>104,994</u>	<u>60,509</u>	<u>-</u>
December 31, 2023						
Non-derivative financial liabilities						
Short-term Loans	\$ 80,000	80,122	80,122	-	-	-
Short-term notes and bills payable	49,990	50,000	50,000	-	-	-
Accounts payable (including related parties)	1,206,161	1,206,161	1,138,355	63,144	4,662	-
Guarantee deposits received	180	180	-	180	-	-
Lease liabilities	61,209	61,969	41,251	17,671	3,047	-
	<u>\$ 1,397,540</u>	<u>1,398,432</u>	<u>1,309,728</u>	<u>80,995</u>	<u>7,709</u>	<u>-</u>
March 31, 2023						
Non-derivative financial liabilities						
Short-term Loans	\$ 200,000	200,730	200,730	-	-	-
Short-term notes and bills payable	59,817	60,000	60,000	-	-	-
Accounts payable (including related parties)	1,228,119	1,228,119	1,165,284	51,362	11,473	-
Guarantee deposits received	303	303	-	303	-	-
Lease liabilities	140,339	141,343	94,832	39,050	7,461	-
	<u>\$ 1,628,578</u>	<u>1,630,495</u>	<u>1,520,846</u>	<u>90,715</u>	<u>18,934</u>	<u>-</u>

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

(Continued)

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

(iii) Market risk

1) Currency risk

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

Unit: thousands (foreign currency)

March 31, 2024			
	Foreign currency	Exchange rate	TWD
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 2,460	32.00	78,720
CNY	11,866	4.51	53,516
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	\$ 638	32.00	20,416
CNY	27	4.51	122
December 31, 2023			
	Foreign currency	Exchange rate	TWD
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 2,254	30.705	69,209
CNY	17,957	4.335	77,844
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	\$ 724	30.705	22,230
CNY	-	4.335	-
March 31, 2023			
	Foreign currency	Exchange rate	TWD
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 2,279	30.450	69,396
CNY	52,738	4.431	233,682

(Continued)

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

	March 31, 2023		
	Foreign currency	Exchange rate	TWD
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	\$	829	30.450
CNY		25,799	4.431
			114,315

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts and other receivables, accounts and other payables that are denominated in foreign currency. As of March 31, 2024, December 31 and March 31, 2023, a strengthening (weakening) of 1% of the exchange rate of the functional currency of the Group and the Company against the main foreign currencies would increase (decrease) profit before tax by \$1,117 thousand and \$1,635 thousand, respectively. The analysis of the two periods was conducted using the same basis, assuming all other variables held constant.

3) Foreign exchange gains or losses on monetary items

Since the Group has many kinds of functional currencies, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the three months ended March 31, 2024 and 2023, net foreign exchange gains (losses) are amounted to \$3,737 thousand, and \$(508) thousand, respectively.

4) Interest rate analysis

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

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

If the interest rate had increased/decreased by 10 basis points, the Group's net income would have increased/decreased by \$0 and \$50 thousand for the three months ended March 31, 2024 and 2023, respectively, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at variable rates.

(Continued)

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

5) Other market price risk

For the three months ended March 31, 2024 and 2023, the sensitivity analysis for the changes in the securities price at the reporting date were performed using the same basis for profit or loss as illustrated below:

Prices of securities at the reporting date	For the three months ended March 31	
	2024	2023
	Net income	Net income
Increasing 1%	\$ <u>701</u>	<u>182</u>
Decreasing 1%	\$ <u>(701)</u>	<u>(182)</u>

(iv) Fair value of financial instruments

1) Fair value hierarchy

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

March 31, 2024					
	carrying value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss, non-current					
Publicly listed stock	\$ 41,584	41,584	-	-	41,584
Non-publicly listed stock	<u>28,527</u>	<u>-</u>	<u>-</u>	<u>28,527</u>	<u>28,527</u>
Total	\$ <u>70,111</u>	<u>41,584</u>	<u>-</u>	<u>28,527</u>	<u>70,111</u>
December 31, 2023					
	carrying value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss, non-current					
Publicly listed stock	\$ 21,420	21,420	-	-	21,420
Non-publicly listed stock	<u>27,479</u>	<u>-</u>	<u>-</u>	<u>27,479</u>	<u>27,479</u>
Total	\$ <u>48,899</u>	<u>21,420</u>	<u>-</u>	<u>27,479</u>	<u>48,899</u>

(Continued)

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

	March 31, 2023				
	<u>carrying value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through profit or loss, non-current					
Non-publicly listed stocks	\$ 18,200	-	-	18,200	18,200

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

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

a) Financial assets and financial liabilities measured at amortized cost

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

3) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

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

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

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

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

(Continued)

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

4) Transfers between Level 1 and Level 2

The valuation techniques of the Group remained unchanged. No transfers were made between the fair value levels in the hierarchy for the three months ended March 31, 2024 and 2023.

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

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

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

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Interrelationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through profit or loss—equity investments without an active market	Market approach	Market liquidity discount rate (20% as of March 31, 2024, December 31, 2023 and March 31, 2023)	None

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

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

		Upward or downward Movements	Current profit (loss) arising from changes in fair value		Other comprehensive income arising from changes in fair value	
	Inputs		Favorable	Unfavorable	Favorable	Unfavorable
March 31, 2024						
Financial assets at fair value through profit or loss						
Equity investments without an active market—market approach	Market liquidity discount	1%	356	(356)	-	

(Continued)

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

		Upward or downward	Current profit (loss) arising		Other comprehensive	
		Movements	from changes in fair value		income arising from	
	Inputs		Favorable	Unfavorable	Favorable	Unfavorable
December 31, 2023						
Financial assets at fair value through profit or loss						
Equity investments without an active market—market approach	Market liquidity discount	1%	343	(343)	-	
March 31, 2023						
Financial assets at fair value through profit or loss						
Equity investments without an active market—market approach	Market liquidity discount	1%	229	(229)	-	

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

(w) Financial risk management

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

(x) Capital management

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

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

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2024	Cash flows	Others	March 31, 2024
Short-term loans	\$ 80,000	(80,000)	-	-
Short-term notes and bills payable	49,990	(49,990)	-	-
Lease liabilities	61,209	(21,339)	131,669	171,539
Guarantee deposits received	180	(50)	-	130
Total liabilities from financing activities	<u>\$ 191,379</u>	<u>(151,379)</u>	<u>131,669</u>	<u>171,669</u>

(Continued)

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

	January 1, 2023	Cash flows	Others	March 31, 2023
Short-term loans	\$ 240,000	(40,000)	-	200,000
Short-term notes and bills payable	59,978	(161)	-	59,817
Lease liabilities	161,860	(26,483)	4,962	140,339
Guarantee deposits received	312	(9)	-	303
Total liabilities from financing activities	<u>\$ 462,150</u>	<u>(66,653)</u>	<u>4,962</u>	<u>400,459</u>

(7) Related-party transactions

(a) Names and relationship with related parties

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

Name of related party	Relationship with the Group
Tatung Co.	Parent company
I-Torch Technology Corp.	Associates
Shan-Chin Investment Co., Ltd.	Other related party
Shan-Chin Asset Development Co.	Other related party
Tatung Company of Japan Inc.	Other related party
Tatung SM-Cycle Co., Ltd.	Other related party
Tatung Consumer Products (Taiwan) Co., Ltd.	Other related party
Tatung Medical & Healthcare Technologies Co., Ltd.	Other related party
TOES Opto-Mechatronics Co., Ltd.	Other related party
Nature Worldwide Technology Corp.	Other related party
Forward Electronics Co., Ltd.	Other related party
Forward Intelligent Energy Co., Ltd.	Other related party
Elitegroup Computer System Co., Ltd.	Other related party
Tatung Okuma Co., Ltd.	Other related party
Hsieh-Chih Industrial Library Publishing Co.	Other related party
Tatung Forever Energy Co., Ltd.	Other related party
The Joint Welfare Committee of Tatung	Other related party
Tatung (Shanghai) Co., Ltd.	Other related party
Affiliate Union of Tatung Company	Other related party
The Employee Welfare Committee of Tatung Co.	Other related party
The Employee Welfare Committee of Tatung System Technologies Inc.	Other related party

(Continued)

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

(b) Significant transactions with related parties

(i) Sales

	For the three months ended March 31	
	2024	2023
Parent company	\$ 61,458	15,268
Associates	49	39
Other related parties	6,967	5,226
	\$ 68,474	20,533

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

For the three months ended March 31			
2024		2023	
Related party	Arm's length customer	Related party	Arm's length customer
O/A 30-90 days	O/A 30-150 days	O/A 30-90 days	O/A 30-150 days

(ii) Purchases

	For the three months ended March 31	
	2024	2023
Parent company	\$ 10,924	31,955
Other related parties	106	751
	\$ 11,030	32,706

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

For the three months ended March 31				
2024		2023		
Location	Related party	Arm's length supplier	Related party	Arm's length supplier
Domestic	O/A 60-90 days	O/A 30-90 days	O/A 60-90 days	O/A 30-90 days
Oversea	30-90 days after QC	30-60 days after QC	30-90 days after QC	30-60 days after QC

(Continued)

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

(iii) Operating expenses

	For the three months ended March 31	
	2024	2023
Parent company	\$ 2,527	2,500
Other related parties	6,392	6,442
	\$ 8,919	8,942

(iv) Property transaction

	For the three months ended March 31	
	2024	2023
Acquisition of assets		
Other related parties	\$ -	18

(v) Contract Assets

Account	Relationship	March 31, 2024	December 31, 2023	March 31, 2023
Contract assets, current	Parent company	\$ 35,588	44,227	56,457
"	Other related parties	85	85	85
Contract assets, non-current	Parent company	-	-	44,227
		\$ 35,673	44,312	100,769

(vi) Receivables from related parties

Account	Relationship	March 31, 2024	December 31, 2023	March 31, 2023
Accounts receivable - related parties	Parent company	\$ 96,811	64,873	48,837
"	Tatung Medical & Healthcare Technologies Co., Ltd.	548	5,126	3,066
"	Tatung (Shanghai) Co., Ltd.	3,350	23,678	48,405
"	Other related parties	4,943	7,228	3,140
Operating lease receivable	Parent company	49	41	57
"	Other related parties	37	16	14
Finance lease receivable	Parent company	2,044	1,511	2,704
		\$ 107,782	102,473	106,223

(Continued)

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

Account	Relationship	March 31, 2024	December 31, 2023	March 31, 2023
Long-term receivables	Parent company	\$ 58,965	65,769	86,180
"	Nature Worldwide Technology Corp.	-	-	913
Long-term finance lease receivable	Parent company	1,885	2,766	2,665
Total		60,850	68,535	89,758
Less: loss allowance		-	-	(913)
Net amount		<u>\$ 60,850</u>	<u>68,535</u>	<u>88,845</u>

(vii) Refundable deposits

	March 31, 2024	December 31, 2023	March 31, 2023
Shan-Chin Asset Development Co.	<u>\$ 4,041</u>	<u>4,036</u>	<u>4,036</u>

(viii) Guarantee deposits received

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

(ix) Payables to related parties

Account	Relationship	March 31, 2024	December 31, 2023	March 31, 2023
Accounts payable - related parties	Parent company	\$ 60,407	37,924	37,406
"	Tatung (Shanghai) Co., Ltd.	3,824	13,513	55,250
"	Tatung Medical & Healthcare Technologies Co., Ltd.	2,885	4,453	-
"	Other related parties	-	375	-
		<u>\$ 67,116</u>	<u>56,265</u>	<u>92,656</u>
Long-term payables-related parties	Parent company	<u>\$ 45,260</u>	<u>67,806</u>	<u>41,835</u>
Other payables	Parent company	\$ 1,392	1,477	1,295
"	Other related parties	271	282	427
		<u>\$ 1,663</u>	<u>1,759</u>	<u>1,722</u>

(Continued)

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

(x) Contract liabilities

<u>Account</u>	<u>Relationship</u>	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Contract liabilities, current	Parent company	\$ 1,848	658	3,975
"	Other related parties	1,015	336	2,277
		<u>\$ 2,863</u>	<u>994</u>	<u>6,252</u>

(xi) Leases to related parties

		<u>Right-of-use assets</u>		
		<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Shan-Chin Asset Development Co.		<u>\$ 118,210</u>	<u>-</u>	<u>19,001</u>

		<u>Lease liabilities (including current and non-current)</u>		
		<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Shan-Chin Asset Development Co.		<u>\$ 118,473</u>	<u>-</u>	<u>19,237</u>

		<u>Finance costs</u>	
		<u>For the three months ended March 31</u>	
		<u>2024</u>	<u>2023</u>
Shan-Chin Asset Development Co.		<u>\$ 541</u>	<u>62</u>

In January 2023, the Group entered into a one-year lease agreement with a related party, Shan Chin Asset Development Co., at an amount of \$3,045 thousand, for its office use while acquiring the right of use asset, wherein the rental price is based on within the vicinity. Upon maturity of the contract, the Group renewed its lease agreement for another year at the amount of \$124,432 thousand, with commencement dates set on January, 2024.

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

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

(xii) Interest income

		<u>For the three months ended March 31</u>	
		<u>2024</u>	<u>2023</u>
Shan-Chin Asset Development Co.		<u>\$ 17</u>	<u>15</u>

(Continued)

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

(c) Key management personnel compensation

	For the three months ended March 31	
	2024	2023
Short-term employee benefits	<u>\$ 4,290</u>	<u>4,646</u>

(8) Assets Pledged as security:

The carrying values of pledged assets were as follows:

Pledged assets	Object	March 31, 2024	December 31, 2023	March 31, 2023
Financial assets measured at amortized cost, current	Performance guarantee	\$ 17,283	13,988	7,777
Financial assets measured at amortized cost, non-current	Performance guarantee	41,300	45,250	53,149
Accounts receivable—related parties	Sale with recourse	<u>1,433</u>	<u>1,126</u>	<u>1,126</u>
		<u>\$ 60,016</u>	<u>60,364</u>	<u>62,052</u>

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

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

(9) Commitments and contingencies:

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

Item	Target	March 31, 2024	December 31, 2023	March 31, 2023
Guarantee notes submitted	Business collaboration, project agency and application for bank financing	<u>\$ 1,121,624</u>	<u>1,119,099</u>	<u>745,571</u>
Deposit bank guarantee	business collaboration	<u>\$ 28,515</u>	<u>29,914</u>	<u>1,927</u>

(Continued)

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

(10) Losses due to major disasters:None

(11) Subsequent events:None

(12) Other:

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

	For the three months ended March 31						
	By function	2024			2023		
		Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
By item							
Employee benefits							
Salary		308	121,629	121,937	102	124,591	124,693
Labor and health insurance		41	12,604	12,645	14	12,935	12,949
Pension		18	5,881	5,899	6	6,103	6,109
Others		-	6,155	6,155	-	5,903	5,903
Depreciation		17,716	11,989	29,705	22,524	11,776	34,300
Amortization		-	1,952	1,952	-	1,096	1,096

(Continued)

TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties:None

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limit of guarantee/ endorsement amount for receiving party	Maximum balance for the period	Ending balance	Actual amount provided	Amount of collateral guarantee/ endorsement	Percentage of accumulated guarantee amount to net assets value from the latest financial statement	Limit of total guarantee/ endorsement amount	Guarantee provided by parent company	Guarantee provided by a subsidiary	Guarantee provided to subsidiaries in Mainland China
		Name	Relationship										
0	Tatung System Technologies Inc.	Chyun Huei Commercial Technologies Inc.	2	303,122	50,000	50,000	-	-	3.30 %	757,805	Y	N	N
0	Tatung System Technologies Inc.	TISNet Technology Inc.	2	303,122	84,000	84,000	-	-	5.54 %	757,805	Y	N	N

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

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

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

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

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

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

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

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

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

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

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

(iii) Securities held as of March 31, 2024 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Stock-Ausenior Information Co., Ltd.	-	Financial assets at fair value through profit or loss, non-current	1,400,000	28,527	9.33 %	28,527	
The Company	Stock-Tatung Co.	Investment compaines evaluated by the equity method of the company	"	736,000	41,584	0.03 %	41,584	

(Continued)

TATUNG SYSTEM TECHNOLOGIES INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
Tatung System Technologies Inc.	Tatung Co.	Investment companies evaluated by the equity method of the company	151,332	1.59	-		9,189	-

- (ix) Trading in derivative instruments:None
- (x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	Tatung System Technologies Inc.	TSTI Technologies (Shanghai) Co., Ltd.	1	Accounts receivable - related parties	13,394	According to the conditions in the contract	-%
0	Tatung System Technologies Inc.	TSTI Technologies (Shanghai) Co., Ltd.	1	Long term receivable - related parties	27,351	"	1%
1	TSTI Technologies (Shanghai) Co., Ltd.	Tatung System Technologies Inc.	2	Accounts payable - related parties	41,281	"	1%

Note 1: Company numbering as follows:

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

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

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

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

(b) Information on investees:

The following is the information on investees for the three months ended March 31, 2024 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Investor company	Investee company	Location	Main businesses and products	Original investment amount		Balance as of March 31, 2024			Net income (losses) of investee company	Investment income (loss) recognized	Note
				March 31, 2024	December 31, 2023	Shares	Percentage of ownership	Carrying value			
Tatung System Technologies Inc.	Chyun Huei Commercial Technologies Inc.	Taipei City, Taiwan	Computer and business equipment wholesale or retail and information software service	7,740	42,740	7,500,000	100.00 %	100,753	(492)	(492)	
Tatung System Technologies Inc.	TISNet Technology Inc.	Taipei City, Taiwan	Telecommunications business, cloud information services and information security services	62,590	62,590	6,750,000	100.00 %	74,240	960	960	
Tatung System Technologies Inc.	I-Torch Technology Corp.	Taichung City, Taiwan	Software wholesale, equipment management and consulting service	5,000	5,000	500,000	20.00 %	5,481	395	79	

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

(Continued)

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

(c) Information on investment in Mainland China:

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

(In Thousands of New Taiwan Dollars)

Investee company	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2024	Investment flows		Accumulated outflow of investment from Taiwan as of March 31, 2024	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) recognized	Carrying value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
TSTI Technologies (Shanghai) Co., Ltd.	System integration service	72,444 (RMB15,000)	(1)	137,404 (USD4,606)	-	-	137,404 (USD4,606)	(1,179) (RMB270)	100.00%	(1,179)	(3,601)	-

Note 1: As of March 31, 2024, the Company continued to recognize the loss of its subsidiary, TSTI Technology (Shanghai) Co., Ltd, according to the shareholding ratio, resulting in the credit balance of the carrying amount of the long term equity investment , recognized as "credit balance of investments accounted for using equity method"; hence, was eliminated in the preparation of the consolidated financial statements.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of March 31, 2024	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
137,404 (USD 4,606)	137,404 (USD 4,606)	909,366

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

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

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

Note 3: The financial statements of TSTI Technologies (shanghai) Co., Ltd. has not been reviewed.

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

Note 5: The above amounts were translated into New Taiwan Dollars at the exchange rate 32 as of March 31, 2024.

(iii) Significant transactions:

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

(Continued)

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

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Tatung Co.		38,386,499	43.34 %
Genesis Technology Inc.		7,200,000	8.13 %
Hsu, I-Yin		6,819,000	7.69 %
Twinbot International Consultants Limited		5,889,000	6.64 %

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

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

(14) Segment information:

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